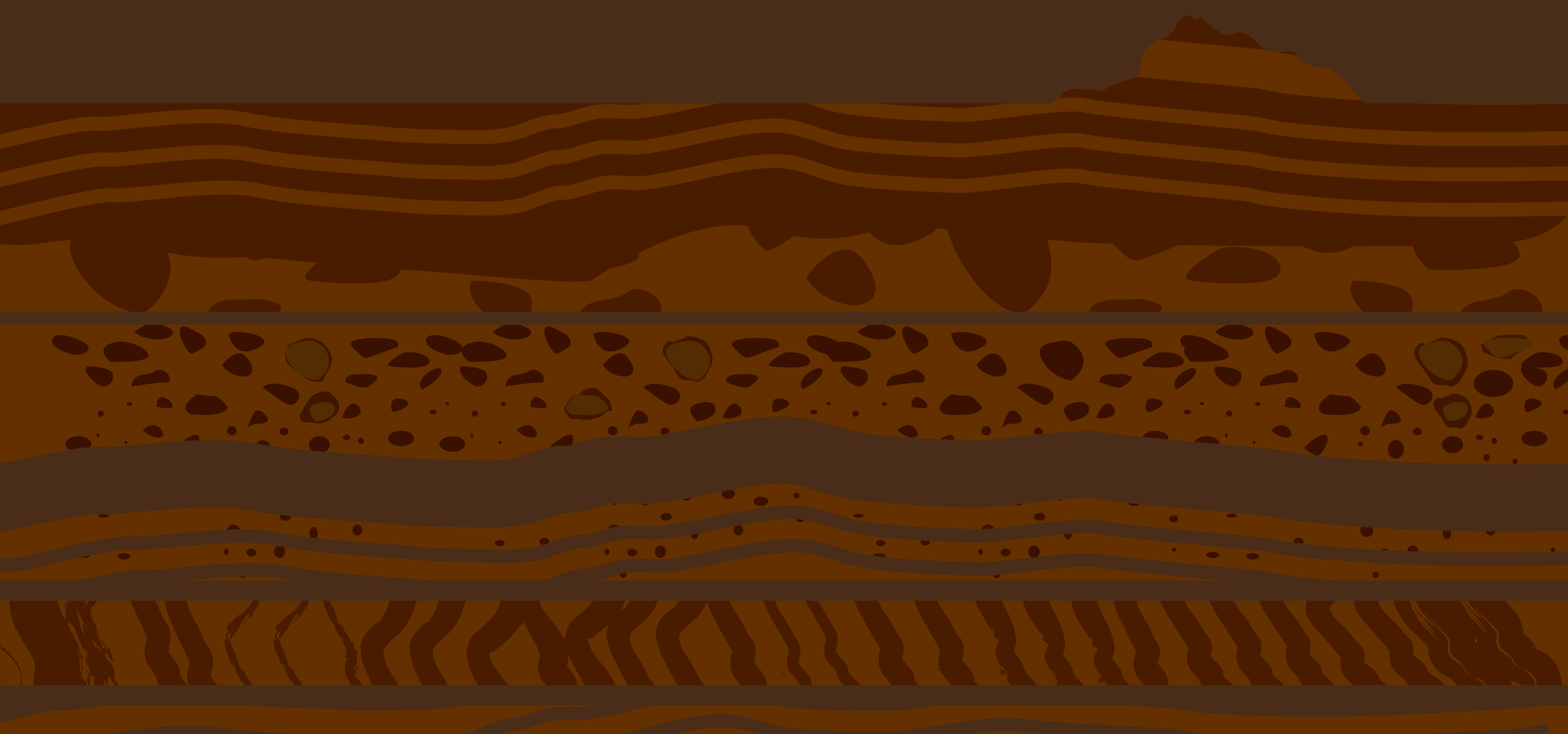
INTEGRATED ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010



exxaro

POWERING POSSIBILITY

PROFILE

One of the largest black empowerment mining companies on the JSE Limited, Exxaro Resources is a constituent of the JSE's Top 40 index and one of the best-performing constituents of the JSE's Socially Responsible Investment index. At year end, Exxaro had assets of R28,6 billion.

Exxaro is a diverse resources group with a portfolio of coal, mineral sands and base metals assets as well as a significant indirect interest in iron ore. The group has operations in South Africa, Australia, Namibia and China, and a pipeline of growth projects that is arguably among the best in its peer group.

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

ABOUT THIS REPORT

Guided by global best-practice standards, including the Global Reporting Initiative (GRI) guidelines, King III and new legislation in South Africa, and ongoing consultation with stakeholders, Exxaro produces an integrated annual report detailing the group's economic, social and environmental performance.

Any forward-looking information or statements in this report must not be construed as an official forecast nor relied on. The financial information on which any forward-looking information is based has also not been reviewed nor reported on by Exxaro's auditors.

This report is only available in English.

www.exxaro.com

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PLEASE TURN OVER

MATERIAL ISSUES

These material issues were identified by consulting with stakeholders and using GRI guidelines (page 173). They are grouped and indexed according to Exxaro's risk map (page 17) where applicable, and cross-referenced to detailed explanations elsewhere in this report where necessary.

		Issue
ENVIRONMENTAL PERFORMANCE	Water	Availability, security of supply, efficient and responsible use of scarce water resources
	Hazardous waste management	Avoidance, minimisation, management and disposal of hazardous as well as general waste generated from Exxaro operations
	Air quality management	Quantifying and determining the impact of emissions from Exxaro operations; managing non-compliance and ensuring continuous improvement. Focus includes dust from mining activities and emissions from smelters
	Climate change	Projected temperature increases could reduce water availability significantly in southern Africa, reduce agricultural yields across the continent, and place millions of people at risk of coastal flooding each year. From a South African perspective, the eastern part could experience higher rainfall while the western part could face water scarcity
	Cleaner production	Reduce environmental footprint from waste production and water use
	Energy and greenhouse gases	Improve energy efficiency and increase use of renewable energy
	Biodiversity management	Conserving biodiversity-rich sections, eradicating and controlling alien invasive species
	Closure and rehabilitation	Continual review of rehabilitation assessments and implementation plans Consider third-party applications for mines in closure
	Significant environmental incidents	Retaining our licence to operate through regulatory and legislative compliance
SOCIAL PERFORMANCE	Socio-economic development (projects, donations)	Approval and implementation of local economic development projects and donations as per social and labour plans
	Social and labour plans	Granting and execution of submitted plans
	Community engagement	Consultation with all authorities and interested and affected parties
	Development of artisanal and small scale mining	Identification of small-scale mining projects
	Employment opportunities	Preference for recruiting from areas surrounding current operations and labour-sending areas Employment equity progressively addressed in employment practices
	Support for development of small businesses and supply chain management (procurement, local procurement and empowerment)	Facilitating socio-economic development and empowerment

Response	Risk map	Page
Integrated water and waste management programme implemented. Comprehensive plans being developed for each business unit in addition to studies on water reclamation and reuse	3, 9	95 – 98
Hazardous waste management targets will be set in 2011 after approval of a policy document	3	99
Updated targets will be set in 2011 to ensure compliance, as a minimum, with applicable national standards	3	105
The risks and related opportunities have been integrated into a climate change response strategy	7, 9	100
Budget allocation for numerous related projects requested	3, 7	105
Developed energy management and tracking system; studies under way on renewable energy projects	3, 7	100 – 105
Biodiversity action plans developed for five operating units, with balance to be completed in 2011. Expenditure of R30 million in 2010 expected to increase in subsequent years as plans are implemented. Sponsoring research on biodiversity at selected universities, including specific studies at Exxaro operations and areas surrounding these operations	3	107 – 112
Performance assessments against approved environmental management programmes completed at eight operations and submitted to relevant authorities. Good progress with social and rehabilitation plans at closed mines, Durnacol and Hlobane	3	112
Continuous discipline in complying to regulatory and legal requirements	3	115 – 116
Socio-economic funds paid to business units to implement projects and donations totalled 2,5% of net profit after tax of managed operations in 2010. Total contribution to socio-economic development projects, corporate commitment and donations was R38,6 million With the focus on sustainability, financial support for the following university chairs was approved in December 2010: › Exxaro chair in global change and sustainability at Wits: R12,5 million (2011–2015) › Exxaro chair in business and climate change at Unisa: R7,5 million (renewed support for 2011–2015) › Exxaro chair on the interface between biodiversity and business at Pretoria: R3,4 million (2011–2013)	3	132
Mining right conversions and new-order approvals for most of our operations have been granted	3	132
In terms of the social and labour plans and other socio-economic development-related activities, engagement with all relevant stakeholders takes place at each business unit	3	132
At Grootegeluk mine, a feasibility study has been conducted for the *Re a Dira* small-scale mining project. This will be considered for approval in 2011	3	132
90% of Exxaro's learnership intake as well as some 80% of unskilled and semi-skilled employees are from areas surrounding current operations, and 60% of these are from designated groups. The housing project at Medupi created a number of employment opportunities for people from the Lephalale area	3, 10	132 123
Exxaro allocated over R13 million to developing enterprises, the bulk of its socio-economic development funding R3,8 billion of group procurement spend went to HDSA suppliers; 50% of the total discretionary procurement spend	3	129

MATERIAL ISSUES CONTINUED

		Issue
EMPLOYEES	Safe workplace (fatalities, lost-time injuries, health and safety systems)	Inadequate awareness of health and hygiene issues Employers to meet legislated targets on noise and dust by 2013
	Healthy people (occupational diseases, HIV/Aids testing and treatment, healthcare, medical surveillance)	High prevalence of HIV in South Africa and mining industry High incidence of TB in South Africa and in the industry Increase in cases of multidrug resistant strains due to patient non-compliance with treatment protocols
	Training and development	Initiatives are required to address literacy and numeracy levels as well as to ensure continuous focus on the training and development of artisans, skills and leadership development, and the removal of development barriers
	Career development	To develop and sustain core competencies and maximise human capital to meet our strategic objectives and improve operational performance
		Individual development plans required for all employees
	Employment equity	Achieving regulatory and legislative targets
	Employee relations and wellness	Equalisation of conditions of employment in coal businesses
		Adverse implications of industrial action
		Freedom of association
		Collective bargaining
		Wellness
	Decent wages and benefits (retirement and medical plans)	Wages
		Retirement funds
		Medical schemes
		Post-retirement liability for medical scheme
	Housing and living conditions	Home ownership
		Hostels
	Women in mining	Women in core positions
	Contractor management	Policy and process
		Control

Note 1: On Exxaro's risk register but not in the top 20 based on residual risk ratings.

Response	Risk map	Page
› Fatalities and lost-time injuries both down on 2009 but target remains zero for both indicators › Reviewed health and hygiene strategic framework, highlighting key health risks to be communicated to employees › Developed and implemented a tool for reporting early cases of hearing loss to management to ensure proactive mitigation	3	78 – 90
› New management and reporting standards introduced. HIV testing above target, while all incidents of occupational diseases declining › Exxaro HIV/Aids strategy implemented › TB management standard implemented, providing a guide for managers, employees and healthcare professionals	Note 1	83 – 90
› A R3-million assessment workshop was opened at Grovos in Lephalale in April 2010 › 180 ABET learners in 2010 › 379 artisan learners at various stages of qualification	10	120 – 128
A formal succession programme is in place for all employees in the management and specialist category	10	120 – 128
Progressive implementation of individual development plans for all Exxaro's employees		
Achieving the target for senior management level is an industry-wide challenge, but more women from designated groups are being appointed in core positions	3, 10	120 – 128
Subsequent to a wage demand in 2009, management and organised labour from the coal businesses embarked on a process to progressively equalise conditions of employment	10	120 – 128
Employees at the KZN Sands operation embarked on a three-week strike in September 2010. Exxaro supports amicable resolution without the need for industrial action		
Employees have freedom of association and can join a union of their choice. Labour relations at all Exxaro operations are managed to best facilitate progress towards an amicable and mutually beneficial resolution		
Trade unions with sufficient members at a specific employer are recognised and these unions represent their members in collective bargaining processes		
An employee assistance programme has been rolled out to all operations and is available for all employees to use		
Wages compare well in the industry as determined by six-monthly market surveys. Exxaro complies with all requirements of the Basic Conditions of Employment Act and in most instances exceeds minimum requirements	10	120 – 128
All employees belong to a retirement fund. Employer contribution ranges between 10% and 18%		
Where employees are members of accredited medical schemes, Exxaro subsidises contributions		
Certain employees of Exxaro Coal Mpumalanga and Namakwa Sands qualify for a post-retirement contribution towards a medical scheme from their employer but no new entrants are allowed to these arrangements. Adequate provision for actuarially valued liabilities is made in the financial statements		
Exxaro's strategy was revised to comply with the new mining charter. The focus is still on home ownership and employees receive (either as an allowance or part of inclusive package) a housing or living-out allowance. In addition, 232 employees benefit from a home ownership subsidy	10	128
At all operations, except Tshikondeni, there is one person per room in the hostels; at Tshikondeni some rooms have two occupants. Meals are provided at Matla and Tshikondeni, and the quality and nutritional value are determined by a dietician		
Although Exxaro already exceeds the prior mining charter target of having 10% of the workforce staffed by women, attracting women (specifically from designated groups) to the group's core business remains a focus area. At present, women represent 7% of all learnerships for future core positions and 29% of our bursar and professional in-training programmes	10	128
A group policy and process was developed to standardise contractor management. The HR management system is used to capture contractors	Note 1	129
Operations are responsible for managing contractors, ensuring progressive compliance to Exxaro's policies and procedures while monitoring data integrity		

PLEASE TURN OVER

MATERIAL ISSUES CONTINUED

		Issue
ECONOMIC PERFORMANCE	› Economic value generated and distributed	Transparency in disclosure to stakeholders
	Market presence › Black economic empowerment	
ETHICS AND GOVERNANCE	Board structure – leadership and governance › Code of ethics	Code of ethics required to support the entrenched group value system
	› Black ownership and control	Legal and regulatory compliance in South Africa
	› Stakeholder engagement (business partners, shareholders, employees etc)	Ensure stakeholder concerns are identified and addressed
	› Material stewardship	
	› Fraud prevention	To reduce the impact of fraud on the group's resources and ensure that measures in place serve as a deterrent to perpetrating fraud
	› Risk management	Integrated enterprise risk management fundamental to identifying and managing all risks in the organisation

Note 1: On Exxaro's risk register but not in the top 20 based on residual risk ratings.
N/A: Not applicable.

Response	Risk map	Page
Cash value-added statement (page 179) reflects Exxaro's cash taxation contribution to the fiscus, amounts collected on behalf of government, and cash payments to external suppliers for goods and services	3	179
Exxaro is the largest black empowered group on the JSE in terms of direct shareholding, while its day-to-day management is the responsibility of an empowered and representative executive committee	3	154
Zero-tolerance code of ethics in place with compliance monitored by an ethics committee. Includes conflict-of-interest declarations and decisions	14	149
More than 50% of Exxaro is black owned and controlled	3	5
Exxaro is forming stakeholder engagement forums at each operation as well as a stakeholder panel at the corporate office. A socio-economic assessment will be conducted at every business unit in 2011 to capture and publish all stakeholder concerns, with detailed management responses	3	28
Sustainable supply chain management introduced, reflecting close collaboration with suppliers	3	129
Zero-tolerance approach to fraud. Effective anonymous reporting hotline in place for a number of years. Managed by an ethics committee with access to experienced forensic team	14	149
Entrenched and integrated enterprise risk management philosophy, policy, methodology and practice in the group. Risk management is integral to all strategic, business planning, and day-to-day activities	N/A	16

Group in brief

VALUES

- Empowered to grow and contribute – developing and deploying our knowledge and ingenuity to achieve our vision. We focus on people, create freedom to innovate and collaborate, respect individuality, have fun and rise to challenges.
- Teamwork – we succeed together through a climate of respect and equality.
- Committed to excellence – we take ownership, provide visible leadership and encourage collaboration, commitment and creativity for the benefit of all.
- Honest responsibility – we speak the truth and accept accountability for our actions.

HIGHLIGHTS

- Improvement in safety performance with lost-time injury frequency rate down 24% to 0,25
- Global economic recovery faster than anticipated, resulting in generally increased demand and higher prices
- Revenue up 14% to more than R17 billion
- Net operating profit increased R897 million to R2,6 billion, excluding the 2009 KZN Sands impairment
- Coal production up to 47Mt
- Commissioning and nameplate production capacity achieved at Kwinana pigment plant and char plant
- Total dividend declared of 500 cents per share
- Net cash inflow of R1,4 billion
- Net debt to equity at 13%
- Healthy financial metrics, well positioned for growth
- Development of Fairbreeze approved subject to regulatory and environmental authorisation
- Grootegeluk Medupi Expansion Project (GMEP) on time and within budget

LOWLIGHTS

- Two fatalities; two too many
- Continued logistical challenges for coal exports
- Substantial furnace downtime at KZN Sands and Namakwa Sands
- Currency strength impacted on earnings

BUSINESS OBJECTIVES

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

	Target 2011	Target 2010	Actual 2010	Actual 2009	Actual 2008	Actual 2007
FINANCIAL TARGETS[1 2]						
Return on equity (ROE) – attributable earnings (%)	**>25**	**>25**	**34**	19	30	15
Net operating margin (%)	**>20**	**>20**	**15**	12	18	14
Return on capital employed (ROCE) (%)	**>28**	**>28**	**38**	25	36	23
EBITDA interest cover (times)	**>4**	**>4**	**9**	7	14	10
NON-FINANCIAL TARGETS						
Safety						
– fatalities	**0**	**0**	**2**	3	5	5
– lost-time injury frequency rate (per 200 000 hours)	**0**	**0,21**	**0,25**	0,33	0,39	0,36
Safety, health and environmental certification (number)	**17**	**17**	**14**	13	9	9
Employment equity						
– management (%)[3]		**40**	**50**	48	42	36
Functional literacy[4] (%) (2014:100)	**100**	**70**	**79**	70		
HIV/Aids voluntary testing and counselling (%) (long-term target 95%)	**75**	**70**	**70**	58	64	30
Human resources development (% spend of payroll)		**>3**	**5,1**	5,0	5,2	6,5
Learnerships[5]		**363**	**379**	691	678	408
Procurement from HDSA companies (%) (2014:56)	**50**	**47**	**50**	45	39	35
Community development (% of net profit after tax)[6]	**>1,0**	**1,0**	**2,5**	1,8		
Energy efficiency (%)[7]	**3**	**4**	**0**			
HDSA ownership 2014 (%)		**26**	**52**	52	56	56

[1] Actual financial ratios disclosed exclude the impact of impairments.
[2] Where relevant, actual financial ratios have been restated to ensure comparability.
[3] Employment equity target is based on compliance with the mining charter.
[4] Below NQF level 1.
[5] Learnerships include all disciplines, eg mining, engineering and plant. Average number in the system.
[6] Funds transferred to business units for implementation of social and labour plan projects.
[7] Total target is 10% by end 2012. Target for 2012 is 3%.

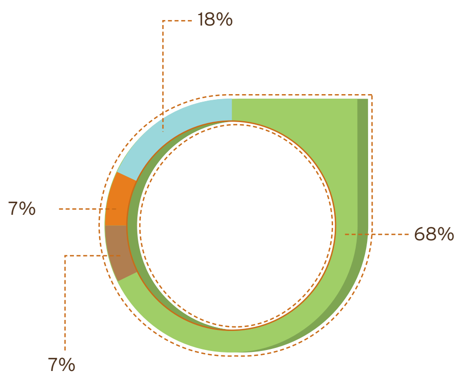
KEY RATIOS

	At 31 December	
	2010 Unaudited Rm	2009[1] Unaudited Rm
RATIOS		
Profitability and asset management[1]		
Return on net assets (%)	**42**	28
Return on ordinary shareholders' equity		
– Attributable earnings (%)	**34**	19
– Headline earnings (%)	**34**	19
Return on invested capital (%)	**31**	20
Return on capital employed (%)	**38**	25
Operating margin (%)	**15**	12
Solvency and liquidity		
Net financing cost cover (times) – EBIT	**6**	4
Net financing cost cover (times) – EBITDA	**9**	7
Current ratio (times)	**2**	2
Net debt to equity (%)[2]	**13**	29
Net debt to earnings before interest, tax, depreciation and amortisation (times)	**0,6**	1,3
Number of years to repay interest-bearing debt	**1**	6

[1] *To achieve comparability, the impact of the R1 435 million impairment of the KZN Sands assets in 2009 has been excluded.*
[2] *Ratio calculated excluding contingent liabilities of R1 007 million (2009: R875 million). If included, ratio would be 18% (2009: 36%).*

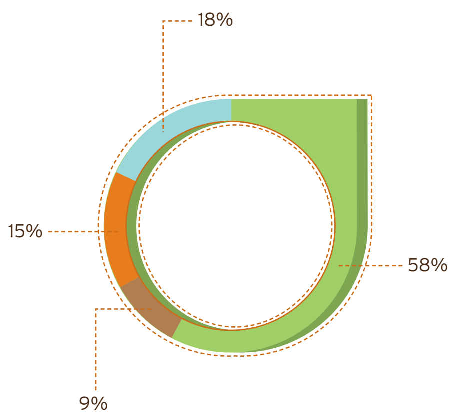
WE CREATE VALUE FOR ALL STAKEHOLDERS

Cash disbursed among stakeholders 2010



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

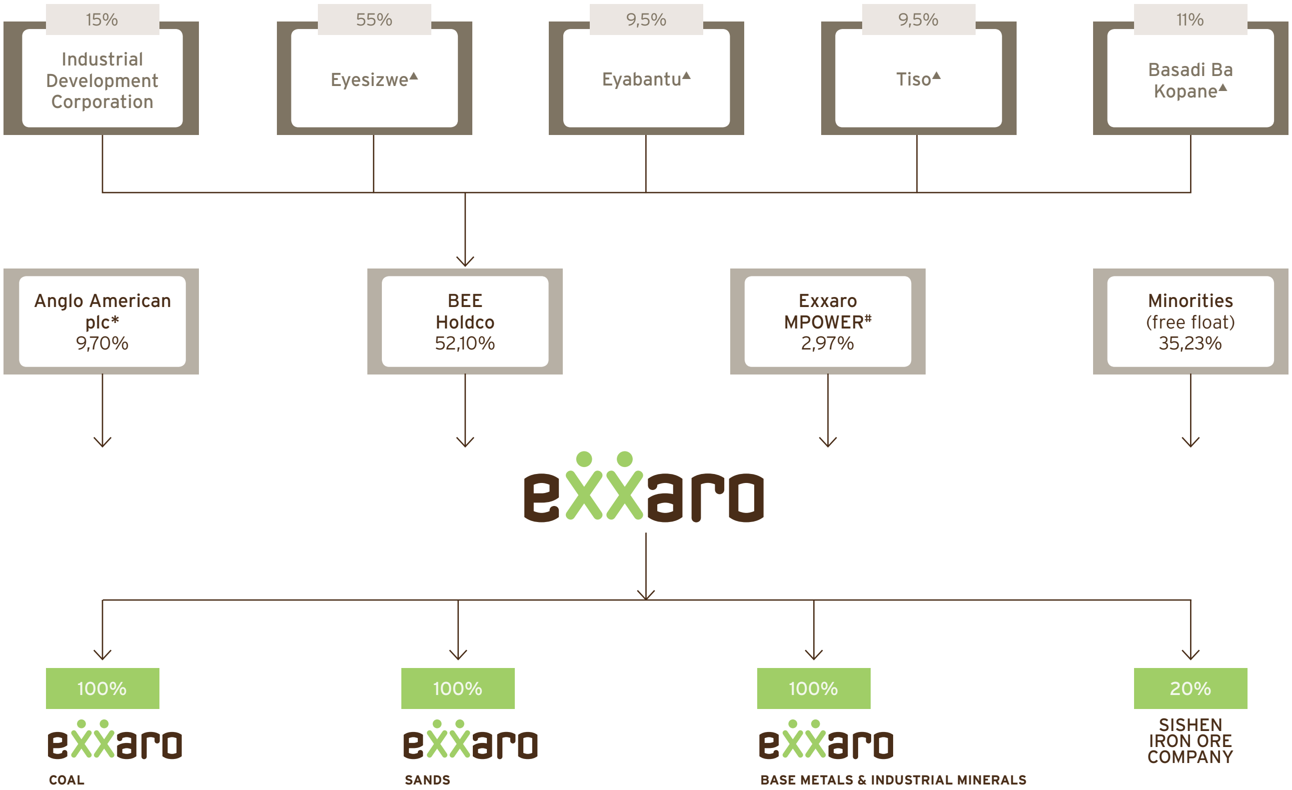
Cash disbursed among stakeholders 2009



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

SHAREHOLDER STRUCTURE

OUR GROUP STRUCTURE (as at 31 December 2010)



As at 31 December 2010

* *Held through Anglo South Africa Capital (Pty) Ltd.*

▲ *These are special purpose vehicles for shareholders in our black-owned holding company.*

\# *Employee share ownership programme.*

A detailed analysis of the registered shareholders of Exxaro appears in the regulatory compliance and corporate governance report on pages 168 to 169.

