Exxaro Resources Limited

Audited condensed group financial results for the year ended 31 December 2006

CONDENSED GROUP INCOME STATEMENT

CONTINUING OPERATIONS	Year ended 31 December 2006 Audited Rm	2005 Restated Rm
Revenue	7,263	5,308
Operating expenses	(6,022)	(4,319)
Fair value adjustment on unbundling of subsidiary	17,963	
BEE credential expense and unbundling costs	(821)	
Impairment of property, plant and equipment	(784)	
Net operating profit	17,599	989
Net financing costs	(307)	(162)
Share of income from equity accounted investments	159	7
Profit before taxation	17,451	834
Taxation	(578)	(323)
Profit for the year from continuing operations	16,873	511
Profit for the year from discontinued operations (note 5)	2,323	2,727
Profit for the year	19,196	3,238
Attributable to:		
Equity holders of the parent	19,169	3,177
Minority interest	27	61
Net profit	19,196	3,238
Ordinary shares (million)		
- in issue	351	306
- weighted average number of shares	313	304
- diluted weighted average number of shares	318	311
Attributable earnings per share (cents)		
- basic (restated for December 2005)	6,124	1,045
- diluted (restated for December 2005)	6,028	1,022
Attributable earnings per share from continuing operations (cents)		
- basic (restated for December 2005)	5,382	148
- diluted (restated for December 2005)	5,297	145
Attributable earnings per share from discontinued operations (cents)		
- basic (restated for December 2005)	742	897
- diluted (restated for December 2005)	731	877
Dividend paid per share (cents) in respect of the previous financial year	160	90
Dividend paid per share (cents) in respect of the interim period	180	160
Special dividend paid per share (cents) in respect of the interim period		220
Special dividend paid per share (cents) on unbundling	185	
Final dividend paid per share (cents) in respect of this financial year		160
Reconciliation of headline earnings		
Net profit attributable to ordinary shareholders	19,169	3,177
- Impairment charges	784	28
- Share of associate's net profit on disposal of property, plant and equipment	(1)	
- Excess of minority interest over cost of acquisition	(36)	(95)
- Net deficit on disposal or scrapping of property, plant and equipment	3	2
- Fair value adjustment prior to unbundling	(17,963)	
- Net profit on disposal of investments	(39)	(1,179)
- Minority interest on adjustments		(1)
- Taxation effect of adjustments	(219)	428
Headline earnings	1,698	2,360
Headline earnings from discontinued operations	2,328	1,996
Headline earnings from continuing operations	(630)	364
Headline earnings per share (cents)		
- basic (restated for December 2005)	542	776
- diluted (restated for December 2005)	534	759
Headline earnings per share from continuing operations (cents)		
- basic (restated for December 2005)	(201)	120
- diluted (restated for December 2005)	(198)	117
Headline earnings per share from discontinued operations (cents)		
- basic (restated for December 2005)	744	657
- diluted (restated for December 2005)	732	642

CONDENSED GROUP BALANCE SHEET

	At 31 December 2006 Audited Rm	2005 Restated Rm
ASSETS		
Non-current assets		
Property, plant and equipment	7,583	8,469
Biological assets	26	28
Intangible assets	69	61
Investments in associates and joint ventures (note 6) -unlisted	384	95
Deferred taxation	748	339
Other financial assets (note 6)	693	392
	9,503	9,384
Current assets		
Inventories	1,391	1,481
Trade and other receivables	1,663	2,066
Cash and cash equivalents	906	1,483
	3,960	5,030
Non-current assets classified as held for sale	2	11
Total assets	13,465	14,425
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary shareholders' equity	8,142	7,319
Minority interest	27	9
Total shareholders' equity	8,169	7,328
Non-current liabilities		
Interest-bearing borrowings	1,214	2,210
Non-current provisions	931	727
Deferred taxation	1,116	984
	3,261	3,921
Current liabilities		
Trade and other payables	1,321	1,468
Interest-bearing borrowings	613	911
Taxation	67	773
Current provisions	30	24
Shareholders for dividends	4	
	2,035	3,176
Total equity and liabilities	13,465	14,425
Net debt (note 9)	921	1,638
Net asset value per share (cents)	2,320	2,392
Capital expenditure		
-incurred	2,010	1,044
-contracted	842	1,635
-authorised but not contracted	732	2,182
Contingent liabilities	100	82
Operating lease commitments	124	163
Operating sublease rentals receivable	10	1
Capital expenditure contracted relating to captive mines (2006 Tshikondeni, Arnot and Matla; 2005 Tshikondeni and Thabazimbi), which will be financed by Mittal Steel (South Africa) and Eskom respectively.	8	6

