



Notes to the reviewed financial statements

	6 months ended 30 June 2008 Reviewed Rm	6 months ended 30 June 2007 Reviewed Rm	12 months ended 31 Dec 2007 Audited Rm
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- 7. Business combinations**
On 11 April 2008, the group acquired 76% of the issued share capital of Exxaro Madencilik Sanayi Ve Ticaret A.S., Turkey, which is included in the other segment results. The acquired business contributed neither revenue nor operating profits to the group for the period from 11 April 2008 to 30 June 2008. Details of assets acquired are as follows:
- cash paid on acquisition (30)
- fair value of assets acquired 30
Fair value of assets acquired
- intangible assets 30
Fair value of net assets (30)
Total purchase consideration (30)
Cash outflow on acquisition of subsidiary (30)
- 8. Net cash/debt**
Net cash/debt is calculated as being interest-bearing borrowings less cash and cash equivalents.
- 9. Contingent liabilities**
Includes guarantees in the normal course of business from which it is anticipated that no material liabilities will arise. This includes guarantees to banks and other institutions. The increase in 2008 is mainly attributable to guarantees issued to the Department of Minerals and Energy in respect of environmental liabilities on immediate closure of mining operations.
- 10. Contingent asset**
An outstanding insurance claim for the Furnace 2 incident at Exxaro TSA Sands (Pty) Limited for which it is probable that settlement will be received in the second half of 2008.
- 11. Related party transactions**
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.
- 12. Post-balance sheet event**
During June 2008 the group announced an empowerment deal involving Rosh Pinah Zinc Corporation (Pty) Limited, whereby Exxaro's effective interest is reduced from 93,9% to 50,04% in favour of a number of Namibian shareholder groupings. The effective date of the empowerment transaction is 1 July 2008.
- 13. JSE Limited requirements**
The interim announcement has been prepared in accordance with the listing requirements of the JSE Limited.
- 14. 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.
- 15. Auditors' review**
The interim results have been reviewed by the company's auditors, Deloitte & Touche. Their unmodified review opinion is available for inspection at the company's registered office.

Unaudited physical information ('000 tonnes)

	6 months ended 30 June 2008	6 months ended 30 June 2007	12 months ended 31 Dec 2007
Coal			
Production			
- Power station	18 118	16 830	34 246
*Tied mines ⁽¹⁾	8 962	8 353	16 732
*Commercial mines	9 156	8 477	17 514
- Coking	1 370	1 479	2 962
*Tied mines	171	242	463
*Commercial mines	1 199	1 237	2 499
- Other commercial operations	2 427	2 016	4 112
Total	21 915	20 325	41 320
Sales			
- Eskom	17 880	16 604	34 226
*Tied mines	8 942	8 337	16 699
*Commercial mines	8 938	8 267	17 527
- Other domestic	2 607	2 572	5 237
*Tied mines	200	214	449
*Commercial mines	2 407	2 358	4 788
- Export commercial operations	1 284	813	1 821
Total	21 771	19 989	41 284
Mineral Sands - RSA			
Production			
- Ilmenite	133	187	367
- Zircon	16	19	34
- Rutile	7	9	17
- Pig iron	29	48	90
- Scrap pig iron	8	9	20
- Chloride slag	56	77	150
- Sulphate slag	10	14	26
Sales			
- Ilmenite	20	30	50
- Zircon	22	14	27
- Rutile	7	9	18
- Pig iron	39	45	91
- Scrap pig iron	6	4	8
- Chloride slag	49	81	163
- Sulphate slag	6	8	29
Mineral Sands - Australia⁽²⁾			
Production			
- Ilmenite	85	111	216
- Zircon	13	19	36
- Rutile	6	8	17
- Synthetic rutile	56	48	100
- Leucoxene	6	8	16
- Pigment	22	26	54
Sales			
- Ilmenite		10	20
- Zircon	14	16	29
- Rutile	5	2	16
- Synthetic rutile	27	21	57
- Leucoxene	8	7	17
Base metals			
Production			
- Zinc concentrate	47	53	95
- Zinc metal	60	61	124
- Zincor	47	51	101
- Chifeng ⁽³⁾	13	10	23
- Lead concentrate	12	11	22
Zinc metal sales			
- Domestic	51	45	93
- Export	15	12	29
Total	66	57	122
Lead concentrate sales			
- Export	7	7	19

(1) Tied mines refer to mining operations that supply their entire production to either Eskom or ArcelorMittal SA Limited in terms of contractual agreements.