GROUP AT A GLANCE

BUSINESSES | 2010 CONTRIBUTION TO GROUP REVENUE

Eight managed coal mines produce 46,8Mtpa of power station, steam and coking coal. All power station coal produced is supplied to the national power utility, Eskom, and municipal power stations.

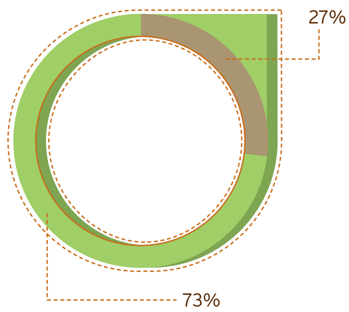
Grootegeluk is one of the most efficient mining operations in the world, and operates the world's largest coal beneficiation complex. There is a robust pipeline of greenfield and expansion projects under way that will culminate in Exxaro becoming one of the largest coal producers in South Africa. Exxaro also produces char and related products for the rapidly growing ferroalloys industry.

61% R10 515 million

Exxaro's South African mineral sands operations include KZN Sands and the Western Cape operations of Namakwa Sands. In Australia, our interests are housed in Australia Sands whose principal asset is the Tiwest joint venture (with Tronox Inc), the world's largest integrated titanium minerals production and manufacturing company.

Exxaro is one of the world's largest suppliers of titanium dioxide feedstock and zircon. Collectively, the group's minerals sands operations produced 284kt of slag, 196kt of zircon, 90kt of synthetic rutile and 57kt of pigment in 2010.

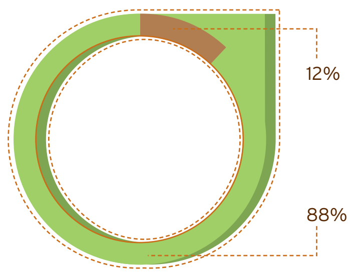
27% R4 640 million



The Rosh Pinah zinc/lead mine in southern Namibia and Zincor electrolytic refinery in Gauteng are among the few integrated zinc mining and refinery operations worldwide. Exxaro has an interest in the Chifeng zinc refinery in China. In 2010, Rosh Pinah and Zincor produced 120kt each of zinc concentrate and zinc metal. A dedicated plant in Pretoria manufactures high-quality, gas-atomised ferrosilicon while the Glen Douglas dolomite mine provides a range of products for the steel, construction and agricultural sectors. The interest in the Glen Douglas operation was sold with effect from 1 January 2011.

Exxaro is also progressing the divestment of its base metals interest.

12% R1 995 million



INVESTMENTS

Exxaro holds 20% of Sishen Iron Ore Company (Pty) Limited. The company's two mines produced some 43,3Mtpa of lumpy and fine iron ore; 43,1Mt was sold, and more than 85% of sales from Sishen mine exported. Sishen is one of the largest single open-pit mines in the world, known for its high grade and consistent product quality.

OPERATIONS	REGIONAL LOCATION	OWNERSHIP[1]	PRODUCTS	SALES FOR 12 MONTHS TO 31 DECEMBER 2010[1] 000 TONNES	% EXPORT[3]
Grootegeluk mine	Limpopo	Division of Exxaro Coal (Pty) Limited	Power station coal (Eskom)	14 904	
			Semi-soft coking coal	1 754	17
			Steam coal	1 584	4
Leeuwpan mine	Mpumalanga	Division of Exxaro Coal (Pty) Limited	Power station coal (Eskom)	1 805	
			Steam coal	1 162	23
Tshikondeni mine	Limpopo	Division of Exxaro Coal (Pty) Limited	Coking coal (ArcelorMittal)	260	
Mafube coal	Mpumalanga	Division of Exxaro Coal (Pty) Limited	Steam coal	1 321	98
Mafube JV[2]	Mpumalanga	Joint venture of Exxaro Coal Mpumalanga (Pty) Limited (50%)	Power station coal (Eskom)	949	
			Steam coal	32	
Inyanda mine	Mpumalanga	Division of Exxaro Coal (Pty) Limited	Steam coal	1 784	83
Exxaro reductants	Limpopo	Division of Exxaro Coal (Pty) Limited	Steam coal	24	
			Char	122	
Arnot mine	Mpumalanga	Division of Exxaro Coal Mpumalanga (Pty) Limited	Power station coal (Eskom)	4 173	
Matla mine	Mpumalanga	Division of Exxaro Coal Mpumalanga (Pty) Limited	Power station coal (Eskom)	12 265	
New Clydesdale mine	Mpumalanga	Division of Exxaro Coal Mpumalanga (Pty) Limited	Power station coal (Eskom)	96	
			Steam coal	710	98
North Block Complex	Mpumalanga	Division of Exxaro Coal Mpumalanga (Pty) Limited	Power station coal (Eskom)	2 236	
			Steam coal	518	
KZN Sands	KwaZulu-Natal	Subsidiaries of Exxaro Resources Limited and a division of Exxaro TSA Sands (Pty) Limited and Exxaro Sands (Pty) Limited	Zircon	55	86
			Rutile	29	96
			Pig iron	108	87
			Scrap iron	3	
			Chloride slag	136	100
			Sulphate slag	19	100
Namakwa Sands	Northern Cape	Division of Exxaro TSA Sands (Pty) Limited	Zircon	147	100
			Rutile	31	100
			Pig iron	86	83
			Chloride slag	128	100
			Sulphate slag	20	96
Australia Sands[2]	Australia	Subsidiary of Exxaro Resources Limited which owns 50% in the Tiwest joint venture	Zircon	41	100
			Rutile	19	100
			Synthetic rutile	30	100
			Leucoxene	16	100
			Pigment	55	100
Zincor refinery	Gauteng	Division of Exxaro Base Metals (Pty) Limited	Zinc metal	90	
			Sulphuric acid	125	
Rosh Pinah mine	Namibia	Subsidiary of Exxaro Base Metals (Namibia) (Pty) Limited (50,04%)	Zinc concentrate	98	100
			Lead concentrate	20	100
Chifeng refinery[2]	China	Associate (22,44%)	Zinc metal	29	100
			Sulphuric acid	51	100
Black Mountain Mining (Pty) Limited[2]	Northern Cape	Associate (26,00%)	Zinc concentrate	18	
			Lead concentrate	19	100
Glen Douglas mine	Gauteng	Subsidiary of Exxaro Resources Limited	Metallurgical dolomite	410	
			Aggregate	783	
			Lime	45	
FerroAlloys	Gauteng	Subsidiary of Exxaro Resources Limited	Atomised ferrosilicon	6	
Sishen mine[2]	Northern Cape	Division of Sishen Iron Ore Company (Pty) Limited (20%)	Lump ore	5 155	86
			Fine ore	3 069	91
Thabazimbi mine[2]	Limpopo	Division of Sishen Iron Ore Company (Pty) Limited (20%)	Lump ore	74	
			Fine ore	324	

[1] 100% ownership unless otherwise indicated.
[2] Sales tonnage reflects the group's interest in the relevant subsidiary, joint venture or associate.
[3] Export sales denote sales in any country other than South Africa.

LOCATIONS

Detailed maps on page 65 and 77

Coal
1 Grootegeluk (GG)
2 Grootegeluk Medupi Expansion Project (GMEP)
3 Char Plant phase 2
4 Leeuwpan
5 Arnot
6 Matla
7 North Block Complex
8 New Clydesdale
9 Tshikondeni
10 Mmamabula Central (coal bed methane project)
11 Inyanda
12 Moranbah South
13 Mafube*

Mineral sands
14 KZN Sands
15 Namakwa Sands
16 Australia Sands

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

Operations
Growth projects
Representative offices

** Joint ventures and investments not operationally controlled.*

FINANCIAL SUMMARY

	12 months ended 31 December	
	2010 Audited Rm	2009 Audited Rm
INCOME STATEMENTS		
Revenue	**17 155**	15 009
Net operating profit[1]	**2 636**	304
Net financing cost	**(455)**	(415)
Investment and post-tax equity income	**3 719**	1 900
Tax	**(665)**	(766)
Non-controlling interest	**(27)**	
Add back items for headline earnings	**(22)**	1 491
Headline earnings	**5 186**	2 514
Headline earnings per share (cents)	**1 495**	729
Dividends per share (cents)	**500**	200
Average realised exchange rate (R/US$)	**7,72**	8,39
STATEMENTS OF CASH FLOWS		
Cash flows from operating activities	**2 364**	(206)
Cash flows from investing activities	**(978)**	(1 414)
Cash flows from financing activities	**(269)**	874
Net increase/(decrease) in cash and cash equivalents	**1 117**	(746)

	As at 31 December	
	2010 Audited Rm	2009 Audited Rm
STATEMENT OF FINANCIAL POSITION		
Assets		
Non-current assets		
Property, plant and equipment	**13 305**	11 869
Biological assets	**46**	41
Intangible asset	**75**	87
Investments in associates and joint ventures	**3 880**	1 966
Deferred tax	**726**	629
Financial assets	**1 375**	1 217
Current assets		
Cash and cash equivalents	**2 140**	1 023
Inventories, trade and other receivables	**6 977**	6 311
Non-current assets classified as held-for-sale	**85**	86
Total assets	**28 609**	23 229
Equity and liabilities		
Capital and reserves		
Equity attributable to owners of the parent	**17 437**	12 908
Non-controlling interest	**(23)**	1
Total equity	**17 414**	12 909
Non-current liabilities		
Interest-bearing borrowings	**3 644**	4 347
Non-current provisions	**2 193**	1 853
Financial liabilities	**–**	75
Deferred tax	**1 353**	995
Current liabilities		
Interest-bearing borrowings	**716**	407
Other	**3 237**	2 594
Non-current liabilities classified as held-for-sale	**52**	49
Total equity and liabilities	**28 609**	23 229
Net debt	**2 220**	3 731
ANALYSIS PER SHARE[2]		
Number of shares in issue (million)	**358**	357
Weighted average number shares in issue (million)[3]	**347**	345
Earnings per ordinary share		
– Attributable earnings (cents)	**1 501**	712
– Headline earnings (cents)	**1 495**	729
Dividend per ordinary share (cents)	**500**	200
Dividend cover (times)	**3,00**	3,56
Net asset value per ordinary share (cents)	**4 870**	3 616

[1] *Includes a R1 435 million impairment of the carrying value of the KZN Sands assets in 2009.*
[2] *To achieve comparability, the impact of the R1 435 million impairment of the KZN Sands assets in 2009 has been excluded, where relevant.*
[3] *Shares issued to Mpower are classified as treasury shares and are excluded from the calculation of the weighted average number of shares.*

SUMMARY OF BUSINESS OPERATIONS

000 tonnes produced	12 months ended 31 December 2010	2009	2008	2007
COAL				
Coking coal	**2 419**	2 020	2 560	2 962
Grootegeluk	**2 134**	1 752	2 233	2 499
Tshikondeni	**285**	268	327	463
Power station coal (Eskom)	**36 767**	36 562	36 700	34 246
Grootegeluk	**14 924**	15 324	14 581	14 510
Leeuwpan	**1 688**	1 247	1 188	956
Matla	**12 288**	11 273	13 230	13 030
Arnot	**4 173**	5 213	4 865	3 702
New Clydesdale			115	156
North Block Complex	**2 674**	2 822	2 271	1 892
Mafube	**1 020**	683		
Steam coal	**7 502**	6 638	5 574	4 111
Grootegeluk	**1 441**	1 207	1 387	1 486
Leeuwpan	**1 408**	1 259	1 801	1 421
New Clydesdale	**850**	822	984	814
North Block Complex	**697**	691	561	391
Inyanda	**1 779**	1 843	841	
Mafube	**1 327**	816		
Char	**114**	38		
Total coal production	**46 802**	45 258	44 834	41 319
KZN SANDS				
Ilmenite	**236**	368	229	367
Zircon	**33**	36	34	34
Rutile	**17**	20	19	17
Pig iron	**71**	108	50	90
Scrap iron	**12**	15	16	20
Chloride slag	**113**	104	95	150
Sulphate slag	**29**	24	18	26

000 tonnes produced	12 months ended 31 December **2010**	2009	2008	2007
NAMAKWA SANDS[1]				
Ilmenite	**251**	244	315	300
Zircon	**128**	116	130	115
Rutile	**28**	26	27	24
Pig iron	**82**	73	103	91
Scrap iron			6	11
Chloride slag	**119**	97	135	126
Sulphate slag	**23**	20	24	27
AUSTRALIA SANDS[2]				
Ilmenite	**231**	207	174	216
Zircon	**35**	33	29	36
Rutile	**18**	16	13	17
Synthetic rutile	**90**	109	113	100
Leucoxene	**13**	14	16	16
Pigment	**57**	53	43	54
BASE METALS				
Rosh Pinah (zinc concentrate)	**101**	94	94	95
Black Mountain (zinc concentrate)[3]	**19**	14	15	15
Zincor (zinc metal)	**90**	87	87	101
Zincor (sulphuric acid)	**144**	142	129	147
Chifeng (zinc metal)[4]	**30**	29	23	23
Rosh Pinah (lead concentrate)	**19**	20	20	22
Black Mountain (lead concentrate)[3]	**18**	18	17	15
INDUSTRIAL MINERALS				
Glen Douglas				
Metallurgical dolomite	**410**	371	422	543
Aggregate	**773**	762	788	749
Lime	**57**	72	63	54
FerroAlloys				
Atomised ferrosilicon	**6**	5	6	6
IRON ORE[5]				
Sishen	**8 268**	7 878	6 808	5 946
Thabazimbi	**410**	511	532	535
Total iron ore production	**8 678**	8 389	7 340	6 481

[1] *Physical information includes Namakwa Sands for 12 months from 1 January 2007 even though only acquired effective 1 October 2008.*
[2] *Physical information reflects Exxaro Australia Sands' 50% interest in the Tiwest joint venture.*
[3] *Physical information reflects Exxaro's 26% interest in Black Mountain Mining (Pty) Limited from 1 January 2007 even though only acquired effective 1 November 2008.*
[4] *Physical information represents the effective interest in Chifeng (Hongye) refinery.*
[5] *Physical information from 2007 reflects Exxaro's 20% interest in Sishen Iron Ore Company.*

Year under review

APPROACH TO SUSTAINABLE DEVELOPMENT

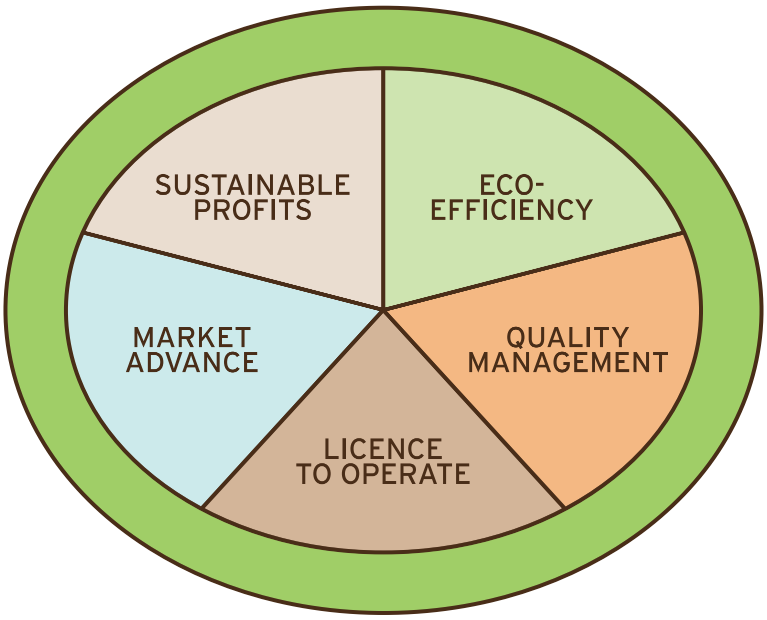
DISCLOSURE ON MANAGEMENT APPROACH

Sustainability is generally defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." For Exxaro this means ensuring we do not undermine the capacity of the natural environment to provide services, and that we do not contribute to any instability in the communities in which we operate.

It also means balancing three aspects of business – economic, environmental and social – and integrating the requirements of each of these into the group's planning, decision-making and operations.

In line with the World Business Council for Sustainable Development and other global benchmarks, sustainability is a critical thread woven through our broader strategy (page 22) and the different areas of our business. Spanning corporate governance, ethics, workplace issues, intellectual property and stakeholder relations, the key benefits include:

- **Eco-efficiency** = reduced costs, costs avoided (eg through new technology) and optimal investment strategies
- **Quality management** = better risk management, greater responsiveness in volatile markets, more motivated and committed staff, and enhanced intellectual capital
- **Licence to operate** = lower costs of compliance, improved reputation with key stakeholders and greater influence with regulators
- **Market advance** = stronger brands, greater customer loyalty, lower cost of capital, new products and processes, attracting (and retaining) the right talent
- **Sustainable profits** = new business/increased market share and enhanced shareholder value.



SAFETY AND SUSTAINABLE DEVELOPMENT POLICY

At Exxaro Resources we actively care for the health and safety of our people, the environment, surrounding communities and our resources by ensuring sustainable development in all our activities. Exxaro is committed to:

- Consulting with employees, representatives and other stakeholders in appropriate forums to ***develop, communicate and review responsible and innovative policies, programmes and guidelines*** that safeguard the community, employees, contractors, other stakeholders and the environment, while providing flexibility to meet the needs of our businesses
- ***Achieving high standards of environmental care*** and providing a safe and healthy workplace for employees, contractors and other relevant stakeholders
- ***Ensuring an appropriate organisational structure and adequate resources*** to manage sustainable development, including safety, health and environmental matters and comply with legislation
- Implementing internationally accepted and appropriate standards for ***safety, occupational health and hygiene, environment and stakeholder engagement management systems***
- ***Complying with all applicable legislation and international obligations*** as a minimum requirement and implementing effective company standards, programmes and processes to manage risks
- ***Maintaining continuous hazard and aspect identification and risk assessment*** for safety, occupational health and sustainable development in general
- ***Maintaining competence and awareness*** on relevant safety and sustainable development matters through training, mentoring and communication to employees and contractors
- ***Conserving natural resources and reducing the environmental burden*** of waste generation and emissions to air, water and land through strategies focusing on reducing, reusing, recycling and responsible disposal of waste
- Preventing injury, ill health, pollution and **continually improving safety** and sustainable development management and performance
- ***Establishing objectives, targets and continuously improving operations*** in terms of safety and sustainable development performance and management systems
- Ensuring that all incidents leading to ***fatalities, environmental impact, injury, occupational diseases, damage to property, process losses, compliance notices, regulatory fines and penalties are reported and investigated thoroughly*** to determine all contributing factors and promptly implementing corrective and preventive actions
- ***Establishing and maintaining appropriate controls,*** including periodic audits and reviews, to ensure this policy is effectively implemented, updated and available to interested and affected parties
- ***Maintaining a high level of emergency preparedness and response*** to manage any potential emergency.

This policy informs the entire safety and sustainable development function as we aspire to be a responsible corporate citizen that contributes to mitigating sustainable development challenges in our operating environments, as well as international treaties to which South Africa is a signatory.

RISK MANAGEMENT

DISCLOSURE ON MANAGEMENT APPROACH

Risk philosophy

Effective risk management is central to maintaining competitive advantage and adapting to changes in the internal and external business environment. The underlying principle of integrated enterprise-wide risk management (ERM) is that risk management must form part of all strategic, business planning and day-to-day operational activities. Exxaro's ERM adopts a holistic approach to managing uncertainty, representing both risk and opportunity. The aim is to establish the acceptable level of risk in each area of business, which should be as low as reasonably practical, while taking full advantage of the highest returns possible to maximise shareholder wealth. In all risk management activities, compliance with South Africa's King III is achieved by coordinating and integrating these activities for effective integrated risk management governance.