CONDENSED GROUP CASH FLOW STATEMENT

	Year ended 31 December 2006 Audited Rm	2005 Restated Rm
Cash retained from operations	4,761	3,864
- net financing costs	(278)	(189)
- taxation paid	(1,927)	(821)
- dividends paid (note 7)	(3,396)	(1,447)
Cash used in investing activities		
- capital expenditure	(2,010)	(1,044)
- proceeds from disposal of property, plant and equipment	170	23
- proceeds from disposal of investment	26	1,179
- acquistion of subsidiary (note 8)	(1,545)	
- decrease/(increase) in investment in subsidiaries		(1,174)
- other	308	68
Net cash (outflow)/inflow	(3,891)	459
- cash flows from issue of shares	2,199	128
- borrowings raised/(repaid)	1,518	(401)
Net (decrease)/increase in cash and cash equivalents	(174)	186
Less cash and cash equivalents of unbundled subsidiaries	(403)	
Cash and cash equivalents at beginning of year	1,483	1,297
Cash and cash equivalents end of year	906	1,483
Calculation of movement in net debt:		
Net cash (outflow)/inflow	(3,891)	459
- shares issued	2,199	128
- loans from minority shareholders		2
- Share based payments	(54)	
- Increase in net debt on acquisition of subsidiary	(120)	
- Prior year adjustment, increase in net debt due to application of IFRIC 4		(247)
- non-cash increase in loans due to joint ventures now consolidated		(1)
- non-cash flow movements in net debt applicable to currency translation differences of transactions denominated in foreign currency	16	(96)
- non-cash flow movements in net debt applicable to currency translation differences of net debt items of foreign entities	(195)	(13)
- *Less* net debt of unbundled subsidiaries	2,762	
Decrease in net debt	717	232

NOTES TO THE GROUP FINANCIAL RESULTS

1. **Basis of preparation**
This condensed report complies with International Accounting Standard 34, Interim Financial Reporting, and schedule 4 of the South African Companies Act.

The financial statements from which these group financial results have been derived are prepared on the historical basis excluding financial instruments and biological assets, which are fair valued, and conform to International Financial Reporting Standards. The accounting policies adopted are consistent with those applied in the annual financial statements for the year ended 31 December 2005 except for the change noted in note 4. Where applicable the prior year's figures have been adjusted.

	Year ended 31 December 2006 Audited Rm	2005 Restated Rm
2. Profit before taxation from continuing and discontinued operations is arrived at after		
Depreciation and amortisation of intangible assets	(813)	(826)
Financing costs	(451)	(432)
Interest received	115	150
Net realised foreign exchange gains/(losses) on:		
- currency exchange differences	199	225
- revaluation of derivative instruments	(278)	(64)
Net unrealised foreign exchange gains/(losses) on:		
- currency exchange differences	(97)	(76)
- revaluation of derivative instruments	51	83
Fair value adjustment on financial assets	84	43
Fair value adjustment on financial liabilities		5
Impairment charges (note 3)	(784)	(28)
Excess of minority interest over cost of acquisition	36	95
Net profit on disposal of investments	39	1,179
Fair value adjustment on unbundling of subsidiary	17,963	
Net deficit on disposal of property, plant and equipment	(3)	(2)
Share based payment: BEE credential expense	(580)	
Cost of empowerment transaction, unbundling, integration and branding	(241)	
3. Impairment charges and reversals		
Impairment of property, plant and equipment[1]	(784)	(3)
Reversal of impairment of other fixed assets		2
Impairment of intangible assets		(20)
Impairment of investments		(7)
	(784)	(28)
Taxation effect	227	-
	(557)	(28)

[1] Impaired to value in use based on a 8,53% discount rate.

4. **Accounting for arrangements that contain a lease**
In terms of IFRIC 4 (Determining whether an arrangement contains a lease) and IAS 17 (Leases), arrangements that convey the right to use an asset, are evaluated for recognition, classification as a finance or operating lease, and measured, and accounted for accordingly. The result is the recognition of a number of finance leases where Exxaro is either the lessee or the lessor.

	2006 Rm	2005 Rm
Income statement impact		
(Decrease) in revenue	(89)	(81)
Decrease in depreciation	79	72
Decrease in operating expenses	47	42
(Increase) in financing cost	(38)	(51)
Decrease in taxation		5
(Decrease) in profit for the period	(1)	(13)
Impact on attributable earnings per share (cents)	(0)	(4)
Impact on diluted attributable earnings per share (cents)	(0)	(4)
Balance sheet impact		
(Decrease) in property, plant and equipment	(363)	(357)
Increase in deferred tax asset	23	
(Decrease) in retained earnings	(57)	(58)
Increase in non-current interest bearing borrowings - Finance lease liability	246	247
(Decrease) in other long-term payables:		
- Mittal Steel (South Africa) captive mines	(520)	(604)
(Decrease) in deferred tax liabilities		(22)
(Decrease) in current interest-bearing borrowings	(9)	
Increase in trade and other payables		80

The impact of the change on the 31 December 2004 financial statements is a decrease in property, plant and equipment of R349 million, an increase in deferred tax assets of R18 million, a decrease in retained earnings of R45 million, an increase in finance lease liabilities of R212 million, a decrease in other long-term payables of R607 million and an increase in trade and other payables of R109 million.

5. **Discontinued operations**
Exxaro unbundled its iron ore business effective 1 November 2006 as part of an empowerment transaction and now holds only a 20.62% interest in Sishen Iron Ore Company (Pty) Limited which is equity accounted.

