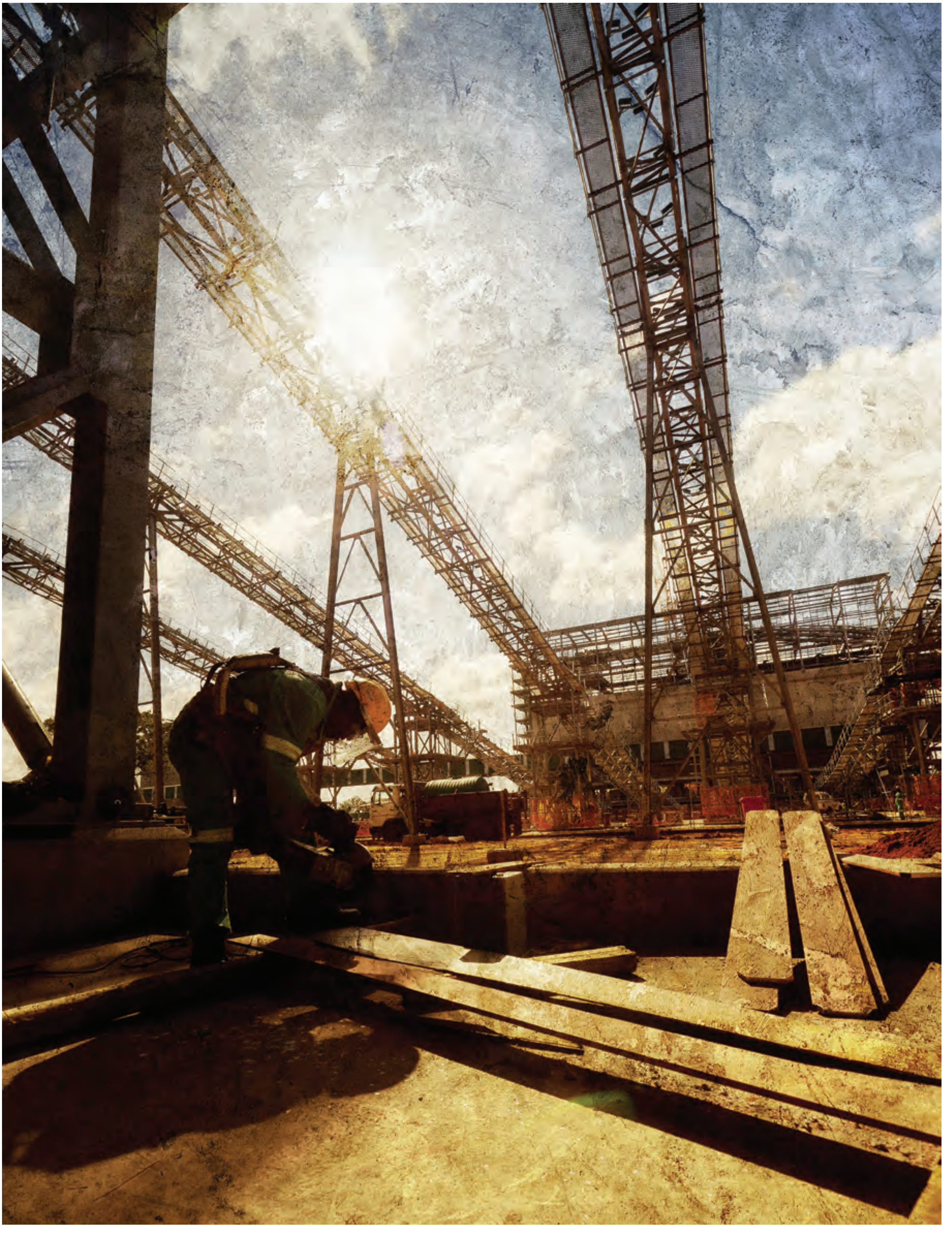

2013
Integrated report

exxaro
POWERING POSSIBILITY

CONTENTS

BOARD RESPONSIBILITY

The board acknowledges its responsibility for the integrity of Exxaro's integrated report and supplementary information. Although the process of integrated reporting is still evolving, Exxaro has integrated all the elements of its sustainability and financial disclosure in this report. Continuous efforts are made to incorporate best practice and improve our level of reporting, including an independent assessment of key aspects of sustainability reporting and disclosure by PricewaterhouseCoopers Incorporated (PwC).

The board reviewed and finally approved the content of the integrated report prior to publication.

Len Konar
Chairman

Sipho Nkosi
Chief executive officer

31 March 2014

CERTIFICATE BY GROUP COMPANY SECRETARY

for the year ended 31 December 2013

In terms of section 88(2)(e) of the Companies Act No 71 of 2008, as amended (Companies Act), I, CH Wessels, in my capacity as group company secretary, confirm that, to the best of my knowledge and belief, for the year ended 31 December 2013, Exxaro Resources Limited (Exxaro) has filed with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.

Carina Wessels
Group company secretary

Pretoria

31 March 2014

THIS ICON REFERS TO FURTHER READING AT WWW.EXXARO.COM

THIS ICON REFERS TO FURTHER READING IN THIS REPORT

SALIENT FEATURES

ZERO FATALITIES
record 14 months without a fatality

Coal production at **38,9Mt** down 3%

Lost-time injury frequency rate at 0,19 down **34%**

Coal exports of **4,5Mt** up 15%

Headline earnings per share (HEPS) of **1 463** cents, up 4%

Total dividend of **550** cents per share, up 10%

Unique occupational risk exposure profile implemented to further reduce incidence of occupational disease

Mayoko mining convention in Republic of the Congo signed, Zincor refinery sold, New Clydesdale Colliery sale agreement signed

Wetland plans and ongoing rehabilitation at all business units

19 days of industrial action in first quarter caused coal production losses of 2,2Mt

EXXARO GROUP

Exxaro is one of the largest South Africa-based diversified resources groups, with interests in the coal, titanium dioxide, ferrous and energy markets and current business interests in South Africa, Botswana, Republic of the Congo, Inner Mongolia and Australia. The company is the second-largest coal producer in South Africa with current production of almost 40 million tonnes per annum (Mtpa), and is listed on the JSE Limited, where it is a constituent of both the Top 40 and Socially Responsible Investment (SRI) indices.

At 31 December 2013, Exxaro had assets of R49,5 billion and a market capitalisation of R52 billion (US$5,02 billion).

Although our company is just seven years old, our pedigree and wealth of skills stretch back over decades as a company rooted in South Africa and respected among its peers for its innovation, ethics and integrity.

Based on a well-executed strategy, solid returns, access to funds and quality resources, Exxaro is a unique listed investment opportunity into its chosen commodities. Exxaro was one of the top 10 mining companies globally in terms of total shareholder returns in 2012*, and remains on track to add significant value to all stakeholders in the longer term.

* *Boston Consulting Group*

COAL

Through seven managed coal mines, Exxaro produces almost 40Mtpa of power station, steam and coking coal. All power station coal is 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. It is the only producing mine in the coal-rich Waterberg, adjacent to Eskom's existing Matimba and new Medupi power stations.

A robust pipeline of greenfield and expansion projects will keep Exxaro among the top coal producers in South Africa. Exxaro also produces semi-coke and related products for the rapidly growing ferroalloys industry.

MANAGED OPERATIONS

FERROUS

Our 2012 acquisition of African Iron Limited gave substance to our strategy of expanding into the ferrous metals sector. This operation and related exploration opportunities in the Republic of the Congo, an iron ore development frontier, are an attractive platform for further growth in a key commodity. We believe the fundamentals of iron ore are positive in the medium to long term and we are drawing on in-house expertise and experience in mining bulk commodities to unlock this potential. The board made a strategic decision not to commit further capital funds until the mining convention and rail and port agreements have been finalised, which is expected to occur by mid-2014.

Exxaro FerroAlloys produces gas-atomised ferrosilicon for use in dense medium separation plants. An expansion programme has been approved, with commissioning expected late in 2014.

AlloyStream™, a proprietary technology development in cooperation with Assmang to produce high-carbon ferromanganese, is running a second campaign to validate demonstration facility performance.

TITANIUM DIOXIDE

Exxaro's mineral sands operations consist of a 26% direct equity interest in KZN Sands and the Western Cape operations of Namakwa Sands as well as a 44,4% equity interest in US-listed Tronox Limited (Tronox) which owns the remaining 74% in KZN Sands and Namakwa Sands in addition to other mineral sands interests outside of South Africa. Tronox is the world's largest fully integrated producer of titanium ore and titanium dioxide (TiO_2).

OTHER

Energy

In terms of our strategy, we are actively participating in renewable energy initiatives, both to ensure security of supply for our own operations and to reduce our carbon footprint.

Cennergi Proprietary Limited, our joint venture with Tata Power, launched in 2012, achieved financial closure on two wind projects in the Eastern Cape with commissioning planned for 2016:

- Amakhala Emoyeni wind farm near Bedford (139MW)
- Tsitsikamma Community wind farm on Mfengu community land (95MW).

As part of each wind farm, Cennergi and its partners have developed detailed and consultative plans for community development.

During the review period, Exxaro announced a coal supply and offtake agreement for a 600MW coal-fired power plant in Limpopo with France's GDF SUEZ, a global leader in independent power production. This marks Exxaro's entry to the independent power producer market.

Exxaro has also partnered with Linc Energy Limited to develop energy solutions through underground coal gasification in sub-Saharan Africa, with a prefeasibility study to begin in 2015.

Construction of the co-generation plant at Namakwa Sands, on South Africa's west coast, has been completed and is managed by Tronox Limited. We believe co-generation is an important alternative energy supply in our country.

Base metals

Exxaro's remaining base metals portfolio includes only our effective 11,7% and 26% interests in Chifeng zinc refinery in Inner Mongolia and Black Mountain in South Africa, respectively. We will maintain the investment in Black Mountain, while considering divesting from Chifeng in 2016, when we reach the end of a 10-year tax regime.

READ MORE>
Page 12

EXXARO OWNERSHIP

Industrial Development Corporation (IDC)
15,29%

Dreamvision Investments Proprietary Limited (Eyesizwe[1])
54,07%

Capital Consortium Proprietary Limited (Eyabantu[1])
9,71%

Morning Tide Investments 168 Proprietary Limited (KagisoTiso[1])
9,71%

Basadi Ba Kopane[1] Investments Proprietary Limited
11,22%

Main Street 333 Proprietary Limited (BEE Holdco)
52,09%

Anglo American plc[2]
9,70%

Exxaro Mpower
0,83%

Minorities (free float)
35,38%

Other non-public shareholders
2%

exxaro

POWERING POSSIBILITY

COAL

- Second-largest coal producer in RSA
- Tied operations
- Commercial operations:
  - Waterberg
  - Mpumalanga

FERROUS

- 19,98% in SIOC[3], the fourth-largest supplier in international iron ore seaborne trade
- Operations:
  - 90% Mayoko project[4],
  - FerroAlloys
  - AlloyStream™

TiO_2[5]

- 44,4% in Tronox, the world's largest fully integrated producer of titanium ore and titanium dioxide, as well as mineral sands feedstock

OTHER

- Clean energy:
  - 50:50 JV with Tata Power in Cennergi
- Base metals:
  - 26% in Black Mountain
  - 11,7% in Chifeng

1 Special purpose vehicles for shareholders in Main Street 333 Proprietary Limited.
2 Held through Anglo South Africa Capital Proprietary Limited.
3 Sishen Iron Ore Company Limited.
4 Republic of the Congo government 10% free-carry.
5 Titanium dioxide.

ABOUT THIS REPORT

In addition to this printed report, an electronic copy and comprehensive supplementary information are available on our website www.exxaro.com.

Each year, Exxaro produces an integrated report detailing its economic, social and environmental performance for a group-wide understanding, and setting out the challenges and opportunities ahead. This report covers the financial year to 31 December 2013, as well as key subsequent developments, and follows the 2012 report.

Reporting on all aspects of our business remains a cornerstone of our commitment to sustainability and our determination to entrench global safety and sustainability best practices in all operations.

Content is guided by our strategic objectives (page 12 to 15), legislative and regulatory requirements, including the Companies Act No 71 of 2008, as amended (Companies Act), and the Listings Requirements of the JSE Limited (Listings Requirements), as well as global best-practice standards, including the International Integrated Reporting Committee, United Nations Global Compact, Global Reporting Initiative (GRI G3), the King Report on Governance for South Africa 2009 (King III) and ongoing consultation with stakeholders. Under the revised reporting requirements of the Department of Mineral Resources for the mining charter scorecard, Exxaro discloses its performance per mining right for the period to 31 December 2013 post the end-March 2014 deadline on its website. Group performance is disclosed in this report.

The content of this report, which is only produced in English, has again been prepared in line with GRI intermediate application level B+, with the expanded GRI index on our website. The supplementary information on our website provides detailed disclosure on key aspects of our operations. Methods for determining specific indicators are summarised in the text or detailed in our GRI index.

Corporate activity since Exxaro's inception makes data comparability challenging in some areas; this is explained where it will aid understanding. This report includes limited information on operations where we do not have management control but have a significant equity interest which can include joint control, namely Sishen Iron Ore Company (iron ore), Tronox Limited (mineral sands) and Cennergi (energy). In this report, we include lost-time injuries and fatalities for our Mayoko (Republic of the Congo) project, and are expanding sustainability indicators for this operation.

Disclaimer

Opinions expressed in this report are, by nature, subject to known and unknown risks and uncertainties. Changing information or circumstances may cause the actual results, plans and objectives of Exxaro Resources Limited to differ materially from those expressed or implied in any forward-looking statements. Financial forecasts and data in this report are estimates which at times are based on reports prepared by experts who, in turn, may have relied on management estimates. Undue reliance should not be placed on such opinions, forecasts or data. No representation is made on the completeness or correctness of opinions, forecasts or data in this report. Neither the company nor any of its affiliates, advisors or representatives accepts any responsibility for any loss arising from the use of any opinion expressed, forecast or data in this report. Forward-looking statements apply only as of the date on which they are made and the company does not undertake any obligation to publicly update or revise any of its opinions or forward-looking statements, whether to reflect new data or future events or circumstances. The financial information on which the forward-looking statements are based have not been audited nor reported on by the company's independent external auditors.

Ongoing feedback from a range of stakeholders helps us to contextualise certain issues better for more informed understanding by readers.

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Email: hanno.olinger@exxaro.com | www.exxaro.com

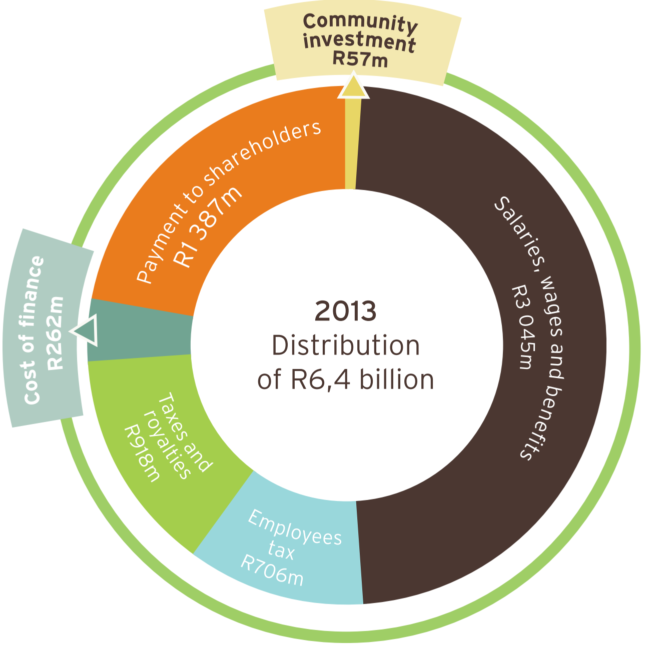
VALUE CREATED

Unique investment

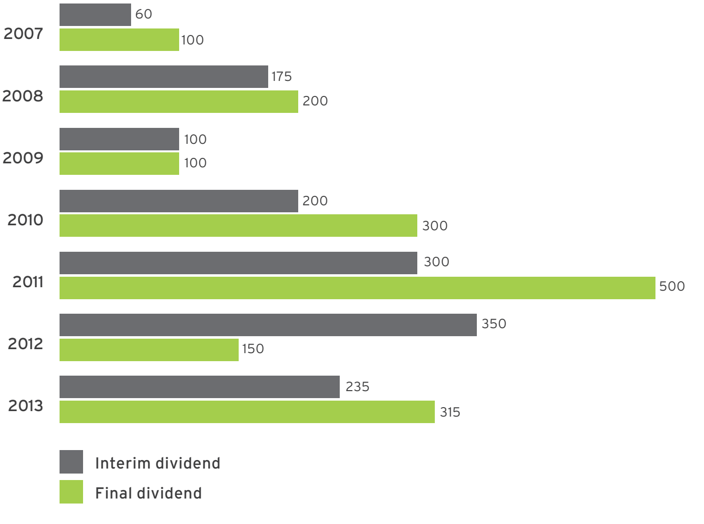
Exxaro's value as a long-term investment is demonstrated by:

- A track record of top-quartile returns, innovation and growth
- Strong and well executed growth strategy in industrial-application energy (including renewables), metal and mineral commodities
- Access to funds and good quality resources
- Leadership in risk management, energy and carbon management
- Integrated sustainability thinking
- Strong social, ethical and governance structures and processes
- Embracing the spirit of the South African mining charter and being an agent for change through significant contribution to sustainable social and economic development.

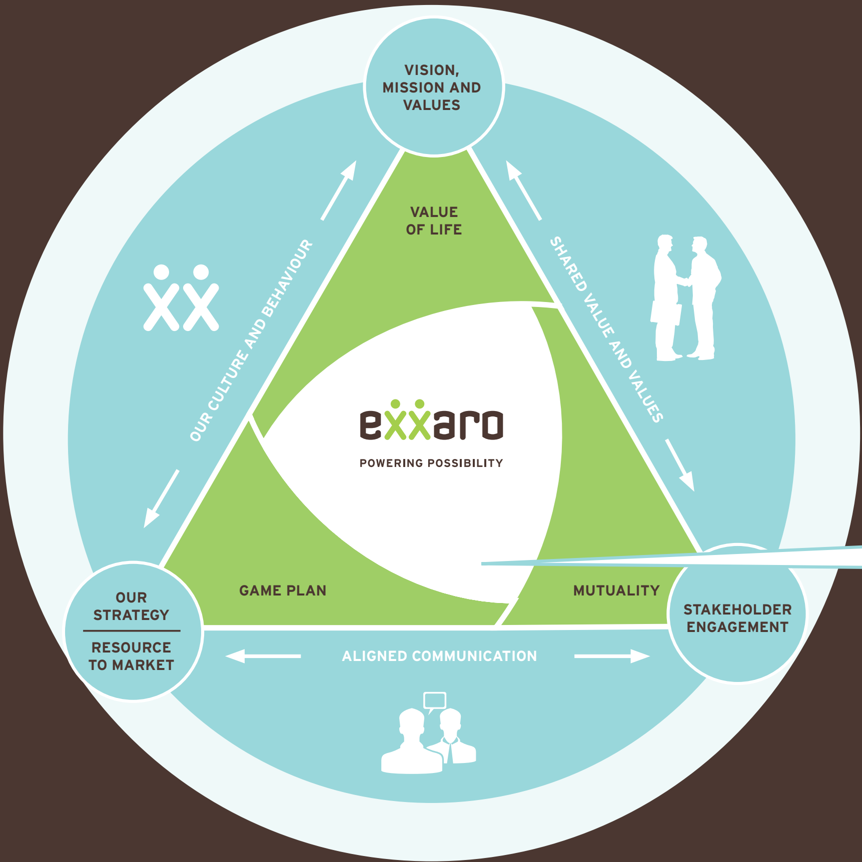
VALUE CREATED IN 2013



Dividends (cents per share)



BUSINESS PHILOSOPHY



OUR STRATEGY

- Demonstrate responsibility and accountability
- Develop leadership and people
- Optimise our portfolio
- Pursue operational and financial excellence.

RESOURCE-TO-MARKET

- Invest in energy, metal and mineral resources commodities that generate sustainable economic returns of 1,5 times the cost of capital
- Growth through industrial-application energy, metal and mineral commodities from diverse geographies by using our own capabilities and relevant partnerships
- Develop market insights for our products and innovate throughout the value chain for added value and competitive market advantage.

VISION

To be a powerful source of endless possibilities (reason for being).

MISSION

Create value for our stakeholders through innovation and passion.

VALUES

Our values that will guide us in our mission are:

- Empower to grow and contribute: we develop and use our knowledge and ingenuity to achieve Exxaro's vision
- Teamwork: we succeed together through a climate of respect and equality
- Honest responsibility: we speak the truth and are accountable for our actions
- Committed to excellence: we always strive to achieve excellence for ourselves, others and Exxaro.

BRAND

Sustainability means maintaining our reputation.

STAKEHOLDER ENGAGEMENT

Harness the universal powers of our stakeholders in favour of our strategy and objectives through principles of materiality, completeness and responsiveness*.

* *AccountAbility: AA1000SES.*

RESOURCE-TO-MARKET BUSINESS MODEL

KEY RESOURCES

NATURAL
- Land
- Water
- Wind
- Solar.

MINERAL RESOURCES
- Coal
- Titanium ore and titanium dioxide
- Iron ore.

PHYSICAL INFRASTRUCTURE
- Rail, port and roads.

HUMAN INTELLECTUAL
- Skills and capacity.

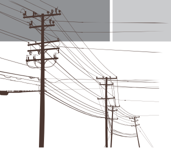
KEY ACTIVITIES

CORE VALUE CHAIN
- Resource acquisition
- Optimised resource management
- Beneficiation
- Joint venture investments
- Equity investments.

VALUE PROPOSITIONS

- Security of supply
- Power generation
- Investment security and sustainability
- Co-creation.

CUSTOMER SEGMENTS



- Power utilities
- Steel industry
- Domestic and international.

KEY PARTNERSHIPS

- Joint ventures, associates
- Suppliers
- Mining contractors.

CHANNELS

- Directly conveyed
- Indirect third-party logistics.

STAKEHOLDERS

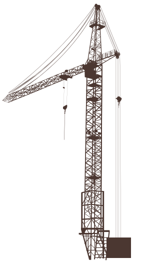
- Customers
- Shareholders
- Regulators
- Communities, media, public, NGOs
- Employees and unions
- Investors
- Suppliers.

COST STRUCTURES

COST-DRIVEN

Leverage off economies of scale and scope.

VALUE-DRIVEN



REVENUE STREAMS

PRODUCT SALES AND INVESTMENTS
- Metallurgical coal
- Thermal coal
- Domestic and exports
- Investment income
- Equity income
- Technology innovations.

STRATEGY

DELIVERING ON OUR STRATEGY

Our strategy is a key part of our philosophy. The strategy is complemented by the vision, mission and values, and reinforced by recognising the significance of stakeholder engagement in creating an enabling environment for our business to succeed. Exxaro's business philosophy describes the linkages among our beliefs of who we are and why we exist, our vision for the business and how we will achieve our mission through our business strategy.

READ MORE>
Page 12 to 15

The strategy is based on a resource-to-market business model (page 9) with the intent to ***invest*** (invest in energy, metal and mineral resource commodities that generate sustainable economic returns of 1,5 times the cost of capital), ***develop*** (develop market insights for our products and appropriate technology throughout the value chain for added value and competitive market advantage), and ***grow*** (extract energy, metal and mineral commodities from diverse geographies by using our own capabilities and relevant partnerships).

This strategic intent rests on four strategic objectives:

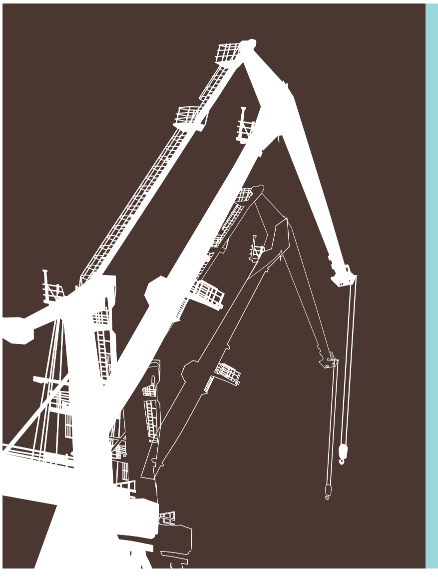
- To demonstrate responsibility and accountability to our stakeholders
- To optimise our portfolio of investments and operations
- To develop the capability of our leadership and people
- To continuously seek operational excellence and outstanding financial results.

Sustainable development

Exxaro acknowledges the five capitals (natural, human, social, manufactured and financial) model as a balanced approach to sustainable growth to increase our potential to invest and develop. Equally, we believe sustainability is an outcome of our actions – it is not a separate objective, but the foundation for our commitment to our strategic objectives which are, themselves, aligned to the five capitals (page 18).

Our growth over the next three to five years will be driven by diverse commodities in energy, metals and minerals from the operations and opportunities detailed on page 12 to 13. Each commodity strategy is supported by a vision, description of growth prospects and the related timeline and estimate of capital.

Our strategy is dynamic – anticipating and responding to external elements – and we have proven our ability to deliver on this strategy as summarised from page 12.



We believe in the power of people and their ability to explore and shift boundaries which lead to success.

Strategic objective	Measures
Demonstrate responsibility and accountability to protect our reputation Protect and build Exxaro's reputation by being responsible and accountable to stakeholders through engagement, legislative compliance, transparent reporting, resource management, and social and environmental stewardship	• Sound stakeholder engagement
	• Compliance risk management plans in place
	• No reportable cases of environmental incidents
	• Valid and enforceable mining rights secured
	• Reputation through good governance
	• Commitment to environmental stewardship
	• Brand perception as proxy for reputation confirmation
	• Stoppage directives (includes MHSA, MPRDA, NWA and NEMA)
	• Compliance to: – Mining charter and social and labour plan, per site and per element, but with ownership for the overall group – BBBEE level – group performance against targets in DTI codes

OUTLOOK

Despite global economic risks (mainly related to oil prices, United States tapering of quantitative easing and the fragile Euro zone, volatile exchange rates and commodity prices), the global economy still points to a gradual recovery for 2014. The South African economic growth outlook is expected to remain fragile with a weakening exchange rate which will dampen domestic demand and increase inflation. Labour discontent on the back of unresolved socio-economic issues and union rivalry are expected to remain a challenge for the local mining industry.

2014 coal export sales are expected to be affected mostly by commodity price volatility, ZAR/US$ exchange rate fluctuations and the availability of trains from Transnet Freight Rail (TFR). As Exxaro has ceased production at the NCC export mine in 2013, export performance in 2014 will hinge largely on TFR performance between the Waterberg and Richards Bay. Both thermal and coking coal seaborne markets are expected to remain soft given an oversupply of coal globally. Developments on TFR's first-phase expansion of capacity, on the line from Lephalale in the Waterberg, from 4Mtpa to 23Mtpa by 2018 are expected to have a positive long-term impact on Exxaro's bottom line. That expansion is crucial to the group meeting its commitments to Eskom. Given that Mpumalanga coal deposits will have largely been exhausted in the medium term, keeping the Mpumalanga power stations going with coal from the Waterberg has been designated a national development priority.

In the domestic market, demand for steam and metallurgical coal is expected to be stable in 2014. Demand for power station coal from Eskom is, however, expected to be weaker than in 2013 due to

Performance in 2013	Outlook or objective for 2014
• Refer to section on stakeholders on page 38	• Progress to introduction of AccountAbility AA1000SES stakeholder engagement standard
• Compiled compliance risk management plans supported by risk management enabler and focused on material compliance risks. Refer page 24	• Compliance risk management plans to be rolled out through control self-assessment questionnaires
• No level 3 environmental incidents for the past three years	• No reportable environmental incidents above R500 000, ie no level 3 environmental incidents
• Current status: – Grootegeluk, Mafube and Goni (Tshikondeni) – registered – Magvanti (Gravelotte), Leeuwpan and Leeuwpan Ext, Arnot, Glisa (NBC), Inyanda, New Clydesdale, Belfast and Mafube Nooitgedacht – executed – Matla, Tshikondeni and Strathrae (NBC) – granted but execution by DMR in process – Thabametsi, Glisa South (Paardeplaats), Eerstelingsfontein (NBC – renewal) – submitted but approvals pending	• All mining rights, whether old-order mining right conversions or new mining rights, to be granted, registered and executed
• Refer to governance and remuneration section on page 60	• Enhanced reputation through good governance. Compliance and sound governance are non-negotiable and driven through our governance and risk management framework
• Selective performance: – 16 integrated water use licences (IWULs) approved and 10 applied for – Environmental rehabilitation trust fund asset for final closure of R685 million (including non-current assets held-for-sale) in place – Wetland management and enhancement through rehabilitation – Qualified for inclusion in JSE100 Carbon Disclosure Leadership Index with a score of 97 – Maintained inclusion in the JSE SRI index	• Additional IWULs approved • Mitigation of possible non-compliance to conditions of environmental authorisations post an independent environmental legal audit • Biodiversity: continued wetland management and enhancement through rehabilitation • Maintain inclusion in relevant socially and environmentally responsible indices
	• Brand perception survey
• Three section 54 and six section 55 directives received	• No stoppage directives
• Complied with: – Mining charter requirements for all categories/elements at a mining right level except employing people with disabilities – Level 4 contributory status achieved for BBBEE	• Full compliance to the mining charter elements and maintain level 4 contributory status revised DTI BBBEE codes

the current high level of coal stock-days at Eskom power stations.

Exxaro continues to engage with Eskom following the recent announcement of the delay in the construction of the Medupi power station and the impact this is expected to have on the previously revised volume off-take agreement between the two parties.

The focus on the Mayoko project in 2014 will be mainly on ensuring the successful conclusion of the detailed port and rail agreements. This is expected to be completed in the first half of 2014. It is also expected that the prefeasibility study on phase 2 will be completed in the fourth quarter of 2014.

Stable offtake is expected in the FerroAlloys business, with full production targeted. Eskom remains a threat to the ferroalloy industry, but has announced that it will not continue with its ‘electricity buy-back’ scheme and will employ other methods to reduce electricity consumption.

For Exxaro to remain a resilient, long-term, sustainable enterprise, we must continuously shape and adapt our business to external market conditions and geographical locations.

Continued review of costs is expected to assist the group to weather the next few years where cost pressures, subdued global demand and lower available sources of finance are critical for running a value-adding business.

Strategic objective	Measures
Optimise our commodity portfolio Top-quartile financial returns Diversified yet complementary portfolio of assets aligned with commodity strategy	• Healthy financial metrics
	• Diversified yet complementary portfolio of assets
Develop our leaders and people Developing strong leadership and empowered employees Ensuring a safe, healthy and skilled workforce	• Safety – Fatalities – LTIFR
	• Health – Accepted occupational disease rate – People tested positive and enrolled in HIV management programme
	• Capability development – Talent pool – Skills provision – Skills retention
Achieve operational and financial excellence Low-cost and high-quality product from efficient operations	• Operating margin • Solvency and liquidity metrics • Return on equity • Return on capital employed

Performance in 2013	Outlook or objective for 2014
• Refer to actual performance on page 112 of the web report	• Achieving financial metrics as approved as part of the risk appetite framework (due for approval in April 2014)
Sale of Zincor refinery **Coal** • Grootegeluk Medupi expansion project (GMEP) 97% complete • Project with GDF Suez on 600MW baseload power station by 2014, with coal supplied by Thabametsi • Disposal of New Clydesdale • Joint venture with Linc Energy on underground coal gasification	**Coal** • Continued ramp-up of GMEP • Thabametsi phase 1 bankable feasibility study • Belfast bankable feasibility study • Prefeasibility to begin in 2015
Ferrous • Mayoko: mining convention, port memorandum of understanding and rail framework agreements signed. Additional resources confirmed – total of 754Mt	**Ferrous** • Develop Mayoko in a phased approach once all components of the mining convention as well as the port and rail agreements have been finalised
Energy • Cennergi (joint venture with Tata Power) developing two wind farms – financial closure achieved in 2013	**Energy** • Construction of two wind farms to start in 2014 **Titanium dioxide** • Assessment of investment in Tronox including consideration of long-term fundamentals
• 2013 fatality-free • LTIFR improved by 34% to 0,19 with six business units LTI free	• Remain fatality free • Target of 0,15
• Cases of reported occupational diseases down 25% • HIV/Aids: voluntary testing and counselling up 26% to 95%	• Target of 95%
• R200 million spent on training in 2013 – 370 employees in management development programmes – Some 800 young people trained (80% historically disadvantaged) • Mpower paid dividends of R16 million in respect of FY13, benefiting 7 240 employees	• Targeted spend of 5% on payroll
Refer to actual performance on page 112 of our supplemental information on the web	• Achieving financial metrics as approved as part of the risk appetite framework (due for approval in April 2014)

EXXARO'S STANCE ON TECHNOLOGY DEVELOPMENT

We believe technology is a key enabler of new business and will generate substantial operational improvement through motivated people and managing systematic innovation processes.

Exxaro creates a competitive advantage by developing and applying superior technical processes for existing and emerging technology. We follow a technology management process – identifying, selecting, acquiring, exploiting value and protecting intellectual property. Our aim is not to develop technology to sell or licence, but to support current and future businesses with appropriate technology to be cost effective and to add value through improved throughput and product quality.

We form alliances with universities and research institutions to gain new scientific knowledge from fundamental/basic research (only focused on key technology areas) to be leveraged in a creative and cost-effective way. Exxaro will therefore keep the competency of applied research and process development intact as well as competencies in key technical areas of its core processes.

In 2010, we initiated a programme to embed innovation into Exxaro's DNA to realise our vision.
As part of this, the NEXT (new Exxaro tomorrow) programme is systematically preparing our company to capitalise on this envisaged future.

OUR VISION FOR THE MINE OF THE FUTURE

1. Sustainable licence to operate:
    - Creating inclusive wealth – all stakeholders
    - Balanced and sustainable partnership between government, community and resources industry
    - Small footprint/limited environmental impact
    - Self-sustaining, economically viable community beyond life of mine.
2. Smart exploration: accurate, predictable, instant, information and models
3. 100% resource extraction
4. Zero waste
5. Zero harm – safety/health
6. Energy, carbon and water neutral
7. Workforce equipped to support the future business
8. Hybrid/renewable/alternative energy solutions
9. Capitalise on trend of advanced/light materials/metals
10. Integrated, optimised and redefined value chain.

Exxaro creates a competitive advantage by developing and applying superior technical processes for existing and emerging technology.