Risk owners are responsible for continuous identification, assessment, mitigation and management of risks within the existing and ever-changing risk profile of the environment in which they operate.

The internal auditors and chief audit executive, being responsible for the combined assurance process, evaluate the effectiveness of the risk management process and report to the audit, risk and compliance committee (audit committee) which, in turn, provides assurance to the board.

Risk appetite

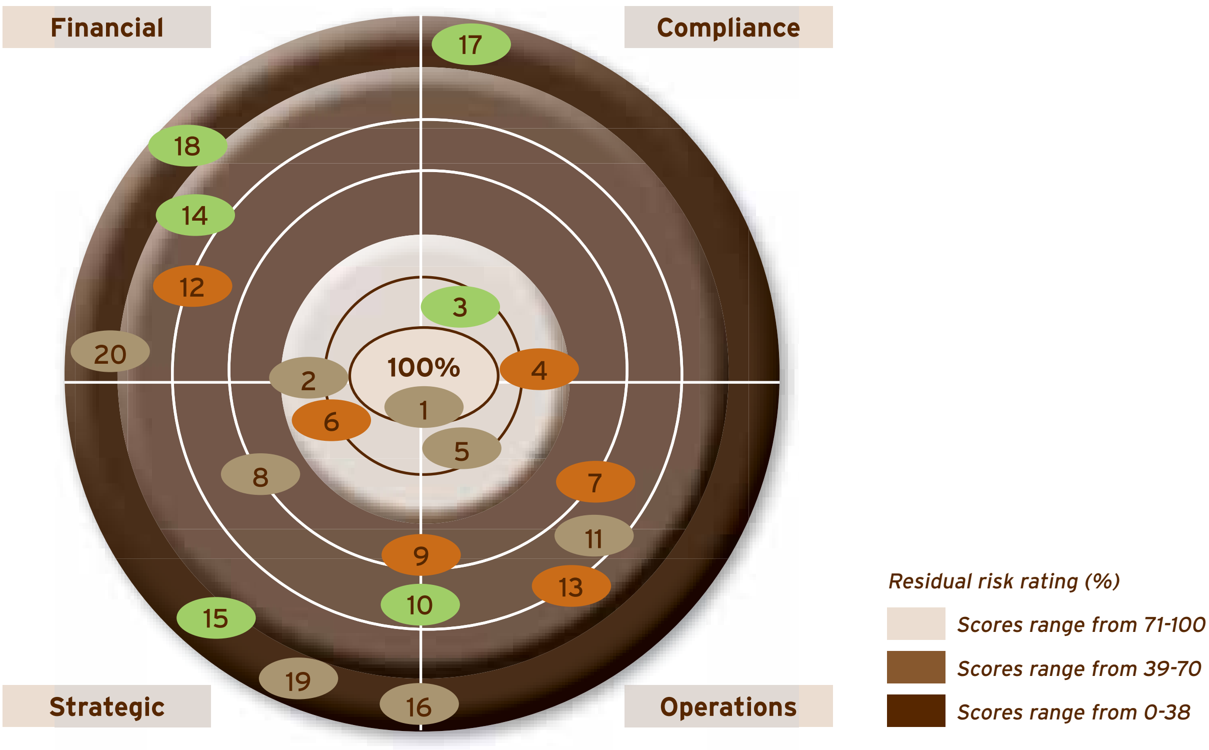
The audit committee approves Exxaro's consolidated risk appetite for residual risks (ie the result after applying mitigation or control measures to the inherent risks identified and assessed), and ensures this is aligned with the group strategy. Exxaro's risk appetite is a function of its ability to withstand unexpected losses and their impact on the group's ability to continue as a going concern. Differentiated risk appetites apply at different levels throughout the group. The top residual risks at different levels in the organisation receive continuous and enhanced attention and are subject to periodic monitoring and reporting by risk owners to reduce the residual risk rating.

Risk identification and assessment process

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

The top residual business risks, appropriately categorised and based on impact and likelihood of occurrence, together with mitigating control measures, are disclosed below in descending order. These risks do not exceed Exxaro's risk appetite but have the highest residual risk rating, warranting disclosure and continuous management as per the decision of the executive committee, audit, risk and compliance committee of the board, and the board itself.

EXXARO'S TOP RESIDUAL BUSINESS RISK MAP FOR 2010



Legend for 2010 residual business risk map

1. Infrastructure constraints impacting on current operations and growth aspirations (100)
2. Commodity price and currency volatility impacting on profitability, investment returns, project evaluations and BEE shareholding structure (80)
3. Inability to maintain a licence to operate due to non-compliance with all applicable legal and regulatory frameworks (80)
4. Potential delays to operations and projects associated with the time taken to obtain approval for mining and environmental rights (80)
5. Lack of security of, and cost of electricity, impacting adversely on safety and sustainable operations (80)
6. Inadequate regulatory changes to enable meaningful participation in IPPs in the South African industry (80)
7. Climate change impacting adversely on sustainable operations (64)
8. Late commissioning of growth projects fundamental to Exxaro's future sustainability (60)
9. Insufficient supply of clean water for sustainable operations and communities (51)
10. Insufficient attraction and retention of key skills negatively impacting on current operations and growth aspirations (48)
11. Risks associated with the closure of current operations (48)
12. Adverse impact of above inflation increases on operating costs, profitability, and cost of capital projects (48)
13. Insufficient security of critical materials due to scarcity and price (48)
14. Fraud perpetrated resulting in quantifiable losses (40)
15. Risk of not successfully implementing improvement project initiatives (Project Siyaya) thereby not realising revenue, cost reduction and increased operational efficiency targets (32)
16. Funding of current operations and growth aspirations hampered by balance sheet capacity and other resource constraints (32)
17. Risk of previous versions of software applications impacting negatively on information security and availability (32)
18. Investment opportunities do not yield expected returns (32)
19. Resource nationalisation resulting in sub-optimal utilisation of resources (24)
20. Reliance on a non-managed operation for financial stability (20)

Residual risk ratings (percentages) are disclosed in brackets after the description of the residual risk.

RISK MANAGEMENT CONTINUED

High-level business risks

Risk and category	Impact	Probability	Control measures (mitigation)
Strategic and operations Infrastructure constraints impacting on current operations and growth aspirations	High	High	Continuous collaboration with Transnet Freight Rail. Upgrade loading facilities. Leasing or acquiring export entitlement. Evaluate viability of own rolling stock
Strategic and financial Commodity price and currency volatility impacting on profitability, investment returns, project evaluations, loan covenant compliance and BEE shareholding structure	High	High	Continuous business improvement initiatives with rigorous tracking. Optimised use of operating assets to leverage benefits of higher throughput. Increased manpower productivity. Pursue downstream beneficiation and integration. Diversification of markets and product sector. Restructure, if necessary, to be profitable throughout commodity cycles
Strategic and compliance Inability to maintain a licence to operate due to non-compliance with applicable legal and regulatory frameworks	High	High	Engagement with relevant authorities and non-governmental organisations. Ensure gap identification and progressive compliance with revised mining charter, King III report on governance for South Africa, environmental and other legislation to ensure sustainable operations within the framework of a responsible corporate citizen
Compliance and operations Potential delays to current operations and projects associated with the time taken to obtain approval for mining and environmental rights	High	High	Continuous engagement with relevant authorities. Ensure compliance with legal and regulatory requirements to progress approvals required
Operations Lack of security, and cost, of electricity impacting on safety and sustainable operations	High	High	Participation in industry forums that engage with Eskom and the National Energy Regulator of South Africa (NERSA). Investigation into co-generation and other renewable energy sources. Implementing power-sharing initiatives and examining alternatives for conserving electricity in operations. Continued commitment to Eskom to assist where possible with additional coal supply to achieve stability in the power grid
Strategic Inadequate regulatory changes to enable meaningful participation in IPPs in the South African industry	High	Medium	Ongoing engagement and participation in regulatory processes and continued lobbying of decision makers

Risk and category	Impact	Probability	Control measures (mitigation)
Operations Climate change impacting on sustainable operations	High	Medium	Continuous research and industry participation to understand and quantify impacts to ensure mitigation initiatives are current and effective
Strategic Late commissioning of growth projects critical to Exxaro's sustainability	Medium	Medium	Robust project management discipline. Knowledge sharing from experiences with previous projects
Strategic and operations Insufficient supply of clean water for sustainable operations and communities	Medium	Medium	Continuous enhancement of current water management programmes combined with investigation of additional mitigation initiatives
Strategic and operations Insufficient attraction and retention of key skills impacting negatively on current operations and growth aspirations	High	Medium	Implementation of effective retention strategy for key disciplines. Remain an employer of choice due to: › regularly benchmarked market-related remuneration › comprehensive training and development › growth opportunities Focus on innovative recruitment initiatives and succession planning. Continuous rotation and exposure of own talent in multi-disciplinary project teams
Operations Risks associated with the closure of current operations	High	Medium	Restructure, where necessary and where possible, to be profitable throughout commodity cycles Continuous improvement to enhance efficiencies, productivity and profitability Investigate downstream opportunities or alternative applications for current technology
Financial Adverse impact of above-inflation increases on operating costs, profitability and costs of capital projects	High	Medium	Ensure comprehensive provision for escalation on project costing and timing of long-lead items. Continuous business improvement initiatives and knowledge sharing
Operations Insufficient security of critical materials due to scarcity and price	High	Medium	Strategic sourcing and long-term contracting with reliable suppliers. Implement mitigation plans to avert or minimise potential impact

RISK MANAGEMENT CONTINUED

Risk and category	Impact	Probability	Control measures (mitigation)
Financial Fraud perpetrated, resulting in quantifiable losses	High	High	Sound and entrenched internal controls and governance. Discipline with procedural compliance. Zero tolerance to fraud. Strong and experienced forensic investigation capability. Continuous internal audit of controls and assurance of effective functioning
Strategic Risk of not successfully implementing improvement project initiatives thereby not realising targets for revenue, cost reduction and increased operational efficiency	High	Medium	Robust execution of initiatives complemented by tracking to confirm set targets are realised
Strategic and operations Funding of current operations and growth aspirations hampered by balance sheet capacity and other resource constraints	High	Medium	Ranking value-adding opportunities in an approved commodity strategy-aligned growth process and acceptable capital structure, underpinned by cash flow generation and preservation, giving credence to maintaining Exxaro's empowerment status Explore alternatives to raise equity given the group's equity-raising restrictions
Compliance Risk of previous versions of software applications impacting on information security and availability	High	Medium	Centralised control and enforcement of discipline combined with training opportunities on updated software applications
Financial Investment opportunities do not yield expected returns	High	Medium	Applying conservative and strict criteria for project evaluation. Continuous update of prices and macro-economic parameters complemented by a comprehensive risk analysis
Strategic Resource nationalisation resulting in sub-optimal utilisation of resources	High	Low	Influence decision-making through collective lobbying and discussions at participative industry forums
Financial Reliance on non-managed operation for financial stability	High	Low	Focus on sustainability of managed operations in isolation

Due to a different assessment of the impact, probability or control measures, or a combination of these, certain business risks disclosed in 2009 now have a residual risk rating that no longer warrants disclosure or the risk no longer exists, namely:

- Future of the KZN Sands operation
- Medium-term reserve confirmation for Namakwa Sands
- Long-term, viable quality zinc concentrate supply to Zincor
- Securing a strategic partner for Australia Sands
- Poor safety record resulting in government, labour union and stakeholder intervention
- HIV/Aids pandemic.

INFORMATION MANAGEMENT

Information technology is an integral part of doing business today as it is fundamental to the support, sustainability and growth of Exxaro. It cuts across all aspects, components and processes in business and is therefore not only an operational enabler for Exxaro, but an important strategic asset that can be leveraged to create opportunities and gain competitive advantage.

However, by its nature, information technology also presents significant risks and must be well governed and controlled to ensure the function supports the group's strategic objectives. In exercising their duty of care, Exxaro directors ensure that prudent and reasonable steps have been taken in information management governance.

One of Exxaro's strategic focus areas is achieving operational excellence. This involves simplifying, standardising and optimising core processes and structures across the group to ensure a common method of executing Exxaro business, and having exceptional services that support its growth and operational excellence.

A strategic business programme was launched (page 45) to address these and other strategic goals such as generating unrivalled value in return on capital employed, and creating robust businesses that share, optimise cost structures, improve throughput and optimise their sales mix.

Technology plays a key role in enabling this vision. Accordingly we launched an investigation in September 2010 to understand the key business drivers and technology requirements of our business programme and determine the most appropriate enterprise resource planning (ERP) strategy to enable our vision. We also appointed a general manager: information management. This senior executive is mandated to ensure Exxaro has an integrated system capable of supplying meaningful and accurate data on sustainability elements in reporting to stakeholders within the new financial year.

As part of our ERP strategy, we are migrating the group to the latest version of SAP enterprise reporting at a total capital cost of R268 million. Given the legacy issues and disparate systems so common to a merged group, we have opted for a two-phased approach to the overall execution of this project. The first phase, focused on design/blueprinting, was initiated in November 2010 and completed in February 2011. The second phase is implementing the new solution; this will begin in March 2011 and be completed by October 2011.

Oversight for information management (IM) in Exxaro falls under the new strategic business programme. It is monitored by the finance director, general manager IM, and the executive general managers for coal, sands and base metals and corporate services. The committee meets quarterly, with ad hoc meetings as required, and reports to the audit, risk and compliance committee of the board.

The IM executive committee is mandated to ensure proper ICT (information and communications technology) governance and policies are in place, that overarching ICT strategic direction is aligned to Exxaro's strategy. The committee will also monitor ICT value delivery and performance, functional sustainability and compliance with statutory requirements and corporate governance. This includes consultative processes with stakeholders such as employees and organised labour.

Governance of information management

All activities in the information management (IM) domain are governed by the following principles:

- Strategic alignment – ensuring IM strategy is aligned with business strategy and that IM delivers against the strategy
- Delivering value – optimising expenditure, proving the value of IM by delivering new investments that support the enterprise
- Risk management – safeguarding information communication and technology assets and information, disaster recovery and continuity of operations
- Resource management – making informed decisions about focus and priority for the use of information technology (IT) resources (finance, people, applications, technology, facilities, data), ensuring appropriate IT and related business resources are available to enable IM to deliver on expectations
- Performance management – tracking project delivery and monitoring all information and communications technology (ICT) services to ensure operational excellence.

STRATEGIC FOCUS AREAS

Exxaro's business strategy is guided by five areas where the group believes it must perform well to claim competitive advantage and provide an attractive investment case. We explain these focus areas below, together with our understanding of each and the relevant performance examples. The CEO and financial and operational reviews (pages 44 and 48) provide more detail in relevant areas and our business objectives set out targeted financial and non-financial indicators (page 3).

Strategic focus area	Implementation	Measure	Results and target
Ensure Exxaro's sustainability	Integrated approach to risk management	Risk management part of strategy, business planning and day-to-day operations	Entrenched integrated enterprise-wide risk management governance in place (page 16)
	Access to good quality long-term resources	Life of mine	Long-term resources are aligned with commodity strategy (page 60, 64)
	Responsible, safe operations	Environmental footprint, performance against safety and health objectives	Prudent ongoing rehabilitation and provision for closure Fatalities and lost-time injuries lower than in 2009; target remains zero (page 78) Integrated water and waste management programmes implemented (page 95) HIV and TB management strategies implemented (page 88, 89)
	Regulatory compliance Corporate citizenship	Responsible corporate citizenship footprint. Governance ratings (JSE) and Socially Responsible Investment Index (SRI)	Progressive compliance with King III and revised mining charter (page 144, 156) One of the best-performing constituents of the JSE's SRI Index (page 30) Socio-economic spend of 2,5% of net profit after tax from managed operations (page 131)
	Healthy balance sheet and financial metrics	Financial performance	Debt to equity ratio of 13% Compliance achieved with all loan covenants Healthy financial metrics; geared for growth Refer to the financial and operational review on page 48
	Protected intellectual property Appropriate new technology development	Patent and trademark registrations and protection Technology pipeline aligned with strategy	Intellectual property committee formed from internal resources and legal advisors to ensure protection and currency of patents and licenses where applicable

Strategic focus area	Implementation	Measure	Results and target
Protect and build Exxaro's reputation	Positive stakeholder engagement	Publicity/media coverage. Feedback from stakeholder interaction initiatives	Refer to stakeholder engagement summary on pages 25 to 28
	Representation and fair workplace	Recognition as an employer of choice Legislative and regulatory compliance	Rated second among the mining companies that participated in the Deloitte Best Company to Work For survey Progressive compliance with employment equity targets (page 123, 156) Entrenched and compliant employment practices supported by a code of ethics and underpinned by a grievance and disciplinary policy
	Transparent and compliant reporting	Integrated and transparent reporting of economic, social and environmental performance	2010 integrated annual report
	Industry leader in transformation	Compliance with revised mining charter	More than 50% black ownership Representative board and executive committee overseeing strategy and day-to-day management Progressive compliance with employment equity targets 50% of discretionary procurement spend went to HDSA suppliers
	Preferred local and export supplier	Feedback from customers	Refer to stakeholder engagement summary on page 25
	Living our values and brand	Internal and external surveys	Internal 360° peer evaluations reflect Exxaro value entrenchment among employees
Develop Exxaro's leadership and people	Develop effective leaders Ensure right talent for operational management and growth	Leadership interventions, cross-discipline exposure, and management rotation	Refer to social performance report on pages 120 to 128 Exxaro's Best Company to Work For rating in 2010 was slightly lower than 2009, primarily because of the restructuring programme under way (page 45)
	Reward and remunerate for innovation and productivity Recognise our people as our strength	Benchmarked remuneration Staff turnover rate Internal recognition awards	

STRATEGIC FOCUS AREAS CONTINUED

Strategic focus area	Implementation	Measure	Results and target
Improve Exxaro's portfolio	Top-quartile performer in peer group Solid performance and growth throughout the commodity cycle	JSE SRI Index rating Return on capital employed (ROCE) comparison to peer group Compound annual growth rate (CAGR) for revenue and net operating profit (EBIT)	One of the best-performing constituents of the JSE's SRI Index ROCE at 38% exceeds internal target and externally determined benchmark CAGR for revenue and EBIT at 19% and 52% respectively since creation of Exxaro
	Innovation and technological development supporting Exxaro's drive for continuous improvement and growth aspirations	Internal capacity and experience of technology resources Research and development (R&D) capacity and progress	Management of mega project development, eg Grootegeluk mine expansion for Medupi (GMEP) performed with internal resources Development of current application of Alloystream™ technology by internal R&D resources
	Well-articulated growth strategy with robust and balanced opportunity and project pipeline	Unambiguous growth strategy known to all stakeholders	Refer to strategy in CEO report on page 45 and growth report on page 60
	Funding capacity to support strategy realisation	Healthy financial metrics External financial support Credit rating	Debt to equity ratio of 13%; healthy financial metrics; compliance with all external loan covenants; appetite from financiers for Exxaro's mega-project financing (R4,5bn bridge facility for GMEP in place); formal credit rating to be considered in 2011
Achieve operational excellence	Consistently achieve annual stretched performance targets Rigorous performance reviews for operations and support services Effective project execution on time and within budget	Physical production performance Market share and reliability of supply	Coal production marginally higher in 2010; aspiration to become the largest coal producer in South Africa in the next few years (currently second) – 75Mt coal and 750kt reductants per year Increase coal export volumes and be a reliable local supplier Char plant ramped up to nameplate capacity in last quarter of 2010. Pigment plant expansion at Kwinana in Australia ramped up to nameplate capacity in 2010 Maintain position among leading global suppliers of titanium dioxide and zircon, and increase share of global chloride pigment market
	Low-cost producer	Position on cash cost curve	Cash production costs year on year on average below external inflation indicators due to disciplined cost management Business optimisation project (Siyaya) aims to introduce a more effective operating model with benefits of increased revenue and lower service costs

STAKEHOLDER ENGAGEMENT

Engaging with our stakeholders is fundamental to creating value for all our investors. It also builds solid relationships with authorities and interested and affected parties.

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

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

Stakeholder group	Objective	Issues raised	Progress
Employees are invited to comment on any aspect of the group through bi-monthly newsletters, intranet, regular employee surveys and feedback from various forums	To maintain informed and supportive employees	Retrenchment procedures Strategic business optimisation programme	Information-sharing sessions held. Opportunity to participate in consultation phase facilitated
Customer perceptions are surveyed through external service providers and by regular interaction	To ensure customers view Exxaro as a reliable supplier and partner	Long-term security of supply	Continuous engagement on mutually beneficial contractual arrangements
Supplier interaction is ongoing through external perception surveys, forums and other initiatives	› Capitalise on our purchasing power to drive socio-economic empowerment, transformation and development in South Africa › Maintain a constructive and positive preferential procurement relationship between Exxaro and its suppliers	Long-term security of supply Effectiveness of planned procure-to-pay process	Target exceeded for 2010. Progress against targets in new mining charter tracked quarterly Ongoing engagement
Trade unions – regular consultation with all recognised unions by the group's employee relations management unit	To maintain a collaborative relationship with accredited trade unions	Retrenchment procedures Strategic business optimisation programme	In 2010, Exxaro notified unions of the planned retrenchment of a maximum of 300 employees. Through consultation, we are still examining all options to limit the effect of restructuring on our people

Stakeholder group	Objective	Issues raised	Progress
Authorities – consultation at national, provincial, district and local level. Key government departments with which Exxaro interacts include mineral resources, water affairs, labour, environmental affairs and trade and industry Regulators – senior Exxaro members meet with officials from relevant government departments	To maintain informed and supportive relationships with authorities and regulators at all levels that are important to Exxaro's business aspirations	Progress with mining right conversions and approvals Issuing of water permits and environmental approvals	Relationships at national and international level are handled by senior management. Local and regional government relations are handled by experienced members of Exxaro safety and sustainable development department. Understanding that sound government relations facilitate the group's compliance/licensing requirements (mining rights, water permits, etc) Exxaro will centralise accountability for national/international relations, as well as oversight of all group stakeholder relations, as part of the group's strategic business optimisation programme
Industry bodies	To participate in industry forums instrumental to Exxaro's business	Revised mining charter. Industry safety initiatives	Exxaro's chief executive officer has completed his third term as president of the Chamber of Mines, and the group actively participates in chamber issues
Investors – regular interaction between management and investor community includes financial results presentations, roadshows, site visits and individual meetings. Investors may request access to group operations and management	To nurture solid relationships with investors, fund managers and investment analysts to ensure that Exxaro's strategy, business plans and reported results are understood	Clarity on mineral sands strategy Progress with energy portfolio Progress with divesting zinc interests	Formal programme being developed to communicate strategy, challenges and targets to local and international investors
Media – regular interaction between management and media representatives	To maintain informed and supportive media stakeholders	Coverage on mining groups' alleged non-compliance with environmental legislation	Proactive interactions for insight on Exxaro's strategy and developments: news releases, site visits, briefings, interviews. Media relations to manage ad hoc issues

Stakeholder group	Objective	Issues raised	Progress
Communities – in addition to the stakeholder engagement process, business units' management members serve on municipal forums for integrated development planning and local economic development, and actively participate in capacity-building initiatives	To consult with stakeholder communities on their needs, project planning and implementation To provide details of stakeholders, basis for identification, engagement, stakeholder concerns, use of engagement information To demonstrate commitment to stakeholder involvement on social sustainability issues through policy and implementation	Employment opportunities and environmental impacts	By June 2011 we aim to have a standardised strategy and systems in place to formalise: › Identifying stakeholders › Analysing stakeholder issues › Formulating company responses › Implementing stakeholder engagement plans for each operation › Training all relevant employees in the approach to stakeholder engagement
Interest groups – Exxaro is building strong relationships with relevant non-government bodies and interest groups	Collaboration and partnering with interest groups that are important to Exxaro's business operations	Some environmental groups raised issues with the JSE and in the media about mining companies' compliance with environmental standards, and whether JSE standards for membership of the Socially Responsible Investment index need to be raised. For Exxaro, issues included the alleged absence of water licences at specific operations and unauthorised mining operations at another	Exxaro satisfied the JSE that the required water licences had been issued, and that no unauthorised mining activities were being undertaken at Arnot's Mooifontein section. Exxaro also demonstrated that an innovative solution was being implemented at Matla to preserve and minimise mining impacts on the wetland (page 97)

STAKEHOLDER ENGAGEMENT CONTINUED

Commitment to external initiatives

As part of our goal of leadership in sustainability, Exxaro actively participates in initiatives that benefit both the industry and South Africa.