	2006 Rm	2005 Rm
Revenue	6,483	6,573
Operating expenses[1]	(3,385)	(2,642)
Net operating profit	3,098	3,931
Net financing costs	(29)	(120)
Profit before taxation	3,069	3,811
Taxation	(746)	(1,084)
Profit for the period from discontinued operations	2,323	2,727
Cash flow attributable to operating activities	982	1,205
Cash flow attributable to investing activities	(7,025)	807
Cash flow attributable to financing activities	5,853	(2,206)
Cash flow attributable to discontinued operations	(190)	(194)

(1) 2005 includes pre-tax settlement proceeds of R1 163 million from the disposal of the interest in the Hope Downs project.

	Year ended 31 December 2006 Audited Rm	2005 Restated Rm
6. Investments		
Unlisted investments in associates - directors' valuation	4,812	130
Listed investments included in other financial assets - market value	92	60
Unlisted investments included in other financial assets - directors' valuation	93	35
7. Dividends paid:		
- Cash dividends	1,628	1,430
- Share repurchase	1,763	
- Paid to minorities	5	17
	3,396	1,447

8. **Business combination**
On 1 November 2006, the group acquired 100% of the issued share capital of Eyesizwe Coal (Pty) Limited, which is included in the coal business segment results. The acquired business contributed revenues of R329 million and operating profits of R7 million to the group for the period from 1 November 2006 to 31 December 2006. Details of assets acquired are as follows:

	2006 Rm	2005 Rm
Cash paid on acquisition	1,607	
Fair value of assets acquired	(1,607)	
The assets and liabilities arising from the acquisition are as follows:		
- cash and cash equivalents	62	
- property, plant and equipment	2,026	
- financial assets	34	
- investments	42	
- inventories	53	
- trade and other receivables	243	
- trade and other payables	(222)	
- interest-bearing borrowings	(120)	
- non-current provisions	(68)	
- Receiver of revenue	(13)	
- deferred taxation	(430)	
Fair value of net assets	1,607	
Total purchase consideration	(1,607)	
- Less: cash and cash equivalents acquired	62	
Cash outflow on acquisition of subsidiary	(1,545)	

9. **Net debt**
Net debt is calculated as being interest-bearing borrowings less cash and cash equivalents.

10. **Related party transactions**
During the period 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 favourable than those arranged with third parties.

11. **JSE Limited requirements**
The announcement has been prepared in accordance with the listings requirements of JSE Limited.

12. **Corporate Governance**
The Group complies in all material respects with the Code of Corporate Practice and Conduct published in the King II Report on Corporate Governance.

13. **Audit opinion**
The auditors, Deloitte & Touche, have issued their opinion on the group's financial statements for the year ended 31 December 2006. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. A copy of their audit report is available for inspection at the company's registered office. These summarised financial statements have been derived from the group financial statements and are consistent in all material respects, with the group annual financial statements.

UNAUDITED PHYSICAL INFORMATION ('000 TONNES)

	12-months ended 31 December 2006	2005	6-months ended 31 December 2006	2005
Iron ore[1]				
Production	25,709	30,987	10,379	15,476
Sales				
- Exports	17,511	22,113	6,304	11,510
- Domestic	6,795	9,172	2,960	4,360
Total	24,306	31,285	9,264	15,870
Coal[2]				
Production				
- Power station	18,061	14,573	10,511	7,243
- Coking	2,496	2,273	1,387	1,098
- Other	3,365	2,993	1,889	1,552
Total	23,922	19,839	13,787	9,893
Sales				
- Eskom	18,253	14,703	10,796	7,268
- Other domestic	4,465	4,174	2,397	2,164
- Export	1,569	1,109	1,014	500
Total	24,287	19,986	14,207	9,932
Mineral Sands - RSA				
Production				
- Ilmenite	319	356	159	202
- Zircon	50	47	24	23
- Rutile	25	23	13	11
- Pig iron	75	89	34	52
- Scrap pig iron	10	8	5	3
- Chloride slag	134	134	62	79
- Sulphate slag	36	30	18	18
Sales				
- Ilmenite	50	60	20	30
- Zircon	48	47	25	21
- Rutile	31	18	22	9
- Pig iron	60	79	31	50
- Scrap pig iron	9	11	4	5
- Chloride slag	104	150	40	85
- Sulphate slag	30	41	20	20
Mineral Sands - Australia[3]				
Production				
- Ilmenite	227	220	111	116
- Zircon	36	35	18	18
- Rutile	18	16	9	8
- Synthetic rutile	98	111	44	56
- Leucoxene	14	12	7	7
- Pigment	54	53	27	27
Sales				
- Ilmenite	30	13	30	3
- Zircon	32	36	16	19
- Rutile	18	18	10	10
- Synthetic rutile	27	59	8	33
- Leucoxene	10	14	6	10
Base metals				
Production				
- Zinc concentrate	104	126	49	62
- Zinc metal	106	117	50	58
- Zincor	90	102	42	50
- Chifeng[4]	16	15	8	8
- Lead concentrate	21	25	8	12
Zinc metal sales				
- Domestic	91	92	46	46
- Export	24	27	9	13
Total	115	119	55	59
Lead concentrate sales				
- Export	32	35	20	23

(1) 2006 only includes physical information for 10 months.
(2) 2006 includes physical information of the former Eyesizwe Coal mines for November and December 2006 only.
(3) The production and sales tonnes reflect Exxaro Sands Australia's 50% interest in the Tiwest joint venture with Tronox Inc., Western Australia.
(4) The effective interest in the physical information for the Chifeng (Hongye) refinery has been disclosed.