APPROACH TO SUSTAINABILITY

For Exxaro, sustainability is both a journey and the destination. We recognise that sustainability is an important element in ensuring the future is secured for every one of our stakeholders. The concept of sustainability and implementation of its constituent parts are integral to both our strategy (page 10) and the way we measure the performance of our people.

In implementing our approach to sustainability, Exxaro is guided by the five-capitals model – a well-documented sustainability framework used globally. This framework is tailored to the nature of our business and the needs of our stakeholders.

The model uses a tiered approach where successive foundational layers need to be put in place to support Exxaro's strategy and ensure its sustainability. The figure above illustrates this approach:

- Cross-functional integrated and tiered
- The ultimate aim of the framework is to add value
- Focus on the issues most material to Exxaro across the capitals.

COMPLIANCE AND GOVERNANCE

In a tightly regulated industry within a developing democracy, our licence to operate is multifaceted – extending from corporate governance to social and environmental performance. The legal universe Exxaro operates in has been mapped and over 2 700 legal requirements govern mining across all economic, social and governance domains.

Good governance, as detailed on page 60, underpins our sustainability.

RISKS AND MATERIAL ISSUES

The next tier to address is risks and material issues (detailed on page 26). In practice, this runs in parallel with compliance requirements. Exxaro's risks are spread across the sustainability spectrum, and in 2013 Exxaro has successfully implemented a world-class enterprise risk management process across the entire organisation.

STAKEHOLDERS

Besides internal and external risks, it is important to consider stakeholders' perspectives of our business and their issues. Our approach to stakeholder engagement is detailed on page 38.

REPORTING

At all levels and across the sustainability spectrum, Exxaro reports on essential indicators to ensure we reach our goals. Until now, these have been guided by GRI. In future, reported key performance indicators may vary annually but all are intended to measure the most pertinent operational matters, risks and sustainability indicators.

GAPS

When gaps in Exxaro's compliance targets, risks and material issues, and stakeholder issues have been identified, it is imperative to close those gaps. In Exxaro, a comprehensive combined assurance framework that collates all issues emanating from level 1, 2 and 3 audit findings was implemented in 2013 (page 26).

OPPORTUNITIES

To ensure Exxaro's future economic sustainability, it is important to identify opportunities to anticipate and create the future in innovative ways. To support this drive Exxaro has a formalised NEXT programme (page 16), among many other initiatives.

VALUE ADDED THROUGH THE SUSTAINABILITY APPROACH

The value added to the business and stakeholders differs across the sustainability spectrum, and is both quantitative as well as qualitative. We add value because our sustainability approach extends beyond maintaining the organisation to development through growth, and playing a responsible role in society.

Sustainability capital	Summary of value added
Natural	• Lowered costs • Enhanced reputation • Social and environmental security
Human	• Health and safety • Quality skills • Intellectual capital • Market advantage • Improved quality of life • Transformation
Social	• Reduced cost of compliance • Security of rights • Stronger brand • Community cohesion and support • Customer preference
Manufactured	• Leveraged technology • Innovation • Material stewardship
Financial	• Shareholder returns • Investor security

VALUE-ADDED EMPOWERMENT

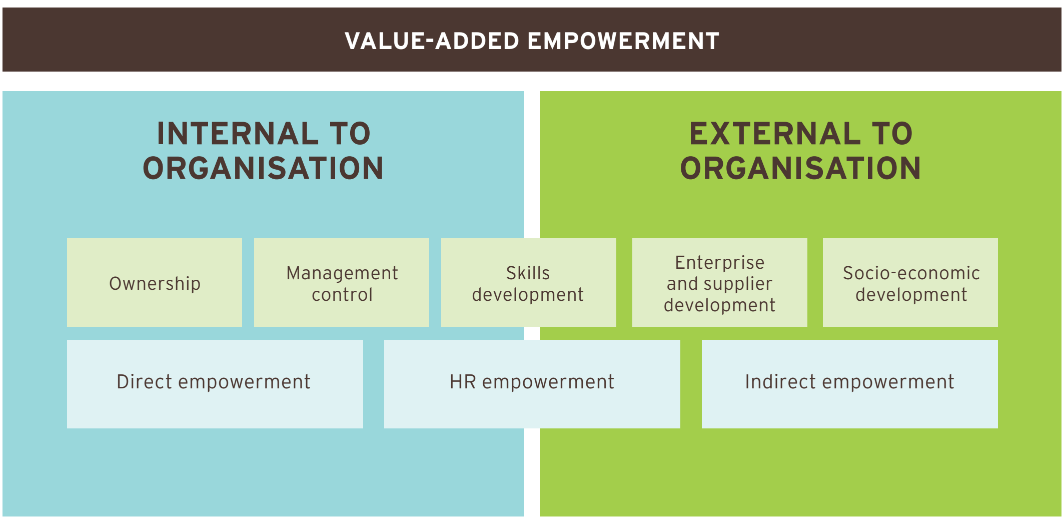
Compliance to both the mining charter and DTI codes enables Exxaro to add value, using a bottom-up approach to developing opportunities for empowerment (below).

KEY SUSTAINABILITY PERFORMANCE INDICATORS

Exxaro's key sustainability performance indicators are shown on page 20. These are currently guided by best practice as determined by GRI, but also interface with measurable indicators on key risks, compliance requirements, and any action or issue that will enhance the reputation of our organisation.

Understanding that scientifically-determined business risks will not always dovetail neatly with issues stakeholders consider important, each year we select the most appropriate combination of indicators for external assurance – based on materiality or as an external verification of continual improvement.

In 2013, the indicators shown overleaf were assured by PwC.



APPROACH TO SUSTAINABILITY
continued

KPIs assured by PwC

	2013	Level of assurance	2012	2011
Mining charter				
Procurement from BEE entities (R value and % of total procurement)		Reasonable		
Capital	R1 937 107 893 49%		R7 944 881 112[1]	R4 861 010 000[1]
Services	R2 620 387 614 58%		–	–
Consumable goods	R2 654 651 605 62%		–	–
Employment equity[2]		Reasonable		
Top management	60%		60%	–
Senior management	53%		34%	–
Middle management	55%		54%	–
Junior management	65%		64%	–
Safety				
Fatalities	0	Reasonable	2	3
Lost-time injuries (LTIs) – employees and contractors	41	Reasonable	66	48
Lost-time injury frequency rate (LTIFR) – employees and contractors	0,19	Reasonable	0,29	0,20
Occupational health				
Total number of people participating in HIV/Aids voluntary counselling and testing (VCT)	5 853	Limited	3 616	
Number of employees tested for HIV % (prevalence)	8,35	Limited	13	–
Number of reported (and accepted) cases of pneumoconiosis	37(3)	Limited	24	2
Number of reported (and accepted) cases of occupational tuberculosis	40(9)	Limited	66	19
Number of reported (and accepted) cases of noise-induced hearing loss	8(0)	Limited	12	13
Energy				
Total diesel used (GJ)	2 128 665	Reasonable	2 520 233	2 830 978
Total electricity used (GJ)	2 011 719	Reasonable	4 279 399	7 133 903
Energy efficiency (kWh/tonne mined)	4,4	Reasonable		
Greenhouse gases (t CO_2e)				
Direct CO_2 emissions from own operations (scope 1)	235 506	Limited	345 781	443 126
Indirect CO_2 emissions from electricity (scope 2)	525 282	Reasonable	1 117 409	2 041 095
Other indirect emissions (scope 3)	69 736 911	Limited	70 644 554	
Environmental compliance				
Number of integrated water use licences applications approved	16	Reasonable	21	14
Number of integrated water use licences applications pending	10	Reasonable	3	8
Number of level 2 and 3 environmental incidents	7-level 2 0-level 3	Limited	11-level 2 0-level 3	28-level 2 0-level 3
Water[3]				
Total potable water use m^3	2 504 390	Limited	12 209 689	29 292 490
Dust				
Environmental fallout dust: number of sites (single bucket points)	72	Limited	73	82
Environmental fallout dust: number of months exceeding 600mg/m^2/day	25	Limited	14	12
Environmental fallout dust: number of months exceeding 1 200mg/m^2/day	11	Limited	34	9
Land rehabilitation				
Land disturbed (hectares)	9 452	Limited	8 944	11 785
Land rehabilitated (hectares)	1 725		2 840	3 046
Waste				
Hazardous waste to landfill (tonnes)	1 349	Limited	1 484	99 435

1 *Total BEE procurement spend.*

2 *Figures for the eight operational mining rights with the exception of top management.*

3 *2011 and 2012 data refers to total water use while 2013 refers to total potable water use.*

This table should be read in conjunction with the supplemental information on our website which includes the context and criteria (page 110) for each indicator.

READ MORE>
Page 44 to 56

ASSURANCE REPORT

INDEPENDENT ASSURANCE REPORT TO THE DIRECTORS OF EXXARO RESOURCES LIMITED

We have been engaged by the directors of Exxaro Resources Limited ("Exxaro" or the "Company") to perform an assurance engagement in respect of Selected Sustainability Information reported in Exxaro's Integrated Report for the year ended 31 December 2013 (the "Report"). This report is produced in accordance with the terms of our contract with the Company dated 1 October 2013.

Independence and expertise

We have complied with the International Federation of Accountants' Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, and professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a multidisciplinary team of health, safety, environmental and assurance specialists with extensive experience in sustainability reporting.

Scope and subject matter

The subject matter of our engagement and the related levels of assurance that we are required to provide are as follows:

Reasonable assurance

The following identified sustainable development information in the Report (page 20) was selected for an expression of reasonable assurance:

- Number of fatalities
- Number of lost time injuries (LTIs) – employees and contractors
- Lost time injury frequency rate (LTIFR) – employees and contractors
- Total diesel used (GJ)
- Total electricity used (GJ)
- Total electricity efficiency (kWh/tonne)
- Scope 2 emissions (CO_2 tonnes)
- Number of integrated water use licences (IWUL) applications approved
- Number of integrated water use licences (IWUL) applications pending
- Procurement from HDSA suppliers (R-value and % spend of total procurement)
- Employment Equity (total number of employees per race, gender and grade).

Limited assurance

The following identified sustainable development information in the Report (page 20) was selected for an expression of limited assurance:

- Total number of people participating in voluntary counselling and testing (VCT)
- Number of employees tested positive for HIV – prevalence (%)
- Number of reported and accepted cases of Pneumoconiosis
- Number of reported and accepted cases of Occupational Tuberculosis
- Number of reported and accepted cases of Noise Induced Hearing Loss
- Scope 1 emissions (CO_2 tonnes)
- Scope 3 emissions (CO_2 tonnes)
- Number of level 2 and 3 environmental incidents
- Total potable water (cubic meter m^3)
- Environmental fallout dust: Number of sites (single bucket points)
- Environmental fallout dust: Number of months exceeding 600mg/m^2/day
- Environmental fallout dust: Number of months exceeding 1 200mg/m^2/day
- Disturbances versus land rehabilitation (hectares)
- Total hazardous waste to legal landfill (tonnes).

We refer to this information as the Selected Sustainability Information.

We have not carried out any work on data reported for prior reporting periods, nor have we performed work in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the Selected Sustainability Information.

Respective responsibilities of the directors and PricewaterhouseCoopers Inc.

The directors of Exxaro are responsible for selection, preparation and presentation of the Selected Sustainability Information in accordance with the criteria set out in Exxaro's internal corporate reporting policies and procedures on page 110 of the supplemental information collectively referred to as the "Reporting Criteria". The directors of Exxaro are also responsible for such internal control as the directors determine is necessary to enable the preparation of the Selected Sustainability Information that are free from material misstatements, whether due to fraud or error.

Our responsibility is to form an independent conclusion, based on our reasonable assurance procedures, on whether the Sustainability Information Selected for Reasonable Assurance has been prepared, in all material respects, in accordance with the Reporting Criteria.

We further have a responsibility to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the Sustainability Information Selected for Limited Assurance is not stated, in all material respects, in accordance with the Reporting Criteria.

This report, including the conclusions, has been prepared solely for the directors of the Company as a body, to assist the directors in reporting on the Company's sustainable development performance and activities. We permit the disclosure of this report within the Report for the year ended 31 December 2013, to enable the directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors as a body and the Company for our work or this report save where terms are expressly agreed and with our prior consent in writing.

ASSURANCE REPORT
continued

Assurance work performed

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements 3000 (ISAE 3000) – "Assurance Engagements other than Audits and Reviews of Historical Financial Information", having regard to International Standard on Assurance Engagements 3410 (ISAE 3410) - "Assurance Engagements on Greenhouse Gas Statement", issued by the International Auditing and Assurance Standards Board. These standards require that we comply with ethical requirements and that we plan and perform the assurance engagement to obtain either reasonable or limited assurance on the Selected Sustainability Information as per the terms of our engagement.

Our work included examination, on a test basis, of evidence relevant to the Sustainability Information Selected for Reasonable Assurance. It also included an assessment of the significant estimates and judgements made by the directors in the preparation of the Sustainability Information Selected for Reasonable Assurance. We planned and performed our work so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence on which to base our conclusion in respect of the Sustainability Information Selected for Reasonable Assurance.

Our work consisted of:

- Reviewing processes that Exxaro have in place for determining the Selected Sustainability Information included in the Report
- Obtaining an understanding of the systems used to generate, aggregate and report the Selected Sustainability Information
- Conducting interviews with management at the sampled operations and at head office
- Applying the assurance criteria in evaluating the data generation and reporting processes
- Performing control walkthroughs
- Testing the accuracy of data reported on a sample basis for limited and reasonable assurance
- Reviewing the consolidation of the data at head office to obtain an understanding of the consistency of the reporting processes compared with prior years and to obtain explanations for deviations in performance trends
- Reviewing the consistency between the Selected Sustainability Information and related statements in Exxaro's Report.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement, and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the Selected Sustainability Information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the Selected Sustainability Information in order to design procedures that are appropriate in the circumstances.

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

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time.

In particular, conversion factors used to derive carbon emission performance information are based upon information and factors derived by independent third parties.

Conclusions

Reasonable assurance

Based on the results of our procedures, in our opinion, the Selected Sustainability Information selected for reasonable assurance for the year ended 31 December 2013, has been prepared, in all material respects, in accordance with the Reporting Criteria.

Limited assurance

Based on the results of our procedures, nothing has come to our attention that causes us to believe that the Selected Sustainability Information selected for limited assurance for the year ended 31 December 2013, has not been prepared, in all material respects, in accordance with the Reporting Criteria.

Other matters

The maintenance and integrity of Exxaro's website is the responsibility of Exxaro's management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our independent assurance report that may have occurred since the initial date of presentation on Exxaro's website.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Marthie Crafford
Registered Auditor
Johannesburg

2 April 2014

RISK AND COMPLIANCE MANAGEMENT TO ENSURE EXXARO'S SUSTAINABILITY

Exxaro understands that risk and compliance run across our five sustainability capitals and that this needs to be managed at a strategic, tactical and operational level, using a consistent standardised approach to ensure we achieve our strategic objectives.

Exxaro made great strides in 2013 to embed a risk culture, where everybody in the organisation understands that the risks in their environment need to be managed to ensure we remain proactive in everything we do, whether we are making an investment decision or working at the coal face. This ensures we are resilient and can face the unique challenges of mining companies operating in an ever-changing economic and regulatory landscape.

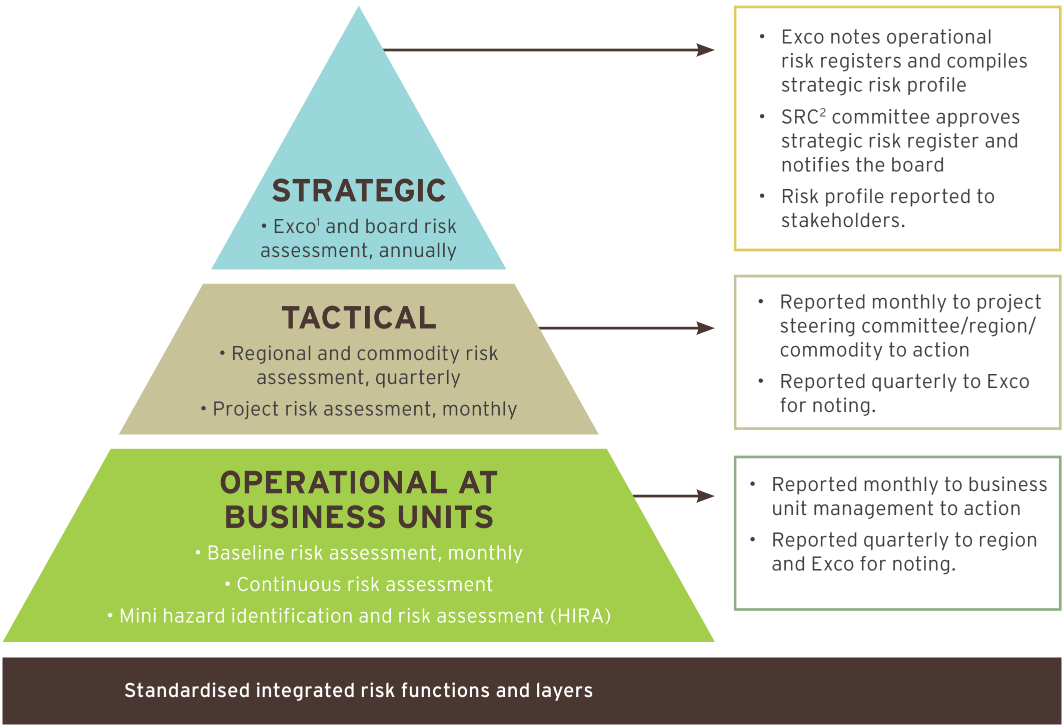
At Exxaro we manage compliance risks as part of business risk. This ensures the same diligence is applied when designing controls and action plans to ensure we remain compliant. This also means compliance controls are monitored through our combined assurance activities.

This enterprise risk management (ERM) methodology is followed across all functional areas and considers all hazards/root causes as well as all potential impacts (financial, operational, stakeholder, legal/compliance, safety, health and environment) that the risk event may trigger.

Risk owners are established across all layers for every risk and take accountability for ensuring the appropriate risk strategy is implemented. Control owners are appointed for every control and report to risk owners on maintenance of controls and implementation of action plans.

BOARD DISCLOSURE

Please refer to principle 2.7 in the King III compliance report on page 73, as well as chapter 4 in the detailed King III report on the web.



1 *Executive committee.*
2 *Sustainability, risk and compliance.*

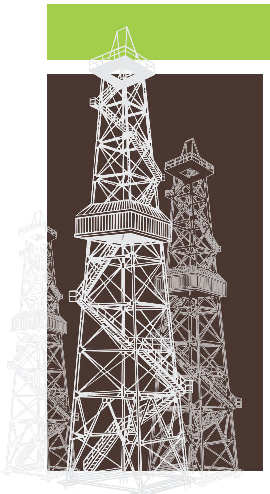
2013 ACHIEVEMENTS

Reflecting on 2013	Achieved (yes/no)	Comment
Rolling out the technology enabler to all business units, regional offices, corporate office and service functions throughout the year	Yes	• Awarded first prize by the Institute of Risk Management of Southern Africa for the best IT risk implementation in 2013 • All users received customised face-to-face training at corporate office and their business units • Reports submitted to executive committee and SRC directly from system to ensure transparency
Risk review sessions	Yes	• Quarterly risk review sessions conducted at all business units and annual session conducted with executive committee
Establishing risk appetite levels per strategic objective for the company and obtaining board approval	Yes	• Refer to page 33. Risk appetite framework to be approved in 2014
Risk aggregation and risk escalation policy established	Yes	• Methodology established, but not documented
Updating ERM framework	Yes	• Document reviewed and updated, risk terminology aligned to technology enabler terminology
Linking key performance indicators (KPIs*) and key risk indicators (KRIs**) to management performance contracts	In progress	• Risk owners for all risks, augmented by KPIs at strategic level, identified. This will now be linked to individual performance contracts • Risk appetite framework contains key risk indicators for every material performance area, articulated as risk thresholds
Conducting a risk maturity assessment	No	• Risk maturity assessment is scheduled for June 2014
Conducting compliance reviews on all activities with an environmental impact	Yes	• Environmental legal audit reports issued to business units and corrective actions under way
Compiling compliance risk management plans enabled by new risk management enabler	Yes	• Compliance risk management plans compiled, and will now be rolled out through control self-assessment questionnaires

* *Key performance indicator is the unit of measure to monitor both achievement of our strategic objectives and our material issues/risks, eg carbon footprint.*

** *Key risk indicator is the variance of the unit of measure to monitor the risk, eg target is to be carbon neutral and worst tolerable is 1% CO_2e reduction per annum.*

LOOKING FORWARD 2014



The following activities are planned for 2014

- The board to review and approve detailed risk tolerance levels
- Upgrading our risk management enabler to the newest version
- Implementing the SHEC risk management enabler and rolling it out to the business units
- Conducting risk review sessions within the updated technology enabler
- Rolling out the risk appetite framework to business units
- Monitoring and reviewing risk thresholds to ensure operations function within the board-approved framework
- Reviewing and updating the ERM framework
- Linking key performance indicators (KPIs) and key risk indicators (KRIs) to management's performance contracts
- Conducting a risk maturity self-assessment
- Conducting mining right audits for all operations.

OUTCOME

The detailed table overleaf illustrates Exxaro's top strategic risks as considered by the board. We use a top-down and bottom-up risk review approach where business unit risks, external risks as well as local and global risk survey information become input for the strategic layer.

RISK AND COMPLIANCE

SUMMARY OF TOP RISKS

	Strategic focus area	Risk name	Potential impact	Critical controls
1	Portfolio and financial performance	**Key dependency on customers**	• Legal and compliance • Operations • Safety • Financial	• Broadening local and international customer base • Establishment of rehabilitation trust fund • Regular liaison with Eskom • Renegotiation of Medupi coal-supply agreement
2	Portfolio and financial performance	**Unable to meet production demands**	• Operational • Financial • Stakeholder relations	• Accelerate business improvement projects currently running • Conduct more accurate geological studies • Performance and consequence management • Maintain the stockpile threshold • Develop condition-based budget model feeding from life-of-mine plan • Improve maintenance and asset management • Ongoing capital infrastructure planning aligned to strategy
3	Developing leadership and people	**Safety concerns**	• Safety • Operations • Financial • Stakeholder relations	• Analyse historical incident data to identify trends to get to root causes • Continuously report incidents • Continuously review industry benchmark on safety • Implement robust preventive maintenance processes and systems • Invest in education, training, communication and behaviour-based safety programmes • Use predictive modelling techniques to develop prevention strategies
4	Responsibility and accountability	**Government bureaucracy**	• Strategic • Financial • Project delays • Stakeholder relations • Legal and compliance • Human resources	• Active and constant interaction with government to speed up approvals • Build strong relationships with government • Close communication with communities and other affected parties
5	Portfolio and financial performance	**Commodity price volatility**	• Financial • Stakeholder relations	• Develop communication plan that quickly disseminates changes to operations • Improve speed of mine planning to match price volatility • Match commodity prices to customer base • Negotiate long-term, fixed-price contracts
6	Responsibility and accountability	**Unavailability of water**	• Strategic • Financial • Project delays • Stakeholder relations • Legal and compliance	• Establish public-private partnerships • Liaise through Chamber of Mines with government • Link water-intensity targets to performance targets

Key	*Description*
	Current residual risk rating increased.
	Current residual risk rating decreased.
	A new top 15 risk was identified.

Residual risk trend	Sustainability capital	Key performance indicators (KPIs)*	Combined assurance (line*)
	Financial	• Core operating margin (%) • Compound annual growth rate, based on core HEPS • Number of fatalities • Lost-time injury frequency rate (months without a fatality)	Line 3
	Financial	• People productivity of current assets (production tonnes/full-time employee) • People productivity of current assets (total tonnes handled/full-time employee) • Annualised return on capital employed (ROCE) (%) • Core operating margin (%) • Compound annual growth rate, based on core HEPS	Line 3
	Human	• Number of fatalities • Lost-time injury frequency rate (months without a fatality) • Stoppage directives (including MHSA, MPRDA, NWA and NEMA)	Line 3
	Social	• Number of authorisations outstanding	Line 1
	Financial	• Core HEPS (cps) – short-term target • Annualised ROCE (%) • Core operating margin (%) • Compound annual growth rate, based on core HEPS	N/A
	Natural	• Water intensity (% improvement)	

RISK AND COMPLIANCE

continued

	Strategic focus area	Risk name	Potential impact	Critical controls
7	Operational excellence	**Infrastructure capacity, access, development and funding**	• Financial • Stakeholder relations • Human resources	• Collaborate with government stakeholders to improve and initiate new infrastructure • Identify other stakeholders to co-develop a solution and extend infrastructure • Regular liaison with Transnet Freight Rail, Richards Bay Coal Terminal and other stakeholders • Understand return on infrastructure and consider appropriate funding
8	Portfolio and financial performance	**Competitiveness of assets (cost/ tonne)**	• Financial • Stakeholder relations • Operations	• Assign management accountants as business partners in relevant areas • Create strategic joint ventures to optimise economies of scale • Focus on sustainable cost-reduction programmes/business improvement initiatives • Focus on business unit's controllable efficiencies • Increased awareness of cost management • Investigate and divest non-core assets • Rebalance product chains to better use infrastructure (integrated logistics)
9	Responsibility and accountability	**State intervention in mining sector**	• Strategic • Financial • Human resources • Legal and compliance	• Be prepared to diversify (commodity mix and geographical areas) • Ensure effective stakeholder relations • Increase transparency of payments to governments • Participate in Chamber of Mines discussions and give inputs • Partner with state-owned enterprises • Work with multilateral agencies and other stakeholders (illustrate nationalism negatives)
10	Operational excellence	**Capital project execution**	• Financial • Stakeholder relations • Project delays	• Disciplined execution of value engineering study review • Asset portfolio review and management • Encourage a culture to report both successes and failures (lessons learnt) • Establish contingency plan (plan B) • Implement advanced assurance frameworks (independent review and oversight) • Monitor and track progress of capital projects • Ensure project and supply chain performance is monitored and managed • Establish a robust governance structure • Improve capex forecast accuracy
11	Responsibility and accountability	**Compliance to environmental legislation**	• Financial • Environmental • Reputational • Operations • Legal and compliance	• Compulsory inductions to all personnel and visitors • Conduct environmental management programme (EMPr) assessments • Ensure internal incident reporting • Liaise with authorities regularly • Perform environmental legal audits regularly (self-assessments) • Communicate updates on legal changes • Provide regular compliance awareness training

Key	*Description*
	Current residual risk rating increased.
	Current residual risk rating decreased.
	A new top 15 risk was identified.

Residual risk trend	Sustainability capital	Key performance indicators (KPIs)*	Combined assurance (line*)
	Manufactured	• Growth from coal commodities (Mt) • Project delivery measure (time and cost variance from plan) • Country risk as per assessment criteria (key drivers physical security and security of tenure) • Growth from coal commodities (Mt) • Annualised ROCE (%)	
	Financial	• Core operating margin (%) • Services cost as % of total operating cost • Annualised ROCE (%)	
	Social	• Annualised return on equity based on core headline earnings (%) • Core operating margin • Financial impact modelling of regulatory changes • Mining charter per site • BBBEE level	
	Manufactured	• Project delivery measure (time and cost variance from plan) • Individual projects' return on investment (ROI), measured by risk-adjusted weighted average cost of capital (WACC) • Country risk assessment	Line 3
	Natural	• Reportable cases of environmental incidents • Stoppage directives (including MHSA, MPRDA, NWA and NEMA) • Environmental authorisations • Environmental liability provisions (in place and adequate) • Environmental authorisations' compliance to conditions • Carbon footprint	Line 3

	Strategic focus area	Risk name	Potential impact	Critical controls
12	Responsibility and accountability	**Maintain social licence to operate**	• Financial • Reputational • Stakeholder relations • Legal and compliance • Operations	• Conduct SLP audits • Proactive involvement in sustainable socio-economic development initiatives • Adhere as a minimum to commitments in SLPs • Pursue identified initiatives to progressively improve Exxaro's BBBEE rating • Report on mining charter requirements (external and internal) • Report on SLP requirements (external and internal)
13	Developing leadership and people	**Mine rehabilitation**	• Financial • Environmental • Stakeholder relations • Legal and compliance • Operations	• Complete legacy projects • Conduct awareness and training • Manage rehabilitation trust jointly with Eskom • Undertake rehabilitation calculations and create accounting provision • Ensure insurance covers are in place • Establish rehabilitation programmes • Issue appropriate guarantees to DMR • Update EMPr to align with activities on the mine
14	Responsibility and accountability	**Inability to accurately determine financial closure obligations (cost of closure)**	• Financial • Environmental • Stakeholder relations • Legal and compliance	• EMPr extension for mining footprint • Independent consultants to conduct annual closure cost assessments • Ongoing consultation with authorities
15	Responsibility and accountability	**Labour unrest**	• Safety • Operations • Financial • Stakeholder relations	• Ensure proper leadership and high-performance culture • Ensure emergency stockpile is maintained (business continuity management plan) • Establish strike emergency response plan and team • Monitor execution of SLPs • Participate in Chamber of Mines forum • Regular communication to employees and communities • Regular labour and union liaison

Key
MHSA = Mine Health and Safety Act No 29 of 1986.
MPRDA = Minerals and Petroleum Resources Development Act No 28 of 2002.
NWA = National Water Act No 36 of 1998.
NEMA = National Environmental Management Act No 107 of 1998.

Key	*Description*
↑	*Current residual risk rating increased.*
↓	*Current residual risk rating decreased.*
★	*A new top 15 risk was identified.*

* *Line 1 – Management review.*
Line 2 – Internal assurance such as review by corporate service department as subject matter expert over a risk at a business unit.
Line 3 – Independent assurance.

Residual risk trend	Sustainability capital	Key performance indicators (KPIs)*	Combined assurance (line*)
↑	Social	• Mining charter, per site • BBBEE level	Line 3
↑	Natural	• Compliance to conditions of environmental authorisations • Environmental liability provisions (in place and adequate)	Line 3
↑	Natural	• Environmental liability provision	
↑	Social	• Mining charter, per site • BBBEE level • Organisational culture assessment	Line 3

RISKS

80%
have external root causes

60%
have people as root cause

27%
are compliance-related risks

BREAKDOWN PER STRATEGIC THEME

- Responsibility and accountability – 54%
- Developing leadership and people – 13%
- Operational and financial excellence – 13%
- Commodity portfolio – 20%.

SUSTAINABILITY CAPITALS: SPREAD OF RISKS

- Natural capital – 27%
- Human capital – 13%
- Social capital – 27%
- Manufactured capital – 13%
- Financial capital – 20%.

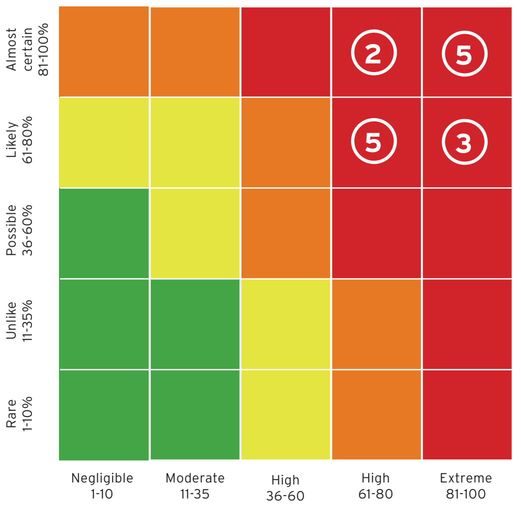
Heat map

The Exxaro heat map is designed to indicate high-impact/low-probability risks as red to emphasise that, should any of these risks materialise, it would have an extreme impact on the organisation and need to be monitored and reviewed constantly. The same applies to high-probability/low-impact risks which are indicated in yellow as they occur frequently and need to be managed. The controls related to these risks are considered critical and need to be monitored and reviewed constantly in line with the combined assurance approach.

The heat map below illustrates Exxaro's top strategic risks as shown on page 26 inherently (before any controls) as well as residually (after controls) identified through our ERM process as approved by the board.

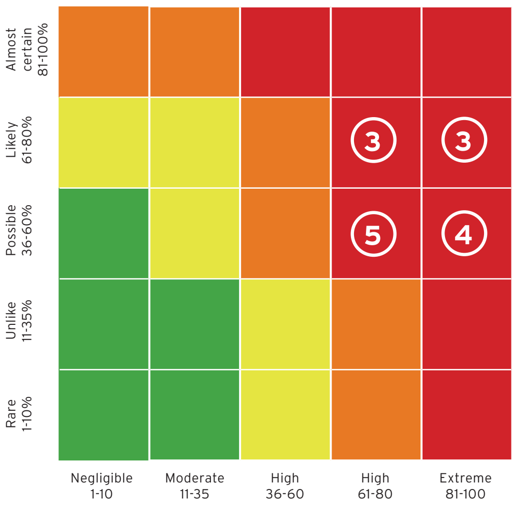
Figures in each heat map reflect the number of risks in that quadrant.

Inherent risk rating



Impact

Residual risk rating



Impact

Probability legend*	
Factor	Description
> 80-100	Almost certain
> 61-80	Likely
> 36-60	Possible
> 10-35	Unlikely
< and = 10	Rare

Impact legend*	
Factor	Description
> 80-100	Extreme
> 61-80	Major
> 36-60	High
> 10-35	Moderate
< and = 10	Negligible

* *Colours will not correlate with the heat map, as the heat map assists in prioritisation of risks.*

Risk appetite

Risk appetite answers the question "how much risk do we take as a group?" This will ensure decisions are made after considering quantifiable, impartial measures in pursuit of strategic objectives, and that we take calculated risk in making decisions.

Exxaro's philosophy on risk management has always been not to entrench a compliance-driven approach but to view risk management as a strategic enabler to ensure that we think and act proactively at every layer in pursuit of our objectives.

In selecting the appropriate methodology to determine our approach in developing the risk appetite framework, this was taken into account. The purpose of the methodology is to ensure that risk appetite has an external proxy, one that is objective – something that can be seen and measured impartially. This is more commonly known as risk thresholds – external expressions of our risk appetite.

Risk thresholds were set in 2013 for every strategic objective and, in aggregate, they reflect the risk appetite of Exxaro. The following process was used:

- Interviews with the executive committee and key information owners in senior management, based on strategic objectives categorised according to our five capitals
- The outcome was a set of themes relating to Exxaro's biggest inherent risk exposures which were linked to a specific sustainability capital. These themes were coupled with a set of performance measures indicating a target (the measure that will lead us to achieving our strategic objectives) with a best-realistic (where are we now) and worst-tolerable variance.