Initiative	Purpose	Progress
Community health project	To create HIV awareness and encourage HIV testing in communities surrounding our business units. We aim to create an environment that has no stigma against people living with HIV/Aids	Projects initiated at Arnot, Leeuwpan and North Block Complex in 2010. This will be followed by Inyanda, Matla and New Clydesdale in 2011
Exxaro chair in earth science at University of Pretoria	Encourage research and dialogue	Support initiated until 2013
University of Pretoria community-based project module	Develop standards and protocols	Standards and protocols periodically reviewed
Exxaro chair in business and climate change at Unisa	Encourage research and dialogue	Support renewed until 2015
Exxaro chair for global change and sustainability at Wits	Promote thought leadership	New support to 2013
Mineral Education Trust Fund	Pool industry resources to support tertiary education in the South African minerals industry and jointly seek solutions to related challenges	Annual contribution of over R1 million
National Business Initiative	To ensure a coordinated response to issues such as climate change and water	Corporate membership Exxaro participates in the Carbon Disclosure Project (CDP) programme for energy and water to ensure responsible stewardship
Bridging school	Enable school leavers to pursue tertiary education	Annual funding of over R2 million

Case study — Grootegeluk expansion embodies Exxaro's approach to sustainability

Grootegeluk mine's expansion for Medupi (GMEP) is one of the largest mining growth projects in southern Africa, and bears testimony to Exxaro's ability to successfully plan, develop and implement projects of this magnitude. On completion, this expansion will make Grootegeluk the largest coal operation in the world, producing around 33Mtpa of power station, coking and steam coal.

Realising the catalystic effect GMEP would have on the region and its infrastructure, Exxaro spearheaded the formation of the Lephalale Development Forum. This body brings together national, provincial and local government, other industry participants and civil society to meet the socio-economic development challenges that the Lephalale municipality would face.

The R9,5 billion GMEP project, near Lephalale in Limpopo province, entered a new phase in June 2010 as project team members moved on site to start construction. At present, GMEP is scheduled to begin supplying 14,6Mtpa coal to Eskom's new power station (Medupi) from the second quarter of 2012, coinciding with the commissioning of the expansion project. Full coal production is expected from 2014/2015.

The bulk of the long lead-time and major supply contracts for the project were finalised in mid-2010, including contracts for the supply of stackers and reclaimers, as well as the in-pit crushing system (a mobile system that enables operations teams to crush run-of-mine material as the mine pit advances. Material is then transported via conveyor belt to processing plants. Civil construction is well underway.

What this means to Exxaro

- Grootegeluk will be able to supply the Medupi power station with over 14Mtpa of coal for the next 40 years from a beneficiation plant that has been designed to be energy efficient and zero effluent
- It will enable Exxaro to increase its volumes available for export, and develop downstream products such as char and market coke in line with government's drive to add value to natural resources through beneficiation.

What it means to local labour

- Through Exxaro's housing project (page 94), more than R25 million has been spent with local suppliers and sub-contractors. At year end, the project had employed close to 500 local contractors, around 50% of its total labour force
- Around 100 people have been trained by Exxaro contractors as part of the group's socio-economic development plan. This includes health and safety training as well as specialised technical skills.

What it means to the region

- Additional housing, education, health and welfare services, sport and recreation facilities are being planned, in conjunction with regional stakeholders
- The capacity of the local water-treatment works (which supplies most of the municipal area with potable water) is being doubled at a capital cost of R100 million. This will supply 40 megalitres of drinking-quality water per day, which is expected to meet the region's needs into the foreseeable future. The upgrade started in April 2010 and will be completed by August 2011.

REPORT SCOPE AND BOUNDARY

Exxaro's 2010 integrated annual report covers the group's financial and non-financial performance. This integrates our economic, social and environmental results for a group-wide understanding, and sets out the challenges and opportunities ahead. The report is also available at www.exxaro.com.

The methodologies for determining specific indicators are described in the text, eg injuries, carbon footprint and air quality management.

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

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

Sustainability performance in this report spans the 12 months from 1 January to 31 December 2010. In addition to the printed report and web site, the report is also available on CD.

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

- Australia Sands – principal asset is a 50% ownership of Tiwest joint venture
- Chifeng Refinery – Exxaro has an effective 22% economic interest in an existing refinery facility in Inner Mongolia, China
- Mafube coal mine – joint venture in Mpumalanga, South Africa.
- Sishen Iron Ore Company – Exxaro has a 20% equity interest

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

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

The outcome of this process identified a number of material issues pertinent to business sustainability. These are disclosed on the foldout at the start of this report and cross referenced to detailed commentary in relevant sections.

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

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JSE Socially Responsible Investment (SRI) index

Exxaro was again ranked among the best performers on the JSE's revised SRI index in 2010. This index identifies best practice in corporate social responsibility and corporate governance in a benchmark index. Exxaro is classified as having a high environmental impact because it is involved in mining and metals.

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

Assurance – broad-based verification

Exxaro's internal systems record and monitor the quality (accuracy, completeness and consistency) of management information and any data gaps in the group.

In line with our commitment to the triple bottom line, having the quality of our disclosure independently assured is an integral part of reporting to stakeholders. Each year, the performance indicators and physical sites selected for external assurance are assessed to ensure this process adds maximum value to stakeholders. Ernst & Young's report appears on page 172.

Awards and recognition

Tshwane International Trade and Infrastructure Investment conference	Award of excellence – alternative and renewable energies category
Energy Cybernetics – inaugural Energy Barometer awards	First place – corporate head office category – for actual operational efficiency
SANAS reassessment – full decade of excellence since first achieving IS 17025 accreditation in 2000	Namakwa Sands laboratories at the smelter and mineral separation plant
NOSCAR – fifth consecutive award	Namakwa Sands – making it one of the top performing mines in the country on safety, health and environment management standards (only 80 of 13 000 companies using the NOSA system have achieved this level of SHE performance)
Nedbank Capital Green Mining awards	Exxaro won joint first place in the socio-economic category for its Zikhulise SME development and skills training centre project in KwaZulu-Natal. The group was runner-up in the prestigious sustainability category for the Lephalale eco-housing initiative, and the only company to feature twice in the awards. Now in their fifth year, the Green Mining awards acknowledge the contribution responsible mining and mineral beneficiation makes to economic development in Africa
SAICE Engineering Excellence awards	A KZN Sands team scooped Project of the Year and overall 2010 Innovation trophy at the annual Engineering Excellence awards, held by the South African Institute of Chemical Engineers. The awards recognise innovation and excellence in the field of chemical engineering and pit some of the best engineering projects in the country against each other. The Innovation accolade is widely regarded as the most prestigious award for a chemical engineer in South Africa. The same team has also been nominated in four categories for the international awards for innovation and excellence, held in the United Kingdom
2009 integrated annual report	Ranked among the 15 excellent reports by Ernst & Young's Excellence in Sustainability Reporting 2010
Corporate Research Foundation's Best Employers survey 2010	Exxaro was ranked seventh among the top large-sized employers (more than 4 000 employees)
Carbon Disclosure Project 2010	Exxaro took part in the Carbon Disclosure Project and again improved its performance significantly; it was ranked fourth out of 74 of the top 100 JSE listed companies Exxaro was also one of the few mining companies to voluntarily participate in the first CDP water project
2010 Shenhua Cup International Mining Skills Competition, China	Matla won: (1) gold in the continuous miner operations category; (2) silver in electrical fault-finding (long-wall shearer); and (3) bronze for long-wall mining operations

MACRO-ECONOMIC AND COMMODITY REVIEW

Following on the global recession of 2009, the world economy was characterised by a two-speed recovery in 2010. Whereas the advanced economies recorded real GDP (gross domestic product) growth of some 2,8%, the economies of emerging markets expanded by a much better 7,0%. The world as a whole recorded real GDP growth of 3,9%, with developing countries growing at a fair rate of 4,0%.

Despite unprecedented monetary easing and stimulatory measures in advanced economies, these countries continued to face conditions typified by tight credit, stagnant consumer demand and business investment, declining housing demand and prices, and high unemployment. In addition, banking and sovereign debt crises, notably in Greece and Ireland, continued to undermine confidence in the developed world, especially in Europe. Real GDP growth in the USA and Western Europe advanced by 2,9% and 1,7% respectively, while Japan's GDP increased by an exceptional 4,0%.

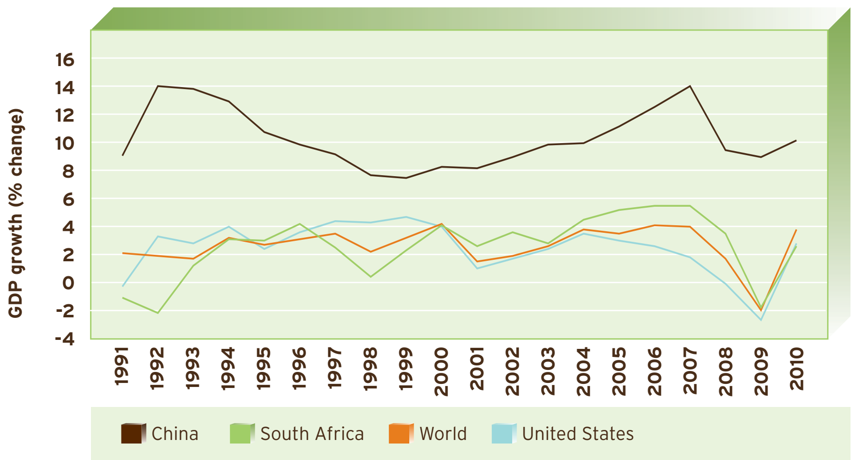
In emerging markets, on the other hand, monetary easing and stimulatory measures had the desired effect and these countries continued to grow at a healthy pace in 2010. China recorded real economic expansion of 10,3% and India 8,5%. Improved intra-regional trade in south-east Asia countered muted demand conditions in the major consumer markets of the USA and Europe. However, rising inflationary pressures in emerging economies caused governments to resort to monetary-tightening measures in the second half of 2010, resulting in a moderate slowdown in growth generally.

In 2011, the two-speed recovery is likely to remain a feature of the global economy. Real GDP growth of some 3,5% is expected worldwide, with growth in advanced economies decreasing to an expected rate of 2,4% due to the persistence of conditions noted earlier and the need for fiscal tightening in Europe especially. Economic growth in emerging markets is expected to decline moderately to about 6,4% due to monetary tightening in these countries and slowing growth in the export markets of Europe and Japan. However, economic expansion in these countries will remain the major engine of growth in the world economy in 2011.

Economic expansion in the USA is expected to pick up steam in 2011, with the country expected to record a respectable real GDP growth rate of 3,2% based primarily on private-sector recovery and the continuation of fiscal stimulus. The sovereign and banking-debt crisis is expected to continue to weigh on confidence in Europe, with more countries, such as Spain, Portugal and Belgium, thought to be at risk. Economic growth of some 1,6% could be realised in Western Europe. After a healthy recovery in 2010, Japan's real GDP growth is forecast to stall temporarily, reaching only about 1,2% in 2011.

Real GDP growth in China is anticipated to be 9,5% in 2011. As with many other emerging economies, the slowdown in growth is expected to be precipitated by fiscal and monetary tightening and depressed market conditions in Europe and Japan. Economic expansion in India, however, is not expected to suffer much, with real GDP growth of 8,3% forecast for 2011.

Comparative GDP growth rates



The key risks to the global economy in 2011 are the possibility of more sovereign debt problems in Europe, as well as possible premature and excessive fiscal and monetary tightening in this region which would result in very weak growth. In emerging markets, on the other hand, there is the risk that central banks may not react quickly enough to counter the inflationary threat and that price increases could thus spiral out of control. Conversely, excessive tightening would constrain economic growth. In the USA, the major risk appears to be the possibility that the property market could continue to stagnate, pushing a recovery in this market beyond 2011. This risk is shared by some countries in Europe, notably the UK, Spain, France and Sweden.

Other economic risks facing the world include the spectre of increased protectionism, currency manipulation and capital controls due to real or perceived exchange rate imbalances, the possibility of equity and property bubbles in emerging economies, and spikes in the prices of oil, food and other commodities worldwide. The latter could continue to give rise to social unrest, especially in countries with high unemployment.

Following on the dismal economic growth performance during the worldwide recession in 2009, South Africa's real GDP growth recovered, albeit slower than expected, to 2,7% in 2010. Despite high consumer debt levels, strict bank lending rules, continued job losses and elevated energy costs, real private consumption expenditure increased at a healthy 4,7%.

Expectations are that accommodative monetary policy, together with strengthening real disposable income and an increase in consumer confidence, will result in improving demand conditions and the economic recovery gaining momentum in 2011, leading to real GDP growth increasing to 3,6%. This is, however, still significantly below potential. High household debt, a strong local currency, uncertainty on future macro policy, high wage costs, electricity shortages and sharply higher electricity prices, infrastructure inadequacy and skills shortages will continue to constrain the economy. Economic developments elsewhere in the world will also continue to have a significant impact on economic conditions in South Africa.

South Africa's average annual consumer price inflation declined to 4,3% in 2010 from 7,1% in 2009, allowing for further monetary relaxation by the Reserve Bank during this period. On a quarterly basis, the inflation rate started levelling off in the fourth quarter, at 3,5%, with increases in administered prices and above-inflation wage demands limiting the downward potential. The average inflation rate in 2011 is expected to remain at the level of 2010.

The rand continued to strengthen against the US dollar in 2010, recording an average rate of 7,32 compared to 8,44 in 2009. The rand strengthened significantly in the last quarter of 2010, due mainly to investment flows into the country as emerging markets became the destination of choice for foreign investors seeking higher yields for their investments. The rand is expected to remain strong in 2011, at an average exchange rate of 7,15 against the US dollar. A strong rand will continue to put pressure on export earnings and on the competitiveness of exporters. Factors that could have a major impact on the exchange rate include stronger-than-expected economic growth in the USA and further sovereign debt woes in Europe.

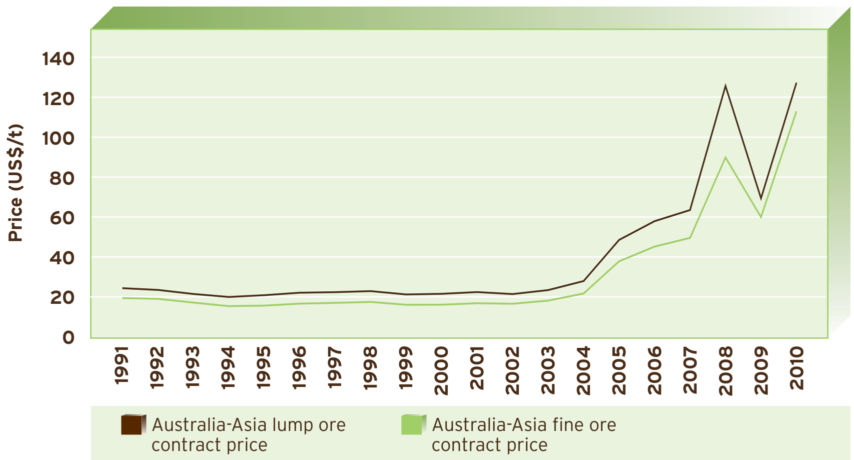
Commodity review

China, and to a lesser extent India and other emerging economies, remained the major engine of growth for commodity demand in 2010. Robust materials-intensive real fixed asset investment and industrial production growth, rising by 12,5% and 15,3% respectively, meant China again accounted for the major portion of the increase in commodity demand in 2010 with that country being responsible for over 30% of world demand for almost all major mineral commodities.

In 2010 commodity prices improved across the board, led by bulk prices, as advanced economies started recovering after the recession and emerging markets continued to grow at a healthy pace. The Economist Metals Price Index, based on base metals prices, rose by 22%, crude oil prices increased by some 28% and steel and stainless steel prices improved by about 30%. Besides commodity production and utilisation, mineral markets were influenced by supply disruptions, including weather-, infrastructure-, labour- and politically-related events, exchange rate movements and investment demand, with the impact of the last factor continuing to increase.

Estimates are that global crude steel production increased by 15,0%, or by 184Mt, in 2010 compared to 2009. In China crude steel production expanded by about 53Mt (9,3%) compared to 2009, totalling about 627Mt. Production in the rest of the world thus rose by some 20,0%, or about 131Mt, to 787Mt. However, this recovery in crude steel production in the rest of the world has left output still some 4,8% below the level of 2008, prior to the global economic recession. Growth in global steel production is expected to continue in 2011, with emerging and advanced economies participating in this expansion. Output of crude steel is expected to increase by some 5% – 10%. However, shortages of raw materials, particularly due to weather-related supply disruptions, could hamper steel production.

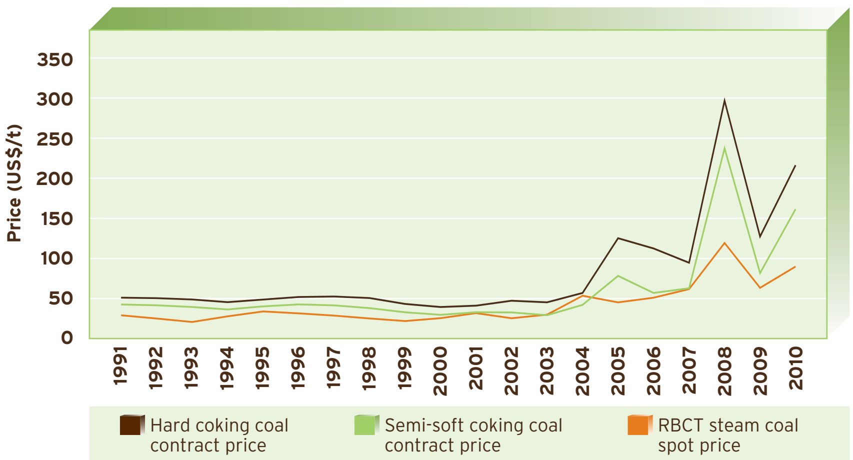
Nominal historical contract iron ore prices



In the international coking coal market, the pricing mechanism underwent fundamental change in 2010, moving from annual benchmark contract pricing to quarterly or even monthly pricing. The coking coal market remained structurally tight in 2010, driven primarily by rising import demand from China and India and demand recovery in the rest of the world, especially Europe. On the supply side, traditional swing producers, the USA and Canada, rose to the occasion by filling the gap in the market. The average spot coking coal price in 2010 was USD222/t, some 53% higher than the average for 2009. Structurally the coking coal market is expected to remain tight in 2011, with average prices probably remaining at levels similar to 2010. However, significant disruption to coking coal production and transport in Queensland, Australia, due to torrential rains over end-2010 and early-2011 could see prices rise significantly in the first quarter of 2011 or longer. Benchmark semi-soft coking coal and low-vol PCI coal saw price rises above 80% in 2010. Given the forecast tight market conditions for coking coal in 2011, these swing metallurgical products could enjoy another year of strong price increases.

The average Richards Bay spot steam coal price for 2010 of USD91,21/t was some 42% higher than the average for 2009. After starting the year at about USD83/t, the price ranged between USD82-95/t until the end of October, after which it started rising significantly to exceed USD120/t at the beginning of 2011. The price increase was driven by weather-related supply disruptions, firstly in Indonesia and Colombia and then in Australia towards the end of the year. Demand from India and China saw imports increasing by more than 25% in these two countries, whereas exports from Indonesia and Colombia rose by some 17% and 10% respectively. Export volumes from Australia and South Africa were stagnant due to logistical bottlenecks. The torrential rains in north-eastern Australia in early 2011 will cause steam prices to remain well above the USD110/t mark in the first part of 2011 with the average price probably also reaching a level above USD110/t. Logistical capacity for seaborne coal is expected to remain lower than demand in 2011, which will also support higher prices. South Africa will not be able to capture the potential additional value in the market given that the ramp-up of rail capacity is much slower than that of the port.