COMMENTS

Audited results not comparable

The group's audited financial results and unaudited physical information for the financial year ended 31 December 2006 are not comparable to the corresponding results and physical information for the previous financial year. This is due to the successful conclusion of the empowerment transaction in the fourth quarter of 2006 which resulted in the unbundling and separate listing of Kumba Iron Ore Limited (KIO) and the revised listing of Exxaro on 27 November 2006.

The audited financial results for the 12-month period to 31 December 2006 include Sishen Iron Ore Company (Pty) Ltd (SIOC) fully consolidated for 10 months to 31 October 2006 and equity accounted for the remaining two months to 31 December 2006 at an effective 20,62% holding. Eyesizwe Coal (Pty) Ltd (Eyesizwe Coal) has been fully consolidated only for the two months ended 31 December 2006.

All non-recurring accounting entries and expenditure necessitated by the implementation of the empowerment transaction which were comprehensively disclosed in the circular to shareholders dated 9 October 2006 are shown separately in the segment results.

Unaudited comparative supplementary financial information is provided below for information purposes only, on the assumption that the empowerment transaction had been implemented with effect from 1 January 2005.

- Historic empowerment transaction successfully concluded
- Earnings not comparable
- Good operating results
- Coal production reaches 24 million tonnes
- Strong project pipeline for transformed group
- Options to acquire Namakwa Sands and a 26% interest in Black Mountain/Gamsberg exercised post December 2006

Operating results
The financial results for the financial year under review benefited from a substantial recovery in the zinc metal price and higher iron ore, coal and zircon prices, partially offset by above inflation cost increases in labour, petroleum and energy related consumables.

Revenue increased by 16% to R13,7 billion while net operating profit, excluding the impact of the impairment of the local mineral sands' assets and the accounting entries relating to the empowerment transaction in 2006 as well as the Hope Downs settlement in 2005, increased by R598 million to R4 339 million.

An average exchange rate of R6,76 to the US dollar was realised compared with R6,36 for the corresponding period in 2005.

Earnings
Attributable earnings, inclusive of Exxaro's 20,62% interest in the post-tax profits of SIOC for November and December 2006 but excluding the mineral sands' asset impairment and non-recurring accounting entries, are R2 831 million or 904 cents per share.

The statutory tax rate of 29% reduces to an effective tax rate of 6% as a result of the non-recurring accounting entries relating to the pre-unbundling fair value adjustment of KIO which is not taxable and the BEE credential expense and unbundling and integration costs which are not tax deductible.

Headline earnings include all the empowerment transaction related expenses (which are not allowed to be excluded), but exclude the unbundled interest in KIO at fair value. A comparison of headline earnings for the year under review of R1 698 million or 542 cents per share to the corresponding period is not meaningful.

Cash flow
Cash retained from operations of R4 761 million was mainly utilised to fund taxation of R1 927 million, dividends of R3 396 million, capital expenditure of R2 010 million and the acquisition of Eyesizwe Coal at a net cash outflow of R1 545 million.

Cash outflows in respect of dividends and taxation were further increased by the repurchase of 38 331 012 shares and the STC on such repurchase, collectively amounting to R1 983 million.

R1 321 million of the capital expenditure was invested in new capacity.

After also accounting for the inflow of R2 199 million from the issue of 65 334 843 shares to Exxaro's black controlled holding company, Main Street 333 (Pty) Ltd, net debt of R1 481 million at 30 June 2006 decreased to R921 million at a net debt to equity ratio of 11,3%. Net debt will increase by the anticipated cash outflow in 2007 of R2 353 million, subject to the disclosed price adjustments, as a result of the exercise of the options to acquire Namakwa Sands and a 26% interest in Black Mountain/Gamsberg for which term funding facilities are in place.

Safety, health and environment
Regrettably, and despite excellent safety achievements at several mines, six fatalities were suffered during the past year of which three were in a single accident at the Glen Douglas mine, two at the Tshikondeni mine and one at the group's training facility in Lephalale. A further fatality occurred at the Grootegeluk mine at the end of January 2007. The group remains committed to achieving a working environment that is fatality and injury free. Its ongoing safety awareness and preventative programmes have been strengthened by further initiatives to enhance hazard identification. The average lost time injury frequency rate per two hundred thousand man-hours worked (LTIFR) for the 12-month period improved to 0,42 from the previous year's 0,52. A target LTIFR of 0,30 has been set for 2007.

The group has an integrated, enterprise-wide risk management programme in place which evaluates environmental risk management and enhances the company's environmental performance. With the inclusion of the business units of the former Eyesizwe Coal, 71% of the business units within the group have obtained international health and safety certification (OHSAS 18001) and environmental certification (ISO 14001). The group has set a target of 100% compliance by December 2007.