(2) The production and sales tonnes reflect Exxaro Sands Australia's 50% interest in the Tiwest joint venture with Tronox Inc., Western Australia.

(3) The effective interest in the physical information for the Chifeng (Hongye) refinery has been disclosed.

If you have any queries regarding your shareholding in Exxaro Resources, please contact the Transfer Secretaries at +27 11 370 5000.

This report is available on:
www.exxaro.com

COMMENTS

OPERATING RESULTS

Comments are based on a comparison of the group's reviewed financial results and physical information for the six-month periods ended 30 June 2008 and 2007 respectively.

The coal business continued to benefit from strong demand, higher sales volumes and significant price increases. The base metals business delivered lower operating profit in line with declining zinc prices while generally depressed mineral sands prices, lower volumes and a persistent strong Australian dollar had a major adverse effect on the operating results of the mineral sands business. Revenue increased by 19% to R5 782 million while net operating profit decreased by R85 million to R806 million due to lower profits in the base metals business and a significant loss in the mineral sands business.

A weaker average exchange rate of R7,54 to the US dollar was realised compared to R7,33 for the corresponding period in 2007. The continued strengthening of the Australian dollar to the US dollar, from an average of 0,81 US cents in the six-month period to 30 June 2007 to 0,93 US cents in the period under review, however, impacted negatively on the financial results of the mineral sands operation in Australia.

EARNINGS

Attributable earnings, which includes the group's 20% interest in the after-tax profits of Sishen Iron Ore Company (Pty) Limited (SIOC) amounting to R735 million, increased by 48% from R839 million to R1 244 million or 363 cents per share.

Headline earnings of R1 292 million are 54% higher than for the corresponding period of R839 million while headline earnings per share increased from 246 cents to 377 cents.

CASH FLOW

Cash retained from operations of R1 523 million was primarily used to fund taxation payments of R216 million, the final dividend for the 2007 financial year of R348 million and capital expenditure of R465 million. R221 million of this amount was invested in new capacity and R244 million applied to sustaining and environmental capital.

Net cash inflow was R481 million higher at R791 million compared to the corresponding period in 2007 resulting from higher cash generation from operations and a R352 million dividend receipt from SIOC in March 2008.

Net debt of R483 million at 31 December 2007 has changed into a net cash position of R240 million at 30 June 2008 due to the delays in effecting the committed payment of R2 353 million, subject to the disclosed price adjustments, for the acquisition of the net assets of Namakwa Sands and a 26% interest in Black Mountain/Gamsberg on completion of the conversion and cession process of their mining rights to the group.

SAFETY, HEALTH AND ENVIRONMENT (SHE)

The group remains committed to achieving a working environment that is fatality and injury free. Its safety awareness and preventative programmes have been enhanced by a strong focus on hazard identification and visible felt leadership.

Regrettably, despite ongoing interventions, two fatalities were suffered during the period under review. Improvement of the average lost time injury frequency rate (LTIFR) per two hundred thousand man-hours worked of 0,45 for the year to date against a target of 0,21 and compared to 0,36 achieved at the end of 2007, remains a key objective.

The group is further committed to achieving industry health sector targets by 2013. Following an assessment of its operations, programmes to ensure mitigation of risks from noise and dust are being implemented. In line with the HIV/Aids strategy, the current focus is to improve voluntary counselling and testing (VCT) enrolment by creating a conducive environment for disclosure and treatment participation. VCT participation increased to 42% of employees with the prevalence rate unchanged at 13%.