Nominal historical coal prices



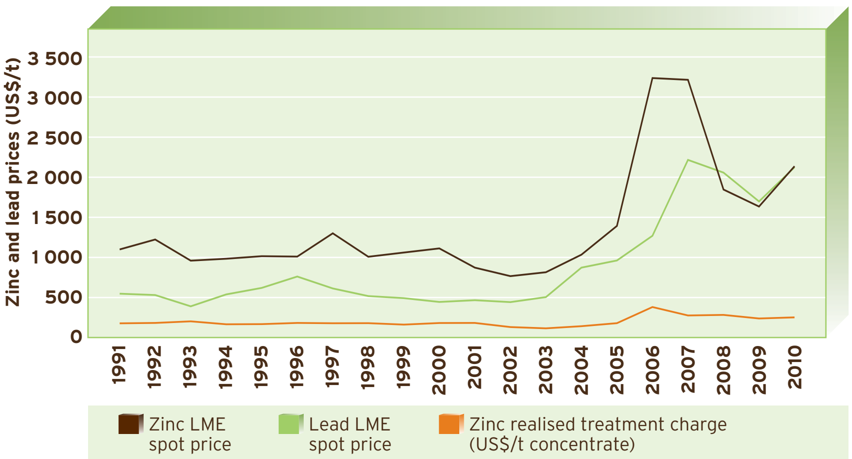
In 2010 the iron ore contract price settlement mechanism between iron ore producers and steel mills generally changed from an annual contract to quarterly contracts, the latter being based on a trailing three-month average of spot prices for market transactions in China. Monthly Chinese spot prices for fine ore increased from about USD100/t at the beginning of 2010 to about USD180/t in June, before dropping to USD140/t in September. The last quarter saw prices rising again to USD170/t in December, for an average of USD142/t for the year. This was about 90% higher than the comparable price in 2009. The Chinese spot iron ore price trend followed the steel production trend in that country. During the year Chinese imports of iron ore declined by about 2%, but domestic production was significantly higher than in 2009. Iron ore imports in the rest of the world expanded by about 30%, consistent with the recovery in steel production. The global iron ore market is expected to remain tight in 2011 and prices are therefore forecast to increase by more than 20% on average. However, should a shortage of coking coal, due to flooding in north-eastern Australia, cause steel production to be curtailed, iron ore demand and prices could come under pressure.

In 2010 the average LME cash zinc price was USD2 162/t, some 31% higher than in 2009. In the first half of 2010, the zinc price declined from an average of USD2 434/t in January to USD1 743/t in June, with market fundamentals and a strengthening dollar dictating the price trend. However, in the second half of 2010, dollar weakness and commodity investment demand pushed prices to an average of USD2 281/t in December.

In 2010 zinc demand grew by about 14%, with advanced and emerging economies, including China, contributing equally in percentage terms. Due to relatively high zinc prices during the year, refined zinc production rose by 12%, resulting in a market surplus of about 900kt. This caused zinc stocks to continue expanding, with LME inventories rising from about 489kt at the beginning of 2010 to some 701kt at the end of the year.

In 2011 refined zinc production is expected to expand by only about 3%, while demand is projected to expand by 6%, primarily driven by China and other emerging economies. This should result in the market surplus declining by 40%, but also in stockpiles that keep on increasing. Nevertheless, commodity investment demand should sustain prices and an average price of some USD2 200/t is forecast for 2011.

Nominal historical zinc and lead prices

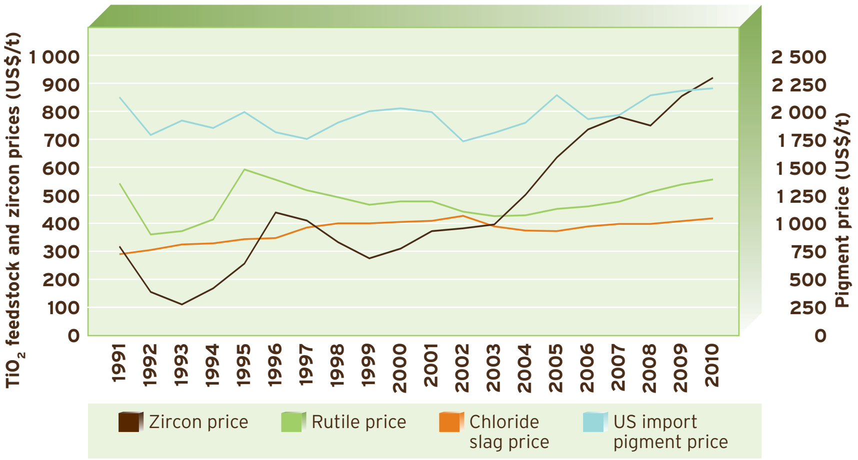


Following an approximate 9% increase in mine production in 2010, zinc concentrate production is expected to increase only by about 5% in 2011. Forecasts are that the concentrate market will be in modest oversupply, but that realised contract zinc treatment charges in 2011 will be lower than 2010, as a result of spot zinc treatment charges being much lower than realised contract treatment charges for all of 2010, with the gap widening in the second half of the year. A zinc treatment charge of USD210/t of concentrate is forecast for 2011.

Due to the economic recession, the titanium dioxide pigment industry cut back production in 2009 to match demand, resulting in low capacity utilisation rates. Inventories were also drawn down to historically low levels. In addition three western plants were closed permanently during the recession, leading to net capacity declining by 5%. In 2010, demand recovered at a higher-than-expected rate of about 10%, with consumption increasing both in advanced and emerging economies. Industry efforts to ramp-up production to meet demand and replenish inventories were not entirely successful, due to production disruptions. The tight market in 2010 resulted in average worldwide titanium dioxide pigment prices rising at a healthy 13% during the year. Continued low inventory levels and expanding demand should produce another tight market in 2011 with a further increase in pigment prices.

MACRO-ECONOMIC AND COMMODITY REVIEW CONTINUED

Nominal historical TiO_2 pigment, feedstock and zircon prices



In 2010 higher-than-expected increases in demand for titanium dioxide feedstock from the pigment industry, estimated at 16%, led to a tight market during the year, despite producers ramping up production to operate at close to full capacity. Supply disruptions, noticeably labour- and production-related events in southern Africa, exacerbated market tightness. Average prices for titanium feedstocks generally moved sideways or increased moderately. However, towards the end of 2010, the outlook for noteworthy feedstock price increases in 2011 gained ground with producers and consumers alike realising that markets, especially for high-grade feedstocks, would probably remain tight in the next few years and could move into significant deficit in the medium term. This outlook is the result of serious underinvestment in the feedstock industry over the last five years because of low industry profitability. This leaves the supply industry with very little scope for new output expansion in the short to medium term and higher prices are clearly needed to induce new project development. In addition, significant cost pressures are being recorded in the industry, notably electricity prices in South Africa. Contracts that cap price increases will also start expiring across the industry between 2011 and 2013, and will not be renewed. Together, these factors point to significant feedstock price increases in the next few years. In 2011 price improvements of around 15% and more are anticipated.

During the economic recession, production of zircon was curtailed to match demand and to reduce high inventory levels. However, the rapid recovery in demand in 2010, driven primarily by China, caught the mining industry by surprise, with inventories being drawn down appreciably and a market deficit developing. This, coupled to the fact that no significant new production capacity is likely to come on stream before 2012, led to zircon prices increasing markedly in the second half of 2010. This trend is expected to continue into 2011 as world markets face a supply-constrained future. Average international bulk zircon prices rose by a projected 26% in 2010. The average annual zircon price in 2011 is expected to be more than 60% higher than in 2010.

In 2010 the dollar weakened by 5% – 15% against the currencies of major commodity-exporting countries. This softening was generally caused by the accommodative monetary policy in the USA and investment flows into emerging markets, as well as countries like Australia, where higher investment yields could be realised. The weaker dollar resulted in actual commodity-price increases in local currency units to be lower than price rises achieved in dollar terms. It also placed pressure on the dollar-denominated cash costs of companies operating in these countries. Conversely, the strengthening of the Chinese yuan against the dollar decreased the cost of commodity imports into China. The weakening of the dollar against the currencies of commodity-exporting countries is expected to continue in 2011, but at a much more modest rate.

Mining costs generally increased in 2010 due to strong commodity demand from emerging economies and some recovery from advanced economies requiring capacity restarts and expansions. Stronger producer currencies and higher energy prices added to these pressures. Generally lower grades and expensive infrastructure requirements also put significant pressure on the cost of new projects.

Global bulk freight rates were extremely volatile in 2010. The Baltic Dry Index increased by 35% in the first five months of the year, then declined by 60% over the next two months. A recovery of 76% in the ensuing two months was followed by a fall of 43% to the end of December, to a level 45% below that at the beginning of the year. The major demand drivers of the market were the bulk commodity import needs of China and India, which grew strongly but were overshadowed by the rise in capacity of the shipping fleet. Estimates are that the Cape-size fleet grew by a net 214 ships to 1 172 vessels, or 22%. As another significant increase is expected in the shipping fleet in 2011, freight rates are projected to remain low.

In 2010, according to the Metals Economics Group, estimated worldwide non-ferrous exploration spending improved by 44% to USD21,1 billion. This followed on the fall of 42% in 2009 due to the economic recession. The increase coincided with improved commodity prices and greater access to financing for junior explorers. The increase in exploration spending occurred over a broad front, including major, intermediate and junior companies and most countries. However, exploration expenditure was still 16% below the record level of 2008, indicating that the appetite for risk had not returned to levels experienced prior to the recession. Increasing resource nationalism worldwide continued to add to the risk faced by explorers. Exploration expenditure is expected to continue rising in 2011.

CHAIRMAN'S STATEMENT

LEN KONAR

'The Chilean mine rescue in October 2010 was an unmitigated triumph but an equally stark reminder of how much more needs to be done to improve mine safety all over the world. In South Africa, we exceeded the 20% annual milestone agreed by the mine health and safety tripartite alliance stakeholders, reducing the number of fatalities in the industry by 24%.'

MORE IMPORTANTLY, THERE HAS BEEN A 59% IMPROVEMENT SINCE 2003. RECORDING THIS PROGRESS AT INCREASING OPERATIONAL DEPTHS, COMBINED WITH A NATIONAL SKILLS SHORTAGE AND SLOW INDUSTRY ADVANCES IN FOSTERING A GENERAL CULTURE OF SAFETY, IS AN EXCEPTIONAL ACHIEVEMENT.

Equally exceptional was the June 2010 launch of a strategy for sustainable growth and meaningful transformation of the South African mining industry. This was an important milestone in collaboration between government, the mining industry and organised labour. Critically, it is also a fundamental acknowledgement by all stakeholders that the prosperity of South Africa is inseparably linked to the successful operational imperatives of its world-class and dynamic mining sector.

The mining industry is vital to South Africa's economy, accounting for around 9% of GDP, and 1 million direct and indirect jobs of the 9 million people formally employed. It accounts for more than 50% of the country's merchandise exports and is, by far, South Africa's biggest earner of foreign exchange. The mining industry accounts for about 35% of the value of the JSE and maintains its profile as a significant contributor to the development of infrastructure, quite frequently in deep rural areas of South and southern Africa where very little other economic activity takes place. In the areas of secondary beneficiation and final fabrication, about R200 billion in value is added to South Africa's minerals with the country being self-sufficient in steel and cement, and a major producer of ferroalloys, chemicals, plastics and synthetic fuels. These initiatives save the country some R20 billion in imports and about 90% of South Africa's total electricity generation is derived from power stations fuelled by locally mined coal.

As chairman of one of South Africa's major coal producers, it gives me great pleasure to disclose that by sales value, coal has become the largest component of our country's mining industry. According to the Chamber of Mines, in 2009 total coal sales revenue exceeded R65 billion, followed by platinum group metals or PGMs at R58 billion and then gold at R49 billion — together accounting for over 70% of South Africa's mineral sales in that year.

But South Africa's mining sector has shrunk over the 16 years to 2009, compared to a global average growth rate of 5%. The reasons for this are manifold, including those beyond the industry's control, such as a volatile rand/dollar exchange rate and the global economic recession. However other constraining factors are now being addressed, to a greater or lesser extent. These include infrastructural challenges, bureaucratic delays, regulatory uncertainty, the balance between productivity and cost, and the pool of available skills.

We remain concerned at the high levels of unemployment in South Africa compared to major emerging economies, as well as the continued challenges of poverty and inequality. We must be vigilant in ensuring that ongoing above-inflation wage increases are matched by productivity gains.

In the past year, we succeeded in being the best World Cup hosts. We need to build on that momentum and spirit and — in line with President Jacob Zuma's recent state of the nation address — meet the challenges of job creation and functioning schools to produce new generations of citizens ready to play their rightful role in a new and improved South Africa, as well as beyond our borders.

South Africa has been rated as the richest mineral resource holder in the world, well ahead of resource-rich countries such as Russia and Australia. The mining industry has a pivotal role to play in developing people and communities, and investing in the necessary research and development to beneficiate our minerals in support of sustainable economic growth. The commitment of the major mining companies to this path is evident in a range of collaborative initiatives: the mining industry growth and development task team, the revised mining charter, and the tripartite action plan on health and safety. With ongoing cooperation between government, labour and the mining industry, we can ensure mining remains a force in the South African economy.

Focus on water, energy and climate change

Nine of the world's 10 warmest years have occurred since 2000, and 2010 was one of the hottest globally since records began. According to the UN World Meteorological Association, over the past century the global average has climbed from 13,6°C to 14,4°C. Rising temperatures have obvious implications, particularly in water-scarce regions such as southern Africa.

Last year, I noted that energy in its broadest context must be dealt with as a strategic imperative — we need to take a multi-faceted approach to this issue. As part of this process, Exxaro recommitted to saving 10% on energy efficiency and carbon emissions by 2012 — a savings target that would be included in the annual business planning process. We are now in the second year of the three-year pledge, and we will strive even harder in 2011 to achieve these targets.

Equally, we acknowledge the view that human activity, especially in burning fossil fuels, contributes to increasing the

ACKNOWLEDGING THE POTENTIAL SEVERITY OF WATER ISSUES – SUPPLY, QUALITY AND ACCESS – IN SOUTH AFRICA, EXXARO LAUNCHED AN INTEGRATED WATER AND WASTE MANAGEMENT PROGRAMME DURING THE YEAR.

concentration of greenhouse gas emissions in the atmosphere; this in turn contributes to global warming and ultimately climate change that affects social and economic wellbeing and the ecological balance in different ways across the world. As a responsible mining group, Exxaro continues to participate in the Carbon Disclosure Project (CDP) and has again improved its performance significantly. In 2010, Exxaro was ranked fourth out of 74 of the top 100 JSE-listed companies.

It is now widely accepted that the first effects of climate change will be experienced in the areas of water and water management.

The overriding objectives of the programme are to:

- Ensure a cost-effective integrated approach to water management
- Be environmentally responsible
- Be ecologically sustainable.

Accordingly, we commissioned an expert analysis on water reclamation and re-use across our group. This formed the basis of developing a detailed action plan to address water and waste management for Exxaro. The plan addresses all key components – from risk management to stakeholder engagement – against measurable progress markers.

Exxaro also voluntarily participated in the first CDP water disclosure initiative and will continue to do so (page 95).

Regulatory environment

Several key developments were finalised during the review period. These included agreements by the industry's tripartite stakeholders (government, the mining sector and organised labour) on strategic imperatives, particularly transformation and growth, that will guide and direct mining sector decision-makers well into the future. The aim is to elevate the industry to higher levels of effective performance so that it is able to maintain and increase its contribution to national socio-economic development and prosperity.

Intrinsically linked to realising this aim is the revised mining charter which was published in September 2010. Following extensive consultation, we believe the Department of Mineral Resources has succeeded in producing a reasonably balanced charter. In the new charter, some targets are specified in more detail which adds the important element of certainty, always a top-end consideration in investment decisions. New targets relating to the sustainability of the industry have been added and the scorecard has been improved. We welcome the elevation of health and safety performance to charter level.

While the charter has achieved the difficult balance needed between the imperatives of transformation and encouraging investment in the South African mining industry, the interpretation of some provisions will be important. These include the need for clarity on the continued recognition of empowerment transactions that have established independent and viable historically disadvantaged South African (HDSA) mining companies. The requirements and possible offsets relating to beneficiation also remain unclear, especially when the restrictive impact of potential electricity supply constraints on possible beneficiation activities is taken into account. The procurement requirements in the charter will remain challenging but we acknowledge the importance of developing HDSA enterprises; our commitment is reflected in the solid progress made in this field (page 129).

The mining industry's regulatory framework has been critically examined and work has begun on a review of the Mineral and Petroleum Resources Development Act, the MPRDA. Proposed amendments are expected to be finalised in 2011.

Given that infrastructural inefficiency is another area of concern affecting industry growth and competitiveness, the tripartite stakeholders decided to establish a long-term infrastructure planning mechanism for the sector. The primary purpose of this initiative is to thoroughly research the infrastructural needs of the industry and provide inputs to all other national infrastructural processes. The ultimate intention is to fast-track specific infrastructural interventions so that mining commodities can more effectively and in greater quantities be conveyed to global demand destinations.

Sustainable development

Embedding sustainable practices as part of corporate strategy offers valuable environmental and social benefits, as well as greater business and shareholder value in the long term. Exxaro has joined leading companies around the world in entrenching this approach.

While the business imperative to remain profitable must be central to all Exxaro's actions, we recognise that sustainability and social responsibility issues have a direct influence on our ability to perform in future.

Sustainable development, or its end goal of sustainability, is a cornerstone of Exxaro's business, strategy and culture. We aim to make Exxaro an undisputed leader in sustainability. Equally, reporting on and providing assurance to stakeholders each year on financial and non-financial performance is becoming a standard against which responsible companies are measured. We support the transition to integrated reporting espoused by King III and the Global Reporting Initiative (GRI), believing this approach will clearly communicate how Exxaro aligns sustainable development considerations with core enterprise-wide strategy.

As part of our reporting process this year, we used a multi-disciplinary approach to identifying the group's material issues. These impacts were tested with a corporate stakeholder forum comprising interested and affected parties. Feedback from the forum was incorporated into divisional plans to manage these issues and approved by Exxaro's executive committee. Functional heads have committed to managing these issues by either setting specific performance targets or committing to do so in 2011.

We were pleased to again be ranked among the 15 reports regarded as excellent in the 2010 Ernst & Young Excellence in Sustainability Reporting survey. We understand that reporting to stakeholders and providing assurance in a balanced way on financial and non-financial performance is an evolving discipline. At Exxaro, much effort goes into distilling this information each year to present an honest picture of the group to all stakeholders. We therefore welcome local and global initiatives under way to develop standards for integrated reporting. This will make stakeholder reporting more meaningful by entrenching a culture of sustainability and engaging board members to ensure that this permeates throughout each company. Exxaro is making good progress on both aspects.

Transformation and skills development

South Africa is currently producing around 5 600 qualified artisans each year, well below the annual target of 12 500 set by the Department of Higher Education and Training. Exxaro has, similar to previous years, contributed more than its proportionate share to skills development in the wider industry in an attempt to address the ongoing shortage of skills in the country. Through our talent pipeline programme for graduates, we are addressing future shortages of critical skills as part of our commitment to skills development within a broader socio-economic development framework.

Corporate governance

Exxaro and its directors are fully committed to sound corporate governance and to the principles of fairness, transparency, accountability, responsibility and integrity in dealing with shareholders and all other stakeholders. We endorse the King III report on corporate governance released on 1 September 2009, and have begun to implement these recommendations.

Good governance is the foundation of our ongoing ethical approach to business. The board continued to focus on promoting the high standards of conduct we expect of our employees, customers and suppliers around the world, recognising that our leadership and actions speak louder than words.

CHAIRMAN'S STATEMENT CONTINUED

A comprehensive governance report is published on pages 140 to 169 of this report. The tone at the top and on the board has fostered an environment that reinforces the commitment to high ethical standards, compliance with legal requirements and resistance to market pressures for short-term results.

Our vision, our values and our commitment to accountability will keep us focused on our pursuit of excellence, regardless of how challenging the road ahead is.

We believe in the importance of our culture and ethics in business. Exxaro's long-standing traditions of financial strength, long-term customer relationships and entrepreneurial, yet responsible, management are as important as ever.

Directorate

The following changes took place in our directorate during the year. Ms Simangele Mngomezulu resigned, effective 21 December 2009, and Ms N Langeni was welcomed as her successor with effect from 23 February 2010.

Remuneration

At Exxaro, we are committed to the principle of sensible market-related remuneration, structured to align our business objectives with long-term shareholder interests. Exxaro's strategic objectives focus on delivering sustainable value over time.

The board of directors and executive management measure Exxaro's progress against these strategic objectives. Progress is then benchmarked using both financial and non-financial measures and performance is appropriately rewarded.

A detailed remuneration report appears on page 160.

Integrated risk management

Over the years, we have embedded robust risk, capital management and internal controls group-wide.

Events during the year have powerfully reinforced the need for boards to have a clear understanding of the risks their businesses face. We believe the Exxaro board and its committees have set a high standard and we continue to improve the manner in which we evaluate, formulate, communicate and manage the broad spectrum of risks to which our businesses are exposed.

Our existing risk practices, frameworks and procedures proved relatively robust during the review period and no major changes to the risk management process were necessary.

Safety, health and environment

Health and safety remain top priorities for the board and group as a whole.

We are committed to enforcing compliance with the requirements of the South African Occupational Health and Safety Act 1993 (Act 85 of 1993). Management remains dedicated to identifying potential hazards and reducing risks at all our operations.

Our efforts in addressing environmental issues are constantly developing and we are committed to protecting the environment.

Dividend

While acknowledging the need for prudent cash flow management in an uncertain global economic environment, Exxaro's solid operational and financial results, and extensive growth aspiration, supported the board's declaration of a final dividend for the 2010 financial year of 300 cents per share (2009: 100 cents). This brings the total dividend for the year to 500 cents per share (2009: 200 cents), covered three times by attributable income. Particularly pleasing, some R27 million accrues to Exxaro's non-management category employees in terms of an employee share ownership plan implemented subsequent to the creation of the group in 2006. Since inception of the share ownership plan, these employees have benefited from dividend declarations worth R66 million.

Appreciation

The past two years have been among the most challenging in mining history. The young Exxaro group has weathered this with commitment and passion, underscoring its depth of mining and management talent. Sipho Nkosi, who also completed his third consecutive term as president of the Chamber of Mines in the review period, and his executive team have led by example in spearheading Exxaro's continued growth and development. Behind them is a formidable team of almost 11 000 dedicated professionals — we thank every one of you.

Thanks too to my fellow board members for their input and counsel, and ongoing contribution to the highest standards of corporate governance.