Programmes for HIV/AIDS voluntary counselling and testing (VCT) have been introduced at all of the group's South African operations. This includes awareness, training of peer educators, VCT and a disease management programme which to date has a greater than 80% retention rate. The extension of anti-retroviral programmes to all of the group's businesses is progressing well, with the majority of employees who tested HIV-positive during the year, now enrolled on the disease management programme.

Segment results and adjusted earnings

	12-months ended 31 December 2006 Audited Rm	2005 Restated(7) Rm
Revenue		
Iron Ore(1)	6 483	6 573
Coal	2 882	2 187
- Kumba Coal	2 074	2 187
- Exxaro Coal(2)	808	
Mineral Sands	1 859	1 927
- Exxaro KZN Sands	817	839
- Exxaro Australia Sands	1 042	1 088
Base Metals	2 379	1 070
Industrial Minerals	122	107
Other	21	17
Total	13 746	11 881
Net operating profit		
Iron Ore(1)	3 098	2 767
Coal	599	554
- Kumba Coal	535	554
- Exxaro Coal(2)	64	
Mineral Sands	(698)	259
- Exxaro KZN Sands	(842)	(47)
- Exxaro Australia Sands	144	306
Base Metals	609	69
Industrial Minerals	26	26
Other	17 063	1 245
- Fair value adjustment on unbundling(3)	17 963	
- Share based payment: BEE credential expenses(4)	(580)	
- Hope Downs(5)		1 179
- Other(6)	(320)	66
Total	20 697	4 920
Net operating profit	20 697	4 920
Non recurring entries		
- Fair value adjustment on unbundling(3)	(17 963)	
- Hope Downs(5)		(1 179)
- Impairment	784	
- BEE credential expense(4)	580	
- Empowerment and unbundling costs	241	
Adjusted net operating profit	4 339	3 741
Net financing costs	(336)	(282)
Equity accounted income	159	7
Taxation	(1 331)	(981)
- As reported	(1 324)	(1 407)
- On Hope Downs proceeds		426
- On Impairment	(227)	
- On share repurchase	220	
Adjusted attributable earnings	2 831	2 485

(1) 100% of SIOC consolidated for 10 months to 31 October 2006 and for 12 months to 31 December 2005.
(2) Exxaro Coal represents the former Kumba Coal and Eyesizwe Coal from 1 November 2006.
(3) The fair value of the investment in Kumba Iron Ore that was unbundled to shareholders as a dividend in specie.
(4) The discount at which shares were issued as part of the empowerment transaction.
(5) A$ 236,5 million option- and settlement payment realised on the disposal of Kumba Resource's interest in the Hope Downs project.
(6) Includes the cost of the empowerment transaction as disclosed in the circular to shareholders dated 9 October 2006, branding, information management infrastructure and integration expenditure, shared-based expenses on the collapse of the previous management incentive schemes, and a finance charges provision raised in respect of an earlier year finance facility that has since been redeemed.
(7) Restated as set out in note 4 to the group financial statements.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
The unaudited supplementary financial information provides, for information purposes only, the financial results of Exxaro had the empowerment transaction been implemented effective 1 January 2005, but excluding the acquisition of Namakwa Sands and a 26% interest in Black Mountain/Gamsberg. The illustrative financial results are therefore compiled on the assumption that Eyesizwe Coal had been acquired and fully consolidated from 1 January 2005, Exxaro had equity accounted its 20,62% interest in SIOC from the same date, and all non-recurring accounting entries associated with the empowerment transaction are excluded. The option and settlement proceeds for the interest in the Hope Downs project received in 2005, and the impairment of the carrying value of the mineral sands' assets in 2006, have also been excluded.

	2006 Rm	2005 Rm
REVENUE	8 814	7 248
Operating expenses	(7 553)	(6 254)
Net operating profit	1 261	994
Net financing costs	(315)	(173)
Income from equity accounted investments	638	417
Profit before taxation	1 584	1 238
Taxation	(595)	(321)
Attributable earnings	989	917
Net profit attributable to equity holders of the parent	962	856
Impairment charges		28
Excess of minority interest over cost of acquisition	(36)	(95)
Net (surplus) on disposal/scrapping of property, plant and equipment	(3)	(2)
Net surplus on disposal of investment	(39)	
Minority interest on adjustments		(1)
Share of associates exceptional items	(1)	
Taxation effect of adjustments	10	(6)
Headline earnings	893	780

OPERATIONS
Iron Ore
In the 10-month period to 31 October 2006, production was negatively impacted by inclement weather in the first quarter while exports were adversely affected by the breakdown of one of the two ship loaders at Saldanha Bay in September 2006.