Extract of the risk appetite framework

Strategic theme	Sustainable capital	Measure	Worst tolerable*	Best realistic*	Target*
Responsibility and accountability	Natural	Reportable cases of environmental incidents	Any reportable incident >R500 000	No significant reportable incident (>R500 000 cost)	No reportable incident (R10 000-500 000)
Responsibility and accountability	Natural	Carbon footprint	1% CO_2e reduction per annum	5% CO_2e reduction per annum	Carbon neutral by 2030
Responsibility and accountability	Human	Fatalities (months without a fatality)	<12	>24	Indefinite
Responsibility and accountability	Social	Ownership – group	26%	52%	26%
Responsibility and accountability	Social	Mining charter, per site and element indicating compliance (%)	100%	100%	100%
Operational excellence	Manufactured	Country risk as per assessment criteria (key drivers are physical security and security of tenure)	Go-countries	Go-countries	Go-countries

* *Target (the measure that will lead us to achieving our strategic objectives), best-realistic (where we aim to be) and a worst-tolerable variance (the worst we are prepared to accept).*

Materialised risks

Only one strategic risk materialised in 2013 with a concomitant impact on Exxaro:

Risk materialised	Financial impact from damages	Financial impact due to additional services rendered	Financial impact from tonnes lost	Comments
Labour unrest	R384 703	R2 469 100	2 167kt	Strategies were implemented to recover lost tonnes. Responses to mitigate and reduce the impact of this risk occurring in future are in place (refer to risk 15: labour unrest)

COMBINED ASSURANCE

In 2013, Exxaro continued to embed combined assurance and ensure its activities are risk-based. A number of initiatives were implemented to improve our combined assurance process to ensure key controls are monitored and users understand the need to link assurance with their risk profiles.

Work to date has given Exxaro a holistic picture of material issues that need to be addressed to improve internal control systems in the business.

Please refer to our website and principle 3.5 of the King III compliance report for more details.

Highlights – FY13	Challenges – FY13
Establishment of combined assurance forum to coordinate assurance activities and monitor implementation of annual coverage plan	Some combined assurance activities continued outside the approved average plan which resulted in duplicated resources
Completion of specific phases of the assurance review which uncovered significant issues on assurance management in the company	Embedding the combined assurance framework and process, largely role clarity for assurance lines of defence*
Enhanced process of developing integrated audit assurance coverage plan by sourcing information directly associated with risk profiles of the company	Timely implementation of outcomes and recommendations of assurance reviews and developing relevant actions to address deficiencies
Rolling out issue tracking management tool to record, manage and report on action plans	

* *Line 1 – Management review.*
Line 2 – Internal assurance such as review by corporate service department as subject matter expert over a risk at a business unit.
Line 3 – Independent assurance.

Statistical report of SHEC assurance assessments: FY13

Risks	Number of risks	No assurance	Limited assurance	Adequate assurance	Over-assurance
Arnot SHEC risks	5	2	2	1	0
Grootegeluk SHEC risks	3	0	2	1	0
Inyanda SHEC risks	2	0	0	2	0
Leeuwpan SHEC risk	1	0	0	0	1
NBC SHEC risks	3	0	2	1	0
Total	14	2	6	5	1

Key

Status

No assurance	*No assurance provided.*
Limited assurance	*Some assurance provided (but room for improvement).*
Adequate assurance	*Appropriate assurance provided regularly.*
Over-assurance	*Over-assurance provided (cost and effort outweighs the benefit).*

Major assurance assessment and results

As the combined assurance process gains momentum, Exxaro commissioned a third line of defence review on key areas that link directly to our strategic focus. The intent was to assess the adequacy and effectiveness of systems of internal control to comply with applicable rules and regulations.

Assurance area	Assurance providers	Focus area	Results/ outcomes	Framework/standards Exxaro complies with
Mining charter	E&Y	• Grootegeluk mine • Matla mine • Leeuwpan mine	Compliance to 2012 mining charter targets	DMR mining charter scorecard aligned to the amendment of the broad-based socio-economic empowerment charter for the South African mining and minerals industry (September 2010). Section 100(2)(a) of the MPRDA provides for a mining charter to give effect to the provisions of this act
BBBEE	SizweNtsalubaGobodo	Corporate office	Level 4 contribution status for FY12	Broad-Based Black Economic Empowerment Act No 53 of 2003) Codes of good practice
Sustainability KPIs	PwC	• Grootegeluk mine • Matla mine	Compliance and performance against selected sustainability KPIs Assessment: Improvements were noted where number of findings/observations have reduced from 2012. There are still areas that require some attention.	• Risk management • Material issues • Combined assurance framework • Global Reporting Initiative (GRI) • United Nations Global Compact (UNGC)
Social return on investment (SROI) for community projects	KPMG	All business units	An average SROI index >1,30 (all values over 1,00 have a positive return on investment)	Framework was developed by KPMG
Environmental legal audit	EoH Legal Services	All business units	Legal audit conducted in Q4 2013 with scope covering compliance to conditions stipulated in environmental licences of businesses. Assessment: finalisation and sign-off of reports took longer than expected and, as a result, the consolidated final report will be presented to the audit committee in 2014	• EMPr compiled in terms of MPRDA • National Water Act • NEMA

Targets for FY14

- Engage business units, regions and corporate office to take ownership of the assurance process
- Process owners to address shortcomings identified in combined assurance review to date and integrate their actions on issue tracking management tool
- Roll out initiatives to embed combined assurance across the company from business units to corporate office
- Strengthen combined assurance forum and continuously engage key stakeholders
- Continuously align the outcomes of combined assurance reviews with risk management efforts to redirect the business to risks that require attention.

ACCOLADES AND AWARDS

Sustainability	
Frost & Sullivan 2013 award for visionary innovation	This is one of several best-practice accolades that Frost & Sullivan conveys on companies demonstrating outstanding achievement and superior performance in areas such as leadership, technological innovation, customer service and strategic product development. Exxaro was the only company in the mining and minerals industry to receive an award for its achievements in four key areas when benchmarked against competitors: • Understanding and leveraging mega trends • Vision integration into strategy excellence • Efficacy of innovation process • Degree of impact on business and society
Leadership and people	
Top Employers Institute	First place for a mining company The Top Employers Institute certifies excellence in conditions employers create for their people to grow and develop
Corporate Secretaries International Association	Exxaro's group company secretary appointed president
Deloitte Best Company To Work For	Second place for a mining company Exxaro earned a Standard of Excellence Award in the 2012 survey. We are exceptionally proud of this achievement, which was a 2016 target that we reached four years early. Exxaro enters this survey every two years
Afrikaanse Handelsinstituut	Exxaro's CEO received the MS Louw award for business leadership
Integrated reporting	
EY Excellence in Integrated Reporting 2013	Top 10 Exxaro has featured consistently in this respected survey of integrated reports by South Africa's top 100 JSE-listed companies and top 10 state-owned companies
Nkonki Top 100 integrated reporting awards 2013	Exxaro was first in the basic materials category, received an Excellence award and ranked third overall in the Top 10 category. Reflecting steady improvement in the quality of its integrated disclosure, Exxaro's 2013 ranking compares to 28th position in 2010
Dow Jones sustainability index 2013	Exxaro was included on this prestigious index for the first time Launched in 1999, these were the first global indices tracking the financial performance of leading sustainability-driven companies worldwide. Inclusion is determined by an integrated assessment of economic, environmental and social criteria with a strong focus on long-term shareholder value
Carbon Disclosure Project (CDP) 2013	Exxaro continued to perform in the annual CDP: • The carbon disclosure leadership index (CDLI) measures transparency and data management for the emission of greenhouse gases. Exxaro achieved a CDLI score of 100 in 2012 – the first such score for South Africa. This year the group achieved a score of 97 • The carbon performance leadership index (CPLI) assesses how companies incorporate emissions reductions into their strategies and meet their emissions reduction targets. Exxaro scored a B in this category in 2012 and again in 2013, placing the company among global leaders
Risk management	
South African Institute for Risk Management (IRMSA) risk management awards	First place for best implementation of a risk management information system (SAP GRC10.0)

STAKEHOLDERS

At Exxaro, we believe our organisation's success in achieving our strategy depends on positive relationships with those who have a direct and indirect stake in our business. Effective and mutually beneficial relationships help in building an enabling environment for the business to succeed while meeting the needs and expectations of stakeholders.

This makes stakeholder engagement a critical part of executing our business strategy. Good stakeholder engagement makes Exxaro perform better. It increases our knowledge and contributes to our licence to operate.

We strive to create the kind of relationship where both parties take each other's best interests to heart, and work to achieve the best-possible outcome for each other.

These relationships vary over time and between different stakeholder groups, but our aim is to build long-term associations that are in line with our long-term strategy.

When we engage with stakeholders, our strategy is the framework for communication. It is through this communication that we are able to establish what each stakeholder needs most and how we can meet those needs, how best to promote our purpose as a business and solicit support, identify trade-offs and create a shared vision and values.

Our stakeholders set the context within which we operate; without stakeholder engagement, we cannot operate a sustainable business.

How stakeholder engagement fits into the business is best understood by viewing it as one of three corners of a triangle (see our business philosophy model on page 8.

WHO ARE STAKEHOLDERS?

Our stakeholders are clustered in the following categories:

Employees	• Full-time and contractors • Unions • Management and board
Government and regulators	• Various departments • State-owned entities • JSE • South African Reserve Bank
Communities	• Near operations
Shareholders and debt providers	• Empowerment shareholders • Investors • Anglo American plc
Customers and suppliers	• Supply chain constituents
Interest groups, NGOs	• Federation for Sustainable Environment
Media	

APPROACH

Exxaro strives to engage with stakeholders in a transparent and honest manner, and in the context of the company's values.

The intention is to promote two-way engagement so that the company and stakeholders understand one another.

Exxaro's priority for stakeholder engagement at this point is to focus on engaging stakeholders on mutually material issues.

Since inception in 2006, Exxaro has developed a sound system of stakeholder engagement performed by various managers. In pursuit of continuous improvement, during the review period Exxaro appointed an executive head for strategy and corporate affairs to focus and formalise our initiatives in stakeholder engagement.

In 2014, we expect to progress towards the introduction of the AccountAbility AA1000SES stakeholder engagement standard which serves as a benchmark for quality engagement. It provides a basis for a generally applicable, open-source framework for designing, implementing, assessing and communicating the quality of stakeholder engagement.

AA1000SES requires Exxaro to integrate stakeholder engagement into governance and relevant decision-making processes. It also requires that stakeholder engagement is integrated into relevant policies and processes, including strategy development and operations management.

The guiding principles of the AA1000SES as well as the principles of the following documents shape our stakeholder engagement:

- King report on governance for South Africa 2009 (King III)
- Global Reporting Initiative guidelines
- Companies Act No 71 of 2008, as amended
- IIRC reporting framework.

OUR STAKEHOLDERS SET THE CONTEXT WITHIN WHICH WE OPERATE

Stakeholder	Engagement method	Purpose	Frequency	Issues/response
Community stakeholders which include all authorities affected and interested parties such as government, NGOs, etc	Community engagement forum	Identify material issues affecting communities surrounding our operations	Formal socio-economic assessments (SEATs) every three years, followed by quarterly engagement forums.	• Safety • Health • Environmental • Community In 2013 Exxaro repeated SEATs at three operations
	Community development forum	Monitor progress on implementing local economic development projects and project spending Determine local economic development projects for social and labour plan, and implement these collaboratively	Quarterly	• Local economic development procurement • Employment • Environmental concerns • Education and skills development needs • Job creation • Shareholding/equity Our social and labour plans are focused on these areas (page 52)
Customers	Marketing	Enable Exxaro to understand and meet customer specifications Advertise Exxaro products	As required by each commodity business' marketing department	• Product quantities and qualities • Logistical issues
Employees	Road shows Group newsletter Electronic communication Information briefs Caucus groups	Update on group strategy and developments	Ongoing Quarterly Ongoing Ongoing Ongoing	• Remuneration and incentive schemes • Benefits • Corporate developments Dialogue is ongoing
	Future forum	Promote ongoing discussions between worker representatives and mine management about the future of the mine Implement strategies on downscaling and retrenchment when required Provide feedback on progress made against social and labour plan commitments	Quarterly at business unit and corporate centre	• Mine closure issues • Human resource development • Local economic development
	Labour unions	Scheduled engagement with recognised trade unions at operational and employer level	Ongoing	• Issues in the employer/employee relationship

Stakeholder	Engagement method	Purpose	Frequency	Issues/response
Government	Government relations	Ensure government and Exxaro management are aligned Update on group strategy and developments	Ongoing	• Support for government initiatives Report progress against legislated targets, build partnerships with government
	Interested and affected parties' authorisation process	Comply with environmental impact assessment (EIA) authorisations' requirements	As required by EIA authorisation process	• Compliance with legislation; pollution Transparent communication
	DMR	Engagement on mining rights, mining charter, social and labour plans and industry developments	As required	• Compliance • Industry developments
Investors	Road shows Briefings and meetings Stock Exchange News Service (SENS) Financial reporting Site visits	Ensure investors are informed of group strategy, performance and developments	Quarterly Ad hoc Ad hoc Biannually Ad hoc	• Group strategy and implementation • Capital allocation • Dividend payout target • BEE shareholding structure • Actual financial and operational results, outlook
Media and general public	Site visits Interviews News releases Website Advertising	Provide information for media to inform public and other stakeholders. Update on group strategy and developments	Ad hoc As required by media Ad hoc Ongoing Ad hoc	• Legislative compliance • Group strategy and implementation • Corporate activity
NGOs	Mine engagement	Keep mine stakeholders informed on operational affairs	Quarterly	• Corporate citizenship
Suppliers	Green procurement	Maximise supply chain efficiency by buying environmentally friendly products and services, and setting sustainability requirements in supplier agreements	As opportunities for green initiatives occur and as initiatives are identified by the green procurement working group	• Detailed green criteria provided to suppliers
	Sustainable supplier engagement	Collaborate with suppliers in addressing supply chain sustainability issues and enhance their capabilities to meet sustainability standards: • Supplier sustainability assessments (audits) • Supplier sustainability development • Supplier innovations	As required by supply chain management	• Vendor engagement portal to be implemented in 2014
	Preferential procurement	To ensure Exxaro purchases goods and services from suppliers that meet BEE compliance requirements	Ongoing requirement on request-for-quotation or tender enquiry documents. Specified as a requirement for evaluating tenders	• Ongoing legislative compliance

CHAIRMAN'S MESSAGE

Following on a difficult period for the South African mining industry in 2012, the year to 31 December 2013 was another challenging period but one in which Exxaro again proved its resilience.

Undoubtedly, the highlight was a calendar year without a fatality. While the group had recorded 12 months without a fatality to June 2013, this was the first fatality-free financial year in our history and convincing proof that, with focus, discipline and teamwork, it can be done. As an industry, we have made solid progress in reducing fatalities, but we know more needs to be done – especially in terms of entrenching behaviour that says safety always, all the way.

In terms of challenges during the period, volatile commodity prices will always be a risk for our industry. In addition, South African mining companies had to contend with a rapidly deteriorating exchange rate, partially in turn a product of labour unrest. Although a weak rand makes our exports more attractive, it counters efforts to reduce costs mostly incurred in US dollars.

Legislative issues continue to impede the industry and we are working with regulatory stakeholders to achieve policy certainty, as well as the mutual flexibility and infrastructure, which will encourage further investment by the industry and foreign investors alike.

Mining is a cyclical industry in which losses turn into super profits and then reverse in a year. Understanding this, the industry takes a long-term view on planning to ensure returns for shareholders and benefits for stakeholders.

Our critics accuse us of being exploitative, which is neither truthful nor sustainable. Mining is about balance – ensuring the profits of today support the business of tomorrow when profit may be harder to achieve. Equally, in South Africa, business plays a greater role in social responsibility – much of this mandated by legislation. While companies such as Exxaro willingly accept this responsibility, we believe that for the industry to remain an important national economic contributor, we need less volatility and more flexibility – from all stakeholders.

For our group, particular challenges in 2013 included ongoing delays in constructing new power stations for South Africa's power utility, Eskom, as well as the time required to finalise the mining convention for our iron ore project, Mayoko, in the Republic of the Congo. Encouragingly, the mining convention was signed in January 2014, and the related agreements are expected to be finalised in the first half of 2014, paving the way for mining to begin at Mayoko under a revised project schedule and within the capital limits imposed by the board on project expenditure. Developing our iron ore portfolio is an important element in our strategy to diversify our customer base and geographical footprint and therefore reduce risk.

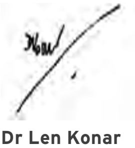
On page 12, we detail our progress in fully developing our strategy. Importantly, this progress is taking place within a significantly more mature and holistic understanding of our risks at every level, itself a key indicator of how integrated thinking is being entrenched in the group. On financial metrics, Exxaro was ranked among the world's best on total return to shareholders for 2012 while our focus on conserving our environment has kept the group among the leaders in the international Carbon Disclosure Project. We also received consecutive awards for innovation and as a top employer, reinforcing the integrated approach that underpins our sustainability.

Exxaro's governance standards compare well with best practice, guiding the group as we expand our operating areas. For us, compliance is the starting point – throughout this report and on our website you will find examples of how Exxaro is exceeding compliance to set new standards in our industry. We welcome Dr Con Fauconnier back to Exxaro as an independent non-executive director and look forward to his contribution, given his wealth of applicable knowledge and experience.

Jurie Geldenhuys will retire from the board at the forthcoming annual general meeting after serving as a director of the company since its inception. We thank him for his many years of dedication and wisdom.

Following positive feedback from stakeholders, we have continued the approach taken in the prior report with detailed discussions on our performance drivers (page 12), approach to sustainability (page 18), top risks (page 24), and operating environment and performance (pages 48 to 58). Supplemental information to this concise integrated report appears on our website www.exxaro.com. We again welcome your feedback which will aid in achieving our aim of making our reporting meaningful, comparable and accurate.

Exxaro operates in a challenging industry, but is guided by decades of experience and a number of unique attributes that will ensure it continues to grow. Despite being a relatively young company, the benefit of a skilled board of directors and executive management team – under the capable leadership of Sipho Nkosi – and the commitment of a workforce of over 7 200 people are solid cornerstones for continued long-term growth.



Dr Len Konar
Chairman

31 March 2014

ZERO FATALITIES

A full year without a fatality is an exceptional achievement despite the challenges of 2013

It has indeed been a challenging year on most fronts. However, it was a period of significant achievement as well. One of the highlights of my year was authorising a payment of R16 million to thank over 7 000 employees and contractors for an Exxaro first and an industry milestone – a full reporting period without a single fatality. This extraordinary achievement followed a passionate plea from myself and the management team for our people to remain vigilant in ensuring no life was lost in our operations, and it could not have happened without their wholehearted commitment and focus on our vision of a fatality-free organisation.

As the chairman noted, the Exxaro group operated in a challenging environment in 2013:

- Industrial action in the first quarter continued into the second
- In the USA, the tapering of quantitative easing was announced, with a negative impact on currency and commodity prices, particularly for emerging markets
- Commodity price decline continued:
  - Average export coal prices down 13% to US$82/t vs US$94/t in 2012
  - Iron ore prices peaked at US$160/t in February, dropped to a low of US$110/t in May before stabilising at around US$130/t in the second half
  - Pigment and zircon prices are yet to recover, but volumes improved towards year end
- Continuing engagement with stakeholders on various issues:
  - Government – DMR on social and labour plans, through Chamber of Mines on MPRDA amendment bill, and departments of environmental affairs and water for authorisations
  - Communities – delivering projects in terms of social and labour plans
  - Investors – increased demand for response to changing market conditions
  - Employees – productivity and workplace conditions
  - Suppliers – supply chain cost management.

What makes this achievement even more commendable is that 2013 did not start auspiciously – with unprotected industrial action in the first quarter resulting in the loss of 19 working days and 2Mt in production. The way in which this was resolved is testimony to the strength of the overall relationship between employers and employees in our group and the innovative processes used to ensure all our people fully understood the situation – from the underlying issues and responses to the way forward as a united group. The back2work and back@work programmes also provided a valuable opportunity to discuss other issues and incorporate these into specific forums aimed at entrenching a high-performance culture in Exxaro – one with commensurate and multi-faceted rewards:

- It is an ongoing point of pride that our commitment to developing the full potential of every employee in this group means that, each year, we train more people than we need, which benefits the industry. Equally, the calibre of this training is independently acknowledged as among the best, which benefits the individual, Exxaro, our industry and South Africa.
- Numerous awards illustrate that Exxaro is a preferred employer In terms of employment equity,

we already comply with four of six targets in the mining charter (page 116), meaning that everyone has the opportunity to develop his or her full potential. Competitive remuneration levels are complemented by shared rewards – from Mpower 2012 which paid employee shareowners dividends of R16 million in respect of FY13 in addition to production bonuses, gain-sharing schemes and other employee benefits.
- Uniquely in our industry, Exxaro is developing a strategy to manage the so-called chronic diseases of lifestyle (heart disease, obesity, diabetes and others). Apart from our moral duty to protect the well-being of our people, from a company perspective these diseases present safety risks and affect productivity. From an individual perspective, they affect quality of life and security of income. Using pilot projects at two of our operations, we are also building a database that will benefit the industry in managing this complex issue.

Mining is an industry with complex and ever-changing risks. It also presents opportunities for companies prepared to look beyond the obvious and invest for a shared future, with shared value. This requires a dynamic strategy, one that offers the flexibility to respond to changing markets but with the strength that comes from a true understanding of those markets. The comprehensive risk analysis on page 24 proves how far we have come in viewing our business and our future from an integrated perspective, but always focused on our strategic goals. To illustrate this using the five-capitals framework and our top risks in each:
- **Financial:** expanding our commodity portfolio and geographic footprint reduces the dependency on key customers while improving production through expansion and productivity enhancements ensures we meet demand
- **Human:** our safety results for the year and initiatives on occupational health and hygiene underscore our commitment to our people and determination to reduce the cost – most importantly, the human cost of an untimely death or disability
- **Social:** active and constant interaction with government stakeholders accelerates the approval process that enables us to implement comprehensive social and labour plans, with far-reaching benefits for our community stakeholders. Over the next five years, we will spend R300 million on these projects
- **Manufactured:** to ensure the appropriate infrastructure is in place, we are collaborating with government and industry stakeholders to improve existing infrastructure and initiate new developments. This participation and investment has national economic benefits
- **Natural:** complying with environmental legislation is a minimum standard for Exxaro. We are making notable progress on every aspect – from energy, water and emissions to biodiversity and rehabilitation – underscoring our significant investment in recent years to ensure meaningful data for measurable improvement.

While our strategy is detailed on page 10, I believe it pertinent to comment on the solid progress being made in optimising our commodity portfolio:
- Considered diversification: Our actions support our strategy of being a diversified commodity business, currently with strong positions in coal, clean energy, titanium dioxide and ferrous. Our strategic focus remains on these commodities and building a world-class portfolio in each
- Our optimisation strategy is clear: We are focusing more intensely on fewer projects. We are determined to deliver on the projects we embark on while continuously evaluating all assets in our portfolio
- Accordingly, during the review period, we:
  - Sold Zincor
  - Stopped a number of projects, ie Botswana Gas, Gravelotte magnetite and a few others
  - Signed on agreement to dispose of New Clydesdale Colliery (NCC) in our coal portfolio
- In 2014, we will:
  - Continue to develop the Mayoko project as part of our ferrous portfolio
  - Close Tshikondeni mine
  - Evaluate options for Inyanda as it nears the end of its life of mine
  - Evaluate the Tronox option as the standstill agreement will lapse mid-2015
  - Strive for operational and financial excellence through low-cost production, a skilled workforce, improved safety and secured long-term commodity supply
  - Continue to focus on lowering our corporate office cost
  - Embed our shared-service operating model and improve service delivery to operations.

Our outlook for the year ahead and longer is on page 12. For Exxaro to remain a resilient, long-term and sustainable enterprise, we must continuously shape and adapt our business to external market conditions and geographic locations. A dynamic strategy and focus on costs will assist this group in weathering the challenges of the next few years, characterised by cost pressures, subdued global demand and lower available sources of finance that are critical to running a value-adding business. We are confident of meeting these challenges through discipline, focus and the commitment of all our people.

Sipho Nkosi
Chief executive officer

31 March 2014

READ MORE>
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FINANCE DIRECTOR'S REVIEW

2013 saw Exxaro grow in many aspects, including:

- **Stable coal production performance, despite 19 days of industrial action**
- **Coal contribution to group net operating profit up 32%, close to the record of 2011**
- **Stable contribution from equity-accounted investments, mainly SIOC and Tronox, underpinning a modest increase of 4% in headline earnings per share (HEPS) to 1 463 cents**
- **315 cents final dividend, bringing total dividend to 550 cents per share, a strong 10% increase on 2012**
- **Strong balance sheet and sufficient capacity to fund our robust but focused project pipeline.**

PORTFOLIO IMPROVEMENT

The review period was less active (in terms of corporate activities) than 2012. We ceased production at NCC in the second half and impaired the asset by R292 million (pre-tax) and signed the sale agreement in January 2014, leading to an effective net impairment of R143 million. With the sale of Zincor in December 2013, we had to partially reverse impairments of R98 million and we effectively sold all environmental liabilities as part of the transaction with Lebonix. We continue to hold a 26% investment in Black Mountain and an 11,7% interest in Chifeng in China.

READ MORE>

More detail on the group's operational and financial performance is available on the web.

OPERATIONAL EXCELLENCE

Coal production (excluding buy-ins from Mafube and external parties) was 1,2Mt (3%) lower than 2012, reflecting the 2Mt lost during the 19 days unprotected strike in the first quarter of 2013 and a gain of around 1Mt through ramp-up activities of Grootegeluk Medupi Expansion Project (GMEP). The loss in production was therefore most visible in our tied operations.

Export thermal sales increased by 14,5% or 564kt in 2013, predominantly as a result of changes made by Transnet Freight Rail (TFR) on the Grootegeluk line in the final quarter. Thermal coal production was stable at 36,5Mt with marginally lower sales at higher prices. Metallurgical coal sales were similar to 2012.

The ferroalloy market's demand for reductants (semi-coke) has recovered materially since 2012, resulting in Exxaro returning to full production at its semi-coke coal production plant. This led to 56% higher sales.

FINANCIAL EXCELLENCE

Group turnover decreased 16% and net operating income 9%, mainly due to the exclusion of the mineral sands and Rosh Pinah businesses in 2013 (included for six months in 2012). For a better comparison, an analysis of the coal business in isolation for revenue and net operating profit is recommended. The increase of 32% in coal net operating profit reflects 11% higher revenue as well as higher shortfall income (R1 242 million) from Eskom (as a result of delays in agreed production offtake plans), higher export volumes (R262 million) partly offset by higher operating costs, net pre-tax impairment of NCC (R143 million) and inflationary pressures.

We reduced costs across the group by R157 million, mainly through direct initiatives to reduce consulting fees. This continued review of costs is expected to assist the group in weathering the next few years where cost pressures, subdued global demand and lower available sources of finance will provide challenges to running a value-adding business.

Equity-accounted income increased by 10%, with Sishen Iron Ore Company (SIOC) remaining the major contributor to group HEPS (at some 80%) for 2013 compared to 69% in 2012. This welcome performance was due to higher export iron ore prices and a weaker ZAR:US$ exchange rate, partially offset by lower production from the Sishen mine. In 2013, these investments yielded R3,5 billion in Exxaro's share of dividends declared and R4,1 billion in equity income.

We have maintained our shareholding in Tronox at around 44%. This investment contributed a core equity-accounted loss of R780 million (US$79 million) in 2013 (compared to 2012: loss of R250 million (US$29 million)).

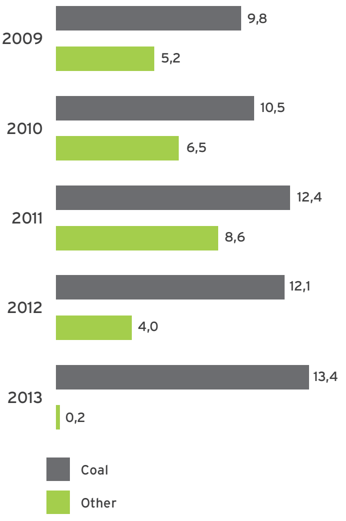
From the R3 241 million dividends received (mainly SIOC (R2 664 million), Tronox (R507 million) and Black Mountain (R58 million), we funded net financing costs (R268 million), tax (R158 million), dividends paid (R1 387 million) and sustaining capex (R1 257 million). Cash preservation remains crucial for the group as we consider our capital commitments in terms of GMEP, Grootegeluk backfill, Mayoko and other capital projects in the pipeline, as well as working capital requirements.

CAPITAL EXPENDITURE

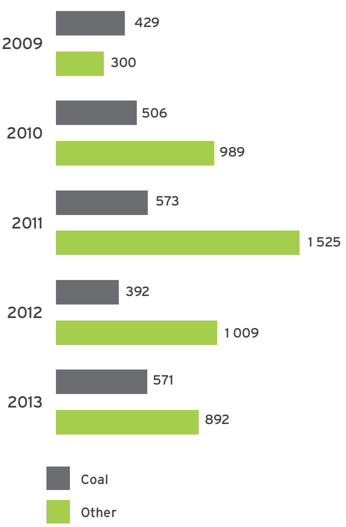
Project spend to date on GMEP is R9,3 billion. We still expect overall capital expenditure to remain at R10,2 billion. Recent communication from Eskom indicates that the first offtake will only be in April 2014. Construction of phase 1 of the backfill project has been completed.

Capital costs in 2013 for Mayoko total R1,6 billion, with the total spent since acquisition at R2 billion. No further capital funds will be committed to the project (except US$10 million to complete the prefeasibility study on phase 2 and monthly operational costs of US$2 million) until all agreements are signed. For a detailed analysis of the expected project pipeline, please see our results presentation on our website.

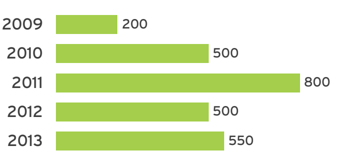
Revenue (Rbn)



Headline earnings per share (cents)



Dividend (cents per share)



FUNDING AND NET DEBT

We have drawn R3,6 billion to finance mainly GMEP and the Grootegeluk backfill, leaving undrawn facilities of R4,4 billion. As a result, the net debt to equity ratio was 10% at 31 December 2013, compared to 8% in 2012. We do not expect this to change significantly in 2014 despite the new timeline on developing the Mayoko project.

The board carefully considered the outlook for the 2014 capital commitments, past practice and growth aspirations before declaring a healthy final dividend of 315 cents per share at a cover of 2,4 times core attributable earnings. This brought the total dividend for 2013 to 550 cents per share at a core dividend cover of 2,63 times, consistent to past practice.

OUTLOOK

Most agencies expect coal prices to trend sideways in the medium term. Although export prices in dollar terms decreased from their highs in 2011, the rand equivalent is different, and we anticipate that trends in 2014 will follow suit. Coal prices in the local metals market are expected to follow international trends and Eskom pricing will again correlate with the producer price index. Coal volumes should follow past stable trends.

READ MORE>
Page 94 and website

On exports, as a result of changes effected by TFR on the Waterberg line and its guidance that the coal exports are predicted at around 75Mt to Richards Bay Coal Terminal (RBCT), we are comfortable to increase our past guidance of 4Mtpa to at least 4,5Mtpa in 2014.

Both thermal and coking coal seaborne markets are expected to remain soft given an oversupply of coal globally.

In the domestic market, 2014 demand for steam and metallurgical coal is expected to be stable. Demand for power station coal from Eskom is likely to be weaker than 2013 due to the current high level of coal stock-days at its power stations. Refer to macro-economic review on page 48 for details.

Exxaro faces a challenging 2014. However, the group is making solid progress on key fronts.

Wim de Klerk
Finance Director

31 March 2014

MACRO-ECONOMIC REVIEW

GDPs: US + CHINA + EMERGING ECONOMIES

GDP growth (%)	USA	China	Emerging markets	South Africa
2013	1,9	7,7	4,7	1,8
2014	2,7	7,8	5,1	2,8

IRON ORE PRICES

Iron ore prices (US$), CFR, China

2013	**135**
2014	**118**

ESKOM COAL DEMAND

Mtpa

2013	**250**
2020 projected	**370**

After two years (2012 and 2013) of weakness, with an annual real gross domestic product (GDP) growth rate of less than 3%, the global economy appears to be reaccelerating. In 2013, the euro zone exited its long recession of six consecutive quarters, economic growth in China stabilised, stimulus initiatives in Japan reduced deflationary pressures and the US labour market continued to strengthen.

With an improving unemployment rate, US economic growth is poised to accelerate in 2014 to 2,7% from 1,9% in 2013, setting the stage for acceleration to the Federal Reserve's tapering of quantitative easing (QE). Despite the potential negative impact of QE tapering, especially on some emerging-market economies, global growth dynamics remain broadly positive, with the developed world expected to lead a modest rebound in global real GDP growth from 2,5% in 2013 to 3,2% in 2014.

In China, a policy-driven modest upturn in economic growth, from 7,7% in 2013 to 7,8% in 2014, is expected. Continuously improving consumer and business sentiment surveys in the euro zone confirm the positive outlook for this region – real GDP growth is expected to turn positive to 1,1% in 2014 from a negative 0,4% in 2013. Japan is projected to record a 1,4% growth rate in 2014, marginally down from 1,6% in 2013.

In 2013, the economies of many emerging markets deteriorated somewhat, reflected in downward pressure on their currencies at the time. The 2014 outlook for some emerging-market economies – South Africa, Brazil, India and Turkey – remains clouded by the need to implement structural reforms to ensure less reliance on foreign capital inflows to fund domestic demand. As a result, economic growth in these markets is expected to remain under pressure in 2014, but aggregate GDP for emerging economies is expected to accelerate marginally to 5,1% (4,7% in 2013), in line with the global economy's growth outlook.