All the group's operations have fully compliant Environmental Management Programmes required under the Mineral and Petroleum Resources Development Act (MPRDA) and the National Environmental Management Act (NEMA) which is one of the key indicators of ensuring that Exxaro remains a sustainable business. 71% of operations are certified under both the international health and safety certification (OHSAS 18001) and environmental certification (ISO 14001). The target to have all operations fully compliant by December 2008 is on track.

REPORTED SEGMENT RESULTS

Implementation of a new International Financial Reporting Standard (IFRS 8) on operating segments has led to differences in the basis of disclosure of segmentation compared to previous periods. The revised segments are based on the group's different products and operations as well as the physical location of these operations and associated products.

Segment results	6 months ended 30 June 2008 Reviewed Rm	6 months ended 30 June 2007 Reviewed Rm	12 months ended 31 December 2007 Audited Rm
Revenue			
Coal	3 597	2 319	5 087
Tied operations	1 106	838	1 768
Commercial operations	2 491	1 481	3 319
Mineral Sands	1 035	1 040	2 172
KZN Sands	460	480	984
Australia Sands	575	560	1 188
Base Metals	1 063	1 416	2 732
Rosh Pinah	244	577	941
Zincor	1 032	1 358	2 558
Inter-segmental	(213)	(519)	(767)
Other	87	77	166
Total - external revenue	5 782	4 852	10 157
Net operating profit/(loss)			
Coal	935	393	885
Tied operations	72	50	88
Commercial operations	863	343	797
Mineral Sands	(166)	8	(97)
KZN Sands	(27)	(28)	(157)
Australia Sands	(139)	36	60
Base Metals	89	502	688
Rosh Pinah	57	330	457
Zincor	69	192	298
Other	(37)	(20)	(67)
Other	(52)	(12)	(32)
Total	806	891	1 444

OPERATIONS

Coal

Production of power station coal was 1 288kt higher at 18,1Mt than for the comparative period in 2007 with both the Eskom tied and the commercial mines achieving higher production. Matla, after obtaining regulatory approval of a river diversion and through improved efficiencies, increased production by 299kt to offset the impact of the second half of 2007 face break which negatively affected production in the first quarter of 2008. Arnot in turn increased production by 31kt as an optimisation project focusing on throughput that commenced in February 2008, and has already shown positive results.

Various on-mine initiatives at the commercial operations of Grootegeluk and Leeuwpan aimed at meeting the increased demand of 679kt from Eskom, were complemented by the mining of new reserves at the North Block Complex (NBC) which delivered increased product volumes of 251kt. Lower coking coal production of 109kt compared to the corresponding period in 2007, was due to challenging geological and mining conditions at Tshikondeni.

Production of steam coal was 20% higher at 2 427kt due to the accelerated start-up of Inyanda in the latter part of 2007 to mitigate the loss of production at New Clydesdale (NCC) following the closure of the underground operations during 2007. Higher steam coal production at Leeuwpan mine of 98kt resulted from increased overburden removal with a view to additional run of mine production for 2008.

Sales to Eskom increased by approximately 1,3Mt on the back of increased demand while other domestic sales remained largely in line with the comparative period in 2007.

Export sales increased by 58% on higher international demand supported by increased export allocation at the Richards Bay Coal Terminal (RBCT). Two new mines, Inyanda and Mafube, are in the process of ramping-up and have already contributed to increased production and sales.

The 32% increase in revenue from the tied mines for the period under review results from increased volumes and the higher operating cost that is recoverable, while the 68% increase in revenue from the commercial mines is due to higher local and international selling prices, increased volumes and a weaker local currency.

On the back of the substantially higher revenue the coal business achieved a record operating income of R935 million for the six months ended 30 June 2008 at an operating margin of 26%, a 138% improvement on the same period in 2007 despite inflationary pressures primarily in the cost of fuel, labour and electricity.