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

	Share capital Rm	Share premium Rm	Non-distributable reserves: Attributable reserves of equity accounted investments Rm	Foreign currency translation Rm	Financial instruments revaluation Rm	Equity-settled reserve Rm	Insurance reserve Rm	Retained income Rm	Attribtable to equity holders of the parent Rm	Minority interest Rm	Total share-holders' interest Rm
OPENING BALANCE AT 31 DECEMBER 2004	3	2,809	20	(141)	48	34		2,516	5,289	1,197	6,486
Prior year adjustments:											
- recognition of finance leases in terms of IFRIC 4								(45)	(45)		(45)
- transfer of attributable reserves of equity accounted investments			(20)					20			
- negative goodwill adjustment								53	53		53
- decommissioning asset restated								18	18	(11)	7
Restated opening balance	3	2,809		(141)	48	34		2,562	5,315	1,186	6,501
Net gains/(losses) not recognised in income statement				112	(53)	38		16	113	(37)	76
Currency translation differences				153	3			16	172	60	232
Minority share of reserve movements										(97)	(97)
Share-based payments movement						38			38		38
Financial instruments fair value movements recognised in equity											
- recognised in current year income					(8)				(8)		(8)
- recognised in equity					(95)				(95)		(95)
- fair value adjustment					2				2		2
Deferred taxation				(41)	45				4		4
Net profit								3,177	3,177	61	3,238
Dividends paid								(1,430)	(1,430)	(17)	(1,447)
Issue of share capital		132							132	10	142
Movement in shares issued to Management Share Trust		(4)				16			12		12
Minority share-buy out										(1,194)	(1,194)
BALANCE AT 31 DECEMBER 2005	**3**	**2,937**		**(29)**	**(5)**	**88**		**4,325**	**7,319**	**9**	**7,328**
Net gains/(losses) not recognised in income statement				433	31	714			1,178		1,178
Currency translation differences				448	1				449		449
Share of reserve movements of associates				6	(1)	3			8		8
Share-based payments movement						711			711		711
Financial instruments fair value movements recognised in equity											
- recognised in current year income					8				8		8
- recognised in equity					23				23		23
Deferred taxation				(21)					(21)		(21)
Net profit								19,169	19,169	27	19,196
Cash dividends paid[1]								(1,628)	(1,628)	(9)	(1,637)
Share repurchase[1]								(1,763)	(1,763)		(1,763)
Dividend in specie				(25)	(2)			(18 305)	(18 332)		(18 332)
Dividend in specie - fair value adjustment								(17 966)	(17 966)		(17 966)
Dividend in specie - net asset value				(25)	(2)			(339)	(366)		(366)
Issue of share capital	1	2,198							2,199		2,199
BALANCE AT 31 DECEMBER 2006	**4**	**5,135**		**379**	**24**	**802**		**1,798**	**8,142**	**27**	**8,169**

[1] STC on these dividends amount to R424 million.

The commodity business benefited from the average international iron ore price increase of 19% effective from 1 April 2006.

The performance of iron ore has been reported on by Kumba Iron Ore Limited in the release of its results for the period ended 31 December 2006.

Coal
Coal production was substantially higher due to increased output at the former Kumba Coal mines and the acquisition of the former Eyesizwe Coal mines.

Production of coking coal increased by 222kt on the comparative 2005 period. Higher output from the commissioning of the new coal beneficiation module (GG6) at the Grootegeluk mine during August 2006 was partially offset by lower production at Tshikondeni mine caused by unfavourable geological conditions.

Increased throughput at both the Grootegeluk and Leeuwpan mines and an additional 277kt from the former Eyesizwe Coal mines during November and December 2006, increased thermal coal production by 12% or 372kt.

The continued higher demand from Eskom, the ramp-up of the jig plant at Leeuwpan mine and the acquisition of Eyesizwe Coal, contributed to power station coal production increasing by 24% to 18 061kt for the year under review.

The higher demand from Eskom and metallurgical coal at stronger than anticipated prices, combined with more favourable export agreements and the contribution from the former Eyesizwe mines, resulted in an increase of 32% in revenue to almost R2,9 billion.

Net operating profit, in turn, increased R45 million to R599 million as the higher turnover was offset by increases in labour and petroleum costs. The cost-based arrangement of the former Eyesizwe mines with Eskom also impacted on the operating margin of the overall commodity business.

Exxaro KZN Sands
The Furnace 1 shut to effect modifications and improvements was successfully completed in the second half of 2006. This, however, negatively impacted on pig iron production and resultant sales. Successful improvement initiatives resulted in marginally higher production of zircon, rutile and slag.

Despite the weaker currency, higher rutile sales and stronger zircon prices, revenue and net operating profit, excluding the impairment, were R22 million and R11 million lower respectively than for the corresponding period in 2005. This was due to the Furnace 1 shut, lower slag and pig iron sales.

As reported in the announcement of the 2006 interim results of the group, the combined impact of a stronger currency outlook over the life of the assets and projected surplus of high-grade titanium feedstock on world markets, led to a pre-tax reduction of R784 million in the carrying value of the assets.

Exxaro Australia Sands
Business improvement initiatives led to increased mineral production. The unplanned shut of the synthetic rutile (SR) kiln at the Chandala plant in July 2006 to enable inspection and repairs to refractories resulted in 13 kt lower SR production and a net operating opportunity loss of R28 million. The shut was, however, also utilised to carry out maintenance that was only planned for in 2007 with the result that sales impacted by the 2006 shut will effectively realise in 2007.