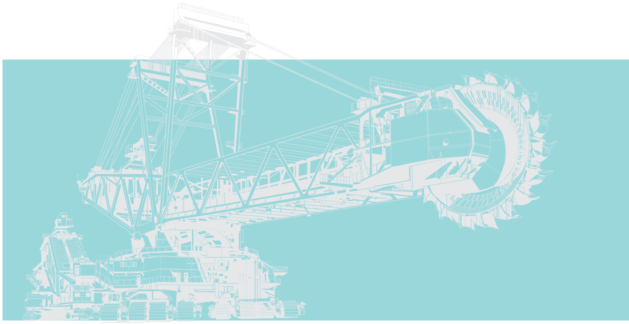
South Africa's GDP growth declined from 2,5% in 2012 to 1,8% in 2013. The 2014 outlook remains fragile – a weakening exchange rate pressures inflation with a current account deficit of around 6%. A high level of uncertainty on the economic and political fronts is expected to linger in the run-up to the 2014 general election. The real GDP growth prospect for 2014 is about 2,8%, driven by consumption expenditure, albeit slowing. Labour discontent on the back of unresolved socio-economic issues and labour union rivalry remains a challenge.

South Africa's average annual consumer price index (CPI) increased to 5,7% in 2013, from 5,6% in 2012. The 2014 rate is expected to be about 6,3%, mainly as a result of the weak local currency, above-inflation wage, food and electricity tariff increases.

The chronic current account deficits are expected to continue in 2014. Current account sustainability concerns remain, however, as capital inflows are increasingly of a short-term, volatile nature on the back of on/off investor sentiment. As global growth accelerates and local production recovers after supply disruptions, the deficit is expected to narrow somewhat into 2014. However, the public-sector infrastructure programme has proven highly import-intensive, despite policy attempts to increase local content. As such, import demand will remain elevated despite moderating private-sector consumption growth. Against these anticipated developments, rand volatility is expected to continue in 2014 – an average of around 10,82 to the US dollar is forecast for the year.

COMMODITY REVIEW

Mineral commodity demand growth remained lacklustre in 2013, with some commodity markets moving into soft territory. As such, the



COAL

REAL PRICE GROWTH EXPECTED IN THE LONGER TERM

timing and scale of the future supply response becomes the catalyst for an eventual recovery in commodity prices. In addition, unless weather or geopolitical risk events unfold, 2014 is highly unlikely to show much improvement over 2013, let alone any V-shaped recovery for most commodities.

Iron ore

Estimates are that global crude steel production rose by about 3,9% in 2013 to 1 575Mt. In China, crude steel production expanded by about 7% from 2012 to some 750Mt. China's share of world production increased from 46,2% in 2012 to 47,6% in 2013. Output in North America declined by 2,6% while Europe declined by 1,2%. Global crude steel production is expected to continue growing in 2014, with output improving by a projected 4,6%. China, Europe and North America are all expected to record crude steel production growth of between 3% and 4% in 2014.

In September 2012, the iron fine ore spot price declined to US$86,7/t (cost and freight (CFR) China) – levels last seen in 2009 – given particularly bearish global sentiment, uncertainty in the Chinese steel sector and a focus on deeper-than-anticipated destocking. However, fundamentals turned quickly in the first six months of 2013 and iron ore prices held their ground to average US$139/t (CFR China). The key reason for this was that demand for iron ore exceeded expectations, with Chinese crude steel production rising by 8% year-on-year during the period. Strong gains in Australian exports throughout 2013 have kept a cap on price increases, while in Brazil and India, exports were curtailed for various reasons. As a result, the 2013 average CFR China spot fine ore (62% Fe) price was US$135/t. Further new low-cost iron ore capacity will continue to enter the market in 2014, causing lower average prices compared to 2013, at around US$118/t, CFR China.

From 2014, ocean freight rates are expected to improve somewhat as vessel demolition rates are forecast to remain high. From 2015, supply capacity growth is anticipated to be in line with demand, resulting in ocean freight rate growth returning to a more sustainable level around the rate of inflation.

Coal

In 2013, the seaborne metallurgical coal market remained oversupplied as Australian mines continued to increase exports, Canadian producers were shipping at historical rates and the US (as swing producer) maintained high levels of exports. The anticipation that the euro zone will record a positive annual economic growth rate in 2014 will manifest in additional resumption of some idled blast furnace capacity. In addition, new coke oven capacity being commissioned in India, South Korea, Vietnam and Indonesia should have a discernible impact on metallurgical coal demand, in total 11,5Mtpa, from 2014. The coking coal contract price is expected to average US$136/t, free on board (FOB) Australia, for calendar 2014.

Despite strong Asian demand, persistent oversupply characterised seaborne thermal coal markets in 2013. Rationalisation of supply was delayed by the competitive environment globally and by take-or-pay infrastructure contract obligations, especially in Australia, which discourage any supply reduction. These conditions are expected to continue into 2014. The average Richards Bay FOB spot steam coal price for 2013, at US$80,45/t, was some 13,6% lower than 2012. No real price growth is expected for thermal coal in 2014. With the absence of any significant supply rationalisation, the price outlook remains flat for the short to medium term. However, real price growth is expected in the longer term as sizeable new mine and infrastructure development, in addition to increased volume from currently marginal suppliers, is required.

Titanium dioxide

Calendar 2013 was another challenging year for the titanium value chain. Prices for both feedstocks and titanium dioxide (TiO_2) pigment weakened further from 2012 averages, after a period of extended increases. In 2013, the titanium value chain continued working through a destocking process, which started in mid-2012. Significant producer capacity remains in place with global inventory levels yet to normalise. Market conditions are expected to stabilise in 2014. The zircon market is adjusting to new lower levels of demand, following a cycle of rapid price increases from 2011 to mid-2012. As a result, the 2014 outlook for zircon pricing and demand remains flat, with limited downside risk.

MINING INDUSTRY IN SOUTH AFRICA

The global outlook obviously has an impact on the outlook for South African mining companies:

While South Africa's mining industry is going through significant changes in the way it operates, for Exxaro the changing face of the coal sector is at present more important.

Historically, coal production was concentrated in the Mpumalanga coalfields and 80% of the country's saleable coal was produced by five companies. Export coal was moved on a dedicated line to the 72Mtpa port of Richards Bay, bound for Europe.

Today, production is shifting to the Waterberg coalfields, home to 20% of South Africa's coal resources. Around 30% of Eskom's coal purchases come from new entrants to the market or so-called junior miners (mostly black economic empowerment companies); this will rise to 50% by 2018 to meet local demand which is expected to grow from 250Mtpa to 370Mtpa by 2020.

On the export side, RBCT capacity has increased to 91Mtpa and will rise again to 110Mtpa in the medium term, mostly destined for Asia. In 2012, coal producers exported over 68Mt through RBCT to China and India, a country forecast to become the largest seaborne coal importer by 2017 and second-largest coal consumer. At the same time, while demand in Europe is currently rising, it is forecast to decline after decarbonisation initiatives.

Exxaro's strategy in this fluid market is clear. We are participating in recognised forums, setting regular meetings with government, and commenting on proposed legislative changes. We believe the progress being made in unlocking the potential of the Waterberg is a clear indication of willing collaboration for the benefit of all.

GROUP PERFORMANCE

Detailed disclosure on our performance in the review period appears on our website. In this report, we concentrate on how Exxaro is addressing its top risks (page 26) and summarise our performance by commodity.

The 16% drop in 2013 revenue to R13,6 billion is largely due to excluding the mineral sands and Rosh Pinah operations, which were included for almost half of 2012. The solid increase (11%) from our coal operations reflects the benefits of numerous initiatives under way – from cost management to higher export volumes as a result of improved rail availability from Transnet Freight Rail.

Importantly, we are addressing two of our most material risks simultaneously by broadening our local and international customer base, and nearing completion on the Grootegeluk expansion project

HIGHLIGHTS – PERFORMANCE

ZERO FATALITIES

6 sites
LTI free

LTIFR 0,19

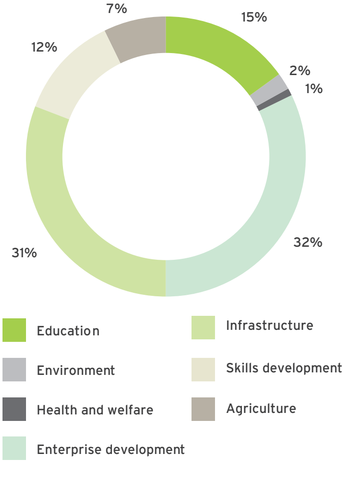
80%
of youth in development programmes come from historically disadvantaged backgrounds

370 people
on management development programme

7 240
employees now share owners

14
social and labour plans under way

Percentage community spend per focus area in 2013



which will take run-of-mine output to around 66Mtpa (from 38Mtpa) and double its production of power station coal to 30Mtpa. This, in conjunction with a number of other longer-term initiatives, will ensure we continue to meet demand for coal, productively and profitably.

The encouraging success in addressing another top risk – the safety of our people – has raised the proverbial bar. While our goal will always be zero fatalities, in 2013 six of our sites also proved that they could operate without a lost-time injury. The discipline and safety awareness behind preventing injuries is a cornerstone of a fatality-free operation.

In terms of environmental risks, we have made excellent progress in managing our use of non-renewable resources, chiefly energy and water. Exxaro is an acknowledged forerunner on carbon disclosure, reflecting the effort and investment in recent years to standardise and enhance systems for meaningful data in tandem with initiatives to improve the efficiency with which we use these resources.

Not all risks are entirely within our control. In these cases, such as delays in government approvals, we are actively and consistently interacting with the authorities to expedite the process, while ensuring that our submissions are accurate and our performance compliant. We were, therefore, encouraged by the positive feedback after an independent audit of our operations by a government-appointed third party in 2013.

Infrastructure has long been an issue in the mining sector, particularly the availability of rail services for transporting product. Again, we are collaborating with government stakeholders to improve and initiate new infrastructure, while identifying other stakeholders to co-develop solutions. Transnet Freight Rail is making encouraging progress with its long-term infrastructure expansion plan, which will have significant benefits internally in stabilising energy supply and, externally, in accelerating the exports that contribute to the national economy.

SAFETY AND HEALTH

There were no fatalities for the year ended 31 December 2013 and the group continues to strive towards achieving zero harm at all operations.

A 0,19 LTIFR per 200 000 man-hours worked was recorded for the period (2012: 0,29) against a target of 0,15. Despite this, six operations recorded no lost-time injuries. The group recorded a 40% reduction in the number of lost-time injuries mainly due to improved awareness as well as increased training across all operations. Exxaro has initiated multiple safety improvement programmes, such as the Global Mining Industry Risk Management programme, to raise the awareness of risks. We have also incorporated the Mine Safety and Health Act as a standard to proactively manage health and safety practices across the group.

The group's health and hygiene efforts show an overall 51% improvement in the number of employees enrolled in the HIV/Aids programme compared to 2012. Although there was a 25% reduction in the number of newly diagnosed occupational diseases, Exxaro still faces some challenges with tuberculosis cases.

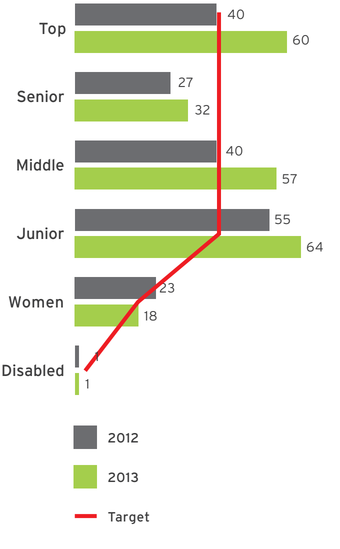
LEADERSHIP AND PEOPLE

The Exxaro group remains focused on transformation, development of people and rewarding top performers. We have met our targets on employment equity for top, middle and junior management, and women, and expect to meet targets for the senior management category by 2014. Appointing people with disabilities remains an industry-wide challenge.

Exxaro spent R200 million (2012: R177 million) on industry-related training initiatives during the year, ranging from ABET (adult basic education and training) to postgraduate studies. This training involved some 800 youth candidates, of which over 80% were historically disadvantaged South Africans (HDSAs) selected for learnerships, internships, bursaries and various skills programmes. We also have over 370 South African employees in management development programmes at present. Our training investment for the year includes management programmes and in-country skills development, eg carpentry, brick-laying and plumbing at our Mayoko project in the Republic of the Congo.

Our employee share ownership plan, Mpower 2012, received dividends of R16 million in respect of the 2013 financial year, benefiting 7 240 employees.

HDSA statistics (%) – group

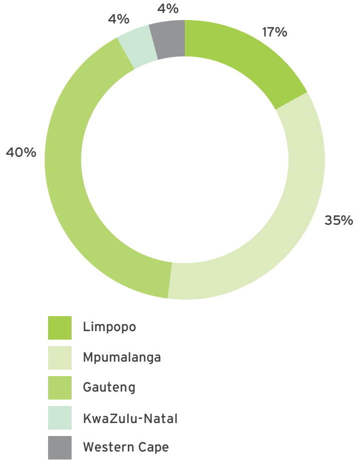


PERFORMANCE
continued

OUR COMMUNITIES

Most social and labour plan projects are channelled through the Exxaro Chairman's Fund (ECF) to which all our operations contribute. The total fund contribution to corporate projects and business units' social and labour plan projects was R57 million in 2013 (2012: R50 million). Of this, R50 million was spent on social and labour plans, compared to R24 million in 2012.

Percentage community spend per geographic area in 2013



With the new five-year cycle of social and labour plans (2013-2017) under way, we are using the lessons learned in the first cycle to ensure our local economic development projects are sustainable and focused on addressing identified stakeholder needs.

As part of a more quantitative approach, we have finalised our assessment of all South African LED projects based on the social return on investment. We are also implementing a model for effectively engaging with all stakeholders, based on community risk and managing issues.

In the Republic of the Congo, a number of community development initiatives were finalised for Mayoko after extensive consultation with stakeholders. In addition, projects to be rolled out over the next two years were agreed. These are detailed on our web site.

Supported by a proven track record, public-private partnerships remain an integral part of Exxaro's community development initiatives. This is strengthened by an approved volunteerism policy to create socially conscious employees. The Exxaro volunteerism programme was officially launched and rolled out in the first quarter of 2013.

Over the 2013-2017 cycle, we plan to invest around R300 million in over 60 local economic development and community projects.

In each of these sectors, the focus will be on:

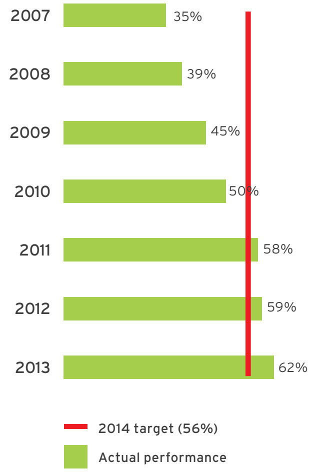
- Infrastructure development: community, housing and training facilities
- Education: Saturday and holiday school, teacher training, whole school development
- Enterprise development, business incubator hubs, SME development
- Skills development
- Agriculture: farm development, commercial.

Supply chain management

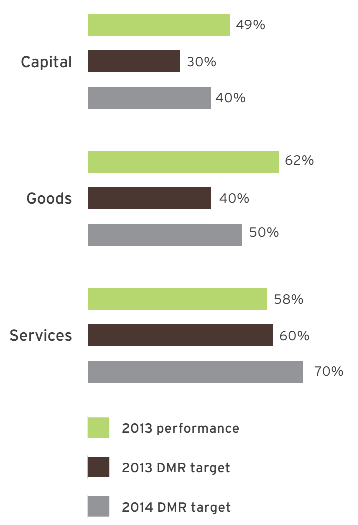
Our sustained commitment to procuring from HDSA (including black-owned, black-empowered, black women-owned and black-influenced) suppliers is reflected in the steady progression from under 40% in 2007 to 59% (exceeding the target of 52%) in 2012. In 2013, we recorded actual procurement of 62% from HDSA companies against our target of 54%, or R7,8 billion spent with HDSA-owned companies.

In terms of mining charter compliance, Exxaro exceeded 2013 targets set for capital and consumables.

HDSA progression: 2007-2013 spend



Preferential procurement from BEE entities as per mining charter targets for 2013 and 2014



OUR ENVIRONMENT

HIGHLIGHTS – ENVIRONMENT

ELECTRICITY AND DIESEL COST INTENSITY

Electricity intensity* (scope 2)	Diesel intensity* (scope 1)
R2,80/t	**R5,40**/t

* *Based on total tonnes mined*

TOTAL KT CARBON EMISSIONS (Scope 1 and 2)

Total emissions from diesel:	Total emissions from electricity:
158 kt CO_2e	**502** kt CO_2e

Exxaro total*:
735,0 kt CO_2e

WATER WITHDRAWAL

Total*
8 025 Mℓ

TOTAL PRODUCTION SOLD

Total*
35,95 Mt

TOTAL ENERGY COST

Diesel cost:	Electricity cost:
R693,8m	**R357,6m**

Exxaro total:
R1 051,5m

CARBON INTENSITY

Tied mines ave:	Commercial mines ave:
18,2 tCO_2e/kt sold*	**21,6** tCO_2e/kt sold*

Exxaro total*:
20,4 tCO_2e/kt sold*

* *Weighted average*

WATER INTENSITY

Total*
223 ℓ/t sold

Note: coal operations only.

Energy consumption and carbon footprint

Greenhouse gas emissions

Following the notable reduction in carbon and other greenhouse gas (GHG) emissions from 2010 to 2012, Exxaro remained committed to reducing its carbon footprint in 2013. Specific energy-intensity improvement targets were set for each operation during the reporting period. These will form part of relevant managers' remuneration-linked performance contracts from 2014 and further absolute emission reductions are expected from these initiatives during the year.

Exxaro continues to report its carbon emissions through the Carbon Disclosure Project South Africa (CDP-SA). Our continued leadership in the CDP underscores our efforts on carbon efficiency, thus reducing the potential impact of carbon tax, among others.

Exxaro bases its accounting and reporting for GHG emissions on the Greenhouse Gas Protocol – corporate accounting and reporting standard. Exxaro has also elected to use the operating control accounting approach for emissions. In light of our divestment and discontinuation activities (mineral sands and Zincor operations) in prior periods and in line with the guidelines of the reporting standard, energy consumption and GHG emissions for 2011 and 2012 in this report have been restated.

In 2013, Exxaro reduced scope 1 emissions by 31,8% while scope 2 emissions were flat on 2012 in absolute terms (ie no adjustments are made for divestments and discontinuations in the reporting period). This equates to a 47,5% reduction in scope 1 and 2 emissions combined over the period.

Scope 3 emissions, reported for the first time in 2012, are defined as being outside Exxaro's control as they occur when products we sell are consumed by customers or from other indirect activities.

In line with GHG reporting guidelines, which require adjusting for divestments and discontinuations to baseline periods, Exxaro reduced scope 1 emissions by 3,9% and slightly increased scope 2 emissions by 1,2% in 2013 against 2012. This resulted in a reduction of 0,4% for combined scope 1 and 2 emissions.

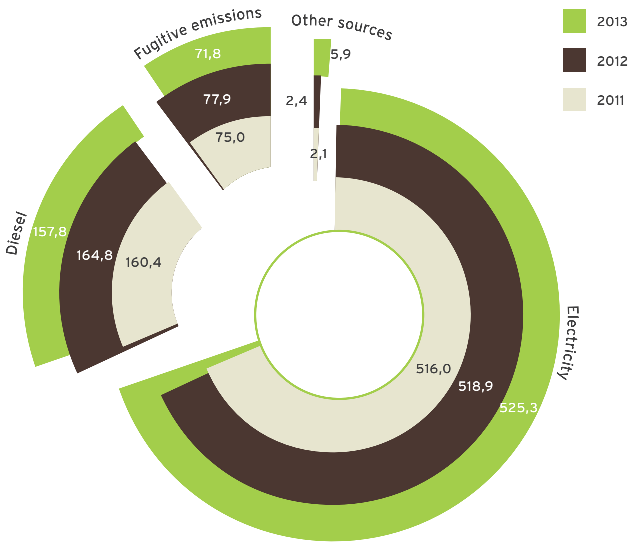
Exxaro's greenhouse gas emissions

(kt CO_2e)	2013	2012	2011
Scope 1	236	245	238
Scope 2	525	519	516
Total scope 1 and 2	761	764	754
Year-on-year change	(0,4%)	1,4%	
Scope 3	69 737	70 581	70 471
Year-on-year change	(1,2%)	0,2%	

Scope 2 emissions: Electricity-based emissions are derived from the grid emission factor for South Africa (0,94tCO_2e/MWh).

Scope 3 emissions: Reported emissions are based on emissions from the use of product sold by Exxaro plus transmission and distribution losses from the South African grid derived from Eskom's emissions factor for electricity sold (1,03tCO_2e/MWh) and the grid emission factor for South Africa (0,94tCO_2e/MWh). Reported emissions represent over 99% of Exxaro's scope 3 emissions.

Greenhouse gas emissions by source (kt CO_2e)



33%

REDUCTION IN WATER WITHDRAWALS IN 2013.

ENVIRONMENTAL INCIDENTS

LEVEL 1
71%
DOWN SINCE 2011

LEVEL 2
75%
DOWN SINCE 2011

LEVEL 3
No incidents
FOR THREE YEARS

Energy consumption

Diesel and electricity remain the primary sources of energy for Exxaro. Total energy consumed reduced by 2,1% in 2013 to 4,2 peta-joules. The bulk of savings came from reductions in diesel use, where energy consumed dropped by over 4%. Energy sourced from electricity increased by 1,2% in 2013, mostly due to expansion activities at Grootegeluk.

In 2013, Exxaro's coal operations focused on reducing energy consumption. Diesel was the most significant energy source in these operations, consuming 2,1 million GJ of energy, notably ahead of the 1,9 million GJ of energy from electricity consumed in 2013.

Managing energy consumption

Diesel

Reflecting the focus on diesel efficiency in our coal operations, we reduced year-on-year diesel consumption by over 2,5 million litres in 2013, despite a 9% increase at Grootegeluk (the largest diesel consumer), due to expansion activities. Although Grootegeluk was not able to maintain its diesel consumption intensity, improvements in diesel intensities at other business units fully mitigated this increase. A notable performance was North Block Complex whose initiatives, centred on its revised operating model, led to an absolute reduction in diesel consumption of over 2 million litres (-22%) in 2013.

The focus and effort in the coal operations that reduced absolute diesel consumption in 2013 also improved diesel consumption intensity, based on tonnes produced, against 2012.

Electricity

The slightly lower production levels across coal operations were not mirrored by a decrease in overall electricity use, which rose marginally to 534,4GWh reported against 527,1GWh in 2012 (+1,4%).

While Matla, Leeuwpan and Arnot showed good improvement in absolute electricity use, expanding operations at Grootegeluk resulted in a 6% increase in electricity use (280GWh vs 264GWh in 2012). Given Grootegeluk's scale, its electricity use intensity had a notable effect on overall intensity in coal operations. Consequently, electricity intensity based on production tonnages at coal operations increased from 13,6MWh/t to 14,3MWh/t in 2013.

Noteworthy electricity optimising initiatives at Grootegeluk in 2013 include implementing energy-saving multi-drive (VSD) conveyors in its discard system and the Grootegeluk 2 plant. Expected savings in these significant electricity-consuming systems are 20-25% in absolute electricity use and 25-40% in operational efficiency. We are reviewing this approach for implementation at other areas in Grootegeluk and across our business units.

Water management

Exxaro understands that water is a key strategic natural resource for South Africa. We use a holistic management strategy to conserve water and manage related risks, minimise impacts, and operate efficiently through water-reduction plans, reuse and recycling methodologies. An aspirational target of reducing the use of potable water by 5% across all business units remained in place in 2013.

Exxaro is also committed to protecting and improving water quality by ensuring the water we discharge is of the same or better quality than we withdraw. Group-wide water conservation plans aligned to the national water management strategy are expected to be finalised in the first quarter of 2015. Supporting our long-term water management strategy are two water treatment plants planned for Mpumalanga, with total capacity to treat 11,5 mega-litres per day:

- Matla — scheduled for delivery in the second quarter of 2014
- North Block Complex's Glisa mine — scheduled for the last quarter of 2014.

Innovative passive water treatment systems are being evaluated by our R&D department in collaboration with the University of the Free State as a long-term solution to water management, including post-closure. Exxaro is also collaborating with other mining houses through local research institutions on a project to develop and implement appropriate technology to deal with waste from planned water treatment plants.

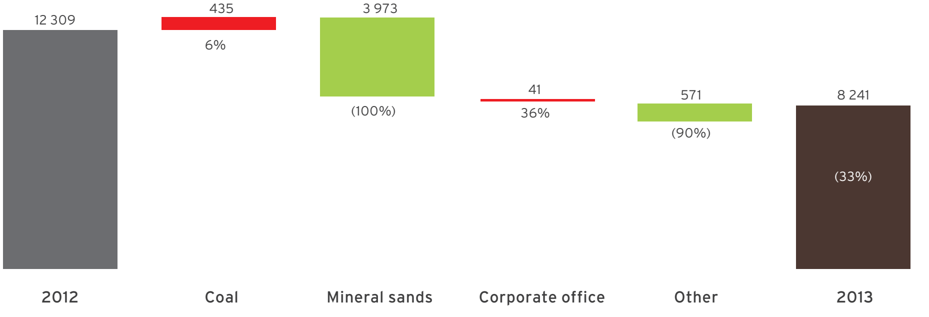
Water use monitoring and measurement

Exxaro monitors and reports according to JSE SRI reporting categories, in turn aligned to definitions and environmental categories from the GRI's mining and minerals sector guidelines. While the accuracy of water measurement, monitoring and reporting has improved significantly since 2011, on-site operational challenges remain. In line with this, this report includes water abstraction data excluding rainfall captured, abstraction from the sea and dewatering data. Significant progress was made in 2013 to improve metering and measurement of dewatering and rainwater catchment volumetric data specifically (detailed on our website).

Exxaro continues to report on its water use and management through the Carbon Disclosure Project South Africa Water Programme (CDP-Water), where we are one of the leaders on disclosure.

Exxaro reduced water withdrawals by 33% in 2013, largely after divesting of our mineral sands operations in the prior year. In our coal operations, ongoing management initiatives reduced water extraction significantly

Water use – performance 2013 vs 2012 (mega-litres)



in 2012 and 2013 from previous years. While this improving trend is generally maintained compared to the pre-2012 period, there was a slight increase in overall water extraction in 2013 versus 2012.

In 2013, coal operations accounted for 98% of Exxaro's water withdrawals. Total withdrawals in these operations increased by 6%, and the intensity of water withdrawals relative to production rose slightly. This means that while Exxaro's coal operations were not able to increase, the amount of water required to achieve this increased. This was largely a consequence of higher withdrawals at Grootegeluk, driven by expanded operations which in turn led to higher water withdrawal intensity. Given the relative scale of Grootegeluk, this led to an overall increase in water withdrawal intensity in our coal operations. While this is contrary to the trend of recent years, the improved management focus, technology and enhanced monitoring and measurement of water withdrawals have had a notable positive effect at most larger water-withdrawing operations.

Grootegeluk accounts for more than half of all water withdrawn by Exxaro's coal operations. In 2013, water withdrawals at Grootegeluk rose by 8%, mainly as a result of the expansion project which includes two new processing plants. Despite this, there has been a 24% reduction in withdrawal volumes from 2011.

Most other significant water-withdrawing business units recorded reductions in absolute water withdrawals and improved water withdrawal intensity in 2013. For example, Tshikondeni reduced volumetric water withdrawals by 21%, reducing water intensity by over 20%, while Matla achieved a volumetric water withdrawal reduction of 5% in 2013.

The focus in 2014 will be on maintaining this progress at the larger water-withdrawing operations, while rolling out initiatives at other operations. In support, water-withdrawal intensity targets across all sources were introduced to business units in 2013. Monitoring and reporting performance against these targets will continue in 2014 and we intend to extend these targets into the performance contracts of relevant managers in 2015.

A detailed wetland inventory has been developed to proactively mitigate the impact of mining on sensitive ecosystems and enable responsible coal exploitation.

Air quality

Comparing Exxaro's dust fallout rate against the regulated industrial limit (1 200mg/m²/day), our averaged coal operations exceeded the limit for three months in 2013. This is lower than both 2012 and 2011, reflecting intensified dust management activities and other factors.

Dust fallout 2013

	Long-term target	Average monthly fallout rate		
		2013	2012	2011
Coal	300mg/m²/day	351	480	393

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 66 to 86 on our website.

Mineral resources and ore reserves were estimated by competent persons on an operational basis and in accordance with the SAMREC Code (2007) for African properties and the JORC Code for Australian properties.

The tables are compiled from comprehensive independent statements received from the appointed resource and reserve competent persons at various operations and projects. Each statement forms part of a competent person's report which encapsulates the systematic and detailed estimation process conducted by or supervised by the applicable competent person. The competent persons have sufficient relevant experience in the style of mineralisation, type of deposit, mining method and activity for which they have taken responsibility, to qualify as a' competent person' as defined in the applicable codes at the time of reporting. The competent persons have signed off their respective estimates 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 group company secretary on written request.

Mineral resources and ore reserves are reported as those remaining on 31 December 2013 and mineral resources are reported inclusive of those resources, which have been converted to ore reserves and at 100%, irrespective of the percentage attributable to Exxaro. An exception is the reporting of Gamsberg and Black Mountain, because figures received from Vedanta Resources plc (JORC Code) represent resources exclusive of reserves and reported as on 31 March 2013. Significant changes in the resource or reserve figures are explained by relevant footnotes to each table.

Resource estimations are based on the latest available resource models, which incorporate all new validated geological information and, if applicable, revised resource definitions and classifications. The resource models are compiled as a rule between May and August of the reporting year to align with the subsequent reserve estimation process. For the Exxaro operations and projects, 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, security of tenure and associated geological risks/opportunities to establish an eventual extraction outline. The outline reflects the boundary within which ore occurrences are considered to have reasonable and realistic prospects for eventual economic extraction. All mineral resources in which Exxaro holds the controlling interest have been reviewed in 2013 to comply with the"reasonable and realistic prospects for eventual economic extraction" (SAMREC Code 2007). The location, quantity, quality and continuity of grade/quality and geology within this outline are known within varying degrees of confidence and are continuously tested by conducting exploration activities such as geophysical surveys, drilling and bulk sampling. Mineral resources are classified into inferred, indicated or measured categories based on the degree of geological confidence. Distribution of points of observation (drilling positions, trenches, etc), quality assurance and quality control in sample collection, evaluation of structural complexities and, in the case of operations, reconciliation results are considered in the classification of resources. A formal annually compiled and signed-off exploration strategy outlines the activities planned to investigate areas of low confidence and/or geology or structural complexities to ensure that resources with a high level of geological confidence are considered for mine planning.

Ore reserves have the same meaning as mineral reserves as defined in the applicable reporting codes. Ore reserves are estimated using the relevant modifying factors at the time of reporting (mining, metallurgical, economic, marketing, legal environmental, social and regulatory requirements). Modifying factors are signed off before and after reserve estimation by the persons responsible to ensure that all factors are timeously and appropriately considered. Comprehensive modifying factor sign-off and reserve fact pacts that record losses, recoveries/yields and other factors applied are documented in each of the independent competent persons' reports. Exxaro is keenly aware of the importance of its mineral assets, both for the short-term profitability of its operations and the sustainability of the company. The optimisation of mineral assets beyond what is generally referred to as mineral resource management is being driven as a priority. Changes in the resources market, increased awareness of protecting the natural environment and changing legislation and statutory requirements demand a change in the utilisation strategy and execution of mining operations. Exxaro is continuously assessing the various life-of-mine strategic plans to consider the best way of addressing these challenges.

It is critical for Exxaro management and investors to have a high level of confidence in the company's mineral assets and to have the assurance that these resources and reserves will deliver the expected value. Therefore, a mineral asset policy was drafted and approved by the Exxaro board in 2012. This policy was implemented in the reporting year by introducing procedures and governance measures designed to achieve this goal, while the drive to add additional good-quality mineral assets will continue. The process will greatly support the principles of competence, materiality and transparency within Exxaro.

Mineral resources and ore reserves quoted fall within existing Exxaro mining 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. 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, 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 outside Africa were done by competent persons as defined by the JORC Code.

The Belfast project mining right was granted and executed. An application for a mining right over the Glisa South project area was submitted during the reporting period, depicting the successful conclusion of various high-standard technical studies. The Glisa South project area is adjacent to the Glisa (North Block Complex) reserve and is an extension of this operation. The mining right application for the Grootegeluk West project area, submitted in 2012, is progressing well.

Comprehensive exploration drilling programmes at the Matla, Arnot and North Block Complex coal operations contributed to a better understanding of a number of geological and structural complexities and will enhance future extraction of coal reserves. Drilling and trenching at the Mayoko iron ore project in the Republic of the Congo increased the geological level of confidence of both the hematite and magnetite ore. Resource, geotechnical and hydro-geological drilling will proceed in 2014 to further define the resource base.

Exxaro is currently divesting from the New Clydesdale coal mine based on a review which concluded that the mine was not strategically aligned to the group strategy. Tshikondeni is in a process of mine closure and will, during the next reporting period, downscale its mining activities.

The person in Exxaro designated to take corporate responsibility for mineral resources, JH Lingenfelder, the undersigned, has reviewed and endorsed the reported estimates.

JH Lingenfelder
BSc Geology (hons)
Pr Sci Nat (400038/11)
Group manager geoscience

31 March 2014

The person in Exxaro designated to take corporate responsibility for ore reserves, J Hager, the undersigned, has reviewed and endorsed the reported estimates.

J Hager
B Mining (hons)
ECSA 20050209
Group manager mining processes

31 March 2014

EXECUTIVE COMMITTEE

All executive committee members are prescribed officers in terms of the Companies Act No 71 of 2008, as amended.

SA Nkosi – Sipho (59)

Chief executive officer

BCom (hons)(econ), MBA (Univ Mass, USA), Diploma in marketing management (Unisa), Advanced management leadership programme (Oxford)

Experience: After 20 years in the industrial and mining sectors, Sipho was a founder of Eyesizwe Holdings and served as chief executive officer before its merger into Exxaro in 2006. He was appointed CEO of Exxaro in September 2007. Sipho is a director of a number of companies, including Sanlam Limited, and served as president of the Chamber of Mines from 2007 to 2010.

WA de Klerk – Wim (50)

Finance director

BCom (hons)(acc), CA(SA), Executive management programme (Darden), Strategic marketing diploma (Harvard)

Experience: Wim joined Iscor in 1996, managed Iscor Quarries and the Grootegeluk Coal mine and became part of the executive team as group general manager for strategy and continuous improvement in 1999. Following Kumba's inception in 2001, he headed the mineral sands operations and when Exxaro listed in 2006, he became executive general manager for mineral sands and base metals until his appointment as finance director in 2009.