Exxaro continues to make sterling progress since its formation four years ago and we are confident that the groundwork has been laid for continued success, operationally and in creating value for all stakeholders.

Prospects

Prospects for the mining industry in South Africa are arguably more robust at present than any time since 2007, qualified by the need for cost containment across the sector and fears of a protracted recovery from the recession.

However, and to follow on from my opening remarks, to avoid missing out on the next commodities boom, South Africa needs to prioritise infrastructural investment, particularly rail, ports and electricity supply. In tandem, as an industry, we also need to concentrate on innovation and beneficiation in a supportive regulatory environment.

These challenges will not be addressed by government alone. Electricity supply is probably the single-biggest constraint to growth in the local mining sector. But meeting this need will take time. Recent developments spearheaded by the Chamber of Mines illustrate an unprecedented level of cooperation between mining companies, labour and government to put the industry on a sustainable growth path — one that incorporates transformation and addresses the salient issues to make the industry more competitive. Mining is one of the government's top five priority growth areas and our industry is expected to be a major contributor to the government's new growth path target of creating five million jobs by 2020.

Exxaro is ready to play its role in achieving this vision, firstly because we are a South African company and, secondly, because in a world with a growing population and limited resources, there will always be demand for minerals and commodities.

Through the resources, expertise and experience base of the wider group, our goal is to unlock value for shareholders associated with our portfolio of investments.

Dr Len Konar
Chairman

15 March 2011

CHIEF EXECUTIVE OFFICER'S REVIEW

SIPHO NKOSI

'Exxaro's fourth year as a listed empowered group was characterised by several excellent operational performances, notable progress in the safety field, technological breakthroughs, and pleasing progress in realising our growth opportunities, particularly the Grootegeluk mine expansion for Eskom's Medupi power station (known as GMEP).'

THE GROUP'S SOLID PERFORMANCE FOR 2010 IS REFLECTED IN CONSOLIDATED REVENUE RISING 14% TO R17,2 BILLION AND NET OPERATING PROFIT BY 52% TO R2,6 BILLION ON GENERALLY HIGHER SALES VOLUMES AND COMMODITY PRICES, AND DESPITE THE IMPACT OF A STRONGER RAND AND AUSTRALIAN DOLLAR TO THE US DOLLAR.

Strategic intent

Exxaro's strategic intent is to be a diversified mining company with the following commodity-specific aspirations:

- Coal
  - Develop mega mines such as GMEP
  - Increase export volumes as well as volumes to the metals market
  - Develop downstream value-adding products such as char and market coke
  - Pursue viable hard coking coal projects
- Mineral sands
  - Maintain position among leading global suppliers of titanium dioxide and zircon, and increase share of global chlorine pigment market
- Iron ore
  - Increase Exxaro's footprint by adding a direct, managed operational asset
- Energy
  - Pursue viable clean-energy alternatives as part of a drive to achieve energy security.

Progress against strategic intent

- Excellent progress has been made on our R9,5 billion GMEP to supply Eskom's Medupi power station with 14,6Mtpa of coal for 40 years. First coal is due to be supplied in early 2012. The project was at 41% overall completion by 31 January 2011, and remains on schedule and within budget.
- On 23 February 2011, the Exxaro board approved the development of Fairbreeze subject to normal regulatory and environmental approvals. Fairbreeze will replace Hillendale mine which is nearing the end of its life of mine.
- The four retorts at the char plant reached nameplate capacity in the last quarter of 2010.

In October our Western Australia-based joint venture, Tiwest, commissioned a major expansion project at its Kwinana pigment plant, increasing production capacity by 40 000tpa to around 150 000tpa. This will meet growing global demand for its core product, titanium dioxide pigment.

Further growth initiatives aligned with Exxaro's strategic intent appear in the growth report from page 60.

Compliance

At the time of writing, mining rights conversions had been granted for all but two of Exxaro's operations. All Exxaro's new operations (or extensions to existing operations) have mining rights and approved environmental management and social and labour plans, except Belfast. Final revisions for this operation were submitted to the department for consideration.

The compliance status of Exxaro's operations is disclosed in the governance section on page 146 and 147.

Optimising our business

To realise our strategy, we initiated an intense business-improvement process in 2009. Known as Siyaya, two specialised teams were mandated to explore how best to help the group become operationally excellent – a high-performing, low-cost and sustainable business.

In October 2010, a proposed solution for the way forward was approved in principle, subject to the consultation process, by the Exxaro board.

- The services element of Siyaya was tasked with redesigning Exxaro's services environment to better support the group's operations, growth aspirations and to achieve operational excellence.
- The Siyaya core project focused on key challenges in Exxaro's operational environment: how to improve the return on capital employed to support the group's growth plans; how to align and optimise operational structures and processes in business units; and how to entrench a culture of continuous improvement in the group.

The key elements of the proposed services approach are largely internal and have been well communicated to employees. These include a clearer distinction between the role of the corporate office (managing the group from a strategy, risk and governance perspective by setting direction, implementing policies and safeguarding the group) and the services unit (providing efficient services to internal clients, with no corporate control functions). The services function will measure performance, set continuous improvement targets, define clear service catalogues and manage Exxaro's services offering.

Most importantly for external stakeholders, the proposals address the relatively high cost of Exxaro's services, which are at the upper end of industry benchmarks. The proposed solution will move Exxaro to the lower end of that scale by 2015 by entrenching a culture of continuous and disciplined improvement to enhance the group's long-term competitive advantage and optimise productivity.

The Siyaya services and core teams have identified ways to potentially save over R700 million in costs, while releasing around R900 million in untapped revenue potential.

These proposals, if implemented, could result in a significant restructure of the group. About 1 300 employees could be affected, either through minor or substantial changes to their jobs, a

GROUP SAFETY PERFORMANCE FOR THE YEAR SHOWED EXCELLENT PROGRESS AT SEVERAL OPERATIONS, WITH FATALITIES DECREASING FROM FOUR TO TWO AND A RECORD 24% IMPROVEMENT IN THE LOST-TIME INJURY FREQUENCY RATE TO 0,25.

reduction in the number of positions or location changes. Exxaro has already announced that a maximum of 300 employees might be retrenched. However, the group will do everything possible to limit the impact on employees and all options will be investigated, including.

- Offering voluntary severance packages at Exxaro's discretion
- Limiting external and temporary staff appointments
- Strictly managing filling of vacancies
- Critically considering the use of external contractors
- Offering early retirement at Exxaro's discretion
- Limiting excessive overtime
- Redeploying or reskilling employees.

Exxaro has started a formal consultation process with trade unions, in accordance with the Labour Relations Act. The process applies only to the following employers: Exxaro Resources, Exxaro Coal, Exxaro Coal Mpumalanga, Exxaro Reductants, Exxaro TSA Sands, Exxaro Sands and Ferroalloys. Therefore Zincor, Rosh Pinah Zinc Corporation, Glen Douglas and Ferroland are excluded from the process.

Safety

While the lost-time injury frequency rate was weaker than our internal target of 0,21, the steady improvement is encouraging given that it reflects the all-important behavioural change.

As an industry, we improved our safety record by 24% in 2010, making it the best safety year in South Africa's mining history. In no small measure, this reflects the cooperation of the Department of Mineral Resources, the leadership of organised labour and fellow mineworkers. It is also testimony to the myriad initiatives under way at each of the Chamber of Mines' member companies.

Among proposed changes to the Mine Health and Safety Act is a clause that stipulates prison sentences for chief executives found guilty of contravening safety regulations. We welcome this enforcement in the interests of a safer, growing industry. The established mining industry has already demonstrated its deep commitment to safety, recording a 24% decrease in mining fatalities in 2010. In addition, 40 000 safety representatives will be trained across the industry in the next four years as part of several initiatives to curb fatalities and reach international performance standards by 2013.

Energy

The broader energy issues – securing supply, reducing cost, reducing the impact of climate change and limiting environmental impact – continue to be elevated as a strategic priority for many businesses, including Exxaro. The chairman has commented on water, energy and climate change in more detail.

In the foreword to the 2010 Carbon Disclosure Project, CEO Paul Dickinson made an interesting observation:

These are exciting times for business, with significant changes coming to the way we produce and consume energy. New power from low- or zero-emission sources is an urgent priority for climate change policy that simultaneously helps deliver energy security. New technologies such as smart grids, electric vehicles, alternative fuel sources, advanced telepresence videoconferencing, are showing a clear case for business growth with reduced emissions. The opportunities for business are enormous – it is through the intelligent investment of capital into the right solutions, identified by the business community, that we will achieve the low-carbon future we need.

The CDP report also presented some thought-provoking context for climate change:

August 2010 (the month in which this CDP analysis was undertaken) was an interesting month in the global greenhouse: it saw fire, drought and record-breaking temperatures in Russia, floods in Pakistan, a "once-in-a-1 000-year storm" in Tennessee, mudslides in China, and a 260km^2 ice-sheet break off a Greenland glacier. Not only was there an obvious and profound human cost to these events, there were also visible impacts on the global market: wheat prices hit a 22-month high; stock and bond trading *was at one stage curbed in Russia by as much as 60% after wildfires east of Moscow; and unseasonal wet weather delayed the offloading of sugar from a record 122 ships at Brazil's ports, causing one market analyst to suggest that weather-related issues will result in "this year's worst-performing commodity to rise more than gold.*

Exxaro aims to be a carbon-neutral group – offsetting its carbon emissions in a number of ways from planting trees to cleaner production and energy efficiency. At the same time, we believe the active participation of business across all sectors is essential in developing national policy that finds the appropriate balance between environmental effectiveness, economic efficiency and social equity. To meet the government's commitment to a +30% reduction in emissions by 2020 will require accelerated focus on energy efficiency across all sectors, a significantly expanded low-carbon electricity supply programme, introducing carbon-capture and storage technologies, achieving ambitious targets for vehicle efficiency, electric vehicles and passenger modal shifts, and promoting enhanced agricultural practices.

Appreciation

History has proven that challenging times bring out the best and the worst in people. Throughout the review period, I have been inspired and humbled by the dedication and passion evident at every level of our group. Exxaro is indeed fortunate to have people of this calibre.

Chaired by Dr Len Konar, our board of directors plays an invaluable and constructive role in our development and governance, for which we are most grateful.

The loyal support of our customers and suppliers around the world remains a mainstay of our group while we value the co-operation from regulatory authorities which is playing an integral and important role in our aspirations.

Prospects

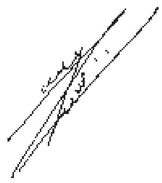
Given the prevailing uncertainty of the strength and pace of an economic recovery in 2011, Exxaro will continue with prudent capital prioritisation and working capital management while pursuing business improvement initiatives.

Coal export volumes, at higher international prices, are expected to remain in line with the tonnage achieved in 2010 despite the build up by Transnet Freight Rail to increase its total export rail rate to Richards Bay Coal Terminal to 70Mtpa. Prices to the domestic market for similar volumes should reflect normal inflation increases, however supply agreements with pricing mechanisms linked to hard coking coal prices should reflect a considerable increase.

The positive price trends for mineral sands products recorded in the second half of 2010 are expected to continue while demand should remain strong in the medium to long term until supply and demand imbalances are corrected.

Base metal prices are widely expected to be lower in the first half of 2011. Production and sales volumes should be in line with those achieved in 2010 with the logistical chain to Zincor remaining a challenge.

The group's consolidated results for 2011 will continue to be affected by the trading levels of the local currency and Australian dollar against the US dollar.



Sipho Nkosi
Chief executive officer

15 March 2011

FINANCIAL AND OPERATIONAL REVIEW

WIM DE KLERK

'Calendar 2010 saw Exxaro benefit from a faster-than-expected recovery from the global recession as gains from generally greater demand at higher selling prices for Exxaro's commodities, coupled with disciplined cost management, more than offset the negative impact of a stronger local and Australian currency to the US dollar.'

THE GROUP'S BALANCE SHEET AND KEY FINANCIAL METRICS REMAIN HEALTHY AND PROVIDE A SOLID PLATFORM TO SUPPORT ITS GROWTH ASPIRATIONS. EXXARO REPORTED RECORD EARNINGS SINCE ITS CREATION IN NOVEMBER 2006, IN TURN RESULTING IN A RECORD DIVIDEND DECLARATION TO SHAREHOLDERS.

OVERVIEW

- Revenue increased 14% to R17,2 billion
- Comparable net operating profit up 52% to R2,6 billion
- Headline earnings per share up 105% to 1 495 cents per share
- Net cash inflow of R1,4 billion
- Net debt to equity of 13%
- Healthy financial metrics
- Total dividend of 500 cents per share covered three times by attributable earnings

INTRODUCTION

The group's audited financial results and actual physical information for the 12-month periods ended 31 December 2010 and 2009 are not comparable due to the R1 435 million impairment of the carrying value of the assets of KZN Sands, accounted for on 31 December 2009, and the inclusion of the 50% proportionally consolidated interest in Mafube Coal Mining (Pty) Limited (Mafube) for 12 months compared to seven months in 2009. To be meaningful, comparable supplementary financial results are disclosed in this review by excluding the 2009 impairment of the carrying value of the assets of KZN Sands.

After fulfilling all suspensive conditions, Glen Douglas dolomite mine was sold to Afrimat Limited effective 1 January 2011. The operating results of Glen Douglas are therefore still included for 12 months in 2010.

An average exchange rate of R7,72 (spot average R7,30) to the US dollar (USD) was realised compared to R8,39 for the corresponding period. In addition, unrealised foreign currency losses on the revaluation of monetary items denominated in foreign currency were recorded based on the relative strength of the local currency to the USD at 31 December 2010. The relative strength of the Australian dollar (AUD), most notably in the second half of 2010 when it traded around parity against the USD, continued to impact negatively on the financial results of the mineral sands operations in Australia. An average rate of USD0,87 cents (spot average of USD0,92 cents) to the AUD was realised compared with USD0,76 cents in 2009.

COMPARABLE SEGMENTAL RESULTS

R million	12 months ended 31 December 2010	2009[1]
REVENUE		
Coal	**10 515**	9 731
Tied operations	**2 952**	2 681
Commercial operations	**7 563**	7 050
Mineral sands	**4 640**	3 508
KZN Sands	**1 288**	705
Australia Sands	**1 551**	1 469
Namakwa Sands	**1 801**	1 334
Base metals	**1 787**	1 582
Rosh Pinah	**674**	566
Zincor	**1 598**	1 413
Inter-segmental	**(485)**	(397)
Other	**213**	188
Total external revenue	**17 155**	15 009
NET OPERATING PROFIT		
Coal	**2 690**	1 905
Tied operations	**186**	75
Commercial operations	**2 504**	1 830
Mineral sands	**179**	(124)
KZN Sands	**(66)**	(12)
Australia Sands	**138**	(2)
Namakwa Sands	**107**	(110)
Base metals	**(113)**	(8)
Rosh Pinah	**143**	105
Zincor	**(171)**	(47)
Other	**(85)**	(66)
Other	**(120)**	(34)
Total	**2 636**	1 739

[1] *Unaudited due to restatement of net operating profit of KZN Sands in 2009.*

Revenue

Group consolidated revenue increased by 14% to R17,2 billion due to generally higher sales volumes and commodity prices despite the impact of a stronger local and Australian currency.

Coal

Revenue was up 8% due to higher domestic sales volumes at lower realised prices being only partially offset by lower export sales volumes at higher export prices.

Mineral sands

Revenue increased by 32% to over R4,6 billion with increased sales volumes realising at higher prices.

Base metals

Revenue increased by 13% mainly as a result of the higher zinc price at an average zinc price for 2010 of USD2 161 per tonne; 30% higher than in 2009 when an average price of USD1 665 per tonne was realised.

Net operating profit

Group consolidated comparable net operating profit was R897 million or 52% higher at R2,6 billion at an operating margin of 15% compared with 12% in 2009.

Coal

The coal business reported a 41% increase in net operating profit to R2 690 million at an operating margin of 26% with higher export selling prices, higher sales volumes to ArcelorMittal South Africa Limited (AMSA) and Eskom, offset by lower sales prices domestically, lower export volumes and a stronger average realised local currency.

Net operating income for the year for the tied mines increased 148% mainly due to the non-recurring impact of Matla's scope change in life of mine in the previous year together with the inflation-related increase in 2010 in terms of supply agreements with Eskom and AMSA.

Mineral sands

The mineral sands business reported a consolidated net operating profit as higher sales volumes at higher prices, supported by disciplined cost management, were instrumental in offsetting the significant impact of the relative strength of both the local currency and AUD to the USD.

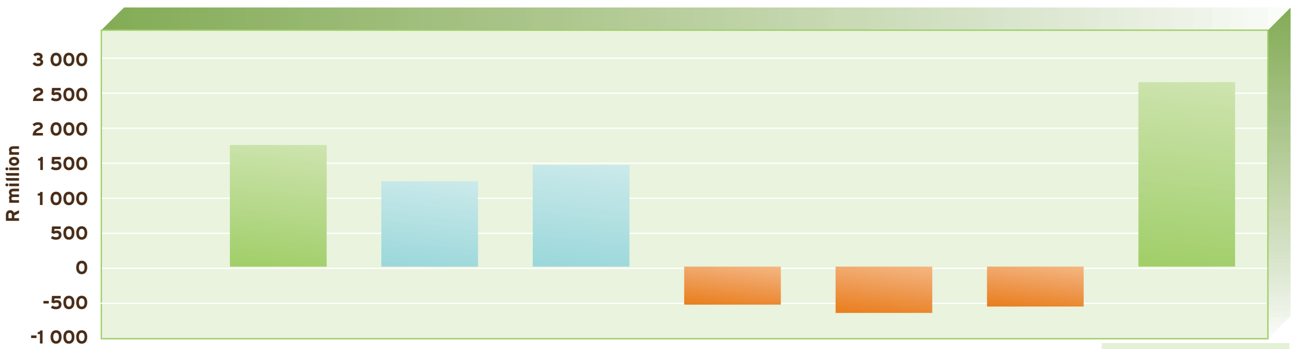
Higher revenue assisted in achieving a consolidated net operating profit, increasing from a comparable loss in 2009 of R124 million to a profit of R179 million. Unlike 2009, where all three businesses reported net operating losses, only KZN Sands reported a loss in 2010.

Base metals

Despite higher revenue, a net operating loss of R113 million was reported due to production challenges at Zincor refinery. This was exacerbated by the higher cost associated with external zinc concentrate purchased, higher selling and distribution, electricity, labour, rehabilitation as well as maintenance expenses.

The following graph reconciles comparable net operating profit for 2009 to that reported for 2010:

Comparable net operating profit: FY09* vs FY10



	FY09	Price	Volume	Exchange	Inflation	Cost	FY10
Coal	1 905	564	764	(178)	(329)	(36)	**2 690**
Mineral Sands	(124)	504	674	(486)	(198)	(191)	**179**
Base Metals	(8)	141	7	102	(108)	(247)	**(113)**
Other	(34)	12	8	18	(27)	(97)	**(120)**
Total	1 739	1 221	1 453	(544)	(662)	(571)	**2 636**

**Excludes impairment of R1 435 million at KZN Sands in FY09*

OPERATIONS

	12 months ended 31 December		6 months ended 30 June	
	2010	2009	**2010**	2009
UNAUDITED PHYSICAL INFORMATION (000 TONNES)				
Coal				
Production				
– Power station coal	**36 767**	36 562	**18 269**	18 583
Tied operations[1]	**16 461**	16 486	**8 365**	8 704
Commercial operations	**20 306**	20 076	**9 904**	9 879
– Coking coal	**2 419**	2 020	**1 187**	922
Tied operations[1]	**285**	268	**124**	129
Commercial operations	**2 134**	1 752	**1 063**	793
– Other coal	**7 502**	6 638	**3 518**	3 061
– Char	**114**	38	**49**	
Coal buy-ins		759		430
Total	**46 802**	46 017	**23 023**	22 996
Sales				
– Eskom coal	**36 428**	36 299	**18 379**	18 494
Tied operations[1]	**16 438**	16 473	**8 356**	8 700
Commercial operations	**19 990**	19 826	**10 023**	9 794
– Other domestic coal	**5 044**	4 587	**2 447**	1 920
Tied operations[1]	**260**	259	**117**	130
Commercial operations	**4 784**	4 328	**2 330**	1 790
– Coal export	**4 106**	4 715	**1 842**	2 389
– Char	**122**	31	**52**	
Total	**45 700**	45 632	**22 720**	22 803
Mineral sands[2]				
Production				
– Ilmenite	**718**	819	**367**	424
– Zircon	**196**	185	**94**	97
– Rutile	**63**	62	**28**	33
– Synthetic rutile	**90**	109	**51**	54
– Pig iron (LMPI)	**153**	181	**81**	95
– Scrap iron	**12**	15	**8**	7
– Slag tapped	**262**	331	**141**	171
– Chloride slag	**232**	201	**84**	104
– Sulphate slag	**52**	44	**16**	19
– Leucoxene	**13**	14	**7**	7
– Pigment	**57**	53	**25**	25
Total	**1 848**	2 014	**902**	1 036

	12 months ended 31 December		6 months ended 30 June	
	2010	2009	**2010**	2009
UNAUDITED PHYSICAL INFORMATION (000 TONNES)				
Sales				
– Zircon	**243**	146	**124**	47
– Rutile	**79**	51	**35**	19
– Synthetic rutile	**30**	50	**23**	24
– Pig iron (LMPI)	**194**	138	**107**	64
– Scrap iron	**3**	6	**1**	4
– Chloride slag	**264**	144	**98**	67
– Sulphate slag	**39**	44	**7**	14
– Leucoxene	**16**	15	**7**	1
– Pigment	**55**	54	**24**	23
Total	**923**	648	**426**	263
Base metals				
Production				
– Zinc concentrate	**120**	108	**60**	53
Rosh Pinah	**101**	94	**52**	47
Black Mountain	**19**	14	**8**	6
– Zinc metal	**120**	116	**54**	54
Zincor	**90**	87	**43**	44
Chifeng[3]	**30**	29	**11**	10
– Lead concentrate	**37**	38	**17**	20
Rosh Pinah	**19**	20	**9**	12
Black Mountain	**18**	18	**8**	8
Sales				
– Zinc metal sales	**119**	122	**59**	58
– Domestic	**90**	93	**46**	44
– Export	**29**	29	**13**	14
Lead concentrate sales				
– Export	**20**	19	**7**	6

[1] *Tied operations refer to mines that supply their entire production to either Eskom or ArcelorMittal SA Limited in terms of contractual agreements.*
[2] *Includes Exxaro Sands Australia's interest in the Tiwest joint venture.*
[3] *Exxaro's effective interest in the Chifeng refinery is disclosed.*

Coal

Production

Volumes were marginally higher than the previous year. Power station coal production at the Eskom tied mines was 25kt lower due to adverse geological and technical issues at Arnot mine which were only partially offset by higher production at Matla mine. Production in 2009 at Matla mine was affected by a water ingress incident for which successful mitigation was implemented in 2010.