Mineral Sands

KZN Sands

KZN Sands reported lower production volumes following the significant damage caused to Furnace 2 after the water ingress incident at the end of February 2008 as previously reported. Furnace 1, however, delivered good production results. More than 50kt of slag was tapped in the period under review representing an equivalent of 93% of cold feed design capacity, a new record. Low manganese pig iron production was lower resulting from the decreased slag throughput while ilmenite production was aligned with the lower smelter feed requirements compared to the comparative period in 2007. Zircon and rutile production were marginally lower than the comparative period due to declining mineral grades in the mine area while awaiting approval of the mining rights for adjacent mining areas.

Revenue was R20 million lower while net operating profit remained in line with the corresponding period in 2007, at a loss of R27 million as a result of the loss of production from the furnace outage. The net operating loss includes the derecognition of damaged Furnace 2 assets of R52 million and a write-down of the crude ilmenite stockpile by R14 million.

The originally planned four-month maintenance shut on Furnace 2 has been brought forward following the water ingress incident. Current estimates suggest that the repairs to the furnace will result in additional downtime. Completion is scheduled for December 2008 with first metal tap in January 2009. The proceeds of an insurance claim have not been recognised in the results under review.

Continued investigations into optimising the hearth technology at KZN Sands are ongoing, with feasibility study results expected at the end of 2008.

Australia Sands

With the dredge mining operations proceeding through a lower grade area of the mine during 2008, production of heavy mineral concentrate (HMC) was lower than that of the corresponding period in 2007. As a result of the restricted HMC supply, mineral production is also lower. Initiatives to improve recoveries of both zircon and rutile have partially assisted in countering the impact of the lower HMC production. Synthetic rutile (SR) production was higher in the period under review following the SR kiln shut in the first half of 2007. The benefits of that shut have since been realised with stable operating conditions being experienced which in turn have yielded an increase in production.

Pigment production was lower in the period under review due to plant downtime associated with the rebuild of all four chlorinators at the Kwinana pigment plant and an interruption in gas supply during the first quarter of 2008. Various initiatives currently underway should result in an improvement of production in the second half of 2008.

Substantial price increases in process chemicals and energy consumables, as well as a regional gas supply crisis which resulted in higher gas prices, offset somewhat by slightly higher pigment prices, resulted in net operating profit declining significantly from a profit of R36 million in the previous comparative period to a loss of R139 million. In addition, the strength of the Australian dollar against the US dollar continues to negatively impact on the profitability of the business. This was partially offset by currency hedging gains of A\$2,6 million (R17,6 million) during the period under review. Currency hedging of US\$40 million at an average rate of US cents 94 to the Australian dollar is in place for the remainder of 2008.

Base Metals

Production of zinc concentrate at the Rosh Pinah mine was 47kt, 11% lower than the comparative period in 2007. The lower production volumes were mainly the result of plant stoppages and instability due to equipment failures at the crushing and flotation circuits of the plant. A capital replacement programme for the flotation circuit is planned for early 2009 while that for the crushing circuit is planned for completion during the second half of 2008.

Production of zinc metal at the Zincor refinery was 47kt, 8% lower than the comparative period in 2007. This was as a direct result of electricity load shedding and power rationing that also led to instability in plant operating conditions. The group expects that zinc production in the second half of 2008 will continue to be affected by power rationing as well as the planned rebuild of the two smaller roasters and major maintenance at the cell house. Zinc metal sales were 10% higher when compared to the previous period in 2007 due to good local demand.

Revenue for the six months to 30 June 2008 decreased some 25% mainly as a result of lower zinc prices. The average zinc price realised for the period under review was US\$2 272 per tonne, approximately 36% lower than the price recorded in the previous comparative period in 2007.

Net operating profit declined significantly as a result of lower revenue coupled with higher operating cost. The cost increases were driven by higher than inflation increases in electricity, fuel and labour as well as higher maintenance costs. Zinc metal inventories were written down to net realisable value by R45 million for the period under review.

Production at the Chifeng refinery in which the group owns an effective 22% interest has been fully ramped up to beyond its name plate capacity of 110ktpa. Equity accounted income increased by R11 million to R18 million compared to the corresponding period in 2007 due to additional production and sales volumes.