MDM Mgojo – Mxolisi (53)

Executive head: coal

BSc (hons)(energy studies), MBA, Advanced management programme (Wharton)

Experience: Previously at Eyesizwe Coal, Mxolisi was responsible for marketing. Before assuming his current position in August 2008, he was responsible for the base metals and industrial minerals commodity business.

MI Mthenjane – Mzila (44)

Executive head: strategy and corporate affairs

BSc (eng)(mining), Senior management development programme (GIMT)

Experience: Mzila has 20 years' work experience, which includes seven years in mining (at AngloGold and Gold Fields), six years in investment banking (at RMB and Deutsche Bank) and the last six years at Royal Bafokeng Holdings and Royal Bafokeng Platinum in the role of executive: business sustainability. Mzila assumed his current role in May 2013.

M Piater – Retha (59)

Executive head: human resources

BCom (hons), MBA, Advanced management programme (Insead)

Experience: Retha has 30 years of human resources experience across the various business units and commodities, specifically in the area of remuneration.

PE Venter – Ernst (57)

Executive head: growth, technology, projects & services, and ferrous

BEng (hons), MBA, Advanced management programme (Insead)

Experience: Ernst has headed a number of portfolios including base metals, Zincor, consulting services, mining technology, coal beneficiation, process development and plant metallurgy. From 2002 to 2008, he was responsible for the coal commodity business and then established Exxaro's business growth division. His portfolio now includes growth, technology, projects and services and the ferrous business of Exxaro.

M Veti – Mongezi (50)

General manager: safety, health, environment and community

National higher diplomas in metalliferous mining and coal mining (Technikon Witwatersrand), MBL (Unisa), Advanced management programme (Wharton), Mine overseer's certificate and mine manager's certificate of competency for fiery mines

Experience: In the early 1980s, Mongezi worked for AngloGold at Western Deep Levels and joined Sasol Mining in 1994. In 2002, he became mine manager at Arnot, and was appointed general manager Area 2 in Exxaro soon after the merger, before assuming his current role in February 2010.

CH Wessels – Carina (36)

Group company secretary

LLB (Univ of Pretoria), Advanced labour law (Univ of Pretoria), LLM (Unisa), Programme for management development (GIBS), FCIS (CSSA)

Experience: Carina is an admitted advocate of the High Court of South Africa, and a fellow and past president of Chartered Secretaries Southern Africa. She is currently president of the Corporate Secretaries International Association. Carina spent nine years with De Beers in various operational and head-office positions, including human resources, business improvement and corporate secretariat, as well as a period with Investec as corporate secretariat legal advisor. She assumed her current role in June 2011.

DIRECTORATE

SA Nkosi – Sipho (59)

Chief executive officer (executive director)

Director since 28 November 2006

See page 60

WA de Klerk – Wim (50)

Finance director (executive director)

Director since 1 March 2009

See page 60

Dr CJ Fauconnier – Con (66)

Independent non-executive director and member of audit and sustainability, risk and compliance committees (will take over as chairman of the sustainability, risk and compliance committee on 28 May 2014 and stand for election as a member of the social and ethics committee on 27 May 2014)

Director since 1 November 2013

BSc (eng)(mining), BSc (hons)(eng), MSc (eng), DEng (Pretoria), professional engineer, MBA (Oregon), DSc (honoris causa) (Free State), Strategic leadership programme (Oxford), Senior executive finance programme (Oxford)

Experience: Between 1969 and 1974, Con worked for various mining companies in the Anglo American group. For two years after that he was student and research assistant at the College of Business Administration, University of Oregon. From 1976 to 1995 he served in senior positions for various mining companies, including Gencor Limited and JCI Limited. In 1995 Con joined Iscor Limited and was later promoted to managing director of Iscor Mining. In June 2001, he was appointed chief executive of Kumba Resources Limited and in November 2006 became chief executive officer of Exxaro Resources Limited. He also served on the executive council of the Chamber of Mines of South Africa and was president from 2003 to 2005. He is a registered international professional engineer and a fellow of the South African Institute of Mining & Metallurgy as well as the Institute of Directors of Southern Africa and the South African Academy of Engineering. He has been an honorary professor in the department of mining engineering at the University of Pretoria and a fellow at the Gordon Institute of Business Science since 2007. He was an independent non-executive director at Xstrata plc from 2010 until May 2013 and an independent mining industry and management consultant from September 2007 to December 2010.

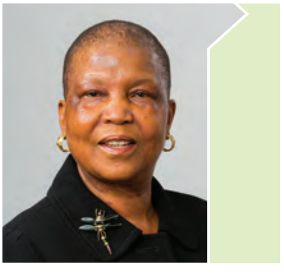
JJ Geldenhuys – Jurie (71)

Independent non-executive director, chairman of the sustainability risk and compliance committee, member of the remuneration and nomination, audit and social and ethics committees (will retire from the board and committees with effect from 27 May 2014)

Director since 28 November 2006

BSc (eng)(elec), BSc (eng)(mining), MBA (Stanford), professional engineer

Experience: From 1965 to 1980, Jurie held production and managerial positions on the gold, platinum and copper zinc mines of the Anglovaal group. From 1981 until 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 consulted to the group until 2002. He has 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. He served as the Chamber of Mines' president (1993 to 1994) and on the chamber's executive council, gold producers' committee and other chamber-related board committees. He also served on the Atomic Energy Council and National Water Advisory Council. He is currently non-executive director and chairman of Astral Foods Limited (chairing the nomination committee).



S Dakile-Hlongwane – Salukazi (63)

Independent non-executive director and member of sustainability, risk and compliance committee

Director since 21 February 2012

BA (economics and statistics), MA (development economics)

Experience: Salukazi is chairman of Nozala Investments, which she co-founded in 1996. Her career experience includes: 1977-1982 senior investment officer, Lesotho National Development Corporation; 1983-1995 African Development Bank (Abidjan/Côte d'Ivoire) as country programme officer and later principal corporation officer; senior manager, structured finance division/FirstCorp Merchant Bank and assistant general manager, BOE Specialised Finance. Salukazi is a non-executive director of some of Nozala's investee companies including Eqstra Holdings Limited, Enviroserv Holdings Limited, Woodlands Dairy Proprietary Limited, Afripack Proprietary Limited, Tsebo Outsourcing Group Proprietary Limited and Mutual Construction Company Proprietary Limited. She is also a non-executive director of MultiChoice South Africa Holdings Limited.

Dr D Konar – Len (60)

Independent non-executive director, chairman of the board and member of remuneration and nomination committee (chairs nomination matters)

Director since 28 November 2006

BCom, CA(SA), MAS, DCom, CRMA

Experience: After completing his articles at Ernst & Young in Durban, Len began his career as an academic at the University of Durban-Westville. He then spent six years with the Independent Development Trust as head of investments and internal audit, prior to becoming a professional director of companies and consultant. Len is chairman of Steinhoff International and Mustek Limited and a member of the boards of Illovo Sugar, Sappi and JD Group. He is a past member of the ad hoc ethics panel of the United Nations, safeguards panel of the International Monetary Fund in Washington, co-chairman of the implementation oversight panel of the World Bank, and past chairman and member of the external audit committee of the International Monetary Fund.

NB Mbazima – Norman (55)

Non-executive director and member of remuneration and nomination committee

Director since 30 November 2012

Fellow of the Association of Chartered Certified Accountants (FCCA), Fellow of the Zambia Institute of Chartered Accountants (FZICA)

Experience: Norman joined Kumba Iron Ore in September 2012 as CEO. As CEO of Anglo American Thermal Coal from October 2009, he spearheaded the business unit's record operating profit in 2011, combined with an improved safety performance. Under his leadership, the Zibulo mine in South Africa reached commercial operating levels ahead of schedule, and Thermal Coal has actively participated in the pursuit of cleaner coal solutions for the world's energy needs. A chartered accountant by profession, Norman worked at Zambia Consolidated Copper Mines before spending 17 years with Deloitte & Touche, also in Zambia. He has extensive experience of the Anglo American group, after joining in 2001, serving as CEO of Scaw Metals, both finance director and acting CEO of Anglo's platinum business; CFO of the then Anglo Coal business and CFO of Konkola Copper mines.

VZ Mntambo – Zwelibanzi (56)

Non-executive director and member of remuneration and nomination committee

Director since 28 November 2006

BJuris, LLB (Univ North West), LLM (Yale)

Experience: Zwelibanzi is executive chairman of Xalam Performance. He was previously 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. He is chairman of Main Street 333 Proprietary Limited. He is also a director of SA Tourism Proprietary Limited and a trustee of the Paleo-Anthropologial Scientific Trust.

RP Mohring – Rick (66)

Independent non-executive director, chairman of remuneration and nomination committee, member of audit, sustainability, risk and compliance and social and ethics committees

Director since 28 November 2006

BSc (eng)(mining), MDP, professional engineer

Experience: From 1972 to 1998, Rick held production, managerial and executive positions in the gold and coal divisions of the Rand Mines and Billiton groups. From 1998 until 2000, he was chief executive officer of NewCoal, a black empowerment initiative set up by Anglo Coal and Ingwe Coal Corporation. Eyesizwe Coal, the largest BEE coal company in South Africa, was formed in November 2000 through this process, with Rick serving as deputy chief executive officer until 2003. As such, he was 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.

Dr MF Randera – Fazel (65)

Non-executive director and chairman of social and ethics committee

Director since 13 June 2012

MRCS, LRCP, DRCOG

Experience: Globally, Fazel has served as board and council member of the World Medical Association (1997-2000), participated in the World Health Organization international inquiry into the tobacco industry (1998-1999) and chaired the global initiative on HIV/Aids reporting (2004). In South Africa, he sat on the Truth and Reconciliation Commission (1995-1998), founded the Ethics Institute and served as its chairman (1997-2000), and served on the Human Rights Commission (1997-1999). Working in hospitals and facilities in the UK and South Africa, he specialised in a range of medical disciplines, including occupational health and HIV/Aids. Fazel chaired the Private Healthcare Forum (2004-2007) and was a member of the South African Centre for Survivors of Torture (2006-2011). He was inspector general for South Africa's intelligence services (1999-2001) and served on a number of ministerial advisory bodies. He was the health advisor at the Chamber of Mines and is deputy chairman of Nehawu Investment Holdings and MediTech South Africa.

NL Sowazi – Nkululeko (50)

Independent non-executive director

Director since 28 November 2006

BA, MA (UCLA)

Experience: Nkululeko is chairman of Kagiso Tiso Holdings, a leading diversified investment holding company with interests in media, infrastructure, power, resources and financial services. He serves on the boards of Aveng Limited and Actom Holdings. He is also chairman of Idwala Industrial Holdings, Litha Healthcare Group and The Home Loan Guarantee Company. He was previously executive chairman and co-founder of Tiso Group, an executive director of African Bank Investments Limited and managing director of specialist insurance agency, Mortgage Indemnity Fund.

J van Rooyen – Jeff (64)

Independent non-executive director and chairman of audit committee

Director since 12 August 2008

BCom, BCompt (hons), CA(SA)

Experience: Jeff is a director of various companies in the Uranus Group, non-executive director of MTN Group Limited, Pick n Pay Stores Limited and Pick n Pay Holdings Limited. He is chairman of the Financial Reporting Standards Council (FRSC), a former trustee of the International Accounting Standards Foundation and member of the University of Pretoria's faculty of economic and management sciences' oversight board. He was a partner in Deloitte & Touche, chairman of the Public Accountants and Auditors Board, CEO of the Financial Services Board and advisor to the former Minister of Public Enterprises. Jeff is a founder member and former president of the Association for the Advancement of Black Accountants of South Africa.

D Zihlangu – Rain (47)

Independent non-executive director and member of sustainability, risk and compliance committee

Director since 28 November 2006

BSc (eng)(mining) (Wits), MDP (SBL, Unisa), MBA (WBS, Wits)

Experience: Rain is CEO of Eyabantu Capital Consortium. Between 1989 and 1994 he was a stoper/developer and shift boss at Vaal Reefs Gold Mining Company. From 1995 to 2002 he progressed to mine manager at Impala Platinum Limited. Rain was CEO of Alexkor Limited from 2002 until 2005. From 2006 to November 2012, he was an independent non-executive director of the South African National Oil and Gas Company (PetroSA) and served on its business performance monitoring committee. He also serves on the board of Sentula Mining.

Meeting attendance 2013

Board	12 Feb 13 subcom	4 Mar 13 board	15 Apr 13 subcom	23 Apr 13 governance	30 May 13 board	20 Aug 13 board	4 Oct 13 governance	28 Nov 13 board
D Konar (chairman)	P	P	P	P	P	P	P	P
S Dakile-Hlongwane	NR	P	NR	P	P	P	P	P
WA de Klerk	P	P	P	P	P	P	P	P
CJ Fauconnier	Not yet appointed							P
JJ Geldenhuys	P	P	NR	P	P	P	P	P
NB Mbazima	NR	A	NR	P	T/PA	P	A	P
VZ Mntambo	NR	P	T	P	P	P	P	P
RP Mohring	P	A	NR	A	P	P	P	P
SA Nkosi	P	P	P	P	P	P	P	P
MF Randera	NR	P	NR	P	P	P	P	P
NL Sowazi	NR	P	NR	A	P	A	P	P
J van Rooyen	P	P	A	A	P	P	P	P
D Zihlangu	NR	P	NR	P	P	P	P	P

P = present.
A = apology.
T = telecon.
NR = not required.
PA = partial attendance.

Audit committee	28 Feb 13	4 Jun 13	15 Aug 13	20 Nov 13
J van Rooyen (chairman)	P	P	P	P
CJ Fauconnier	Not yet appointed			
RP Mohring	P	P	P	P
JJ Geldenhuys	P	P	P	P

P = present.

Remuneration and nomination committee	26 Feb 13	4 Jun 13*	14 Aug 13*	28 Nov 13*
RP Mohring (chairman)	P	P	P	P
JJ Geldenhuys	P	P	P	P
D Konar	T	P	P	P
NB Mbazima	P	A	P	P
VZ Mntambo	A	P	P	P

P = present.
A = apology.
T = telecon.
* *Including nomination committee matters.*

Sustainability, risk and compliance committee	26 Feb 13	30 May 13	14 Aug 13	29 Oct 13
JJ Geldenhuys (chairman)	P	P	P	P
CJ Fauconnier	Not yet appointed			
RP Mohring	P	P	P	P
S Dakile-Hlongwane	P	P	P	P
D Zihlangu	P	P	P	P

P = present.

Social and ethics committee	3 Jul 13	11 Dec 13
MF Randera (chairman)	P	P
JJ Geldenhuys	P	P
RP Mohring	P	P

P = present.

We firmly believe that our licence to operate depends on being a responsible corporate citizen.

GOVERNANCE

As a listed resources company, Exxaro operates in an extremely regulated environment. This naturally drives our governance, risk and compliance initiatives. Equally, however, as an ethical, values-based and proudly South African black-empowered resources company, our governance, risk and compliance initiatives are driven by more than minimum requirements, but rather the firm belief that our licence to operate depends on being a responsible corporate citizen.

As such, we take decisions that enable our strategy, ensure our profitability and performance, and consider our risks, while striving to meet the legitimate interests and expectations of our stakeholders through actions that are socially and environmentally responsible.

By balancing these imperatives, we entrench our sustainability and make a meaningful contribution to the South African economy.

Balancing these imperatives and ensuring a well governed and ethical organisation is one of the chief executive officer's key performance areas: this ensures that governance, aligned with King III recommended practices, is always on the agenda.

The following diagrammatic overview presents a holistic view of our governance structures and processes:

SHAREHOLDERS AND STAKEHOLDERS

BOARD OF DIRECTORS

Adds value through strategic leadership and guidance, and ultimate oversight in ensuring a sustainable business that is accountable to shareholders and responsible to other stakeholders.

SOCIAL AND ETHICS COMMITTEE

Adds value by providing independent oversight on matters in the Remco and SRC committees' mandates by reviewing actions through a moral lens or based on a more holistic ethical view, as well as taking accountability for specific areas within its mandate.

STRATEGIC

AUDIT COMMITTEE

Adds value by assessing, questioning and ensuring the company's financial sustainability, and by providing oversight over IT governance.

REMUNERATION AND NOMINATION COMMITTEE

Adds value by ensuring optimal remuneration structures to attract, retain and motivate world-class employees who will enable and support the business strategy, as well as assisting the board to identify and source appropriately skilled directors who can individually and collectively add value to the board.

SUSTAINABILITY, RISK AND COMPLIANCE COMMITTEE

Adds value by critically assessing all sustainability, risk and compliance key performance indicators, discipline strategies and performance, as well as reviewing SHE incidents, thus assisting the board and management to enable safe, sustainable and legally compliant business practices.

EXECUTIVE/SENIOR MANAGEMENT

EXECUTIVE COMMITTEE

Adds value by assisting the CEO in managing the business to enable and ensure the company achieves its strategies and objectives.

PORTFOLIO REVIEW COMMITTEE

Adds value by testing new strategies and initiatives against the company's mission and vision prior to further action/changes in strategy being recommended to the board.

INFORMATION MANAGEMENT STEERING COMMITTEE

Adds value by ensuring IT is well governed, and enables and supports the company's overall objectives at an acceptable cost.

INVESTMENT REVIEW COMMITTEE

Adds value by interrogating all capital projects above the executive heads' mandate against financial, technical and strategic metrics prior to action.

OFFSHORE REVIEW COMMITTEE

Adds value by ensuring effective management and tax efficiency, and ensuring local legislative compliance of the company's offshore and financing structures.

ETHICS COMMITTEE

Adds value by investigating all claims of unethical behaviour and recommending appropriate action.

Commodity, regional, business unit, discipline, departmental and project committees and forums

OPERATIONAL/TACTICAL

The main filter applied to the governance structure/framework is that of materiality: the more material or risky the issue, the higher it is elevated up the governance structure. Less material or operational issues are handled through business unit or commodity structures.

We strive to meet the legitimate interests and expectations of our stakeholders through actions that are socially and environmentally responsible.

APPLICATION OF KING III

Exxaro is committed to applying the principles and practices in the King report on governance for South Africa 2009 (King III). We have significantly expanded our King III application disclosure in this report for a complete view of our governance frameworks, policies, activities and performance.

As indicated in the 2012 integrated report, this year's report contains only the information on King III chapter 2 (boards and directors), with the remainder of the information available on our website or cross referenced elsewhere in this report.

King III assurance review

As promised in the 2012 report, Exxaro had an independent assurance review performed by Ithemba Governance and Statutory Solutions Proprietary Limited on our King III application, based on the Institute of Directors' assessment tool. Our overall score was AAA (the highest application).

READ MORE>
Governance section

Status	Category	Score
●	Board composition	AAA
●	Remuneration	AAA
●	Governance office bearers	AAA
●	Board role and duties	AAA
●	Accountability	AAA
●	Performance assessment	BB
●	Board committees	AAA
●	Group boards	AAA

AAA – highest application.
AA – high application.
BB – notable application.
B – moderate application.
C – application to be improved.
L – low application.

	Principle	Indicator	Comment
Boards and directors			
2.1	The board should act as the focal point for and custodian of corporate governance	Applied	The board operates in accordance with a detailed charter, based on King III, and, inter alia, deals specifically with the roles, responsibilities and accountabilities of the board. It meets at least four times a year and corporate governance best practice, trends and developments are standing items on the agenda. In addition, the board is informed of governance matters through ongoing development interventions and sessions – refer principle 2.20 for further details. A detailed annual plan ensures the board executes all its responsibilities and complies with its charter. The board, as custodian of corporate governance, has made the office of the group company secretary responsible for implementing and monitoring compliance to associated best practices across the group. Our group company secretary, Carina Wessels, is a member of the executive committee (Exco); she reports directly to the CEO and has direct access to the chairman. She works closely with internal audit, the compliance and risk management functions, chief audit executive and our outsourced legal advisers to promote a culture of good governance and compliance in the group.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	Applied	The board charter specifically emphasises the fact that the board acknowledges that strategy, risk, performance and sustainability are inseparable and the board gives effect to this philosophy by: • Contributing to and approving the strategy annually, at which point past performance, key risks and sustainability matters are also debated • Testing the strategy against the company's long-term vision, values, business principles, ie the capitals framework and stakeholder expectations • Satisfying itself that strategy and business plans do not result in risks that have not been thoroughly assessed and addressed by management and captured through the comprehensive enterprise risk management process • Identifying key performance and risk areas • Ensuring the strategy will produce sustainable outcomes • Considering sustainability as a business opportunity that guides strategy formulation. The discussion of our strategic objectives remains a method to further highlight the integration and importance of strategy, risk, performance and sustainability to stakeholders. The board and SRC committee also monitor key performance indicators (KPIs) for material issues, as well as a broader range of sustainability, risk and compliance KPIs and interrogate the results of trend reporting.
2.3	The board should provide effective leadership based on an ethical foundation	Applied	We are driven by our desire to always operate as a responsible corporate citizen and recognise that an ethical culture underpins corporate governance and contributes to our licence to operate. Exxaro and its board of directors are committed to ensuring ethical and sustainable business practices, guided by our values. Our values are captured in our ethics and related policies, which are approved by the social and ethics committee on behalf of the board.

Applied.

	Principle	Indicator	Comment
Boards and directors			
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	Applied	The board and management subscribe to the philosophy that corporate governance – built on an ethical and values-based foundation that considers the expectations of all stakeholders – permeates all business activities and enables us to achieve our short- and medium-term strategic objectives, while contributing to reaching Exxaro's vision. The board provides strategic guidance to Exxaro and ensures that all decisions consider the immediate and long-term impact these have on the environment, the communities in which we operate, internal and external stakeholders and business sustainability in general. Individual directors are very aware of their duties and adherence to these, as well as to the principles of responsibility, accountability, fairness and transparency, which are tested through the annual board evaluation process – refer principle 2.22 under boards and directors for more information. The board supports the group's brand and communications strategy which strives to effectively communicate its corporate citizenship. During the reporting period, R57 million (2012: R50 million) was spent through the chairman's fund and foundation on social and labour plans, uplifting and supporting the communities in which we operate, as well as charitable projects and initiatives. Refer principle 2.11 for more information on stakeholder engagement. In 2013, the group received several awards, detailed on page 36. Exxaro has a board-approved political donations policy, which acknowledges that the primary purpose of these donations is to strengthen and consolidate democracy by ensuring political parties are able to function effectively. Sustaining a number of political parties that reflect a variety of political views and opinions is necessary to consolidate democratic transformation in South Africa. The company believes the principle of multiparty democracy, as contained in the founding provisions of the Constitution of the Republic of South Africa 1996, deserves support by corporate South Africa. In support of the 2014 elections, the company made the following political donations: • African National Congress: R10 million • Democratic Alliance: R2,6 million • The Congress of the People: R1 million • Inkatha Freedom Party: R1 million • Freedom Front Plus: R500 000 • United Democratic Movement: R500 000.
2.5	The board should ensure that the company's ethics are managed effectively	Applied	Exxaro remains committed to the highest standards of honesty, integrity and fairness. Ethics processes and policies are managed either by the general manager: governance, risk and compliance or the group company secretary. Established policies, on which employees are regularly trained and which are frequently reviewed, include: • Code of ethics • Whistleblowing • Conflicts of interest • Fraud investigation • Fraud prevention • Fraud response • Gifts and benefits from suppliers. Refer the social and ethics committee report for more information.

Applied.

	Principle	Indicator	Comment
Boards and directors			
2.6	The board should ensure the company has an effective and independent audit committee Section 3.84(d) of the Listings Requirements	Applied	Shareholders elect members of the audit committee, which consists only of independent non-executive directors, annually. The committee operates under detailed terms of reference, reviewed and approved by the board annually. The committee meets at least four times a year and meets with internal and external auditors independently of management at the first and third meetings of the year, to align with the review of the annual and interim financial statements. Refer the audit committee report and chapter 3 on audit committees for more information (web).
2.7	The board should be responsible for the governance of risk	Applied	Although the board has delegated responsibility for the enterprise risk management framework and executing risk management initiatives and interventions to the SRC committee and management respectively, it retains accountability for risk governance, as expressly indicated in the board charter. The enterprise risk management framework, which considers the interrelationship between strategy, risk, performance and sustainability, guides the approach and was approved by the board in November 2011. Refer the risk management section for more information on the framework and operational process. Detailed risk reporting is presented to the SRC committee at least bi-annually and the committee reports verbally and via committee minutes to the board at each meeting. Risks are also discussed in detail during the annual board strategy session. Based on this information, as well as the annual internal audit review of the effectiveness of the risk management process, the board is comfortable with the efficacy and effectiveness of the enterprise risk management system and process. Refer chapter 4 on the governance of risk for more information (web).
2.8	The board should be responsible for information technology (IT) governance	Applied	As reported in 2012, the board initially retained accountability for IT governance. An information management steering committee was established to assist the board in discharging its responsibilities on the effective and efficient management of IT resources and the integrity of information to achieve corporate objectives. In August 2013, detailed information was again presented to the board, when it was decided to delegate this responsibility to the audit committee. The board-approved information and communications technology governance framework remains in force and future reporting to the audit committee will occur in terms of this framework. The independent external auditors, as part of their annual audit, provide assurance on, inter alia, the effectiveness of IT internal controls. In addition, assurance activities performed by our independent internal auditors showed significant improvement in IT governance and controls from 2012 to 2013. Refer chapter 5 on the governance of IT for more information (web).

Applied.

	Principle	Indicator	Comment
Boards and directors			
2.9	The board should ensure the company complies with all applicable laws and considers adherence to non-binding rules, codes and standards	Applied	The board has adopted a compliance policy that sets out our compliance framework, which is in line with the standards of the Compliance Institute of South Africa. The compliance process is fully integrated in the enterprise risk management process. This ensures compliance risks are addressed with the same rigour as other categories of risk. The SRC committee is charged, under its terms of reference, to review the compliance framework, process and all compliance risks as part of the enterprise risk management process. The risk impact matrix, adopted by the board, specifically refers to compliance impacts that would prevent Exxaro from achieving its strategic objectives. To ensure the best overall risk coverage, standardisation and discharging the accountability of risk owners, the implementation of all mitigation techniques is coordinated centrally. Our combined assurance process is risk-based and, in 2013, specific emphasis was placed on assurance activities covering our most important compliance controls relating to 'licence to operate'. The following compliance assurance activities have been concluded and findings reported: • Compliance to mining charter, issued in terms of the Mineral and Petroleum Resources Development Act 28 of 2002 (MPRDA) • Compliance to social and labour plans, which form part of every mining right • Compliance to environmental legislation including MPRDA, National Water Act 36 of 1998 and National Environmental Management Act 107 of 1998. Compliance KPIs, and the overall efficacy of the process, are reported to the SRC committee which, in turn, reports to the board verbally and by submitting minutes at each of its meetings. Extensive compliance training was conducted at strategic, tactical and operational level during the year, covering the following topics: • MPRDA Amendment Bill 2013 • Protection of Personal Information Act 4 of 2013 • Compliance reporting requirements in terms of all licence-to-operate conditions. In addition to management training, the board receives legislative and best-practice updates at each meeting, as well as during the bi-annual governance session – refer principle 2.20 under boards and directors for more information. Compliance is not only a legal imperative, but a moral and ethical imperative. Therefore we have specifically decided to implement many of the best practices (based on legislation and non-binding rules, codes and standards) applicable in South Africa to our project in the Republic of the Congo, where such legislation does not necessarily exist and where we do not have a legal obligation to do so. The company received no material fines or penalties for non-compliance in 2013. Refer chapter 6 on compliance with laws, rules, codes and standards for more information (web).
2.10	The board should ensure there is an effective risk-based internal audit	Applied	The internal audit function is outsourced to Ernst & Young (EY). Its responsibilities are set out in an internal audit charter approved by the audit committee and reviewed annually. The charter, inter alia, entrenches the risk-based audit approach, reporting lines to the chief audit executive, unrestricted access to the information and resources of the company, chairmen of the audit committee and board, as well as adherence to the standards for the professional practice of internal auditing and the code of ethics of the Institute of Internal Auditors. EY liaises regularly with the general manager: governance, risk and compliance, who is also the chief audit executive, and discusses the risk profile of the group and those of its business units to ensure a link between internal audit activities and risk profiles. Refer chapter 7 on internal audit for more information (web).

Applied.

	Principle	Indicator	Comment
Boards and directors			
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	Applied	The board keenly understands the link between stakeholder perceptions and Exxaro's reputation. Stakeholder engagement is therefore a critical part of our business as it influences both stakeholder perceptions and our reputation. Stakeholder relations can be affected by several of Exxaro's identified top risks. Our stakeholders set the context within which we operate and we therefore strive for effective stakeholder engagement to operate a sustainable business. The aim is to promote two-way engagement so that Exxaro and stakeholders understand one another. From 2013, the company has focused more closely on stakeholder engagement, including the appointment of an executive responsible for coordinating this function. To date, Exxaro has engaged with its full range of stakeholders. To ensure best practice and consistency, in 2014, we intend to adopt the AccountAbility 1000SES stakeholder engagement standard – the acknowledged benchmark for quality engagement – which will guide the process of mapping stakeholders, linking material issues to relevant stakeholders, and more. Refer the section on stakeholders and chapter 8 on governing stakeholder relationships for more information (web).
2.12	The board should ensure the integrity of the company's integrated report	Applied	Functional owners are accountable to ensure the integrity of data and general information in the integrated report under the guidance and coordination of an editorial committee. PricewaterhouseCoopers Incorporated (PwC) assures key performance indicators and summarised financial information disclosed in the integrated report. The board reviews and finally approves the content of the integrated report prior to publication and circulation. Refer chapter 9 on integrated reporting and disclosure for more information (web).
2.13	The board should report on the effectiveness of the company's system of internal controls	Applied	As noted in the audit committee report, there has been a marked improvement in the pervasive control environment since 2012 after challenges with implementing a new operating model and associated technological enabler. The independent external auditors were able to rely on a number of processes due to the improved control environment while still applying appropriate substantive procedures in instances where control reliance was not justified to mitigate potential risks. The chief audit executive and audit committee continue to regularly monitor progress and maturity improvement in the internal control environment. The board is satisfied with progress to date and mitigating actions, and will continue to receive feedback on progress from the audit committee.
2.14	The board and its directors should act in the best interests of the company	Applied	The board strictly adheres to its fiduciary duties and duty of care and skill codified in the Companies Act. These are mirrored in the conflicts of interest policy, which also applies to directors. Directors are permitted to obtain independent advice in connection with their duties and liabilities. Conflicts are declared at each board meeting and conservatively interpreted: all conflicts (even those broader than the definition of personal financial interests) are treated in line with section 75 of the Companies Act. The securities dealing and information policy, which includes the process required for dealing in securities by directors, was updated in 2013.

Applied.

	Principle	Indicator	Comment
Boards and directors			
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act		The audit committee reviews financial information in detail and recommends specific action to the board if required. The committee regularly reviews the solvency and liquidity of the group, as well as the going-concern statement. In addition, when considering and reviewing the provision of financial assistance to related and inter-related parties, as well as considering dividends payable, the board considers the solvency and liquidity of the group. During the year, the company met the solvency and liquidity test each time it was performed.
2.16	The board should elect a chairman who is an independent non-executive director. The CEO should not also fulfil the role of chairman of the board		The roles of the CEO and chairman are separate; Dr Len Konar is an independent non-executive director and the CEO is Sipho Nkosi. Based on an evaluation of his performance and ability to add value, the chairman is re-elected by the board annually. The role and responsibilities of the chairman are articulated in the board charter and further entrenched in the division of responsibilities policy.
2.17	The board should appoint the chief executive officer and establish a framework for delegation of authority		The board appointed Sipho Nkosi as CEO on 1 September 2007. His role and responsibilities are articulated in the board charter and further entrenched in the division of responsibilities policy. A detailed delegation of authority policy and framework indicate matters reserved for the board and those delegated to management. Remco provides input on senior management succession planning.
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent Sections 3.84(b), (f) and (g) of the Listings Requirements		In line with the recommendations of King III, Exxaro has a unitary board structure, comprising: • Eight independent non-executive directors • Three non-executive directors • Two executive directors. A new process was introduced in 2013 to assess the status of directors who were accordingly reclassified: all directors (other than those nominated by a shareholder with the clear and unambiguous ability to control or significantly influence management or the board, namely Messrs NB Mbazima, VZ Mntambo and Dr MF Randera) were required to complete a questionnaire based on the principles contained in King III and the Listings Requirements to assist Remco in assessing their independence. The group company secretary maintains a board skills and experience matrix to ensure breadth and depth of skills and experience to support and enable the company's vision and strategy: new board nominations are assessed against gaps identified in the matrix. One third of non-executive directors retire by rotation annually. The memorandum of incorporation does not restrict the board's ability to remove a director without shareholder approval.
2.19	Directors should be appointed through a formal process. Sections 3.84(a) and (e) of the Listings Requirements		In line with the board charter, Remco is responsible for identifying suitable candidates and vetting nominee directors to be proposed to shareholders for approval. Summarised résumés are included in the integrated report to assist shareholders in the election process. New directors receive a detailed letter of appointment and undergo induction as discussed in principle 2.20.

Applied.