Production at the commercial operations was marginally higher than in 2009 as higher production at Leeuwpan mine after commissioning the crushing and screening plant in 2010, coupled with the inclusion of production from Mafube for 12 months as opposed to seven months in 2009, offset lower production at Grootegeluk mine and North Block Complex due to full stockpiles at Eskom.

Coking coal production increased at Grootegeluk and Tshikondeni mines as a result of increased demand mainly from ArcelorMittal SA Limited (AMSA).

The inclusion of production from the Mafube joint venture for the full year in 2010 compared to seven months in 2009 as well as higher production at Grootegeluk, Leeuwpan, North Block Complex and New Clydesdale operations due to higher demand and improved dispatches, offset by marginally lower production at Inyanda, led to a 13% increase in steam coal production.

The char plant production was 200% higher than the previous year as the plant only started production in the middle of 2009.

Sales

Power station and coking coal sales to Eskom and AMSA respectively were marginally higher than the previous year. Other domestic sales were however 10% higher than in 2009 based on higher demand from AMSA which was met by redirecting sales destined for the export market from Grootegeluk; this in turn was only possible because of lower availability of trains and leased-in export entitlement.

Exxaro Coal's strategy to increase export volumes was hampered by lower availability of trains, the Transnet Freight Rail strike as well as less export entitlement available for leasing. Exxaro's Richards Bay Coal Terminal (RBCT) export entitlement increased from 1,8Mt to 6,3Mt per annum with the commissioning of the Phase V expansion but Transnet Freight Rail's constraints limited Exxaro's export capacity for 2010 at 3Mt per annum. The remainder of exports were either sold on a free-on-rail basis or though the lease of export entitlement.

Sales of reductants from the char plant improved threefold as 2010 was the first full production and sales year. Quality and demand for the product has exceeded our expectations.

Mineral sands

Production

At KZN Sands, there was a burn-through at Furnace 2 on 26 October 2010. Fortunately there were no injuries but the incident resulted in both furnaces being out of commission simultaneously for two months in the last quarter of 2010. Furnace 1 was shut on 1 July 2010 for a planned reline and pre-heating has now been completed, with first production at the end of January 2011.

Total run-of-mine tonnage was more than a million tonnes lower in 2010 as the Hillendale mine in KwaZulu-Natal nears the end of its life of mine. As a consequence of this and lower grades, heavy mineral concentrate was 73kt lower in 2010 at 414kt.

Zircon and rutile production was 11kt and 1kt higher than the prior year respectively as higher zircon production at Australia Sands due to improved overall utilisation of the dredge mine, coupled with improved recoveries at Namakwa Sands despite lower zircon head grades, more than offset lower production at KZN Sands resulting from the lower concentrate grade.

Higher slag and pig iron production at Namakwa Sands resulting from the benefits of increasing side feed into the furnaces was not sufficient to offset lower furnace production at KZN Sands caused by extended furnace downtime. Total slag tapped was 69kt lower at 262kt while low manganese pig iron (LMPI) was 28kt lower at 153kt. Ilmenite production was lower in line with the decrease in smelter slag output.

Furnace 2 at Namakwa Sands will be down for 103 days for a planned reline starting in February 2011.

At Australia Sands, synthetic rutile production was lower due to the planned 38-day shut late in the year and maintenance-related challenges in the first quarter of 2010. The synthetic rutile plant has a major shut every three years; the previous shut was in 2007.

The Kwinana pigment plant expansion in Australia was successfully commissioned in late June 2010 and achieved nameplate production capacity of 40ktpa in October. Significant supply interruptions from a key raw material supplier and an 11-day shut in May to complete all the tie-ins for the expansion led to lower pigment production.

Sales

Volumes at all three businesses generally increased on the back of stronger markets, further supported by higher selling prices. High stockpiles at the end of 2009 were reduced significantly, improving cash flow.

Base metals

Production

Zinc concentrate production at a higher grade at Rosh Pinah mine was 7kt higher than in 2009 with lead concentrate production 1kt lower.

Production of zinc metal at the Zincor refinery of 90kt was more than 3kt higher than in 2009 and can be attributed to less downtime on the acid plant. The 2009 production was also adversely affected by the accident in September 2009.

Sales

Zinc metal sales were 2% lower due to lower local demand.

COMPARABLE EARNINGS

R million	12 months ended 31 December 2010	2009[1]
Net operating profit excluding 2009 impairment	**2 636**	1 739
Income from investments	**2**	2
Net financing cost	**(455)**	(415)
Equity-accounted income – net of tax	**3 717**	1 898
Taxation[2]	**(665)**	(371)
Minority interest	**(27)**	
Attributable earnings excluding impairment	**5 208**	2 853
Adjustments net of taxation impact	**(22)**	56
Headline earnings	**5 186**	2 909
Weighted average number of shares (millions)	**347**	345
Attributable earnings (cents per share)	**1 501**	827
Headline earnings per share (cents per share)	**1 495**	843

[1] *Not audited due to the comparability adjustment of 2009 figures.*
[2] *A normalised rate of 28% was used in 2009 for comparative purposes.*

Comparable attributable earnings, including Exxaro's equity-accounted investment in associates, were R5 208 million or 1 501 cents per share, up 81% from 2009.

Headline earnings were R5 186 million or 1 495 cents per share. This is a 105% increase on the disclosed 2009 earnings of R2 514 million at 729 cents per share, but 77% higher on comparable 2009 HEPS of 843 cents.

Net financing costs

An analysis of the composition of the disclosed comparable net financing cost is shown below:

R million	12 months ended 31 December 2010	2009
Interest expense and loan cost	**321**	460
Finance lease	**70**	66
Interest income	**(135)**	(145)
	256	381
Interest adjustment on non-current provisions	**199**	34
Total	**455**	415

The higher interest expense is due to the higher interest adjustment on non-current provisions, namely the unwinding of the discount rate in respect of Exxaro's environmental rehabilitation provisions accounted for at net present value, offset somewhat by a lower net interest expense due to lower net debt levels.

Income from equity accounted investments — net of tax

	12 months ended 31 December 2010	2009
Sishen iron ore company (Pty) Limited (SIOC) — 20%	**3 623**	1 762
Chifeng — 22% effective interest	**8**	13
Black Mountain — 26%	**86**	123
Total	**3 717**	1 898

The results of SIOC are fully reported by Kumba Iron Ore Limited in its financial results to 31 December 2010.

Production at the Chifeng zinc refinery was marginally higher than in 2009.

Exxaro's 26% share in Black Mountain, acquired in the last quarter of 2008, contributed R86 million to equity income; lower than the 2009 contribution of R123 million.

Taxation

Excluding post-tax equity accounted income, the effective tax rate was 30%, marginally higher than the statutory rate of 28% due to the net effect of non-permanent differences.

A reconciliation of the tax rate reflects the following:

	Percentage (%)
› Effective tax rate as a percentage of profit before tax	11,3
› Tax effect of:	
– Share of associates and joint ventures	17,6
– Prior-year tax	(1,9)
– Special tax allowances	1,3
– Exempt income	0,7
– Other	(1,0)
› Corporate tax rate	28,0

DIVIDENDS

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

Based on the record earnings and healthy cash flow position, the Exxaro board declared a total dividend of 500 cents per share for the 2010 financial year; a dividend covered three times by attributable earnings. The dividend declarations took cognisance of Exxaro's significant short- to medium-term capital expenditure requirements.

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

Period ended	Dividend (cps)	R million	R million including STC[1]	Date declared	Date paid/ payable
30 June 2007	60	211	211	15 August 2007	10 September 2007
31 December 2007	100	353	353	20 February 2008	17 March 2008
30 June 2008	175	620	620	13 August 2008	22 September 2008
31 December 2008	200	710	710	23 February 2009	30 March 2009
30 June 2009	100	356	356	19 August 2009	28 September 2009
31 December 2009	100	357	357	24 February 2010	19 April 2010
30 June 2010	**200**	**715**	**715**	**11 August 2010**	**4 October 2010**
31 December 2010	**300**	**1 074**	**1 074**	**23 February 2011**	**11 April 2011**

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

FINANCIAL AND OPERATIONAL REVIEW CONTINUED

Total dividends declared for the 2010 financial year of R1 789 million are paid or payable to shareholders as follows:

R million	Total	Final	Final interim
Gross dividend declared	**1 789**	**1 074**	**715**
BEE Holdco	933	560	373
Public	629	378	251
Anglo American	174	104	70
Exxaro employee empowerment scheme (Mpower)[1]	53	32	21

[1] *50% of this dividend accrues to employee beneficiaries in the non-management category.*

CASH FLOW

R million	12 months ended 31 December 2010	2009
Net cash retained from operations	**4 106**	2 117
Net financing cost, taxation and dividends	**(1 742)**	(2 323)
Cash used in investing activities		
– New capacity	**(1 522)**	(990)
– Sustaining and environmental capital	**(1 155)**	(992)
Acquisition of investments and operations	**(149)**	(1 090)
Dividends received	**1 817**	1 754
Proceeds on sale of non-core assets and investments	**60**	11
Other	**(29)**	(107)
Cash inflow/(outflow)	**1 386**	(1 620)
Share issue	**29**	43
Other movements in net debt	**96**	227
Decrease/(increase) in net debt	**1 511**	(1 350)

DEBT STRUCTURE AND FINANCIAL COVENANTS

The group's debt structure at 31 December 2010 is:

R million	Drawn	Available	Repayment profile	
Long term	4 360	4 930	716	2011
– Corporate	3 576	355	856	2012
– GMEP		4 500	1 865	2013
– Australia Sands	784	75	296	2014
			627	After 2014
Cash and cash equivalents	(2 140)			
Net debt	2 220		4 360	
Short-term facilities		1 300		

Cash retained from operations was R4 106 million for the group. This was primarily used to fund net financing charges of R256 million, taxation payments of R430 million, dividend payments of R1 056 million and capital expenditure of R2 677 million of which R1 522 million was invested in new capacity and R1 155 million applied to sustaining and environmental capital. R918 million of expansion capacity expenditure was for the Grootegeluk mine expansion for Medupi (GMEP). After the receipt of R1 817 million in dividends, primarily from SIOC, the group had net cash inflow of R1 386 million for the financial year. The final dividend for payment in April 2011 will amount to a further cash outflow of R1 074 million offset by the dividend inflow from SIOC of R1 623 million.

Net debt of R3 731 million at 31 December 2009 accordingly decreased to R2 220 million at a net debt to equity ratio of 13% at 31 December 2010.

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

	Ratio	Covenants
Net debt to equity (%)	13	<80
EBITDA interest cover (times)	9	>4
HDSCR[1]	3,75	>1,3
CHDSCR[2]	3,71	>1,5

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

[2] *Cumulative HDSCR being cash and cash equivalents at the beginning of the period, plus free cash flow, less dividends paid, divided by mandatory capital and interest payments on financing facilities. Dividend payments may not result in this calculation being less than 1,5.*

ORGANISATIONAL STRUCTURE

Activities to optimise Exxaro's zinc asset portfolio continue to ultimately extract the most value in the divestment process, which is expected to start in 2011.

COMMODITY PRICE AND CURRENCY HEDGING

A total of 60% of Rosh Pinah's projected zinc and lead concentrate sales was hedged in 2008 for the period July 2008 to December 2011 at forward prices ranging from USD2 215 to USD1 887 per tonne for zinc and USD2 385 to USD1 771 per tonne for lead. Taking the favourable currency hedging in place on these hedged prices, the average ZAR price equates to R19 976 per tonne. These hedges will mature in 2011.

On 31 December 2010 Exxaro had USD106 million of hedging in place at an average exchange rate of R7,19 for local operations as well as USD52 million at an average rate of USD0,87c to the AUD for the Australian operation.

CAPITAL EXPENDITURE

More detail is provided in the growth report on page 60 of the capital expenditure summary detailed below.

R million	Financial year 2012 Estimate	Financial year 2011 Estimate	**12 months ended 31 December 2010**	12 months ended 31 December 2009
Sustaining and environmental	3 956	2 244	**1 155**	992
– Coal	2 204	1 014	**516**	432
– Mineral sands	1 610	676	**398**	340
– Base metals		150	**169**	127
– Other	142	404	**72**	93
Expansion	3 717	5 957	**1 522**	990
– Coal	3 655	5 872	**1 225**	492
– Mineral sands	62	41	**294**	486
– Base metals		10	**3**	12
– Other		34		
Total	7 673	8 201	**2 677**	1 9827
GMEP (incl capitalised interest)	3 190	5 231	**918**	

Capital expenditure for 2010 and the medium term is dominated by Grootegeluk's Medupi expansion project, known as GMEP. The GMEP capital disclosed includes capitalised interest.

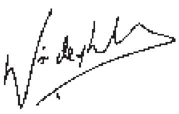
Further capital expenditure warranting mention is:

- Primary equipment replacement:
  - 2011 R263 million
  - 2012 R635 million
  - 2013 R608 million
- Grootegeluk backfill project:
  - 2011 R243 million
  - 2012 R700 million
  - 2013 R368 million
- Investment in developing Fairbreeze of R2,4 billion over the next two years (included in sustaining capital)
- Co-generation at Namakwa Sands of R175 million
- SAP upgrade of R214 million.

Post 2012, sustaining capital expenditure is expected to revert to a normalised R1,3 billion per annum.

ACKNOWLEDGEMENTS

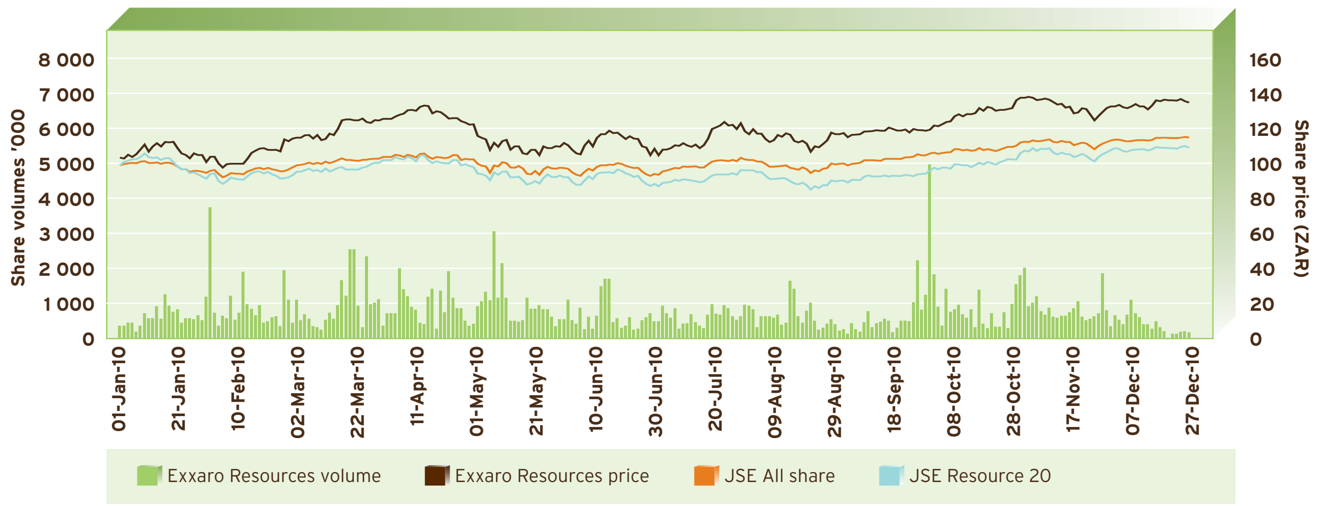
I express my sincere appreciation to the very competent Exxaro finance teams throughout the group for their continued commitment, dedication and valuable contributions.



Wim de Klerk
Finance director

15 March 2011

Share price volumes traded for the period 1 January 2010 to 31 December 2010



GROWTH

Introduction

In 2010, there was a strong recovery in commodity markets and faster-than-anticipated recovery in the global economy. This renewed the focus on carbon, reductants, ferrous and energy growth projects in line with the group's approved strategy to maintain a diversified, sustainable and profitable business portfolio.

One of the key risks to achieving this goal is effective capital allocation. Globally, capital allocation has become one of the most pressing strategic issues for mining and metals companies. We believe correct capital allocation follows a process of comprehensive risk management. By analysing scenarios and impacts, and setting strict minimum investment criteria against which competing projects bid for scarce capital, we identify opportunities to preserve and grow shareholder value, refine processes and controls and remain agile in a competitive market.

Exxaro's commodity strategy has been noted in the chief executive officer's report on page 45. The table provides a summary of a number of growth initiatives, followed by a brief description of some projects:

	Ownership	Scope	Estimated capex	Status	Estimated start up
Coal	GMEP	14,6Mtpa	R9,5 billion	Construction	2012
Coal	Char phase 2	140-280ktpa	TBD	Feasibility	2013
Coal	Belfast	3-5Mtpa	TBD	Pre-feasibility	2014
Coal	Market coke	1Mtpa	TBD	Pre-feasibility	2014
Coal	Moranbah South (Australia) (50%)	6Mtpa	TBD	Pre-feasibility	2015
Coal	Thabametsi	6-17Mtpa	TBD	Pre-feasibility	2016
Sands	Fairbreeze mine	300ktpa	R2,4 billion	Approved February 2011	2013
Sands	Dry mine replacement (Australia) (100%)	100-200ktpa	TBD	Pre-feasibility	2013
Energy	Co-generation Namakwa Sands	14MW	TBD	Feasibility	2012
Energy	Wind energy	40-100MW	TBD	Pre-feasibility	2014

Coal

Grootegeluk mine expansion for Medupi (GMEP)

The Medupi coal supply and offtake agreement became unconditional and binding on Exxaro and Eskom on 24 June 2010. In terms of the agreement, Exxaro will supply 14,6Mtpa to Medupi power station for a 40-year period post ramp-up. The total capital cost of GMEP is forecast at R9,5 billion. First coal delivery will begin in May 2012 and full commissioning is expected during 2014/15. Project detailed design was largely completed by the end of February 2011. Around 90% of the major construction packages and plant equipment packages have already been placed, and the balance will be placed during the first quarter of 2011. On-site construction has started with most bulk earthworks nearing completion. Civil work is well under way after major structural work was started in February 2011. Current indications are that the project will be completed within schedule and budget.

The R4,5 billion bridge loan facility for GMEP was secured in the first half of 2010 with a consortium of local and international financial institutions. First drawdown of the loan is only expected in the second quarter of 2011.

Thabametsi

Thabametsi is a prospective greenfields mine adjacent to Grootegeluk mine in the Waterberg, Limpopo province. Development of this project was originally planned to coincide with Eskom's future developments in the Waterberg as well as the Department of Energy's formalisation and establishment of an appropriate enabling environment, governed by the National Integrated Resource Plan 2010 (NIRP 2010) to allow for new-generation capacity in terms of Eskom's multi-site base load independent power producer (IPP) programme.

The draft NIRP 2010, released in October 2010, does not cater for any new coal-fired power generation development until 2027. The draft was subjected to a public-review process in December 2010 and is expected to be finalised early in 2011 after receiving comments from all stakeholders. Due to delays in these initiatives, Exxaro's focus is now on first developing a smaller mine for coal supply to the Limpopo IPP envisaged in the draft NIRP 2010. A bankable feasibility study as well as the public consultation required for environmental approvals will begin once the scope for the Limpopo IPP has been determined and the final NIRP 2010 promulgated. First coal production could be expected by 2015/16, but depends on the Limpopo IPP and water-supply development schedules.

Mafutha

Exxaro has a prospecting joint-venture agreement with Sasol Mining to investigate the commercial viability of developing a new coal mine in the Waterberg to supply Sasol's potential 80 000 barrels per day inland coal-to-liquids facility. The study is still in an extended pre-feasibility stage. Mining the 170kt bulk sample for large-scale gasification testing at the Sasol Synfuels Secunda plant began in August 2009 and was completed in the second quarter of 2010. Gasification tests are expected to be complete in the first quarter of 2011.

Waterberg infrastructure development

An integrated infrastructure plan continues to be developed for the Waterberg coalfields with relevant stakeholders. Focus areas include the supply of raw water to the area, rail, road, housing and job creation. Exxaro has completed phase I of its eco-friendly housing project in Lephalale, which received an award at the 2010 Nedbank Capital Green Mining Awards in the sustainability category.

Sintel char and market coke

The Sintel char plant at Grootegeluk mine to produce reductants for the ferroalloy industry has been fully commissioned with all four retorts in operation. The plant reached overall design capacity in the last quarter of 2010. Exxaro is currently evaluating phase II expansion to produce a further 280ktpa of char as well as a study to produce market coke from semi-soft coking coal at Grootegeluk mine as part of its strategy of downstream integration and beneficiation. These studies should be completed during 2011.

Belfast

Exxaro's application for a mining right for the Belfast project has been accepted by the Department of Mineral Resources (DMR) and is being processed. Updated specialist environmental studies as required by the national environmental management and water acts will be submitted to the relevant authorities in the first half of 2011. The pre-feasibility study was completed in December 2010 and the decision to proceed with a full feasibility study will be evaluated in the first quarter of 2011. Depending on the outcome, start-up and first production is anticipated in 2014.

Moranbah South

Exploration of the hard coking coal resource on the Moranbah South property in the Bowen Basin of Queensland, Australia, is progressing well and results obtained during the pre-feasibility study remain encouraging. We anticipate that a feasibility study will be concluded in the second half of 2012, with first production expected in 2015. Moranbah South, which is a 50% joint venture with Anglo American, has the potential to produce some 6Mtpa of premium-quality hard coking coal.

Energy

The development of Exxaro's energy portfolio to explore opportunities in energy markets is progressing according to plan. The focus is on cleaner-energy initiatives encompassing a combination of co-generation, carbon credit trading, renewable energy, coal-bed methane development, and coal base-load project developments. Securing equity funding partners for these projects continues in parallel with investigations.