Although revenue was marginally lower, net operating profit decreased by R162 million to R144 million due to the SR kiln shut, maturity in 2005 of the favourable hedging programme and substantial increases in the cost of energy related consumables and labour.

Base Metals
Zinc concentrate production was significantly lower as a result of accelerated exploration development, heavy rainfall in southern Namibia in the first 6 months which negatively affected transport from Rosh Pinah mine, and industrial action by employees in November 2006. Zinc metal production at the Zincor refinery was 12kt lower due to lower quality zinc concentrates which caused plant instability, the planned rebuild of a roaster and acid plant stoppages. An additional roaster shut and rebuild, which forms part of Zincor's scheduled maintenance programme, is planned for the third quarter of 2007.

Revenue however increased by 122% to R2 379 million and net operating profit by R540 million to R609 million at an operating margin of 26%. This was primarily due to an increase of 137% in the average realised zinc price of US$3 277 per tonne for the period compared with the previous period in 2005.

In line with production and sales growth and the stronger zinc metal price, Exxaro's equity accounted income from its investment in the Chifeng refinery in China increased from R12 million to R40 million.

Negotiations with Namibian groupings to acquire a 49,9% interest in Rosh Pinah mine are proceeding. Exxaro will retain management and operational control.

Industrial Minerals
Physical volumes and the financial contribution from both the dolomite and ferrosilicon components of this business segment, were in line with that of the previous financial year.

GROWTH OPPORTUNITIES
Coal
Commissioning of the R323 million new GG6 plant at Grootegeluk mine started in August 2006 with full production expected by mid-2007. The plant is treating and beneficiating coal previously sent untreated to the adjacent Matimba power station and will at full production supply 730ktpa of semi-soft coking coal to the refurbished coking plants of Mittal Steel at its Newcastle facility.

Construction, at an estimated cost of R245 million, of the 1Mtpa export-focused Inyanda mine near Witbank to produce high quality thermal coal has now commenced after new order mining rights were awarded in November 2006 and the approval of the Richards Bay Coal Terminal (RBCT) expansion earlier in the year. Letters of intent for offtake for the period April 2008 to June 2009, prior to the commissioning of RBCT Phase V, have also been received.

The RBCT Phase V expansion in which Exxaro is a 12,5% shareholder, will provide Exxaro Coal with a 2Mtpa export allocation in addition to the 1.1Mtpa available from Eyesizwe Coal's RBCT shareholding. This allocation will be utilised by production from the new Inyanda mine as well as from expanded output at Exxaro's Mpumalanga operations and its Grootegeluk mine.

Construction of a Sintel Char facility to produce char for the ferroalloy industry from the Grootegeluk mine, commenced in August 2006. Production from this plant will start at 80ktpa and is expected to ramp up to 160ktpa by 2008. The capital estimate for the project is R234 million.

A feasibility study to investigate the viability of a market coke plant is expected to be completed in the first half of 2007. If viable, the plant will produce high quality market coke from semi soft coking coal produced at Grootegeluk mine.

A technical feasibility study to potentially supply 7,3Mtpa of power station coal to Eskom for a new 2100 MW power station consisting of three generating units, adjacent to the Matimba power station, was completed in June 2006. Commercial agreements are being negotiated and if approved by Exxaro and Eskom, construction could commence in 2008 with production from 2010. A feasibility study for coal supply to an additional three generating units is in progress and will be completed by April 2007.

Exxaro and Anglo Coal Australia concluded a joint venture agreement to undertake exploration and evaluate the coking coal resource on the adjacent properties of Moranbah South and Grosvenor South in Queensland, Australia. Exploration is progressing according to plan and a pre-feasibility study for an initial phase underground mine is expected to be completed by year-end.

The results of the recent drilling programme at Mmamabula Central in Botswana, which is a joint venture between Exxaro Coal and Magaleng, have indicated positive results. Further geological drilling and modelling will continue during 2007 with a feasibility study commencing in 2008.

Construction of the Mafube expansion project in which Exxaro is a 50:50 joint venture partner with Anglo Coal is progressing well, with first product from this 3Mtpa export mine expected in October 2007.

A feasibility study for the development of the Belfast underground and open pit mine to supply between 2.5Mtpa and 4.5Mtpa of coal to both Eskom and the export market has commenced and will be completed during 2007.

Converted mining rights for the Eerstelingsfontein reserves near Belfast have been obtained and an implementation plan to commence mining in this area has been developed to supply Eskom with 1Mtpa of power station coal.

Mineral Sands
The Exxaro board has approved the construction of the Fairbreeze mine, south of Exxaro KZN Sands' existing Hillendale mine in KwaZulu-Natal, subject to the obtaining of a new order mining right for the Fairbreeze C Extension area and the applicable environmental authorisations. Production is planned to commence in 2008.

Exploration work has confirmed the presence of a large low grade deposit on the Port Durnford property located to the immediate south west of Exxaro KZN Sands' Hillendale mine. The deposit has the potential to supply the Exxaro's furnaces for more than 25 years. The Port Durnford project is a 51%:49% joint venture between Exxaro Sands and Imbiza Resources.