	Principle	Indicator	Comment
Boards and directors			
2.20	The induction and ongoing training and development of directors should be conducted through formal processes	Applied	The formal board induction programme is managed by the group company secretary: new directors are informed of their duties and responsibilities, and information on the company is provided through extensive induction material, discussions and visits to material business units. All have access to key management members for information on Exxaro's operations. The formal ongoing directors' development programme involves two full-day sessions during the year, visits to key business units, and the opportunity to attend outsourced training interventions as required. Topics for the 2013 full-day sessions included: • An overview of the governance, risk and compliance journey, implementation status and successes, including a discussion on risk tolerance levels • Information and required action in terms of the Protection of Personal Information Bill 9 of 2009 • Feedback from an information management security assessment • Legal context and status of the mining charter and social and labour plans • Investor relations processes and principles • The failings of Barings Bank and related risk control lessons • Global trends in the mining industry • Transnet freight and rail operational plan • Amendments to the MPRDA • Directors' and officers' liability insurance overview. In addition to formal sessions, directors receive group and industry news articles daily, as well as regular analyst reports. During the year, R780 000 (2012: R1,2 million) was spent on director development and support activities, information sharing and corporate governance initiatives. The primary reason for the reduction related to the 2013 board assessment process being handled internally. Visits to operational businesses for all directors are part of the annual board programme and, due to its strategic importance, the 2013 visit was to the Mayoko project in the Republic of the Congo.
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary Sections 3.84(i) and (j) of the Listings Requirements	Applied	The board selects and appoints the group company secretary and recognises this person's pivotal role in entrenching good corporate governance. All directors have access to the advice and services of the group company secretary. The board has an established procedure for directors to obtain independent professional advice at the group's cost. The group company secretary assists directors, board committees and their members in obtaining professional advice. Carina Wessels was appointed group company secretary on 1 July 2011. As stipulated by the Listings Requirements, a detailed assessment was conducted by the board to consider and satisfy itself of the competence, qualifications and experience of the company secretary. This was performed by: • A review of her qualifications and experience: Carina holds LLB and LLM degrees, a certificate in advanced labour law, is an admitted advocate of the High Court of South Africa, has completed a programme for management development and is a fellow and past president of Chartered Secretaries Southern Africa (CSSA). In 2013 she was vice-president of the Corporate Secretaries International Association, a global federation of corporate secretaries representing 70 000 members worldwide, and on 1 January 2014 succeeded as president. She is a member of the Computershare issuer forum board, as well as the JSE company secretary forum. During the year, she delivered presentations at a number of local and international corporate governance conferences and exceeded her continuing professional development requirements stipulated by CSSA. • Completing an assessment detailing all the legislative and King III requirements by each director. This indicated that directors mostly strongly agreed that all requirements had been met, including competence, qualifications and experience requirements. She does not serve as a director of the board and the assessment confirmed her arm's-length relationship with the board.

Applied.

	Principle	Indicator	Comment
Boards and directors			
2.22	The evaluation of the board, its committees and the individual directors should be performed every year		Independent board evaluations are conducted every third year, with evaluations performed by the group company secretary during the other years. In 2013, evaluations of the board and committees were conducted by the group company secretary. Results achieved and areas requiring some improvement (average score of below 2,5) were: **Board:** 3,54 out of 4 • Mentorship programmes for inexperienced directors **Audit committee:** 3,57 out of 4 **Remuneration and nomination committee:** 3,39 out of 4 • Consideration of committee budget and business plan, key performance indicators and other factors determining its performance • Non-executive director fees not comprising a base fee and attendance fee per meeting • Lack of detailed long-term succession plan for directors – especially the risk to board composition from possible changes in 2016. **Social and ethics committee:** 3,34 out of 4 **SRC committee:** 3,4 out of 4 • Committee members are given and take the opportunity to meet separately without executives being present. Action will be taken in 2014 to address these areas of improvement. Our external auditors have performed certain agreed-upon procedures on our annual board evaluation process, and have reported their findings to the company.
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities Section 3.84(d) of the Listings Requirements		Board committees assist the board in executing its duties, powers and authorities. The board delegates to each committee the required authority to enable them to fulfil their respective functions through formal board-approved terms of reference, which are reviewed annually. Delegating authority to board committees or management does not mitigate or discharge the board and its directors of their duties and responsibilities. All committees consist of a majority of independent non-executive directors. The board has established the following committees: **Audit committee** Apart from the statutory duties of the audit committee as set out in the Companies Act, and the provisions of the Listings Requirements and King III, the ambit of this committee has been expanded to include financial risk management, financial compliance and aspects of integrated reporting. The purpose of the committee is to: • Examine and review the group's financial statements and report on interim and final results, the accompanying message to stakeholders and any other announcements on the company's results or other financial information to be made public • Oversee cooperation between internal and external auditors, and serve as a link between the board and these functions • Oversee the external audit function and approve audit fees • Evaluate the qualification, appropriateness, eligibility and independence of the external auditor • Approve the appointment of the internal auditors, the internal audit plan, charter and fees • Evaluate the scope and effectiveness of the internal audit function • Ensure effective internal financial controls are in place • Review the integrity of financial risk control systems and policies • Evaluate the competency of the finance director and finance function • Appoint the chief audit executive • Oversee the effectiveness of the combined assurance plan and outcome. More information appears in the audit committee report.

Applied.

<table>
<tr><th></th><th>Principle</th><th>Indicator</th><th>Comment</th></tr>
<tr><td colspan="4">Boards and directors</td></tr>
<tr><td>2.23</td><td>The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities

Section 3.84(d) of the Listings Requirements</td><td>Applied</td><td>Remuneration and nomination committee (Remco)
The purpose of this committee is to:
• Make recommendations on remuneration policies and practices, including the company’s employee share schemes, for executive directors, senior management and employees
• Review compliance with all statutory and best-practice requirements on labour and industrial relations management in collaboration with the SRC committee.

Although this is a combined committee, a process is in place to ensure the following responsibilities for the nomination element are carried out:
• Provide recommendations on the composition of the board and board committees, and ensure the board comprises individuals equipped to fulfil their role as directors of the company, aligned with the policy detailing procedures for appointments to the board
• Provide comments and suggestions on committee structures of the board, committee operations, member qualifications and member appointment.

More information appears in the remuneration report.

The board chairman chairs the meeting when discussing nomination matters.

Sustainability, risk and compliance (SRC) committee
The purpose of the committee is to:
• Provide oversight on three important aspects influencing strategy and the long-term viability of the company, being sustainability, risk and compliance
• Oversee and coordinate all risk and compliance activities (although the audit committee remains accountable for financial risk and compliance)
• Review significant SRC incidents, performance indicators and compliance
• Ensure the company reports annually through an integrated report on relevant SRC issues.

Social and ethics committee
The purpose of the committee is to monitor the group’s activities, taking account of relevant legislation, other legal requirements or prevailing codes of best practice on:
• Social and economic development
• Good corporate citizenship
• The environment, health and public safety, including the impact of the group’s activities and its products or services
• Consumer relationships, including the group’s advertising, public relations and compliance with consumer protection laws
• Labour and employment
• The effective management of the group’s ethics processes.

More information appears in the social and ethics committee report.

Apart from the social and ethics committee which meets bi-annually, all other board committees meet quarterly.</td></tr>
</table>

Applied.

	Principle	Indicator	Comment
Boards and directors			
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities. Section 3.84(d) of the Listings Requirements	Applied	The following key management committees support the board and chief executive officer (CEO) in the day-to-day management of the company (more details appear on the web): **Executive committee (Exco)** Exco is constituted to assist the CEO in managing the group. It assists the CEO in guiding and controlling the overall direction of the company and acts as a medium of communication and coordination between business units, corporate office, subsidiary companies and the board. All Exco members are prescribed officers in terms of the Companies Act. The committee formally meets around nine times each year and, informally, each week. **Information management (IM) steering committee** The IM steering committee is constituted as a management committee to assist the audit committee in executing its responsibility for IT governance. The committee meets four times a year. **Investment review committee** The investment review committee is constituted as a management committee to assist the CEO with the investment and capital expenditure management processes of the group. The committee meets around nine times a year. **Offshore review committee** The offshore review committee is constituted as a management committee to assist the CEO and finance director in managing Exxaro's portfolio of offshore investments and interests. The committee meets at least twice a year. **Portfolio review committee** The portfolio review committee is constituted as a strategy management committee to assist the CEO with portfolio management. The committee meets around nine times a year.
2.24	A governance framework should be agreed between the group and its subsidiary boards	Applied	All Exxaro subsidiaries adopt and comply with the detailed delegation of authority framework and policy, which stipulates the governance framework.
2.25	Companies should remunerate directors and executives fairly and responsibly	Applied	Refer the extensive remuneration report for full details.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives	Applied	Refer the extensive remuneration report for full details.
2.27	Shareholders should approve the company's remuneration policy	Applied	At the 2013 annual general meeting, 93% of shareholders voted in favour of the remuneration policy by means of a non-binding advisory vote. This resolution has again been incorporated into the notice for the 2014 annual general meeting.

Applied.

SOCIAL AND ETHICS COMMITTEE REPORT

The social and ethics committee is constituted as a statutory committee under section 72(4) of the Companies Act (read in conjunction with Regulation 43 of the Companies Regulations, 2011), and as a board committee in respect of any specific functions delegated by the board. The committee additionally fulfils the role of a group committee and therefore no other Exxaro subsidiaries have established social and ethics committees.

The committee operates under approved terms of reference, as well as a detailed annual plan, which includes both its statutory duties and those assigned by the board. It acts both as an oversight committee for areas where the remuneration and nomination (Remco) and sustainability, risk and compliance (SRC) committees have accountability, and is accountable for certain areas that do not fall within the mandate of another committee. The chairmen of the Remco and SRC committees are required to report matters within the mandates of their respective committees to the social and ethics committee.

The social and ethics committee adds value to the group by interrogating and providing independent oversight over the Remco and SRC committees ambit (ie discussing the moral imperative associated with certain operational discussions as dealt with at the Remco or SRC committee), as well as by discussing and taking action in areas where the committee itself is accountable.

The committee consists of two independent non-executive directors and one non-executive director. Other attendees include subject-matter experts on each of the disciplines or areas falling within its mandate specified in regulation 43(5) of the Companies Act. It meets twice a year and details of attendance are disclosed on page 68 in the governance report.

With the exclusion of two areas, the committee carried out its duties and responsibilities as stipulated in the regulations and terms of reference. The areas not dealt with during the review period were the philosophy of charitable giving and consumer relationships, which will receive attention in 2014.

The committee received and considered the following reports during the reporting period:

- Chairman's fund and foundation: a report on charitable donations, initiatives and social and labour plan investments as part of Exxaro's broader socio-economic responsibilities. A total of R57 million was spent in 2013 and includes the company's contribution to communities in which it operates
- Principles of the United Nations Global Compact: The company complies with each of the ten principles: some in the form of compliance with the South African constitution and legislation in general, through group-wide policies and others in the form of specific initiatives, which might change from year to year
- Employment relationships and key challenges, skills development and Employment Equity Act 55 of 1998 compliance: refer to the people section for more information
- Preferential procurement and broad-based black economic empowerment: current status and future requirements in terms of both the MPRDA and DTI codes
- International Labour Organization (ILO) protocol on decent work and working conditions: confirmed that the company adheres to South African legislation aligned with this protocol
- Promotion of equality and prevention of unfair discrimination: the adequacy of policies and processes was confirmed. Allegations of unfair discrimination are reported through the reporting hotline, and investigated and managed through the ethics process discussed below
- Global anti-corruption trends, information and legislation: specifically risks relating to Exxaro's project in the Republic of the Congo were discussed in detail and processes agreed to ensure all actions were aligned with global best practice
- Report on Exxaro's contribution to communities in which it operates via social and labour plans
- Environmental, health and safety performance
- Ethics management and performance, detailed below.

The group's ethics processes are managed by the ethics committee, which comprises executives, representatives of internal audit and the chief audit executive. Chaired by the chief audit executive, it meets either monthly or as required to consider issues of non-compliance to the group code of ethics or conflicts of interest policy, as well as matters reported on the ethics hotline or to management.

The following items from the anti-fraud, corruption and bribery risk management strategy, as initially reported at the annual general meeting in 2013 and in the governance report of the 2012 integrated report, are still in process and will receive attention in 2014:

- Improving detection capabilities and surprise audits by implementing process control
- An anti-fraud and corruption awareness campaign: certain steps were taken, but this will continue in 2014
- Fraud and corruption risk assessments: although such risks form part of the holistic risk assessment process, a specific fraud and corruption risk assessment process is still under investigation.

Incidents of unethical behaviour

At Exxaro, reports of alleged unethical behaviour are received through the anonymous reporting hotline and other mechanisms. All reports are periodically reviewed by the Exxaro ethics committee and referred either for forensic investigation or to functional heads to be investigated.

In 2013, 400 cases of alleged unethical behaviour (2012: 272) were reported for investigation, 45 of these via the ethics line (2012: 43). In total, 393 people were subjected to disciplinary hearings arising from the cases reported, with 132 arrests made by the South African Police Services (SAPS) for criminal prosecution based on the results of investigations referred to them (2012: 60). The direct monetary value of cases reported and investigated was R11 497 926 (2012: R8 632 026) with R8 861 563 being recovered/saved due to the investigations.

The types of fraud investigated included:

- Fraudulently changing bank accounts
- Tender fraud
- Accepting bribes and favours for contracts
- Misusing position
- Conflicts of interest
- Irregularities with appointments of employees
- Unsafe working procedure or failure to report safety incidents.

2013	Other reports received	Reporting line	Total
Cases reported	355	45	400
Disciplinary hearings	376	17	393
Reported to SAPS	128	4	132

Dr MF Randera
Social and ethics committee chairman

Pretoria
31 March 2014

REMUNERATION COMMITTEE REPORT

The purpose of this report is to provide information on the company's remuneration policy for non-executive directors, executive directors and prescribed officers.

The remuneration policy and practices in Exxaro are reviewed regularly against best practice and governance requirements. A number of recommendations have been implemented, and this process will continue.

Philosophy

The Exxaro brand is built on a strong vision – everything we do and deliver today will allow others to realise their vision tomorrow. We believe in the power of people and their ability to explore and shift boundaries, which leads to success. As such, our people strategies have been developed to reinforce our brand values:

- People-powered
- Inspired leaders
- Leading performance
- Sustainable effort.

The remuneration and nomination committee (Remco) is responsible for making recommendations to the board on remuneration policies and practices for executive directors, non-executive directors, senior management and all other employees.

The committee comprises five non-executive directors, with the majority being independent. The CEO, finance director (FD) and executive head: human resources are standing invitees, but do not have any voting rights. For full details on the committee, refer to the governance review on page 79.

At each annual general meeting, shareholders are requested to approve the remuneration policy outlined in this report as a non-binding advisory vote and authorise the board of directors to undertake the necessary steps to implement this policy.

Benchmarking

External remuneration benchmarking for executives, non-executives, managers and other personnel positions is continuous, with external comparisons reported to Remco every six months.

The salary benchmark for median performance of our management and specialist category staff is the 50th percentile (median) of the market's guaranteed remuneration values. Exxaro allows for a 30% differentiation from median market values, depending on the performance rating of the individual.

Policy

Exxaro follows a holistic remuneration approach. This includes a guaranteed (base pay plus benefits) and variable component (separated into long-term and short-term incentives). All elements play a role in attracting and retaining our people.

Exxaro remuneration: overview

<table>
<tr><th colspan="2" rowspan="3">Remuneration elements</th><th colspan="4">Management and specialist category employees</th><th>Bargaining category employees</th></tr>
<tr><th>Executive management</th><th>Senior management</th><th>Middle management</th><th>Junior management</th><th rowspan="2">A-CM band</th></tr>
<tr><th>F band</th><th>E band</th><th>DU and DM band</th><th>CU and DL band</th></tr>
<tr><td rowspan="3">Guaranteed remuneration</td><td>Notional cost of employment or basic salary</td><td colspan="4">Annual adjustments based on:
• Performance
• External market
• Internal parity
• Affordability</td><td>Annual adjustments based on:
• Wage negotiations
• Industry benchmarking
• Mandate on affordability</td></tr>
<tr><td>Benefits</td><td colspan="5">• Retirement fund: employer and employee contributions
• Medical aid: employer and employee contributions
• Housing: company housing or allowances/subsidies applicable to specific business units</td></tr>
<tr><td>Circumstantial remuneration</td><td colspan="5">• Job-specific
• Skills scarcity</td></tr>
<tr><td rowspan="6">Variable remuneration</td><td rowspan="2">Short-term incentives</td><td colspan="3">Special performance:
• Individual performance base
• Business unit stretch budget achievement</td><td colspan="2">Not applicable</td></tr>
<tr><td colspan="5">Above-target improvement incentives:
• Capped at 30% of Exxaro’s above-budget improvement
• Annually set stretched targets</td></tr>
<tr><td rowspan="4">Long-term incentives</td><td colspan="2">Deferred bonus plan (EM as from 1 March 2013, previously from EU and above)
• Share match</td><td colspan="3">Not applicable</td></tr>
<tr><td colspan="3">Long-term incentive scheme (DM and above)
• Performance conditions</td><td colspan="2">Not applicable</td></tr>
<tr><td colspan="3">Share appreciation right scheme (being phased out, no new allocations since 1 April 2012)
• Performance conditions</td><td colspan="2">Not applicable</td></tr>
<tr><td colspan="3">Not applicable</td><td colspan="2">On 22 May 2012, shareholders approved a new five-year employee share option scheme (Mpower 2012) effective from 1 July 2012 until 31 May 2017</td></tr>
</table>

Guaranteed remuneration

Management and specialist category

Employees in the management and specialist category, including executives, are remunerated on a total-package approach. Guaranteed remuneration adjustments to employees are based on the following fundamental principles:

- Remuneration is based on performance through individual performance contracting and assessment
- External competitiveness: the market median for median performance per job family, per level as reference point is used to determine remuneration competitiveness
- Internal equity: same job – same performance – same pay (except circumstantial)
- Affordability: all salary account-related mandates are first included in the Exxaro financial forecasting model to determine affordability.

Non-management category

Employees in the non-management* category are remunerated on a traditional menu package comprising basic salary, housing allowance, other site-specific allowances as well as employer contributions to retirement and medical funds. Annual adjustments are usually determined through wage negotiations where applicable.

Benefits

Contributions to retirement funds and medical aids are made by both employees and employers.

In terms of family-friendly benefits Exxaro provides four months' paid maternity leave, among others.

Other benefits

Exxaro also provides other benefits in terms of the Basic Conditions of Employment Act, eg annual leave, sick leave, study leave, paternity leave, as well as a range of circumstantial allowances such as shift allowances, acting allowances, inconvenience allowances and group personal accident insurance, etc. All bargaining unit employees receive a housing or living-out allowance as well as a commuting allowance.

Retirement funds

Retirement fund contributions are aligned to the specific conditions of employment and fund rules for different levels and categories of employees. Employer and employee contributions to this fund are reflected in note 17 of the annual financial statements.

Exxaro retirement funds

All employees belong to one of the retirement funds shown below:

Fund description	Employee % contribution range	Employer % contribution range	Total % contribution range
Sentinel Fund	7,50 – 13,20	12,50 – 20,52	20,00 – 28,02
Mine Employees Pension Fund	7,50 – 10,70	12,50 – 15,00	20,00 – 24,65
Exxaro Selector Funds	7,00 – 8,00	10,00 – 15,00	17,00 – 22,00
Iscor Employees Umbrella Provident Fund	7,00 – 8,00	10,00 – 15,00	17,00 – 22,00
Mine Workers Provident Fund	7,50 – 10,70	12,50 – 15,00	20,00 – 24,65

Exxaro-accredited retirement funds are defined-contribution funds.

Any actuarially valued defined-benefit fund obligation disclosed in the annual financial statements merely recognises past practice with no new entrants allowed.

Medical benefit funds

Employees may annually elect to belong to any of the following medical schemes:

Business unit	Exxaro Coal Mpumalanga	Exxaro Coal	Zincor	Exxaro other (including all management and specialist category of employees)
Fund names	Bonitas Discovery Sizwe WCMAS (ringfenced)	Bonitas Discovery Sizwe Umvuzo	Discovery Sizwe	Bonitas Discovery Sizwe Umvuzo
Employee contributions	50%	40%	50%	40%
Employer contributions	50%	60% capped (until 30/6/13) 50% (from 1/7/13)	50%	60% capped

* *Non-management category is a broader term that includes employees in formal bargaining units and those employed by smaller group companies where collective agreements with trade unions are not in place.*

Exxaro does not provide any post-retirement medical benefits. The post-retirement benefit obligation disclosed in the annual financial statements merely recognises past practice that was discontinued with the creation of Exxaro in November 2006.

Contributions to medical funds, charged against income, are also reflected in note 17 of the annual financial statements.

Short-term incentives

Exxaro strives to create a culture of powering possibilities, based on the belief that people can make the difference and are a major resource in delivering sterling business results. Incentive schemes are focused on the strategic objectives of the organisation.

The following schemes — based on individual, business unit, and commodity and group-level performance — are in place:

- Individual performance reward
- A two-tier performance incentive:
  - On-target business unit incentive
  - Commodity and group improvement incentive (an improvement of 101-110% in coal net operating profit, and a 10% in Tronox EBIDTA).

Individual performance reward

This scheme applies to employees in the middle, senior and executive management categories.

A short-term incentive scheme focused on the individual is used to augment the performance management process and retention strategy.

The basis for paying this incentive rests on achieving specific agreed individual targets.

Two-tier performance incentive

The two-tier performance incentive was created to reinforce a performance culture and applies to all full-time employees.

First tier

The first tier is a line-of-sight incentive based on achieving the business unit's net operating profit target and is currently equal to 8,33% of annual gross remuneration for all full-time employees of every business unit, commodity, services and corporate office department.

Second tier

The second tier is based on exceeding the budgeted consolidated group net operating profit target.

Long-term incentives

Exxaro makes general share offers to participants once a year under the following approved schemes:

- Exxaro share appreciation right scheme (SAR) (this scheme is being phased out and no new allocations have been made since 1 April 2012)
- Exxaro long-term incentive plan (LTIP)
- Deferred bonus plan (DBP).

The table summarises Exxaro's long-term incentives and details of awards granted and cancelled between 31 December 2012 and 31 December 2013.

Share appreciation right scheme (refer note 32 in group annual financial statements)

Participants are awarded a conditional right to receive shares equal to the value of the difference between the share price at the time the rights were granted and the share price when the rights are exercised (should the share appreciate in value). This scheme is being phased out and no new allocations have been made since 1 April 2012.

Grant limits	Employees on Paterson band DM – FU
Vesting period	Three years. If the performance condition is met, share appreciation rights vest and participants have to exercise their right within seven years from the date of original offer
Performance conditions	Headline earnings per share (HEPS) set by Remco
Other	SAR not exercised within a period of seven years lapse

Long-term incentive plan (LTIP) (refer note 32 in group annual financial statements)

The LTIP provides for the delivery of conditional awards in shares after three years from the date of grant, provided certain conditions are met.

Grant limits	Employees on Paterson band DM – FU
Vesting period	Three years, subject to achieving performance conditions over a three-year performance period.
Performance conditions	Headline earnings per share (HEPS) set by Remco

Deferred bonus plan (refer note 32 in group annual financial statements)

On receiving short-term incentive and special performance reward payments, participants can use part of their after-tax bonus to acquire shares (pledged shares) in Exxaro with a matching award on the vesting date.

Grant limits	Employees on Paterson EM and above
Vesting period	Three years
Performance conditions	To qualify for the deferred bonus plan, employees must have achieved their short-term incentive goal of which a portion (50% for EM, 50% or 90% for EU and above) can then be used towards this scheme.
Retention conditions	If pledged shares are held for the pledge period of three years and participants remain employed by the company for that period, the company will provide a matching award of free shares (matching shares).
Other	Pledged shares are held in escrow until the vesting date, but participants receive full dividends and may dispose of the shares, thereby sacrificing the commensurate portion of future matching shares.

Mpower 2012 (employee share option scheme)

The Mpower 2012 scheme was implemented on 1 July 2012, and will run for five years until 31 May 2017. Only employees on Paterson D Lower band and below qualify to participate. Employer companies in the Exxaro group made capital contributions of R75 000 for each qualifying employee to enable the share subscription. Each qualifying employee on 1 July 2012 received 387 shares. Employees who join later will receive a pro rata number of shares. On 31 December 2013, there were 7 240 beneficiaries participating in the scheme.

In addition, Mpower 2012 paid R16 million in dividends to beneficiaries of the scheme in respect of the 2013 financial year.

Challenges

Macro environment

In the aftermath of the Marikana saga in 2012, a number of concerns and perceptions were raised in the media, government and society about the mining industry.

Expectations are that the mining industry, as one of the largest sectors in the economy, should be responsible for providing more than basic amenities such as housing, medical facilities, educational facilities and more job opportunities in the areas where mining companies operate.

Company environment

Attracting and retaining the right employees is becoming increasingly more difficult from an employer perspective. Globally, employers are continually looking for ways to ensure their employees remain satisfied. As such, employee benefits (one component of an employer's total rewards offering) have been found to play a pivotal role in ensuring employee satisfaction.

Exxaro is continually looking for ways to ensure we attract and retain employees. Although there are concerns that the high turnover rate among artisans and underground miners may impact on operations, we believe Exxaro's employee value proposition (EVP) will assist in attracting and retaining employees.

The EVP offers a total reward package consisting of market-related guaranteed remuneration, benefits, competitive short-term incentive schemes and excellent long-term incentive schemes. It also offers opportunities for employees to develop and grow. Through individual developmental plans, all employees are involved in improving themselves.

Developmental plans include equipment training, learnerships to qualify as miners or artisans, first-line management programmes, management development programmes, company assistance with master degrees, leadership-development programmes and targeted interpersonal skills training.

Remuneration of executive directors, non-executive directors and prescribed officers

Directors

Information on the remuneration of executive directors and non-executive directors appears in the directors' and prescribed officers' remuneration report below.

The guaranteed versus variable remuneration of executive directors (CEO and FD) is roughly split at 70% variable and 30% guaranteed.

Prescribed officers

Recommended practice, in line with King III (2.26.2), is to disclose the salaries of the three most highly paid employees who are not directors. In Exxaro, these individuals are also prescribed officers, as defined in the Companies Act No 71 of 2008, as amended, and hence full disclosure of the remuneration of all prescribed officers appears in the directors' and prescribed officers' remuneration report below.

REMUNERATION REVIEW

Summary of remuneration received or receivable

Year ended 31 December 2013	Basic salary R	Fees for services R	Performance bonuses[1] R	Benefits and allowances[2] R	Retirement fund contributions R	Gains on management share schemes R	Total R
Executive directors							
SA Nkosi	6 780 615		3 977 050	86 980	670 610	11 980 202	23 495 457
WA de Klerk	4 252 911		2 878 942	167 364	414 654	10 504 741	18 218 612
	11 033 526		6 855 992	254 344	1 085 264	22 484 943	41 714 069
Less: gains on share scheme							(22 484 943)
Add: share-based payment expense							17 950 027
Total remuneration paid by Exxaro							37 452 680
Non-executive directors							
S Dakile-Hlongwane		336 607		8 258			344 865
Dr CJ Fauconnier[3]		42 753		389			43 142
JJ Geldenhuys		692 883		50 482			743 365
U Khumalo[4,5]		20 910					20 910
Dr D Konar (chairman)		1 167 820					1 167 820
NB Mbazima		266 737					266 737
VZ Mntambo		345 317		240			345 557
RP Mohring		690 173		14 017			704 190
Dr MF Randera		313 897		3 849			317 746
NL Sowazi[5]		240 067					240 067
J van Rooyen		528 846					528 846
D Zihlangu		336 607		3 900			340 507
Total remuneration paid by Exxaro		4 982 617		81 135			5 063 752

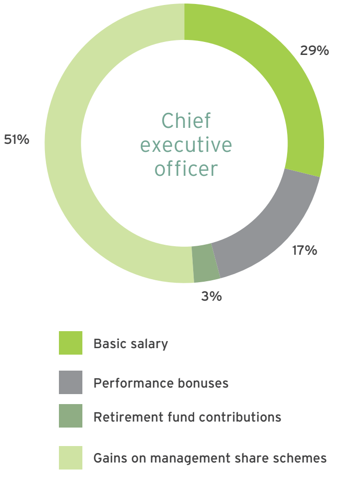
REMUNERATION REVIEW (CONTINUED)

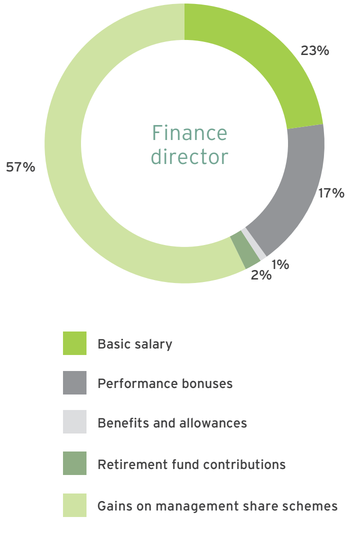
Summary of remuneration received or receivable (continued)

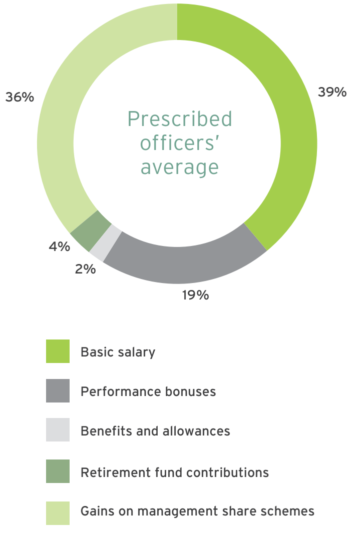
Year ended 31 December 2013	Basic salary R	Performance bonuses[1] R	Benefits and allowances[2] R	Retirement fund contributions R	Gains on management share schemes R	Total R
Prescribed officers						
MDM Mgojo	3 861 539	2 182 983	139 895	335 907	4 704 242	11 224 566
MI Mthenjane[6]	1 731 044	830 367	147 014	159 221		2 867 646
M Piater	3 011 227	1 485 547	118 651	297 813	2 612 094	7 525 332
PE Venter	3 984 132	2 071 787	247 218	350 769	2 940 547	9 594 453
M Veti	2 588 593	1 172 820	33 202	255 685	2 723 349	6 773 649
CH Wessels	1 661 950	502 125	62 015	129 713		2 355 803
	16 838 485	8 245 629	747 995	1 529 108	12 980 232	40 341 449
Less: gains on share scheme						(12 980 232)
Add: share-based payment expense						15 424 152
Total remuneration paid by Exxaro						42 785 369

1 *All incentive schemes are performance related and were approved by the board. The two-tier short-term incentive scheme applies to all employees throughout the group.*
2 *Include travel allowances.*
3 *Appointed on 1 November 2013.*
4 *Resigned on 31 January 2013.*
5 *Fees paid to the respective employer and not the individual.*
6 *Appointed as an Executive committee member on 1 May 2013.*

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







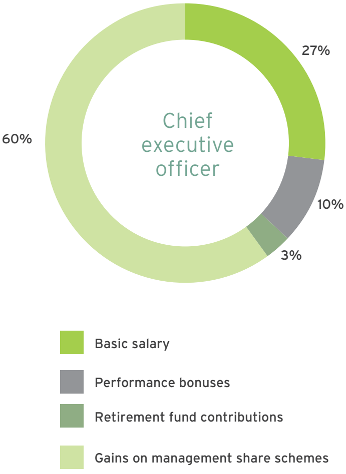
Year ended 31 December 2012	Basic salary R	Fees for services R	Performance bonuses[1] R	Benefits and allowances[2] R	Retirement fund contributions R	Gains on management share schemes R	Other R	Total R
Executive directors								
SA Nkosi	6 859 647		2 517 124	81 401	595 683	15 187 718		25 241 574
WA de Klerk	4 217 225		1 054 030	163 515	346 373	8 448 242		14 229 385
	11 076 872		3 571 154	244 917	942 056	23 635 961		39 470 959
Less: gains on share scheme								(23 635 961)
Add: share-based payment expense								7 645 042
Total remuneration paid by Exxaro								23 480 040
Non-executive directors								
S Dakile-Hlongwane[3]		246 310						246 310
JJ Geldenhuys		634 733		32 513				667 246
CI Griffith[4]		346 283						346 283
U Khumalo[5]		255 971						255 971
Dr D Konar (chairman)		1 060 666						1 060 666
N Langeni[6]								
NB Mbazima[7]								
VZ Mntambo		327 293						327 293
RP Mohring		683 001		26 756				709 757
Dr MF Randera[8]		153 173						153 173
NL Sowazi[5]		303 864						303 864
J van Rooyen		577 748						577 748
D Zihlangu		327 293						327 293
Total remuneration paid by Exxaro		4 916 336		59 269				4 975 605
Prescribed officers								
PT Arran[9]	2 155 841		813 255		116 939	3 003 003		6 089 038
MDM Mgojo	3 843 865		1 097 830	88 594	295 323	6 123 824		11 449 436
M Piater	2 637 818		998 345	112 558	261 812	3 794 997	574	7 806 104
Dr WH van Niekerk[9]	2 310 253		809 289	78 056	151 367	5 951 570		9 300 535
PE Venter	3 985 326		1 544 291	163 182	297 142	10 336 711		16 326 652
M Veti	2 159 470		768 333	41 374	214 909	4 327 759		7 511 845
CH Wessels	1 236 864		397 176	44 030	100 286			1 778 356
	18 329 439		6 428 519	527 793	1 437 778	33 537 864	574	60 261 966
Less: gains on share scheme								(33 537 864)
Add: share-based payment expense								9 277 994
Total remuneration paid by Exxaro								36 002 096

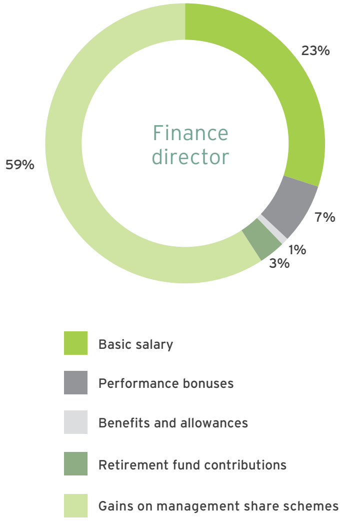
1 *All incentive schemes are performance related and were approved by the board. The three-tier short-term incentive scheme applies to all employees throughout the group.*
2 *Include travel allowances.*
3 *Appointed on 21 February 2012.*
4 *Resigned on 29 November 2012.*
5 *Fees paid to the respective employer and not the individual.*
6 *Resigned on 18 January 2012.*
7 *Appointed on 30 November 2012.*
8 *Appointed on 13 June 2012.*
9 *Services terminated effective 15 June 2012 as part of the sale of the Mineral Sands business to Tronox Limited.*

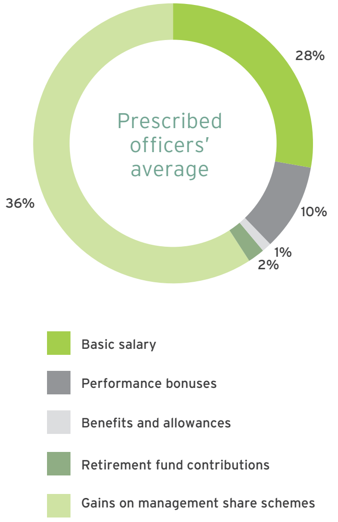
Retirement amounts paid or received by executive directors are paid or received under defined contribution retirement funds.