The divestment of a 43% interest in Rosh Pinah Zinc Corporation (Pty) Limited (RPZC) to Namibian shareholder groupings, reducing the group's shareholding to an effective 50,04% from 1 July 2008, was completed in June 2008.

In terms of the transaction, RPZC declared a dividend of R435 million of which R405 million is payable to the group. Shareholders' loans of R80 million were extended to Rosh Pinah of which Exxaro provided R75 million.

As part of the transaction, an employee empowerment participation scheme entitling eligible employees to share in 3% of RPZC's future dividend payments, has been created.

At 30 June 2008, a total of 12kt representing 40% of Rosh Pinah's projected lead sales and 63kt representing 47% of the projected zinc sales, were hedged.

Subsequent to the end of the period the hedging programme to accommodate the stand alone bank funding, was completed. A total of 20,1kt of lead sales are hedged forward until 2011 at an average price per tonne of US\$1 756 and 93kt of zinc sales at an average price per tonne of US\$2 187.

GROWTH OPPORTUNITIES

Coal

In July 2008, Eskom and the coal business reached agreement on the supply for 45 years of 14,6Mtpa of power station coal from Grootegeluk mine to Eskom's adjacent Medupi power station which is currently under construction. This agreement is inclusive of the 8,5Mtpa of power station coal to the Medupi power station which was agreed to in March 2007. The agreement is subject to the final approval by the Eskom board. Exxaro board approval for the coal supply agreement and the implementation of the project to expand the Grootegeluk mine at a capital cost of R9 billion, was given on 12 August 2008.

Construction of the Sintel char plant at the Grootegeluk mine for the production of reductants for the ferroalloy industry at a total capital cost of R389 million is behind schedule. This is due to delays experienced with the construction contractors. Ramp-up of the facility commenced in August 2008 with full production of 160ktpa estimated to be reached in the first half of 2009.

A feasibility study to investigate the viability of producing high quality market coke from semi-soft coking coal produced at Grootegeluk mine is progressing well with first results expected by the end of 2008.

Commissioning of the beneficiation plant at the R290 million Inyanda mine was successfully completed in the second quarter of 2008. It is expected that full production of up to 1,5Mtpa of product mostly for the export market, will be achieved by the end of 2008.

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

All mining authorisations and regulatory approvals for mining of the Eerstelingsfontein reserves near Belfast to supply 1Mtpa of product to the local market have been obtained. Production is planned to commence in the third quarter of 2008, with full production expected by the first quarter of 2009.

Exploration of the hard coking coal resource on the adjacent properties of Moranbah South and Grosvenor South in Queensland, Australia, continues to progress according to schedule. Exploration is mainly focused on geophysical work to delineate long-wall mining resources although the potential for other mining methods has not been excluded. Moranbah South has the potential to produce large volumes of premium quality hard coking coal.

Implementation of the development of the Diepspruit reserve at New Clydesdale (NCC) has commenced with the aim to produce its first coal by the end of 2008. The R136 million project will produce 1,3Mtpa run of mine coal for beneficiation at NCC for supply to the export steam coal market.

As part of the group's long-term strategy to leverage the strategic advantage that it enjoys in the Waterberg coal field, exploration programmes have been put in place and discussions continue with potential high volume long term off-takers of coal.

Several on-site power generation projects are being investigated.

Mineral Sands

The Toliara Sands project's feasibility study for the Ranobe deposit in south-western Madagascar is progressing. Further process and metallurgical test work is being undertaken on the ilmenite product from this deposit. An aerial radiometric and a magnetic survey is planned for the northern Monombo-Marombe area.

Implementation of the Tiwest Kwinana pigment plant expansion project for an additional 40ktpa production has been approved by the board and will be completed by 2010. The group will fund 100% of the A\$100 million expansion project. Tronox Inc., the group's Tiwest joint venture partner has the option to contribute its share of the capital at its discretion throughout the project until a date two years from commissioning of the expansion.