Exxaro Australia Sands acquired the Dongara project in March 2003 as part of its takeover of Magnetic Minerals. Located in Western Australia, the 20Mt reserve containing 10% heavy minerals will provide supplementary feedstock for Tiwest's mineral separation plant and synthetic rutile facility. Tronox acquired 50% of the project in 2006 and it became part of the Tiwest joint venture with Exxaro Australia Sands. A bankable feasibility study is being conducted and if viable, production is expected to start at the end of 2009.

The group together with its joint venture partner, Tronox has announced plans to increase annual production capacity, subject to board approval, at the Tiwest Joint Venture (Tiwest) titanium dioxide pigment plant in Kwinana, Western Australia.

The Kwinana plant, with a current capacity of 110ktpa, produces chloride process titanium dioxide ($TiO2$) pigment. The brownfield expansion will increase capacity by 40ktpa to 50ktpa. It is estimated that the expansion will cost between US$35 million to US$45 million. The additional capacity is expected to come on line in 2009.

Drilling on the Ranobé and Monombo-Marombe exploration areas comprising the Toliara Sands project in south-western Madagascar is indicating resources capable of supplying long-term ilmenite feedstock to the Exxaro KZN Sands furnace complex. It is envisaged that the feasibility study will be completed in 2007 after which a development decision will be made.

Base Metals
The expansion project for the Chifeng smelter to increase capacity from 50ktpa to 110ktpa is on track to be commissioned around mid 2007. Exxaro is participating in the expansion by converting 22% of its 60% shareholding in the Phase 2 company to 25% in the new Phase 3 company which will result in an effective 22% interest in the expanded operation.

Exxaro entered into a 50:50 joint venture agreement with Zincongo, a Congolese subsidiary of First Quantum Limited, to develop the Kipushi project during 2002. Following an invitation in August 2006 by Gecamines of the Democratic Republic of the Congo (DRC) for international tenders in connection with the Kipushi zinc mine near Lubumbashi in the DRC, Zincongo initiated emergency proceedings against Gecamines before the Belgium Courts on the grounds that the tender invitation is in breach of the existing exclusivity contractual arrangements between Gecamines and Zincongo. The Belgium courts are expected to announce its ruling during the first quarter of 2007.

In December 2006, Exxaro also informed Gecamines that it will lodge a request for ICC arbitration, asking for enforcement of the agreements concluded between the companies regarding the rights to develop the Kamoto copper/cobalt project at Kolwezi in the DRC.

ALLOYSTREAM™
The commercialisation of AlloyStream™ technology, which allows for improved beneficiation of manganese ore into ferromanganese is advancing. A joint venture agreement, signed between Samancor Manganese and Exxaro in March 2006, provides for the cooperation which could result in a facility producing 200ktpa of high carbon ferromanganese utilising the technology, if proved viable by feasibility studies. A development decision on the first commercial furnace of this project is expected towards the end of 2007, with production start-up anticipated to commence by the end of 2009.

A study to apply the technology to the production of ferronickel will be initiated in 2007.

ACQUISITION OF NAMAKWA SANDS AND INTEREST IN BLACK MOUNTAIN/GAMSBERG.
On 19 January 2007 Exxaro announced that, pursuant to the empowerment transaction, it had exercised the options to acquire the Namakwa Sands mineral sands operation and a 26% interest in a company to be formed to hold the Black Mountain lead-zinc mine and the Gamsberg zinc project.

The acquisitions are subject to shareholders' approval and suspensive conditions pertaining to, amongst others, regulatory approvals and the conversion of mining and prospecting rights to new order rights. It is expected that all suspensive conditions will be satisfied in the second half of 2007.

CONVERSION OF MINERAL RIGHTS
Applications for conversion of the group's mineral rights into new order rights, audited by an independent advisor, have been submitted to the appropriate regional offices of the Department of Minerals and Energy for consideration.

OUTLOOK
The group is well positioned to benefit from the continued strong commodity markets and a currency at weaker levels.

Buoyant demand for coal at favourable prices and a zinc price remaining high, should have a positive impact on the operating results for these commodities. A surplus in the supply of high-grade titanium feedstock will continue to affect the results of the mineral sands operations while zircon, which remains in short supply, and stable offtake of pigment from Exxaro Sands, Australia, will make a positive contribution.

DIVIDEND
A special dividend of 185 cents per share was declared and paid in November 2006 on the unbundling and separate listing of Kumba Iron Ore and the revised listing of Exxaro Resources.

The Exxaro Board will consider the declaration in each financial year of an interim and final dividend in line with its intention to progress to the distribution of 50% of Exxaro's attributable earnings after making provision for future commitments, working capital requirements and available cash.

An interim dividend will accordingly be considered by the Board at the time of approval of the interim results for the period 1 January to 30 June 2007.

On behalf of the Board

Dr CJ Fauconnier
(Chief Executive Officer)

DJ van Staden
(Chief Financial Officer)

20 February 2007

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This report is available at Exxaro Resources world wide web site at:
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