REMUNERATION REVIEW (CONTINUED)

Summary of remuneration received or receivable (continued)







DIRECTORS' INTERESTS IN EXXARO SHARES

	At 31 December			
Director	2013 Direct	Indirect	2012 Direct	Indirect
Beneficial interest				
S Dakile-Hlongwane		488 763		
WA de Klerk	1 462	11 371	1 462	8 932
Dr CJ Fauconnier	47 500			
Dr D Konar (chairman)	6 168		6 168	
VZ Mntambo		5 794 393		5 529 881
RP Mohring	1 000		1 000	
SA Nkosi	70 144	9 645 240	37 362	9 852 845
NL Sowazi		3 411 100		3 038 387
D Zihlangu		2 817 773		2 818 552
Non-beneficial interest				
WA de Klerk		62 347		61 082
Dr CJ Fauconnier		1 000		

On 31 December 2013, Mrs S Dakile-Hlongwane held 0,1%, Mr VZ Mntambo held 1,6% (2012: 1,5%), Mr SA Nkosi held 2,7% (2012: 2,8%), Mr NL Sowazi held 0,31% (2012: 0,8%) and Mr D Zihlangu held 0,8% (2012: 0,8%) directly or indirectly in the share capital of the company.

RP Mohring
Chairman: Remuneration and nomination committee

31 March 2014

AUDIT COMMITTEE REPORT

Background

The company's audit committee is established as a statutory committee in terms of section 94(2) of the Companies Act No 71 of 2008, as amended (Companies Act) and oversees audit committee matters for all of the South African subsidiaries within the Exxaro group, as permitted by section 94(2)(a) of the Companies Act.

The audit committee operates in accordance with the specific statutory duties imposed by the Companies Act, the JSE Listings Requirements, as well as in accordance with detailed terms of reference, which has incorporated the principles contained in the King Report on Governance for South Africa 2009 (King III), as well as duties specifically delegated by the company's board of directors.

Objective and scope

Apart from the statutory duties of the audit committee as set out in the Companies Act, the provisions of the Listings Requirements and King III, the ambit of the audit committee has been expanded to include financial risk management, financial compliance and aspects of integrated reporting. The audit committee's objectives are to:

- Examine and review the group's annual financial statements and report on interim and final results, the accompanying message to stakeholders and any other announcements on the company's results or other financial information to be made public
- Oversee cooperation between internal and external auditors, and serve as a link between the board and these functions
- Oversee the external audit function and approve audit fees
- Evaluate the qualification, appropriateness, eligibility and independence of the external auditor
- Approve the appointment of the internal auditors, the internal audit plan, charter and fees
- Evaluate the scope and effectiveness of the internal audit function
- Ensure effective internal financial controls are in place
- Review the integrity of financial risk control systems and policies
- Evaluate the competency of the finance director and finance function
- Appoint the chief audit executive
- Comply with legal and regulatory requirements
- Oversee the effectiveness of the combined assurance plan and outcome.

The committee performed its functions as stipulated in the terms of reference and detailed annual plan.

Membership

The audit committee consisted of three independent non-executive directors during 2013, with an additional independent non-executive director having been appointed on 29 January 2014. The chairman of the board is not a member of the audit committee. In addition, the chief executive officer, the finance director, chief audit executive, as well as the internal and external auditors are permanent invitees to the audit committee meetings. The audit committee meets four times a year and details of attendance are contained in the governance report.

External auditors

The group's independent external auditors are PricewaterhouseCoopers Incorporated (PwC). Fees paid to the auditors are disclosed in note 5 to the group annual financial statements 2013. Exxaro has an approved policy to regulate the use of non-audit services by the group's independent external auditors. The policy differentiates between permitted and prohibited non-audit services, and specifies a monetary threshold by which approvals are considered. During the year under review, fees paid to PwC amounted to R39 million, which included R23 million for the 2013 statutory audit and related activities as well as R16 million for non-audit services. Non-audit services rendered by the group's independent external auditors during the period comprised tax advisory and compliance services, due-diligence reviews, enterprise risk management and combined assurance assistance, accounting opinions, risk management, sustainability assurance and other advisory services. The audit committee is satisfied with the level and extent of non-audit services rendered during the year by PwC as well as their continued independence.

Two meetings were held with the external auditor where management was not present.

The audit committee annually assesses the independence of the group's external auditors and again completed such assessment at its meeting on 3 March 2014. PwC were required to confirm that:

- They are not precluded from reappointment due to any impediment in section 90(b) of the Companies Act
- In compliance with section 91(5) of the Companies Act, by comparison with the membership of the firm at the time of its reappointment in 2012, more than one half of the members remain in 2013
- They remain independent, as required by section 94(7)(a) of the Companies Act and the JSE Listings Requirements.

Based on the above assessment, the audit committee renominated PwC as independent external auditors for the 2014 financial year. Shareholders will therefore be requested to re-elect PwC as independent external auditors for the 2014 financial year at the annual general meeting on 27 May 2014.

Finance function review

As required by the JSE Listings Requirements 3.84(h), the audit committee, through a formal process, has satisfied itself of the finance function's resources, experience and expertise and the appropriateness of the expertise and experience of the Finance Director.

Annual financial statements

The audit committee reviewed the company and group annual financial statements and accounting practices in detail and is satisfied that the information contained in the annual financial statements, as well as the application of accounting practices applied are reasonable.

Internal financial control (statement on effectiveness of internal controls)

The audit committee, with input and reports from the independent internal and external auditors, reviewed the company's system of internal financial control during the year under review. Deficiencies in the system of internal control identified in the year ended 31 December 2012 have improved significantly. The committee confirmed that there were no material areas of concern that would render the internal financial controls ineffective.

Further information on the activities of the committee is contained in the governance report.

J van Rooyen
Chairman of the audit committee

Pretoria

31 March 2014

Summarised group annual financial statements

08

AUDITED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

	2013 Rm	2012 Rm
Revenue	13 568	12 229
Operating expenses	(12 719)	(10 885)
Other income	1 594	352
Gains on disposal of non-core assets		42
Net operating profit (note 3)	2 443	1 738
Interest income	81	138
Interest expense	(367)	(325)
Income from investments	12	3
Share of income from equity-accounted investments	3 631	3 602
Profit before tax	5 800	5 156
Income tax expense	(645)	(537)
Profit for the year from continuing operations	5 155	4 619
Profit for the year from discontinued operations (note 4)	1 049	5 028
Profit for the year	6 204	9 647
Other comprehensive income/(loss), net of tax	2 640	68
Items that will not be reclassified to profit or loss:	150	(181)
– Share of comprehensive income/(loss) of equity-accounted associates and joint ventures	150	(181)
Items that may be subsequently reclassified to profit or loss:	2 490	249
– Unrealised foreign exchange gains/(losses) on translating foreign operations	537	(33)
– Revaluation of available-for-sale financial assets	100	
– Cash flow hedges		(21)
– Share of comprehensive income of equity-accounted associates and joint ventures	1 853	303
Total comprehensive income for the year	8 844	9 715
Profit/(loss) attributable to:		
Owners of the parent	6 217	9 677
– continuing operations	5 168	4 634
– discontinued operations	1 049	5 043
Non-controlling interests	(13)	(30)
– continuing operations	(13)	(15)
– discontinued operations		(15)
Profit for the year	6 204	9 647
Total comprehensive income/(loss) attributable to:		
Owners of the parent	8 854	9 745
– continuing operations	7 805	5 706
– discontinued operations	1 049	4 039
Non-controlling interests	(10)	(30)
– continuing operations	(10)	(15)
– discontinued operations		(15)
Total comprehensive income for the year	8 844	9 715
Aggregate attributable earnings per share: aggregate (cents)		
– basic	1 751	2 734
– diluted	1 746	2 726
Attributable earnings per share: continuing operations (cents)		
– basic	1 456	1 309
– diluted	1 452	1 305
Attributable earnings per share: discontinued operations (cents)		
– basic	295	1 425
– diluted	294	1 421

AUDITED RECONCILIATION OF GROUP HEADLINE EARNINGS

for the year ended 31 December

	Gross Rm	Tax Rm	Net Rm
2013			
Profit attributable to owners of the parent			6 217
Adjusted for:			
– IFRS 10 Gains on Disposal of Subsidiary	(964)		(964)
– IAS 16 Net Losses or Gains on Disposal of Property, Plant and Equipment	9	(4)	5
– IAS 28 Loss on Dilution of Investment in Associates	12		12
– IAS 28 Share of Associates' Separate Identifiable Remeasurements	(114)	2	(112)
– IAS 36 Impairment of Property, Plant and Equipment	292	(11)	281
– IAS 36 Reversal of Impairment of Property, Plant and Equipment	(247)		(247)
– IAS 38 Loss on the Scrapping of Intangible Assets	2		2
Headline earnings	(1 010)	(13)	5 194
– continuing operations			5 218
– discontinued operations			(24)
2012			
Profit attributable to owners of the parent			9 677
Adjusted for:			
– IFRS 10 Gains on Disposal of Subsidiaries and Non-core Assets	(4 034)		(4 034)
– IAS 16 Net Gains and Losses on Disposal of Property, Plant and Equipment	(65)	4	(61)
– IAS 28 Excess of Fair Value Over Cost of Investment in Associate	(470)		(470)
– IAS 28 Share of Associates' Gains or Losses on Disposal of Property, Plant and Equipment	(4)	1	(3)
– IAS 36 Reversal of Impairment of Property, Plant and Equipment	(103)	29	(74)
– IAS 38 Gains on Disposal of Intangible Assets	(77)		(77)
Headline earnings	(4 753)	34	4 958
– continuing operations			3 999
– discontinued operations			959

	2013	2012
Headline earnings per share: aggregate (cents)		
– basic	1 463	1 401
– diluted	1 459	1 397
Headline earnings per share: continuing operations (cents)		
– basic	1 470	1 130
– diluted	1 466	1 127
Headline (loss)/earnings per share: discontinued operations (cents)		
– basic	(7)	271
– diluted	(7)	270

AUDITED GROUP STATEMENT OF FINANCIAL POSITION

at 31 December

	2013 Rm	2012 Rm
ASSETS		
Non-current assets	44 681	37 445
Property, plant and equipment	20 342	15 881
Biological assets	72	55
Intangible assets	1 176	962
Investments in associates	19 207	17 154
Investments in joint ventures	861	425
Deferred tax	366	241
Financial assets	2 657	2 727
Current assets	4 483	4 972
Inventories	938	776
Trade and other receivables	2 434	2 642
Current tax receivable	82	190
Cash and cash equivalents	1 029	1 364
Non-current assets held-for-sale	342	
Total assets	49 506	42 417
EQUITY AND LIABILITIES		
Capital and other components of equity		
Share capital	2 396	2 374
Other components of equity	4 234	1 636
Retained earnings	29 668	24 784
Equity attributable to owners of the parent	36 298	28 794
Non-controlling interests	(26)	12
Total equity	36 272	28 806
Non-current liabilities	9 157	8 417
Interest-bearing borrowings	3 569	2 761
Non-current provisions	1 863	2 842
Post-retirement employee obligations	149	142
Financial liability	95	106
Deferred tax	3 481	2 566
Current liabilities	3 852	5 194
Trade and other payables	2 867	4 099
Interest-bearing borrowings	31	(9)
Current tax payable	131	172
Current provisions	17	121
Overdraft	806	811
Non-current liabilities held-for-sale	225	
Total equity and liabilities	49 506	42 417

AUDITED GROUP STATEMENT OF CASH FLOWS
for the year ended 31 December

	2013 Rm	2012 Rm
Cash flows from operating activities	422	543
Cash generated by operations	2 159	3 969
Interest paid	(262)	(345)
Interest received	70	208
Tax paid	(158)	(277)
Dividends paid	(1 387)	(3 012)
Cash flows from investing activities	(1 480)	(2 940)
Property, plant and equipment to maintain operations	(1 257)	(1 571)
Property, plant and equipment to expand operations	(3 507)	(3 762)
Proceeds from disposal of property, plant and equipment	17	77
Proceeds from disposal of subsidiaries	87	81
Proceeds from disposal of intangible assets		77
Proceeds from disposal of financial assets designated at fair value through profit or loss		5
Investment in intangible assets	(201)	(36)
Dividends from equity-accounted investments	3 229	4 019
Decrease/(increase) in other non-current assets	222	(16)
Acquisition of subsidiaries		(1 421)
Investment in associates and joint ventures	(82)	(396)
Income from investments	12	3
Cash flows from financing activities	715	(1 291)
Proceeds from issuance of share capital	14	15
Consideration paid to non-controlling interests	(96)	(1 181)
Interest-bearing borrowings raised	800	5 800
Interest-bearing borrowings repaid		(5 925)
Other financing activities	(3)	
Net decrease in cash and cash equivalents	(343)	(3 688)
Cash and cash equivalents at beginning of the year	553	4 118
Translation difference on movement in cash and cash equivalents	13	123
Cash and cash equivalents end of the year	223	553
– Cash and cash equivalents	1 029	1 364
– Overdraft	(806)	(811)

AUDITED GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

		Other components of equity									
	Share capital Rm	Foreign currency translations Rm	Financial instruments revaluation Rm	Equity-settled Rm	Retirement benefit obligation Rm	Available-for-sale revaluations Rm	Other Rm	Retained earnings Rm	Attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
At 1 January 2012	2 359	1 585	196	1 412	1		8	18 027	23 588	20	23 608
Profit/(loss) for the year								9 677	9 677	(30)	9 647
Other comprehensive loss		(33)	(21)						(54)		(54)
Share of comprehensive income/(loss) of equity-accounted investments[1]		118	(17)	94	(164)		(1)	92	122		122
Issue of share capital[2]	15								15		15
Share-based payments movements				(183)					(183)		(183)
Acquisition of subsidiaries										468	468
Acquisition of non-controlling interest							(740)		(740)	(441)	(1 181)
Dividends paid								(3 012)	(3 012)		(3 012)
Disposal of subsidiaries		(459)	(137)	(23)					(619)	(5)	(624)
At 31 December 2012	2 374	1 211	21	1 300	(163)		(733)	24 784	28 794	12	28 806
Profit/(loss) for the year								6 217	6 217	(13)	6 204
Other comprehensive income		534				100			634	3	637
Share of comprehensive income/(loss) of equity-accounted investments[1]		1 401	289	110	150		(1)	54	2 003		2 003
Issue of share capital[3]	22								22		22
Share-based payments movement				83					83		83
Dividends paid								(1 387)	(1 387)		(1 387)
Acquisition of non-controlling interest							(68)		(68)	(28)	(96)
At 31 December 2013	2 396	3 146	310	1 493	(13)	100	(802)	29 668	36 298	(26)	36 272

1 *Included in the foreign currency translation amount is R1 287 million (2012: R79 million) relating to the tronox investments.*
2 *Issued to the Kumba Resources Management Share Trust due to options exercised (R15 million).*
3 *Issued to the Kumba Resources Management Share Trust due to options exercised (R14 million) and vesting of Mpower 2012 shares to good leavers (R8 million).*

Final dividend paid per share (cents) in respect of the 2012 financial year	150
Dividend paid per share (cents) in respect of the 2013 interim period	235
Final dividend payable per share (cents) in respect of 2013 financial year	315

Foreign currency translation
The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities within the group.

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

Post-retirement benefit obligation
Comprises mainly remeasurements on the post-retirement obligation.

Available-for-sale revaluations
Comprises of the fair value adjustments based on latest fair value calculations performed, on the investments in Richards Bay Coal Terminal (RBCT) (R54 million) and Chifeng Kumba Hongye Zinc Corporation Limited (Chifeng) (R46 million).

Other
Comprises transactions with non-controlling interests.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December

1. BASIS OF PREPARATION

The summarised group annual financial statements for the year ended 31 December 2013 have been derived from the audited group annual financial statements of Exxaro Resources Limited, which are available on Exxaro's website at www.exxaro.com. These summarised group annual financial statements do not contain sufficient information to allow for a complete understanding of the financial results and state of affairs of the group, which is provided by the detailed audited group annual financial statements. The summarised group annual financial statements do not include all the disclosure required for a complete set of annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS). Selected summarised notes have been included in this integrated report for a better understanding of the significant transactions during the year.

The summarised group annual financial statements for the year ended 31 December 2013 have been prepared under the supervision of the Finance Director, WA de Klerk (CA)SA, in accordance with the JSE Limited Listings Requirements for abridged reports and the requirements of the Companies Act No 71 of 2008, as amended. The Listings Requirements require abridged reports to be prepared in accordance with the conceptual framework and the measurement and recognition requirements of IFRS and the SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The summarised group annual financial statements have been prepared on the historical cost basis, excluding financial instruments and biological assets, which are fairly valued, and conform, in this regard, to IFRS as issued by the International Accounting Standards Board (IASB).

The preparation and presentation of the summarised group annual financial statements included in this integrated report is the responsibility of Exxaro's directors. The directors take full responsibility that the financial information has been correctly extracted from the underlying audited group annual financial statements.

The integrated report does not include the directors' report, which forms part of the full group annual financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the summarised group annual financial statements are in terms of IFRS and are consistent with those applied in the previous group annual financial statements, except as disclosed below.

During the 2013 the following pronouncements became effective:

	Effective date
• IAS 1 *Financial Statement Presentation* (as amended)	1 July 2012
• IAS 19 *Employee Benefits* (revised)	1 July 2012*
• IAS 27 *Separate Financial Statements* (revised)	1 January 2013*
• IAS 28 *Investments in Associates and Joint Ventures* (revised)	1 January 2013*
• IFRS 10 *Consolidated Financial Statements* (as amended)	1 January 2013*
• IFRS 11 *Joint Arrangements* (as amended)	1 January 2013*
• IFRS 12 *Disclosure of Interest in Other Entities* (as amended)	1 January 2013*
• IFRS 13 *Fair Value Measurement*	1 January 2013
• IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
• Annual Improvements to IFRS 2009 – 2011 cycle	1 January 2013

* *Early adopted in 2012.*

The accounting standards and amendments issued to accounting standards and interpretations which are relevant to the group, but not yet effective at 31 December 2013, have not been adopted. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date, except where specifically identified. The group continuously evaluates the impact of these standards and amendments.

During 2012, Exxaro early adopted the suite of consolidation standards, including IFRS 10, 11 and 12 and IAS 27 and 28, effective 1 January 2013 as well as IAS 19. The impact of this early adoption has been disclosed in the group annual financial statements at 31 December 2012.

3. SIGNIFICANT ITEMS INCLUDED IN NET OPERATING PROFIT

	Year ended 31 December	
	2013 Rm	2012 Rm
Depreciation and amortisation	(856)	(701)
Net realised foreign currency exchange gains	56	60
Net unrealised foreign currency exchange losses	(20)	(79)
Losses on derivative instruments held-for-trading	(81)	(1)
Impairment (charges)/reversals of trade and other receivables	(25)	6
Royalties[1]	(8)	(124)
(Loss)/profit on disposal of property, plant and equipment	(23)	139
Loss on dilution of investment in associate	(12)	
Other income[2]	1 594	352

1 *The amount paid for royalties includes an adjustment to the prior year based on final calculations done for returns filed to South African Revenue Services (SARS) (R41 million).*
2 *Other income relates to shortfall income received from customers (mainly Eskom) as a result of delays in agreed upon production offtake plans.*

4. DISCONTINUED OPERATIONS

All the conditions precedent to the sale of Exxaro's 100% shareholding in Exxaro Base Metals Proprietary Limited to Lebonix Proprietary Limited were met on 2 December 2013. The subsidiary, which included the Zincor operations, was disposed for a total consideration of R183 million. This process completes the Zincor divestment process, which commenced with the cessation of the production of zinc metal at Zincor in 2011 and follow on the sale of the Rosh Pinah mine during 2012.

During 2012 the mineral sands and Rosh Pinah operations were sold.

Financial information relating to the discontinued operations for the year to the date of disposal is set out below:

	Year ended 31 December	
The financial performance and cash flow information	2013 Rm	2012 Rm
Revenue		3 893
Operating income/(expenses)	159	(2 069)
Net operating profit	159	1 824
Profit on sale of subsidiaries	964	3 995
Interest income		75
Interest expense	(74)	(241)
Profit before tax	1 049	5 653
Income tax expense		(625)
Profit for the year from discontinued operations	1 049	5 028
Cash flows attributable to operating activities	26	1 036
Cash flows attributable to investing activities	98	(1 358)
Cash flows attributable to financing activities	(37)	(2 778)
Cash flow attributable to discontinued operations	87	(3 100)

5. SEGMENT REPORT

The corporate transactions during 2012 necessitated a change in the operating segment reporting structures and the manner in which operating results are reported to the chief operating decision maker. Reported operating segments are based on the group's different products and operations.

5.1 Changes/amendments to reported operating segments

The following operating segments were impacted as a result of the changes in the organisational structure:

Base metals

Up to and including 31 December 2012, the reportable operating segments included an operating segment for base metals, which consisted of Zincor, Rosh Pinah and other base metals.

Exxaro's 50,04% interest in the Rosh Pinah operations was sold to a subsidiary of Glencore International plc on 1 June 2012. This sale formed part of Exxaro's strategic plan to divest from the group's zinc assets.

The remaining Base metals entities no longer met the quantitative or qualitative thresholds described in IFRS 8 *Operating Segments*. These were aggregated in the remaining Base metals entities within the "Other" reportable operating segment.

Mineral sands/titanium dioxide

The previously reported Mineral sands operating segment included KZN Sands, Namakwa Sands and Australia Sands.

The Mineral sands operations sale and acquisition of a shareholding in Tronox Limited in 2012 resulted in Exxaro holding 44,40% (2012: 44,65%) of the shares in Tronox Limited and 26% directly in each of the South African-based KZN Sands and Namakwa Sands operations. Exxaro currently equity-accounts for the interest in Tronox Limited and the South African Mineral sands operations. The investment value in these associated companies is seen as significant and will be reported as a separate operating segment.

The Mineral sands operating segment was restructured to include both Mineral sands and Titanium dioxide (TiO_2) which is in line with the core business of the Tronox operations and renamed TiO_2.

Ferrous

In line with the group's strategy to establish an Exxaro controlled ferrous business, Exxaro acquired African Iron Limited (AKI) in February 2012. AKI is an iron ore development company involved in the exploration and evaluation of the Mayoko Iron Ore and Ngoubou-Ngoubou projects, located in the Republic of the Congo in Central West Africa.

The AlloyStream™ and FerroAlloys operations as well as Exxaro's 19,98% interest in Sishen Iron Ore Company (SIOC) Proprietary Limited were previously reported within the "Other" operating segment of Exxaro. These investments are now reported within the Ferrous operating segment, based on the similar commodity suite of these operations.

Following the change in the composition of the group's reportable operating segments, the prior years' reportable operating segment information has been re-presented (restated) to reflect these changes.

No changes were incurred in the coal operating segment.

5.2 Reportable operating segment performance

The group's reportable operating segments for the year ended 31 December 2013 were therefore coal, ferrous, titanium dioxide and other.

Profit or loss (Rm)

	Revenue		Net operating profit (NOP)	
Year ended 31 December	2013	2012 Restated	2013	2012 Restated
Coal	13 362	12 064	2 769	2 105
– Tied[1]	3 917	3 449	215	285
– Commercial[2]	9 445	8 615	2 554	1 820
Ferrous	120	107	(141)	(31)
– Iron ore			(27)	(9)
– Alloys	120	107	(61)	(25)
– Other[3]			(53)	3
TiO_2[4]		3 594		1 925
Other	86	357	938	3 558
– Base metals[5]		299	145	422
– Other[6]	86	58	793	3 136
Total external revenue and net operating profit	13 568	16 122	3 566	7 557

1 *Tied operations refer to mines that supply their entire production to either Eskom or ArcelorMittal South Africa (AMSA) in terms of contractual agreements.*
2 *NOP includes the net impairment on NCC of R143 million in 2013.*
3 *Mainly made up of Ferrous head office costs not directly attributable to the operation at Mayoko and as such could not be capitalised with the development of the project.*
4 *Includes a partial impairment reversal of R103 million in 2012 of the carrying value of property, plant and equipment at KZN Sands.*
5 *Includes the profit on sale of the Rosh Pinah operation of R544 million in 2012 and R98 million impairment reversal of Zincor in 2013. This business was previously reported as a separate base metals segment prior to the Rosh Pinah sale transaction in 2012.*
6 *Includes the profit on sale of the mineral sands operations of R3 451 million in 2012.*

5. SEGMENT REPORT (CONTINUED)

5.2 Reportable operating segment performance (continued)

Assets and liabilities (Rm)

	Assets		Liabilities	
At 31 December	2013	2012 Restated	2013	2012 Restated
Coal	22 386	19 717	7 552	8 001
Tied	1 543	1 719	1 391	1 596
Commercial	20 843	17 998	6 161	6 405
Ferrous	11 095	7 015	814	615
Iron ore	5 114	3 045	729	572
Alloys	189	158	33	43
Other	5 792	3 812	52	
TiO_2	13 325	13 037	4 868	4 995
Other	2 700	2 648		
Base metals	611	552		867
Other	2 089	2 096	4 868	4 128
Total	49 506	42 417	13 234	13 611

The numbers above include both the continuing and discontinued operations.

6. FINANCIAL INSTRUMENTS

(a) Carrying amounts and fair values

The fair values of financial assets and financial liabilities, together with the carrying amounts in the condensed group statement of financial position, are as follows:

At 31 December 2013	Carrying amount Rm	Fair value Rm
ASSETS		
Non-current assets	2 657	2 657
Financial assets, consisting of[1]:		
– Exxaro Environmental Rehabilitation Trust asset	618	618
– Loans to associates and joint ventures	255	254
– Richards Bay Coal Terminal (RBCT)	551	551
– Kumba Iron Ore Limited	40	40
– New Age Exploration Limited	1	1
– Chifeng	253	253
– Non-current receivables	939	940
Current assets[2]	2 875	2 875
Trade and other receivables	1 845	1 845
Derivative financial instruments	1	1
Cash and cash equivalents	1 029	1 029
Non-current assets held-for-sale	67	67
Total assets	5 599	5 599
LIABILITIES		
Non-current liabilities	3 569	3 569
Interest-bearing borrowings[1]	3 569	3 569
Current liabilities[2]	2 907	2 907
Trade and other payables	2 056	2 056
Derivative financial instruments	14	14
Interest-bearing borrowings	31	31
Overdraft	806	806
Non-current liabilities held-for-sale	36	36
Total liabilities	6 512	6 512

1 *Carried at fair value in terms of IAS 39 Financial Instruments: Recognition and Measurement.*
2 *Carrying amounts approximate the fair values due to the short-term maturities of these financial assets and liabilities.*

(b) Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques. The different levels are defined as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at the measurement date.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset and liability.

At 31 December 2013	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets held-for-trading at fair value through profit or loss			
– Current derivatives financial assets		1	
Financial assets designated at fair value through profit or loss			
– Exxaro Environmental Rehabilitation Trust	618		
– Exxaro Environmental Rehabilitation Trust held-for-sale	67		
– Kumba Iron Ore Limited	40		
Available-for-sale financial assets			
– Chifeng			253
– New Age Exploration Limited	1		
– RBCT			551
Financial liabilities held-for-trading at fair value through profit or loss			
– Current derivatives financial liabilities		(14)	
– Current derivatives financial liabilities held-for-sale		(9)	
Net financial assets/(liabilities) carried at fair value	726	(22)	804

Level 2 fair values for over-the-counter derivative financial instruments are based on market quotes. These quotes are tested for reasonability by discounting estimated future cash flows using the market rate for similar instruments at measurement date.

The fair value computations of the investments are performed by the group's corporate finance department, reporting to the Finance Director, on a six-monthly basis. The valuation reports are discussed with the audit committee in accordance with the group's reporting governance.

The group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred. There were no transfers between level 1 and level 2 of the fair value hierarchy for the year ended 31 December 2013.

There were no transfers between level 2 and level 3.

(c) Level 3 fair values

	Chifeng Rm	RBCT Rm
At 1 January 2013	174	467
Movement during the year		
Total gains recognised in other comprehensive income	46	82
Settlements		2
Exchange gains or losses for the period recognised in other comprehensive income	33	
At 31 December 2013	253	551

Chifeng

Chifeng is classified within a level 3 as there is no quoted market price or observable price available for this investment. This unlisted investment is valued as the present value of the estimated future cash flows, using a discounted cash flow model.

The significant observable and unobservable inputs used in the fair value measurement of the investment in Chifeng are rand/Chinese renminbi (RMB) exchange rate, RMB/US$ exchange rate, Zinc London Metal Exchange price, production volumes, operational costs and the discount rate. Significant increases/(decreases) in any of those inputs in isolation would result in a significantly lower/(higher) fair value measurement.

6. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Level 3 fair values (continued)

Observable inputs	Range of inputs	Sensitivity of inputs and fair value measurement[1]
Rand/RMB exchange rate	R1,72 RMB1	Strengthening of the rand to the RMB
RMB/US$ exchange rate	RMB6,02 to RMB5,95/US$1	Strengthening of the RMB to the US$
Zinc LME price (US$ per tonne in real terms)	2 039 – 2 027 US$/tonne	Increase in price of zinc concentrate
Unobservable inputs		
Production volumes	208 750 tonne	Increase in production volumes
Operational costs (US$ million per annum in real terms)	74 – 88	Decrease in operational costs
Discount rate	10%	Decrease in discount rate

1 *Change in observable/unobservable input, which will result in an increase in the fair value measurement.*

Inter-relationships
Any inter-relationships between unobservable inputs is not considered to have a significant impact within the range of reasonably possible alternative assumptions.

RBCT
RBCT is classified within a level 3 as there is no quoted market price or observable price available for this investment. This unlisted investment is valued as the present value of the estimated future cash flows, using a discounted cash flow model. It is not anticipated that the RBCT investment will be disposed of in the near future.

The significant observable and unobservable inputs used in the fair value measurement of the investment in RBCT are rand/US$ exchange rate, API4 export price, Transnet Market Demand Strategy, annual utilisation factor and the discount rate. Significant increases/(decreases) in any of those inputs in isolation would result in a significantly lower/(higher) fair value measurement.

Observable inputs	Range of inputs	Sensitivity of inputs and fair value measurement1
Rand/US$ exchange rate	R9,85 to R10,15/US$1	Strengthening of the rand to the US$
API4 export price per tonne (steam coal A-grade price in real terms)	US$75,50 to US$97 per tonne	Increase in API4 export price per tonne
Unobservable inputs		
Transnet Market Demand Strategy for the terminal (million tonnes per annum – Mtpa)	70Mtpa to 91Mtpa	Acceleration of Transnet Freight Rail performance, ie reach full capacity sooner
Discount rate	13% – 17%	Decrease in discount rate
Annual utilisation factor (safety and rail delay factor)	90%	Increase in annual utilisation factor

1 *Change in observable/unobservable input, which will result in an increase in the fair value measurement.*

Inter-relationships
Any inter-relationships between unobservable inputs is not considered to have a significant impact within the range of reasonably possible alternative assumptions.

7. SHARE CAPITAL

Authorised

500 000 000 ordinary shares of R0,01 each.

Issued

358 115 505 (2012: 357 787 785) ordinary shares of R0,01 each. The increase can be summarised as follows:

	Date of issue	Number of shares
Opening balance		357 787 785
Issued in terms of the Kumba Resources Management Share Option Scheme due to options exercised at prices ranging from R138,53 to R166,00	19 March 2013 to 3 September 2013	327 720
Closing balance		358 115 505

8. NET DEBT

	Year ended 31 December 2013 Rm	2012 Rm
Net debt	(3 377)	(2 199)
Presented by the following items on the face of the statement of financial position:		
– cash and cash equivalents	1 029	1 364
– non-current interest-bearing borrowings	(3 569)	(2 761)
– current interest-bearing borrowings	(31)	9
– overdraft	(806)	(811)
Calculation of movement in net debt		
Cash outflow	(1 058)	(2 397)
Add:		
– shares issued	14	15
– share-based payments	(3)	
– non-cash flow movement for interest accrued not yet paid	(40)	
– non-cash flow for amortisation of transaction costs	(9)	
– net debt of subsidiaries disposed		820
– consideration paid to non-controlling interests	(96)	(1 181)
– non-cash flow movements in net debt applicable to currency translation differences of transactions denominated in foreign currency	(669)	(70)
– non-cash flow movements in net debt applicable to currency translation differences of net debt items of foreign entities	683	268
Increase in net debt	(1 178)	(2 545)

9. CONTINGENT LIABILITIES

	2013 Rm	2012 Rm
Contingent liabilities	2 066	1 055
– Grootegeluk Medupi Expansion Project	50	
– DMC Iron Congo SA	84	
– pending litigation claims[1]	328	243
– other contingent liabilities[2]	927	536
– share of contingent liabilities of associates and joint ventures	677	276

1 *Pending litigation claims consist of legal cases where Exxaro is the defendant. These claims are at the stage where the outcome is uncertain and the amount of possible legal obligations is estimated at this stage.*

2 *Other contingent liabilities include operational guarantees to banks and other institutions in the normal course of business from which it is anticipated that no material liabilities will arise.*

The timing and occurrence of any possible outflows of the contingent liabilities above are uncertain. Due to the Mineral and Petroleum Resources Development Act of 2002, currently not specifying how to financially provide for water liabilities and water treatment at post mine closure, Exxaro is currently developing a specific policy around such provisions. An estimate of this amount is currently not available, however, a liability may arise in the future.

10. 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 were subject to terms that are no less, nor more favourable than those arranged with third parties.

11. GOING CONCERN

Taking into account the group's liquidity position as well as internal budgets for the short to medium term, it is expected that the group will continue to trade as a going concern within the next 12 months.

12. EVENTS AFTER THE REPORTING PERIOD

Details of the final dividend proposed are given in note 14.

The following non-adjusting events occurred after the reporting date and are disclosed for information purposes:

- On 31 January 2014, Exxaro concluded a sale of asset agreement relating to its NCC operation with Universal Coal Development VIII Proprietary Limited. Once all conditions precedent to the transaction have been fulfilled, an agreed cash amount will be paid to Exxaro. Exxaro has subsequently placed the mine on care and maintenance until fulfilment of all conditions precedent makes the transaction unconditional and the operation is handed over to the new owners
- The mining convention, Port Autonome de Pointe Noire (PAPN) memorandum of understanding as well as the rail framework agreements with Chemin de fer Congo-Ocean (CFCO) relating to the Mayoko project in the Republic of the Congo, were signed in Brazzaville on 29 January 2014.

The directors are not aware of any other significant matter or circumstance arising after the reporting period up to the date of this report, not otherwise dealt with in this report.