The Dongara feasibility study which forms part of the Tiwest joint venture is in process and will be completed during 2009. As a result of the increased life expectancy of the Tiwest current dry mine operation at Cooljarloo, production at Dongara is planned to commence in 2011. The Dongara deposit has the potential to provide feedstock for the Tiwest mineral separation plant for six years. Further exploration at Cooljarloo West has also been approved by the joint venture partners.

Construction of the Fairbreeze mine south of the existing Hillendale mine in KwaZulu-Natal, can commence on approval of the mining right. Current estimates for production start-up is for late 2010. The feasibility study of the Port Durnford deposit located to the south-west of the current Hillendale operations will be completed in 2009. This mine could supply the KZN furnaces for longer than 20 years, if proven viable.

A drilling campaign to confirm previous drill results at the Centane deposit in the Eastern Cape is currently underway.

Base Metals

An investment was made in exploration assets in Turkey. The exploration area includes zinc, lead, copper and iron ore prospects. A total of R56 million was expended for the period on acquisition and exploration costs. The acquisition cost of the investment was allocated to intangible assets (exploration rights) and subsequently expensed as the exploration activities are still in the early stages.

The feasibility study to expand the Chifeng refinery by a further 100ktpa was completed during the six months to June 2008. The group reviewed the prospect and concluded that the planned expansion does not meet its investment criteria culminating in a decision not to participate in the expansion project.

AlloyStream

The completion of the pre-feasibility study for Furnace 1, which is designed to demonstrate the technology on commercial ferromanganese production, has been delayed from its scheduled completion in the second half of 2008 as a result of the power shortages in South Africa. The project will have to be relocated to a site where sufficient power is available and supply guaranteed. The Coega Industrial Development Zone is a potential alternative location that is currently under investigation.

ACQUISITION OF NAMAKWA SANDS AND BLACK MOUNTAIN

The conversion applications for Namakwa Sands, Black Mountain and Gamsberg were approved after the reporting period based on submissions by Anglo American to the Department of Minerals and Energy (DME).

The group will acquire a 26% interest in Black Mountain/Gamsberg and assume operational control of Namakwa Sands on completion of the registration and cession of the mining rights.

CONVERSION OF MINING RIGHTS

Conversion of the group's former Kumba Resources old order mining rights was granted subsequent to the end of the reporting period enabling the group to process the registration of the rights.

Regular engagement with the DME takes place to ensure the approval of the applications for conversion of the former Eyesizwe old order mining rights which were submitted to the DME in June 2008 as well as the approval of applications for new order mining rights for a number of mineral sands and coal deposits.

CHANGES TO THE BOARD

Mrs PKV Ncetezo resigned from the board with effect from 30 April 2008. The board wishes to thank her for her services as a director and member of the Transformation Remuneration Human Resources and Nominations committee of the board.

Mr MJ Kilbride will retire as chief operating officer and executive director on 31 August 2008. The board expresses its appreciation for his contribution to the group.

The board welcomes Ms SEA Mngomezulu, nominated by Basadi ba Kopane Investments (Pty) Limited of the empowerment women's group consortium, who has been appointed to the board as non-executive director subsequent to the end of the reporting period.

The board is also pleased to announce that Mr J van Rooyen has been appointed as an independent non-executive director and member of the Audit, Risk and Compliance committee on 13 August 2008.

OUTLOOK

The group will benefit from higher coal volumes to leverage off the current buoyant coal prices. Improved mineral sands price prospects are expected to be offset by a continued strong Australian dollar and the impact of the rebuild of Furnace 2 at KZN Sands. Operating results from the base metals business are not expected to improve in the second half of 2008 due to lower zinc prices. Significant increases in labour, fuel and electricity costs will continue to have an adverse effect on the operating results of the businesses under the group's management. Nevertheless, the group should deliver significantly improved earnings in the second half of 2008 mainly due to the favourable coal and iron ore market conditions. A strengthening rand will negatively impact on US dollar denominated income.