13. INDEPENDENT EXTERNAL AUDIT CONCLUSION

These summarised group annual financial statements for the year ended 31 December 2013 (from page 93 to 106) have been audited by the external auditors, PricewaterhouseCoopers Inc, who expressed an unmodified audit opinion thereon. The auditor also expressed an unmodified opinion on the group annual financial statements from which these summarised group annual financial statements were derived. The individual auditor assigned to the audit is Mr TD Shango.

The full auditors' report is included in the group annual financial statements on the website www.exxaro.com.

Both copies of the auditor's audit reports are available for inspection at the company's registered office, together with the audited group annual financial statements which have been summarised in this report.

14. FINAL DIVIDEND

Notice is given that a gross final cash dividend, number 22 of 315 cents per share, for the 2013 financial year has been declared, payable to shareholders of ordinary shares. Total secondary tax on companies (STC) credits available for offsetting against the dividend tax amount to R195 million (54,51893 cents per share). The gross local dividend amount is 315 cents per share for shareholders exempt from Dividend Tax. The dividend declared will be subject to a dividend withholding tax of 15% for all shareholders who are not exempt from or do not quality for a reduced rate of withholding tax. The net local dividend payable to shareholders subject to withholding tax at a rate of 15% amounts to 275,92784 cents per share. The number of ordinary shares in issue at the date of this declaration is 358 115 505. Exxaro's tax reference number is 9218/098/14/4.

The salient dates relating to payment of the dividend are:

Last day to trade *cum* dividend on the JSE	Friday, 4 April 2014
First trading day *ex* dividend on the JSE	Monday, 7 April 2014
Record date	Friday, 11 April 2014
Payment date	Monday, 14 April 2014

No share certificates may be dematerialised or rematerialised between Monday, 7 April 2014 and Friday, 11 April 2014, both days inclusive. Dividends for certificated shareholders will be transferred electronically to their bank accounts on payment date. Shareholders who hold dematerialised shares will have their accounts at their central securities depository participant (CSDP) or broker credited on Monday, 14 April 2014.

MINING CHARTER SCORECARD 2013

Element	Description	Measure	Compliance target 2013
Reporting	Has the company reported the level of compliance with the charter for the calendar year	Documentary proof of receipt from the department	Annually
Ownership	Minimum target for effective HDSA ownership	Meaningful economic participation Full shareholder rights	26% by 2014 26% by 2014
Housing and living conditions	Conversion and upgrading of hostels to attain the occupancy rate of one person per room	Percentage reduction of occupancy rate towards 2014 target	Occupancy rate of one person per room by 2014
	Conversion and upgrading of hostels into family units	Percentage conversion of hostels into family units	Family units established by 2014
Procurement and enterprise development	Procurement spent on BEE entity	Capital goods Services Consumable goods	30% 60% 40%
	Multinational suppliers contribution to the social fund	Annual spend on procurement from multinational suppliers	0,5%
Employment equity	Diversification of the workplace to reflect the country's demographics to attain competitiveness	Top management (board) Senior management Middle management Junior management Core skills	35% 35% 40% 40% 35%
Human resources development	Developing requisite skills, including support for South Africa based research and development initiatives intended to develop solutions in exploration, mining, processing, technology mining, beneficiation as well as environmental conservation	HRD expenditure as percentage of total annual payroll (excluding mandatory skills development levy)	4,5%
Mine community development	Conduct ethnographic community consultative and collaborative processes to delineate community needs analysis	Implement approved community projects	Up-to-date project implementation by 2014
Sustainable development and growth	Improvement of the industry's environmental management	Implement approved environmental management programmes (EMPs)	100% by 2014

Progress
Reports submitted annually per mining right to the DMR
52,09% 52,09%
Accommodation • Exxaro provides accommodation to 37% of its mine employees • The number of people sharing accommodation – 0
Housing allowance Bargaining unit employees receive either a housing allowance or a living-out allowance for accommodation. These allowances differ by job grading and are annually revised through collective bargaining. Non-bargaining unit employees receive an all-inclusive remuneration package
49% 58% 62%
0,5%
60% 53% 55% 65% 96%
5,34%
• Continual engagement with all stakeholders (ie authorities, interested and affected parties) ensures a collaborative approach in implementing Exxaro's community projects • Total spend on socio-economic development in 2013 was 0,9% of net profit after tax
Implementation of approved EMPs: Exxaro assesses performance towards achieving EMPs, monitors environmental changes and updates EMPs, performs audits, and assesses financial provision. All operations with EMPs are committed to concurrent rehabilitation, and to closure planning. Programmes are in place to achieve the compliance target by 2014

MINING CHARTER SCORECARD 2013

continued

Element	Description	Measure	Compliance target 2013
Sustainable development and growth	Improvement of the industry's mine health and safety performance	Implementation of tripartite action plan on health and safety	100% by 2014
	Utilisation of South Africa-based research facilities for analysis of samples across the mining value chain	Percentage of samples in South African facilities	100% by 2014
Beneficiation	Contribution towards beneficiation (effective from 2013)	Added production volume contributory to local value addition beyond the baseline	Section 26 of MRPDA (% above baseline)

Progress
Culture transformation: 1 Leadership strategies (programmes implemented) Exxaro has developed safety improvement plans per operation in consultation with stakeholder groups: employees, unions, Exco, directors and authorities. These plans have five focus areas: leadership, zero tolerance, training for life, identifying risks and communication. Through collaborative engagement, the implementation of these plans was reviewed and evaluated in February 2013 2 Risk management (programmes implemented) Exxaro rolled out the Global Mining Industry Risk Management Programme training in April 2012. The purpose is to enhance the way safety risks are identified and managed at operational level. This is aligned with the group-wide enterprise risk management (ERM) process 3 Bonuses and performance incentives (programmes implemented) Exxaro has an incentive scheme for operations that meet or maintain their LTIFR against the group target, with annual payments to employees and contractors During the business review and budgeting process each year, union leadership is given an opportunity at operational level to make inputs on how the safety performance incentive can be improved. This policy is currently being reviewed to include safety leading indicators 4 Leading practices for mining industry (programmes implemented) To date, two Exxaro operations are 100% compliant with a leading practice standard: Arnot has implemented the netting and bolting (fall of ground) initiative and Grootegeluk is piloting the proximity detection system initiative. In addition, the group decided to adopt the Mine Occupational Safety and Health (MOSH) hearing protection device (HPD) leading practice, with an induction workshop in April 2013. Subsequently, each regional hygiene specialist was tasked with initiating adoption at their business unit, with the support of the MOSH adoption team 15% of employees, including contractors, completed OHS representative training – a total of 1 245 out of 8 500 Exxaro workforce Health: 100% of mandatory reports submitted HIV/Aids: ongoing testing, providing treatment or access to treatment TB: implementing a management standard aligned with the DMR and Department of Health
Exxaro's operations, its research and development department and its projects generate large volumes of samples for analyses. These were predominantly analysed in South Africa at in-house or contracted off-site South Africa-based laboratories during 2013 Exxaro also funds four tertiary chairs as part of its research-support initiatives
Exxaro embarked on the following initiatives: 1 Established a semi-coke production operation at Lephalale 2 Established a fine coal pelletisation facility at its jointly-owned Mafube coal mine 3 Developing the AlloyStream technology for the production of ferroalloys 4 Performed a feasibility study to evaluate the expansion of the char-based reductant operations at Lephalale 5 Performed a feasibility study to evaluate establishing a coke making operation at Lephalale 6 Performing a feasibility study to develop the Thabametsi mine to supply coal to an independent power producer 7 Investigating and evaluating the potential to beneficiate fine coal at its operations

NOTICE OF THE ANNUAL GENERAL MEETING

Exxaro Resources Limited
(Incorporated in the Republic of South Africa)
Registration number: 2000/011076/06
JSE share code: EXX
ISIN: ZAE000084992
ADR code: EXXAY
(Exxaro or the company)

Notice is hereby given that the 13th annual general meeting of shareholders of Exxaro will be held (subject to any adjournment, postponement or cancellation thereof) at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, South Africa, at 10:00 on Tuesday, 27 May 2014 to consider, and if deemed fit, pass with or without modification, the resolutions as set out in this notice.

The board of directors of the company has determined, in accordance with section 59(1)(a) and (b) of the Companies Act No 71 of 2008, as amended (Companies Act), that the record date for shareholders to receive the notice of the annual general meeting (the notice record date) is Thursday, 17 April 2014 and the record date for shareholders to be recorded as such in the shareholders' register, maintained by the transfer secretaries of the company, to be able to attend, participate in and vote at the annual general meeting (the voting record date) is Friday, 16 May 2014. Therefore the last day to trade in the company's shares on the JSE to be recorded in the share register on the voting record date is Friday, 9 May 2014.

PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the company and the group, including the reports of the directors, group audit committee and the independent auditors, for the year ended 31 December 2013, will be presented to shareholders as required in terms of section 30(3)(d) of the Companies Act (abbreviated versions have been included in the integrated report, with the full annual financial statements available on our website).

PRESENTATION OF GROUP SOCIAL AND ETHICS COMMITTEE REPORT

A report of the members of the group social and ethics committee for the year ended 31 December 2013, as included in the integrated report, will be presented to shareholders as required in terms of regulation 43 of the Companies Regulations, 2011.

RESOLUTIONS FOR CONSIDERATION AND ADOPTION

1 Ordinary resolution number 1: election and re-election of directors

To elect or re-elect, as the case may be, by separate resolutions the following directors: Dr CJ Fauconnier, and Messrs NL Sowazi and D Zihlangu. Brief résumés for these directors appear on page 62 to 66 of the integrated report.

The board of directors has assessed the performance of the directors standing for election and re-election, as the case may be, and has found them suitable for appointment and reappointment.

Dr CJ Fauconnier, having been appointed by the board of directors since the last annual general meeting of the company, is, in accordance with the provisions of clause 6.2 of the company's memorandum of incorporation, obliged to retire at this annual general meeting and, being eligible, offer himself for election.

Ordinary resolution number 1.1

"RESOLVED that Dr CJ Fauconnier be and is hereby elected as a director of the company with effect from 27 May 2014."

Messrs JJ Geldenhuys, NL Sowazi and D Zihlangu are obliged to retire by rotation at this annual general meeting in accordance with the provisions of clause 6.2 of the company's memorandum of incorporation. Having so retired and being eligible, Messrs Sowazi and Zihlangu offer themselves for re-election. Mr Geldenhuys has not offered himself for re-election.

Ordinary resolution number 1.2

"RESOLVED that Mr NL Sowazi be and is hereby re-elected as a director of the company with effect from 27 May 2014."

Ordinary resolution number 1.3

"RESOLVED that Mr D Zihlangu be and is hereby re-elected as a director of the company with effect from 27 May 2014."

For each of the above resolutions to be passed, votes in favour must represent at least 50% +1 of all votes cast and/or exercised at the meeting in respect of each of these resolutions.

2 Ordinary resolution number 2: election of group audit committee members

To elect by separate resolutions a group audit committee comprising independent non-executive directors, as provided in section 94(4) of the Companies Act and appointed in terms of section 94(2) of the Companies Act to hold office until the next annual general meeting to perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and the King III Report on Governance for South Africa 2009 and to perform such other duties and responsibilities as may from time to time be delegated by the board of directors for the company and all subsidiary companies.

The board of directors has assessed the performance of the group audit committee members standing for election and has found them suitable for appointment. Brief résumés for these directors appear on page 62 to 66 of the integrated report.

Ordinary resolution number 2.1

"RESOLVED that Dr CJ Fauconnier be and is hereby elected as a member of the group audit committee with effect from 27 May 2014."

Ordinary resolution number 2.2

"RESOLVED that Mr RP Mohring be and is hereby elected as a member of the group audit committee with effect from 27 May 2014."

Ordinary resolution number 2.3

"RESOLVED that Mr J van Rooyen be and is hereby elected as a member of the group audit committee with effect from 27 May 2014."

The election of Dr CJ Fauconnier is subject to his election as a director.

For each of the above resolutions to be passed, votes in favour must represent at least 50% +1 of all votes cast and/or exercised at the meeting in respect of each of these resolutions.

3 Ordinary resolution number 3: election of group social and ethics committee members

To elect by separate resolutions a group social and ethics committee, as provided in section 72(4) of the Companies Act and regulation 43 of the Companies Regulations, 2011 (Regulations), appointed in terms of regulation 43(2) of the Regulations to hold office until the next annual general meeting and to perform the duties and responsibilities stipulated in regulation 43(5) of the Regulations and to perform such other duties and responsibilities as may from time to time be delegated by the board of directors for the company and all subsidiary companies.

The board of directors has assessed the performance of the group social and ethics committee members standing for election and has found them suitable for appointment. Brief résumés for these directors appear on page 62 to 66 of this report.

Ordinary resolution number 3.1

"RESOLVED that Dr CJ Fauconnier be and is hereby elected as a member of the group social and ethics committee with effect from 27 May 2014."

Ordinary resolution number 3.2

"RESOLVED that Mr RP Mohring be and is hereby elected as a member of the group social and ethics committee with effect from 27 May 2014."

Ordinary resolution number 3.3

"RESOLVED that Dr MF Randera be and is hereby elected as a member of the group social and ethics committee with effect from 27 May 2014."

The election of Dr CJ Fauconnier is subject to his election as a director.

For each of the above resolutions to be passed, votes in favour must represent at least 50% +1 of all votes cast and/or exercised at the meeting in respect of each of these resolutions.

RESOLUTIONS FOR CONSIDERATION AND ADOPTION (CONTINUED)

4 Ordinary resolution number 4: approval of the remuneration policy

"RESOLVED, through a non-binding advisory vote, that the company's remuneration policy and its implementation, as set out in the remuneration report on page 82 of the integrated report, be and is hereby approved."

This ordinary resolution is of an advisory nature only and although the board will take the outcome of the vote into consideration when determining the remuneration policy, failure to pass this resolution will not legally preclude the company from implementing the remuneration policy as contained in the integrated report.

5 Ordinary resolution number 5: reappointment of independent external auditors

As set out in the group audit committee report on page 91 of the integrated report, the group audit committee has assessed PricewaterhouseCoopers Incorporated's performance, independence and suitability and has nominated them for reappointment as independent external auditors of the group, to hold office until the next annual general meeting.

"RESOLVED that PricewaterhouseCoopers Incorporated, with the designated audit partner being Mr TD Shango, be and is hereby reappointed as independent external auditors of the group for the ensuing year."

For this resolution to be passed, votes in favour must represent at least 50% +1 of all votes cast and/or exercised at the meeting in respect of this resolution.

6 Ordinary resolution number 6: control of authorised but unissued shares

"RESOLVED that the authorised but unissued shares in the capital of the company be and are hereby placed under the control and authority of the directors and that they be and are hereby authorised to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as they may from time to time and at their discretion deem fit, subject to the provisions of the Companies Act No 71 of 2008, as amended (Companies Act), clause 3.1(3) of the memorandum of incorporation of the company and the JSE Listings Requirements. The number of shares issued in terms of this authority will not in the aggregate in the current financial year exceed 5% (five percent) of the company's issued share capital of ordinary shares. The issuing of shares granted under this authority will be at the discretion of the directors until the next annual general meeting of the company."

At present, the directors have no specific intention to use this authority and the authority will thus only be used if circumstances are appropriate.

For this resolution to be passed, votes in favour must represent at least 50% +1 of all votes cast and/or exercised at the meeting in respect of this resolution.

7 Ordinary resolution number 7: general authority to issue shares for cash

"RESOLVED that the directors of the company be and are hereby authorised, by way of a general authority, to issue the authorised but unissued shares in the capital of the company (and/or any options/convertible securities that are convertible into ordinary shares) for cash, as and when they in their discretion deem fit, subject to clause 3.1(3) of the memorandum of incorporation of the company, the Companies Act No 71 of 2008, as amended (Companies Act), and the JSE Listings Requirements, when applicable and with the following limitations, namely that:

- This authority is valid until the company's next annual general meeting, provided that it will not extend beyond 15 (fifteen) months from the date that this authority is given
- The equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue
- Any such issue will only be made to 'public shareholders' as defined in the JSE Listings Requirements and not to related parties, unless the JSE otherwise agrees
- The number of shares issued for cash will not in aggregate exceed 5% (five percent) of the company's listed equity securities as at the date of the notice of annual general meeting, such number being 17 905 775 ordinary shares in the company's issued share capital (excluding treasury shares)
- Any equity securities issued under the authority during the period contemplated in the first bullet above must be deducted from such number in the preceding bullet

- In the event of a sub-division or consolidation of issued equity securities during the period contemplated in the first bullet above, the existing authority must be adjusted accordingly to represent the same allocation ratio
  - A paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of shares in issue prior to the issue
  - The maximum discount permitted at which equity securities may be issued is 10% (ten percent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities."

At present, the directors have no specific intention to use this authority, and the authority will thus only be used if circumstances are appropriate.

For this ordinary resolution to be passed, under the JSE Listings Requirements, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting.

8 Ordinary resolution number 8: authorise director and/or group company secretary

"RESOLVED that any one director and/or group company secretary of the company or equivalent be and are hereby authorised to do all such things and sign all such documents deemed necessary to implement the resolutions set out in the notice convening the annual general meeting at which these resolutions will be considered."

For this resolution to be passed, votes in favour of the resolution must represent at least 50% +1 of all votes cast and/or exercised at the meeting in respect of this resolution.

9 Special resolution number 1: non-executive directors' fees

Approval in terms of section 66 of the Companies Act is required to authorise the company to remunerate non-executive directors for services as directors. Furthermore, in terms of the King Report on Governance for South Africa 2009 and as read with the JSE Listings Requirements, remuneration payable to non-executive directors should be approved by shareholders in advance or within the previous two years.

"RESOLVED as a special resolution in terms of the Companies Act No 71 of 2008, as amended (Companies Act), that the remuneration of non-executive directors for the period 1 January 2014 to 31 December 2014* and the period 1 January 2015 until the next annual general meeting**, be and is hereby approved on the basis set out below:

	Current R	Jan – Dec 2014 Proposed R	Jan 2015 – 2015 AGM Proposed R
Chairman of the board	1 062 000	1 253 160	1 353 413
Members of the board	250 917	296 083	319 770
Audit committee chairman	231 807	250 352	270 380
Audit committee members	122 435	132 230	142 808
Chairmen of other board committees	179 576	193 943	209 458
Members of other board committees	85 690	92 546	99 950
Social and ethics committee chairman	89 788	96 972	104 729
Social and ethics committee member	42 845	46 273	49 975
Ad hoc meeting fees			
Board meeting	11 610	12 539	13 542
Committee meeting	8 710	9 407	10 160

* *If this proposed fee is approved, directors will receive back pay on the basis of the increased fee with effect from 1 January 2014.*

** *The rationale for the additional period increase is to align the increase period with the annual general meeting period, instead of the financial year, to eliminate the need for back pay in future. This will be a once-off adjustment, after which the increase period will align with the AGM period.*

RESOLUTIONS FOR CONSIDERATION AND ADOPTION (CONTINUED)

9 Special resolution number 1: non-executive directors' fees (continued)

The proposed 2014 directors' fees equate to an 18% increase, while committee fees equate to an 8% increase. The higher-than-normal increase is based on market benchmarking and the company's overall remuneration philosophy: post the Jan – Dec 2014 increase, non-executive director fees will equate to 87% of the comparative market average.

Three years ago it was determined that the chairman's fees were significantly below the market. Instead of providing for a material increase in one year, the required increase, to bring him more on par with the market, has been made over the past three years (including this year). An 18% increase in the 2014 chairman's fee is therefore also proposed. The proposed increase is based on market comparison against suitable peers, his performance, level of involvement and participation in strategic matters, support and guidance provided to management and his attendance at board committees as an invitee (without receiving member fees).

Post the Jan – Dec 2014 increase, the chairman's fee will equate to 67% of the comparative market average.

The Jan 2015-2015 AGM increase equates to an 8% increase.

For this resolution to be passed, votes in favour must represent at least 75% of all votes cast and/or exercised at the meeting in respect of this resolution.

10 Special resolution number 2: general authority to repurchase shares

"RESOLVED as a special resolution in terms of the Companies Act No 71 of 2008, as amended (Companies Act), that, subject to compliance with the JSE Listings Requirements, the Companies Act, and clause 3.1(12) of the memorandum of incorporation of the company, the directors be and are hereby authorised at their discretion to instruct that the company or subsidiaries of the company acquire or repurchase ordinary shares issued by the company, provided that:

- The number of ordinary shares acquired in any one financial year will not exceed 5% (five percent) of the ordinary shares in issue at the date on which this resolution is passed
- This must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty
- This authority will lapse on the earlier of the date of the next annual general meeting of the company or 15 (fifteen) months after the date on which this resolution is passed
- The price paid per ordinary share may not be greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which a purchase is made."

The reason for and effect of this special resolution is to authorise the directors, if they deem it appropriate in the interests of the company, to instruct that the company or subsidiaries of the company acquire or repurchase ordinary shares issued by the company subject to the restrictions contained in the above resolution.

At present, the directors have no specific intention to use this authority which will only be used if circumstances are appropriate.

The directors undertake that they will not implement the repurchase as contemplated in this special resolution while this general authority is valid, unless:

- After such repurchases, the company passes the solvency and liquidity test as contained in section 4 of the Companies Act and that from the time the solvency and liquidity test is done, there will be no material changes to the financial position of the group
- The consolidated assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards and in accordance with accounting policies used in the company and group annual financial statements for the year ended 31 December 2013, will exceed the consolidated liabilities of the company and the group immediately following such purchase or 12 (twelve) months after the date of the notice of annual general meeting, whichever is the later
- The company and the group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 (twelve) months after the date of the notice of the annual general meeting or a period of 12 (twelve) months after the date on which the board considers that the purchase will satisfy the immediately preceding requirement and this requirement, whichever is the later
- The issued share capital and reserves of the company and group will be adequate for the purposes of the business of the company and group for a period of 12 (twelve) months after the date of the notice of the annual general meeting of the company
- The company and group will have adequate working capital for ordinary business purposes for a period of 12 (twelve) months after the date of this notice
- A resolution is passed by the board of directors that it has authorised the repurchase, that the company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the group
- The requirements contained in schedule 25 of the JSE Listings Requirements are complied with
- The company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless the company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant prohibited period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement released on SENS prior to the commencement of the prohibited period
- When the company or its subsidiaries have cumulatively repurchased 3% (three percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made
- The company at any time only appoints one agent to effect any repurchase(s) on its behalf
- The company undertakes that it will not enter the market to repurchase its own securities until the company's sponsor has provided written confirmation to the JSE in accordance with schedule 25 of the JSE Listings Requirements.

For this resolution to be passed, votes in favour must represent at least 75% of all votes cast and/or exercised at the meeting in respect of this resolution.

RESOLUTIONS FOR CONSIDERATION AND ADOPTION (CONTINUED)

11 Special resolution number 3: financial assistance for subscription of securities

"RESOLVED as a special resolution in terms of the Companies Act No 71 of 2008, as amended (Companies Act), that the provision by the company of any direct or indirect financial assistance as contemplated in section 44 of the Companies Act to any 1 (one) or more related or inter-related persons of the company for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, be and is hereby approved, provided that:

1 (i) The specific recipient/s of such financial assistance
(ii) The form, nature and extent of such financial assistance
(iii) The terms and conditions under which such financial assistance is provided
are determined by the board of directors of the company from time to time

2 The board has satisfied the requirements of section 44 of the Companies Act in relation to the provision of any financial assistance

3 Such financial assistance to a recipient is, in the opinion of the board of directors of the company, required for a purpose, which in the opinion of the board, is directly or indirectly in the interest of the company

4 The authority granted in terms of this special resolution will remain valid until the next annual general meeting."

For this resolution to be passed, votes in favour must represent at least 75% of all votes cast and/or exercised at the meeting in respect of this resolution.

12 Special resolution number 4: financial assistance to related or inter-related companies

"RESOLVED as a special resolution in terms of the Companies Act No 71 of 2008, as amended (Companies Act), that the provision by the company of any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any 1 (one) or more related or inter-related companies of the company and/or to any 1 (one) or more juristic persons who are members of, or are related to, any such related or inter-related company, be and is hereby approved, provided that:

1 (i) The specific recipient/s of such financial assistance
(ii) The form, nature and extent of such financial assistance
(iii) The terms and conditions under which such financial assistance is provided
are determined by the board of directors of the company from time to time

2 The board has satisfied the requirements of section 45 of the Companies Act in relation to the provision of any financial assistance

3 Such financial assistance to a recipient is, in the opinion of the board of directors of the company, required for a purpose which, in the opinion of the board, is directly or indirectly in the interests of the company

4 The authority granted in terms of this special resolution will remain valid until the next annual general meeting."

For this resolution to be passed, votes in favour must represent at least 75% of all votes cast and/or exercised at the meeting in respect of this resolution.

13 To transact such other business as may be transacted at an annual general meeting

Disclosures required in terms of the JSE Listings Requirements

The following information is provided in accordance with paragraph 11.26 of the JSE Listings Requirements and relates to special resolution number 2:

Litigation statement

Other than disclosed or accounted for in the annual financial statements, the directors of the company, whose names appear on page 62 to 66 of the integrated report, 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 (twelve) months preceding the date of this notice of annual general meeting.

Directors' responsibility statement

The directors, whose names appear on page 62 to 66 of the integrated report, collectively and individually accept full responsibility for the accuracy of the information given in special resolution number 2, and certify that to the best of their knowledge and belief no facts have been omitted that would make any statements false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this resolution and additional disclosure in terms of paragraph 11.26 of the JSE Listings Requirements contain all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported in the annual financial statements, and integrated report, there have been no material changes in the affairs, financial or trading position of the group since the signature date of the integrated report.

Further disclosures required in terms of the JSE Listings Requirements are set out in accordance with the reference pages in the integrated report of which this notice forms part:

- Directors and management – refer to pages 60 to 66
- Major shareholders of the company – refer to page 4
- Directors' interest in the company's shares – refer to page 90
- Share capital of the company – refer to page 104.

Identification, voting and proxies

In terms of section 63(1) of the Companies Act, any person attending or participating in the annual general meeting must present reasonable satisfactory identification and the person presiding at the annual general meeting must be reasonably satisfied that the right of any person to participate in and vote (as shareholder or as proxy for a shareholder) has been reasonably verified. Suitable forms of identification will include the presentation of valid identity documentation, driver's licences and passports.

The votes of shares held by share trusts classified as schedule 14 trusts in terms of the JSE Listings Requirements will not be taken into account at the annual general meeting for approval of any resolution proposed in terms of the JSE Listings Requirements.

A form of proxy is attached for the convenience of any certificated or dematerialised Exxaro shareholders with own-name registrations who cannot attend the annual general meeting, but who wish to be represented. To be valid, completed forms of proxy must be received by the transfer secretaries of the company, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than 10:00 on Friday, 23 May 2014.

All beneficial owners of Exxaro shares who have dematerialised their shares through a central securities depository participant (CSDP) or broker, other than those with own-name registration, and all beneficial owners of shares who hold certificated shares through a nominee, must provide their CSDP, broker or nominee with their voting instructions, in accordance with the agreement between the beneficial owner and the CSDP, broker or nominee as the case may be. Should such beneficial owners wish to attend the meeting in person, they must request their CSDP, broker or nominee to issue them with the appropriate letter of representation.

Exxaro does not accept responsibility and will not be held liable for any failure on the part of a CSDP or broker to notify such Exxaro shareholder of the annual general meeting.

Electronic participation by shareholders

Should any shareholder (or representative or proxy for a shareholder) wish to participate in the annual general meeting electronically, that shareholder should apply in writing (including details on how the shareholder or representative (including proxy) can be contacted) to the transfer secretaries, at the address above, to be received by the transfer secretaries at least seven business days prior to the annual general meeting (thus Friday, 16 May 2014) for the transfer secretaries to arrange for the shareholder (or representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or representative or proxy) with details on how to access the annual general meeting by means of electronic participation. The company reserves the right not to provide for electronic participation at the annual general meeting if it determines that it is not practical to do so, or an insufficient number of shareholders (or their representatives or proxies) request to participate in this manner.

By order of the board

CH Wessels
Group company secretary

Pretoria

31 March 2014

FORM OF PROXY

EXXARO RESOURCES LIMITED

(Incorporated in the Republic of South Africa)
Registration number: 2000/011076/06
JSE share code: EXX
ISIN: 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 shareholders of Exxaro unable to attend the 13th annual general meeting of shareholders of the company to be held at 10:00 on Tuesday, 27 May 2014, at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, South Africa or at any adjournment or postponement of that meeting.

A shareholder is entitled to appoint one or more proxies (none of whom need to be a shareholder of the company) to attend, participate in, speak and vote or abstain from voting in the place of that shareholder at the annual general meeting.

I/We (please print names in full) ______________________________

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, participate in, speak and, on a poll, vote on my/our behalf at the annual general meeting of shareholders to be held at 10:00 on Tuesday, 27 May 2014 at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, South Africa or at any adjournment or postponement of that meeting, 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 resolutions			
1 Resolution to elect and re-elect directors			
1.1 Election of Dr CJ Fauconnier as a director			
1.2 Re-election of Mr NL Sowazi as a director			
1.3 Re-election of Mr D Zihlangu as a director			
2 Resolution to elect group audit committee members			
2.1 Election of Dr CJ Fauconnier as a member of the group audit committee			
2.2 Election of Mr RP Mohring as a member of the group audit committee			
2.3 Election of Mr J van Rooyen as a member of the group audit committee			

FORM OF PROXY
continued

	For	Against	Abstain
3 Resolution to elect group social and ethics committee members			
3.1 Election of Dr CJ Fauconnier as a member of the group social and ethics committee			
3.2 Election of Mr RP Mohring as a member of the group social and ethics committee			
3.3 Election of Dr MF Randera as a member of the group social and ethics committee			
4 Resolution to approve, through a non-binding advisory vote, the company's remuneration policy			
5 Resolution to reappoint PricewaterhouseCoopers Incorporated as independent external auditors			
6 Resolution to place authorised but unissued shares under the control of the directors			
7 Resolution to authorise directors by way of a general authority to issue shares for cash			
8 Resolution to authorise director and/or group company secretary to implement the resolutions set out in the notice convening the annual general meeting			
Special resolutions			
1 Special resolution to approve non-executive directors' fees			
2 Special resolution to authorise directors to repurchase company shares			
3 Special resolution to authorise financial assistance for the subscription of securities			
4 Special resolution to authorise financial assistance to related or inter-related companies			

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 2014

Signature

Assisted by me, where applicable (name and signature)

Please read the notes that follow.

NOTES TO THE FORM OF PROXY

(which include, inter alia, a summary of the rights established by section 58 of the Companies Act No 71 of 2008, as amended (Companies Act))

1 A form of proxy is only to be completed by those ordinary shareholders who are:
- Holding ordinary shares in certificated form, or
- Recorded on the subregister in 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 shareholder may insert the name of a proxy or the names of two or more persons as alternative or concurrent proxies 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. A proxy may not delegate his/her authority to act on behalf of the shareholder to another person.

4 A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the instrument appointing the proxy provides otherwise.

5 On a show of hands, a shareholder of the company present in person or by proxy will have one vote, irrespective of the number of shares he/she holds or represents, provided that a proxy will, irrespective of the number of shareholders he/she represents, have only one vote. On a poll, a shareholder who is present in person or represented by proxy will be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of shares held by him/her bears to the aggregate amount of the nominal value of all shares issued by the company.

6 A shareholder's instructions to the proxy must be indicated by inserting the relevant numbers of votes exercisable by the shareholder in the box provided. Failure to comply with this 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 shareholder's exercisable votes. A shareholder or proxy is not obliged to use all the votes exercisable by the shareholder 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 votes exercisable by the shareholder or by the proxy.

7 The proxy appointment is:
- Suspended at any time and to the extent that the shareholder chooses to act directly and in person in exercising any rights as a shareholder, and
- Revocable unless the proxy appointment expressly states otherwise; and if the appointment is revocable, a shareholder may revoke the proxy appointment by:
  - Cancelling it in writing, or making a later inconsistent appointment of a proxy, and
  - Delivering a copy of the revocation instrument to the proxy, and to the transfer secretaries of the company.

8 The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:
- The date stated in the revocation instrument, if any or
- The date on which the revocation instrument was delivered.

9 If the instrument appointing a proxy or proxies has been delivered, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's memorandum of incorporation to be delivered by the company to the shareholder must be delivered to:
- The shareholder or
- The proxy or proxies, if the shareholder has directed the company to do so, in writing, and paid any reasonable fee charged by the company for doing so.

10 The proxy appointment remains valid only until the end of the annual general meeting or any adjournment or postponement of the meeting, unless it is revoked in accordance with paragraph 7 prior to the meeting.

NOTES OF THE FORM OF PROXY
continued

11 Forms of proxy must be lodged at or posted to Computershare Investor Services Proprietary Limited, to be received not later than 48 hours before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays), thus by 10:00 on Friday, 23 May 2014.

For shareholders on the South African register:

Computershare Investor Services Proprietary Limited
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 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

12 Completing and lodging this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any appointed proxy.

13 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.

14 Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

15 Despite the aforegoing, the chairman of the annual general meeting may, if deemed reasonable, waive any formalities that would otherwise be a prerequisite for a valid proxy.

16 If any shares are jointly held, all joint shareholders must sign this form of proxy. If more than one of those shareholders are present at the annual general meeting, either in person or by proxy, the person whose name first appears in the register will be entitled to vote.

ADMINISTRATION

Group company secretary and registered office
CH Wessels
Exxaro Resources Limited
Roger Dyason Road
Pretoria West, 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
PricewaterhouseCoopers Incorporated
2 Eglin Road
Sunninghill, 2157

Commercial Bankers
Absa Bank Limited

Corporate law advisers
EOH Legal Services Proprietary Limited
Roger Dyason Road
Pretoria West
0183

United States ADR Depository
The Bank of New York
101 Barclay Street
New York NY 10286
United States of America

Sponsor
Deutsche Securities (SA) Proprietary Limited
3 Exchange Square
87 Maude Street
Sandton, 2196

Registrars
Computershare Investor Services Proprietary Limited
Ground floor, 70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)

SHAREHOLDER DIARY

Financial year-end	31 December
Annual general meeting	May
Reports and accounts published	Published
Announcement of annual results	March
Annual report	April
Interim report for the half-year ending 30 June	August
Distributions	
Final dividend declaration	March
Payment	April
Interim dividend declaration	August
Payment	September/October

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