Coal-bed methane development

Development of the first five-spot test for the coal-bed methane project in Botswana, to test for economic gas flow, is in the final stages. Five wells have been drilled and four of these have been fractured. Dewatering of the well field is under way and gas flow is steadily increasing. The wells will be operated in 2011 until economical gas-flow levels have been obtained.

Clean energy initiatives:

- The pre-feasibility study for a 100MW wind farm on South Africa's west coast has been completed. An 80m mast was installed at Brand se Baai in March 2010. The study indicates an initial project of between 40MW and 66MW is viable. The bankable feasibility study is now under way with completion planned for the third quarter of 2011.
- A pre-feasibility study for a 76MW wind farm in the Tsitsikamma region is continuing. Exxaro has a 75% share in this project. This study should be completed by the end of 2011.
- A bankable feasibility study for a 14MW co-generation plant at Namakwa Sands is in the final stages. Construction of the power plant is planned for the second half of 2011 with the commercial operation date scheduled for the third quarter of 2012. Clean Development Mechanism-registration of this project is well advanced.
- Exxaro continues to facilitate the development of a 600–1 200MW coal-fired power station in the Waterberg (Limpopo IPP). Non-binding term sheets for the offtake of 1 150MW of electricity have been signed between Exxaro and industrial offtakers. The project is one of the options being investigated to enable the Thabametsi coal mine referred to earlier.

Ferrous

Iron ore

Exxaro continues to evaluate opportunities aligned with its strategy to establish a direct footprint in the iron ore commodity.

AlloyStream™

Exxaro successfully concluded an agreement to partner with Assmang Limited to commercialise its AlloyStream™ technology to beneficiate manganese ore into high-carbon ferromanganese alloy. A large demonstration facility is planned to be completed in 2011. Major benefits of this technology include lower electrical consumption and the use of unagglomerated fine feed materials.

Mineral sands

Fairbreeze

On 22 February 2011, the board approved the development of Fairbreeze mine as a replacement feedstock producer to Hillendale mine at KZN Sands, subject to obtaining the required regulatory and environmental approvals. A possible reversal or partial reversal of previous impairments of the carrying value of the assets will be considered simultaneously by the board.

Performance review

REVIEW OF MINERAL RESOURCES AND RESERVES

The Mineral Resources and Ore Reserves underpinning Exxaro's current operations and growth projects are summarised in the tables on pages 66 to 76. Mineral Resources are reported inclusive of those that have been converted to Ore Reserves and at 100% ownership, irrespective of the percentage attributable to Exxaro, except in the case of Black Mountain, Gamsberg and Swartberg, because figures received from Anglo Base Metals represent resources exclusive of reserves. Significant changes in the resource or reserve figures have been explained by relevant footnotes to each table. Resource estimations are based on 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 June and August of the reporting year. Ore Reserves are estimated using the relevant modifying factors at the time of reporting which include mining, metallurgical, economic, marketing, legal, environmental, social and governmental regulatory requirements. Mineral Resources in which Exxaro held the controlling interest have been reviewed during 2010 to comply with "reasonable and realistic prospects for eventual economic extraction" (SAMREC Code 2007).

Exxaro uses a systematic review process that measures the level of maturity of the exploration work done, the extent of the geological potential, the mineability and associated risks/opportunities to establish an eventual extraction outline (EEO). Mineral Resources and Ore Reserves quoted fall within existing Exxaro Resources mine or prospecting rights. Mining rights are of sufficient duration (or convey a legal right to convert or renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules. Mineral Resources and Ore Reserves were estimated by competent persons on an operational basis and in accordance with the SAMREC Code (2007) for South African properties and the JORC Code (2004) for Australian properties. Ore Reserves in the context of this report have the same meaning as 'Mineral Reserves', as defined by the SAMREC Code 2007. All competent persons have sufficient relevant experience in the style of mineralisation, type of deposit, mining method and activity for which they have taken responsibility, to qualify as a 'competent person' as defined in these codes at the time of reporting. These competent persons have signed off their respective estimates in the original Mineral Resource and Ore Reserve statements for the various operations and consent to the inclusion of the information in this report in the form and context in which it appears. A list of Exxaro's competent persons is available from the company secretary on written request.

The processes and calculations associated with the estimate have been audited by internal competent persons and are audited by external consultants when deemed essential to establish transparency. For 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 and projects in Australia were done by competent persons as defined by the JORC Code (2004).

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

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

Exxaro's tenure over its mineral assets as listed in the tables was audited and is confirmed with the following consideration: the deal to divest from Glen Douglas dolomite mine was concluded and the mine was transferred to Afrimat Limited with ministerial consent. The Glen Douglas resource and reserve are therefore not reported. Numerous conflicting prospecting right applications were lodged by junior companies over mineral areas held by Exxaro under a valid mining or a prospecting right. In many of those cases, the DMR has accepted the applications. Exxaro has submitted written objections to both the DMR and the applicant on all known conflicting applications. However, the conflicting applications are not regarded as a threat to any of the rights, because they are illegal. Nevertheless Exxaro is in continuous consultation with the DMR to get these matters resolved.

It is anticipated that by the end of the minister's moratorium on accepting new applications, all conflicting applications will have been addressed.

The DMR has confirmed in writing that the Grootegeluk, Tshikondeni, Gravelotte, Matla and Strathrae mines have been converted to new-order mining rights, but none of these mining rights has yet been executed. The notification for the conversion of Arnot and Glisa is still outstanding. All other Exxaro mines in South Africa are operating under a new-order mining right.

As a result of the economic climate and good management practice, all growth projects, including exploration projects, were evaluated and prioritised during the year. Prospecting activities were focused on the Waterberg coalfield and a number of high-priority coal projects in Mpumalanga province, especially those close to existing Exxaro mines. Exploration drilling was conducted on priority targets and the confidence in resource figures improved, as shown in the mineral resource tables overleaf. This includes additional drilling and geophysics done on the Moranbah South project in Queensland, Australia. Reportable resource tonnes have increased significantly. The present level of confidence in the mineral resource at this project will support the prefeasibility study, which is under way.

Exxaro recognises the importance and value of its mineral assets as the base of its present success and future sustainability. The drive to manage, optimise and grow the company's mineral assets will therefore remain a focus in 2011. Mineral asset risks and opportunities are being identified at each operation and growth project and managed to improve utilisation and profitability, while pursuing safer working conditions and responsible environmental practices. Simultaneously, the growth strategy will focus on adding quality new resources to Exxaro's mineral asset portfolio.

As a result of changes in the resources arena, both internally and internationally, the pressure on mineral asset management has increased over recent years. Changing legislation and statutory requirements mean operational standards and procedures must be continually adjusted to remain compliant. Environmentally, the inevitable visual impact of mining has put the industry under the spotlight. To manage its mineral assets responsibly under these conditions, Exxaro is adapting standards and modifying factors to apply the impact of all these elements on mineral resource estimation and classification. Although it complicates the estimation process, we regard it as the only way to identify, quantify and apply risks and opportunities in mineral asset optimisation and responsible utilisation. All spheres of the mining environment such as geology, the natural environment, safety as well as legal and statutory compliance has an impact especially on ore reserve estimation in Exxaro.

The result is that important industry drivers such as safety, profitability and environmental management are embedded in the way the mineral asset is evaluated in the ground. If these principles are applied continuously through the execution process, the mine will comply with statutory and legal requirements and be profitable.

However, a further consequence of this changing environment is that it places a question-mark against the economic mineability of poorer mineral deposits and puts pressure on the remaining high-quality deposits. The envisaged small-scale mining industry will find it difficult to comply with these requirements and may not develop as a viable branch of the industry in South Africa at all.

Coal mines and projects in South Africa

REVIEW OF MINERAL RESOURCES AND RESERVES

CONTINUED

COAL

Coal Resources

The table below details the total inclusive Coal Resources estimated as at 31 December 2010

				2010		2009		
Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category	**Tonnes (million)[3, 5]**	**Grade[4]**	Tonnes (million)[3, 5]	Grade[4]	% change
Coal Mpumalanga	Arnot mine[6] (UG) (captive market)	100	Measured	**169,3**	**Raw Coal[4]**	150,2	Raw Coal[4]	
			Indicated	**46,0**	**Raw Coal[4]**	38,3	Raw Coal[4]	
			Inferred	**48,8**	**Raw Coal[4]**	25,5	Raw Coal[4]	
			TOTAL	**264,1**	**Raw Coal[4]**	**214,0**	**Raw Coal[4]**	**23,4**
	Matla mine (>18MJ/kg) (UG) (captive market)	100	Measured	**313,5**	**Raw Coal[4]**	406,0	Raw Coal[4]	
			Indicated	**335,4**	**Raw Coal[4]**	330,5	Raw Coal[4]	
			Inferred	**179,7**	**Raw Coal[4]**	107,5	Raw Coal[4]	
			TOTAL	**828,5**	**Raw Coal[4]**	**844,0**	**Raw Coal[4]**	**(1,8)**
	Matla mine (Low CV, 15-18MJ/kg)[7] (UG) (captive market)	100	Measured	**129,4**	**Raw Coal[4]**			
			Indicated	**28,7**	**Raw Coal[4]**	Not reported		
			Inferred	**39,1**	**Raw Coal[4]**			
			TOTAL	**197,2**	**Raw Coal[4]**			**N/A**
	Matla mine (Total)[7] (captive market) (UG)	100	Measured	**442,9**	**Raw Coal[4]**			
			Indicated	**364,1**	**Raw Coal[4]**	Not reported		
			Inferred	**218,8**	**Raw Coal[4]**			
			TOTAL	**1 025,8**	**Raw Coal[4]**			**N/A**
	Inyanda mine (OC)	100	Measured	**11,4**	**Raw Coal[4]**	12,6	Raw Coal[4]	
			Indicated	**–**	**–**	–	–	
			Inferred	**–**	**–**	–	–	
			TOTAL	**11,4**	**Raw Coal[4]**	**12,6**	**Raw Coal[4]**	**(9,5)**
	Leeuwpan mine (OC)	100	Measured	**179,7**	**Raw Coal[4]**	181,7	Raw Coal[4]	
			Indicated	**2,8**	**Raw Coal[4]**	2,8	Raw Coal[4]	
			Inferred	**–**	**–**	–	–	
			TOTAL	**182,5**	**Raw Coal[4]**	**184,5**	**Raw Coal[4]**	**(1,1)**
	Mafube mine[8] (OC)	50	Measured	**112,4**	**Raw Coal[4]**	121,1	Raw Coal[4]	
			Indicated	**–**	**–**	–	–	
			Inferred	**52,0**	**Raw Coal[4]**	57,3	Raw Coal[4]	
			TOTAL	**164,4**	**Raw Coal[4]**	**178,4**	**Raw Coal[4]**	**(7,9)**
	NBC mine[9] (OC) (North Block Complex)	100	Measured	**26,0**	**Raw Coal[4]**	30,7	Raw Coal[4]	
			Indicated	**5,1**	**Raw Coal[4]**	5,1	Raw Coal[4]	
			Inferred	**0,2**	**Raw Coal[4]**	0,2	Raw Coal[4]	
			TOTAL	**31,3**	**Raw Coal[4]**	**36,0**	**Raw Coal[4]**	**(13,1)**
	NCC mine (UG/OC) (New Clydesdale)	100	Measured	**11,5**	**Raw Coal[4]**	13,9	Raw Coal[4]	
			Indicated	**42,2**	**Raw Coal[4]**	42,2	Raw Coal[4]	
			Inferred	**–**	**–**	–	–	
			TOTAL	**53,7**	**Raw Coal[4]**	**56,1**	**Raw Coal[4]**	**(4)**
	Glisa South project[10] (OC) (prospecting)	100	Measured	**20,0**	**Raw Coal[4]**			
			Indicated	**47,1**	**Raw Coal[4]**	Not reported		
			Inferred	**9,4**	**Raw Coal[4]**			
			TOTAL	**76,6**	**Raw Coal[4]**			**N/A**
	Belfast project[11] (OC) (prospecting)	100	Measured	**83,2**	**Raw Coal[4]**	107,7	Raw Coal[4]	
			Indicated	**24,2**	**Raw Coal[4]**	3,7	Raw Coal[4]	
			Inferred	**25,9**	**Raw Coal[4]**	7,1	Raw Coal[4]	
			TOTAL	**133,3**	**Raw Coal[4]**	**118,5**	**Raw Coal[4]**	**13**

Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category	2010 Tonnes (million)[3, 5]	2010 Grade[4]	2009 Tonnes (million)[3, 5]	2009 Grade[4]	% change
Coal Limpopo	Grootegeluk mine[12] (OC)	100	Measured	**2 559**	**Raw Coal[4]**	2 610	Raw Coal[4]	
			Indicated	**1 541**	**Raw Coal[4]**	1 290	Raw Coal[4]	
			Inferred	**787**	**Raw Coal[4]**	787	Raw Coal[4]	
			TOTAL	**4 887**	**Raw Coal[4]**	**4 687**	**Raw Coal[4]**	**4,3**
	Grootegeluk West project (OC) (prospecting)	100	Measured	**–**	**–**	–	–	
			Indicated	**2 579**	**Raw Coal[4]**	1 021	Raw Coal[4]	
			Inferred	**2 249**	**Raw Coal[4]**	3 617	Raw Coal[4]	
			TOTAL	**4 828**	**Raw Coal[4]**	**4 638**	**Raw Coal[4]**	**4,1**
	Waterberg North project[13] (OC) (prospecting)	100	Measured	**–**	**–**	–	–	–
			Indicated	**–**	**–**	–	–	–
			Inferred	**2 253**	**Raw Coal[4]**	2 176	Raw Coal[4]	
			TOTAL	**2 253**	**Raw Coal[4]**	**2 176**	**Raw Coal[4]**	**3,5**
	Waterberg South project[14] (OC) (prospecting)	100	Measured	**–**	**–**	–	–	
			Indicated	**–**	**–**	–	–	
			Inferred	**895**	**Raw Coal[4]**	699	Raw Coal[4]	
			TOTAL	**895**		**699**	**Raw Coal[4]**	**28**
	Tshikondeni mine (UG/OC) (captive market)	100	Measured	**23,5**	**Raw Coal[4]**	24,0	Raw Coal[4]	
			Indicated	**10,1**	**Raw Coal[4]**	10,1	Raw Coal[4]	
			Inferred	**–**	**–**	–	–	
			TOTAL	**33,6**	**Raw Coal[4]**	**34,1**	**Raw Coal**	**(1,6)**
Coal Australia	Moranbah South project[15] (UG) (prospecting)	50	Measured	**146,4**	**Raw Coal[4]**	56,0	Raw Coal[4]	
			Indicated	**325,4**	**Raw Coal[4]**	150,0	Raw Coal[4]	
			Inferred	**136,5**	**Raw Coal[4]**	60,4	Raw Coal[4]	
			TOTAL	**608,2**	**Raw Coal[4]**	**266,4**	**Raw Coal[4]**	**128,3**

Rounding off of figures may cause computational discrepancies.

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

[1] *Mining method: OC – open-cut, UG – underground.*
[2] *Figures are reported at 100% irrespective of percentage attributable to Exxaro and refer to 2010 only.*
[3] *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt. Coal Resources are quoted on a Mineable Tonnage In Situ (MTIS) and on an air-dried basis.*
[4] *Coal qualities are reported in Table 1 and are quoted on a Mineable Tonnage In Situ (MTIS) and on an air-dried basis.*
[5] *Coal Resources are quoted "inclusive" of Coal Resources that have been modified to Coal Reserves unless otherwise stated.*
[6] *The increase of ~50Mt is the result of the review of the geological database (update of new holes and correction of historical holes), subsequent update of the geological model improving seam interpretation and a change in the quality cut-off parameters used (35% Ash).*
[7] *Lower CV (15-18MJ/kg) coal from Seam 4 is utilised at Matla Mine 3 in addition to the Coal Resources (>18MJ/kg CV) previously reported. The inclusion of these Coal Resources resulted in a significant increase in the Total Resource base.*
[8] *Estimates are received from Anglo American and were not audited by Exxaro.*
[9] *The decrease of 4,7Mt is due to mining depletion.*
[10] *The project area is adjacent to the NBC mine and is reported for the first time following four years of extensive exploration.*
[11] *The increase of 14,8Mt (13%) is the result of the inclusion of potentially opencastable seams 3 and 4, not reported in 2009.*
[12] *Mining depletion of 36,7Mt has been positively offset by the increase in resource as a result of the update of the geological model with new drill hole information.*
[13] *The increase of ~77Mt is the result of new drilling information.*
[14] *The increase of ~196Mt is the result of new drilling information.*
[15] *Estimates are received from Anglo American and not audited by Exxaro. The significant increase is primarily the result of the upgrading of Goonyella Middle (GM) Seam resources (~350Mt) from low potential to reportable resources based on extensive exploration work.*

REVIEW OF MINERAL RESOURCES AND RESERVES
CONTINUED

COAL RESOURCE QUALITIES

Table 1

Operation	Seam/ Layer/ Formation	2010 Measured Resource Tonnes (Mt)[1]	CV MJ/kg	% VM	% Ash	% S	Indicated Resource **Tonnes (Mt)[1]**	**CV MJ/kg**	**% VM**	**% Ash**	**% S**	Inferred Resource Tonnes (Mt)[1]	CV MJ/kg	% VM	% Ash	% S
Arnot mine	Seam 2	164,3	23,9	20,6	20,6	1,0	**44,6**	**23,8**	**24,0**	**20,8**	**0,9**	46,3	24,2	24,4	20,2	0,9
	Seam 1	5,0	25,3	30,1	18,9	1,5	**1,3**	**25,0**	**29,9**	**19,4**	**2,7**	2,6	24,8	29,8	19,8	3,0
Matla mine	Seam 4 (Low CV)	129,4	17,2	22,1	33,6	0,8	**28,7**	**16,9**	**22,0**	**36,0**	**1,0**	39,1	16,3	21,3	37,5	1,3
	Seam 4	233,0	19,5	22,7	30,7	1,1	**133,6**	**19,9**	**22,7**	**29,4**	**1,0**	129,0	19,9	22,8	29,1	1,0
	Seam 2	80,5	24,0	24,0	19,1	0,9	**201,8**	**22,9**	**23,7**	**20,7**	**1,0**	50,7	20,6	20,4	29,8	1,0
Inyanda mine	Main Reserve	10,3	25,2	23,9	20,6	1,9	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
	Pegasus – South Reserve	1,1	24,2	24,2	20,9	1,7	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Leeuwpan mine	TC[2]	112,8	16,60	17,50	40,10	0,90	**1,6**	**11,3**	**10,8**	**51,8**	**0,7**	–	–	–	–	–
	BC[2]	66,9	23,9	21,8	22,1	1,1	**1,2**	**25,7**	**9,7**	**20,5**	**0,7**	–	–	–	–	–
Mafube mine	Seam 2	115,1	22,5	22,4	23,9	0,8	**–**	**–**	**–**		**–**	10,7	21,8	22,7	25,6	0,9
	Seam 1	3,2	20,4	22,7	31,3	0,9	**–**	**–**	**–**		**–**	34,5	20,2	22,4	31,3	1,0
NBC mine	NBC main orebody	21,7	19,7	21,2	29,9	0,9	**5,1**	**20,0**	**21,1**	**29,9**	**0,9**	0,2	21,5	21,4	25,0	0,8
	Strathrae East	0,5	24,7	22,9	19,0	0,8	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
	Eerstelings-fontein	3,7	24,3	22,6	18,2	0,8	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Glisa South project		20,0	19,0	20,3	32,0	0,9	**47,1**	**19,0**	**20,9**	**31,8**	**1,0**	9,4	21,0	21,6	27,6	1,0
NCC mine	A Grade Coal	10,8	25,5	23,8	20,2	0,7	**14,0**	**26,2**	**24,8**	**20,3**	**0,9**	–	–	–	–	–
	B Grade Coal	0,8	23,2	21,6	23,2	0,7	**28,2**	**22,9**	**25,3**	**26,6**	**0,9**	–	–	–	–	–
Belfast project	Seam 4	2,2	15,9	20,9	40,2	1,2	**1,0**	**13,4**	**19,1**	**47,8**	**1,1**	2,3	12,7	19,2	50,0	0,8
	Seam 3	6,3	21,4	23,1	27,8	1,0	**1,8**	**21,1**	**22,8**	**28,5**	**1,5**	1,1	20,7	22,7	29,3	1,1
	Seam 2	74,7	24,7	23,0	18,2	1,1	**21,3**	**24,1**	**22,8**	**19,9**	**1,0**	22,5	22,9	21,9	22,7	1,1
Grootegeluk mine	Volksrust Formation	1 842	12,3	19,4	55,4	1,0	**1 273**	**13,2**	**19,9**	**54,1**	**1,0**	610	13,2	19,2	55,1	1,3
	Vryheid Formation	717	23,2	22,2	27,6	2,1	**268**	**23,3**	**22,3**	**28,6**	**2,2**	177	23,2	21,5	28,5	2,0
Grootegeluk West project	Volksrust Formation	–	–	–	–	–	**2 149**	**11,1**	**19,3**	**56,9**	**0,9**	1 800	10,1	18,7	58,8	0,9
	Vryheid Formation	–	–	–	–	–	**430**	**20,4**	**21,9**	**32,1**	**2,2**	449	19,5	21,6	34,2	2,1
Waterberg North project	Volksrust Formation	–	–	–	–	–	**–**	**–**	**–**	**–**	**–**	1 468	10,8	19,0	56,8	0,9
	Vryheid Formation	–	–	–	–	–	**–**	**–**	**–**	**–**	**–**	785	18,1	21,7	36,2	1,8
Waterberg South project	Volksrust Formation	–	–	–	–	–	**–**	**–**	**–**	**–**	**–**	354	14,1	23,2	44,9	1,1
	Vryheid Formation	–	–	–	–	–	**–**	**–**	**–**	**–**	**–**	541	17,1	21,6	36,1	2,1
Tshikondeni mine	Total	23,5	30,8	22,0	14,0	0,7	**10,1**	**30,8**	**22,0**	**14,0**	**0,7**	–	–	–	–	–
Moranbah project	Total	146,4	25,7	19,0	26,0	0,6	**325,4**	**26,9**	**18,2**	**22,8**	**0,6**	136,5	27,0	17,9	21,9	0,6

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

[1] *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt.*
[2] *TC – Top Coal, BC – Bottom Coal*

COAL

Coal Reserves

The table below details the total Coal Reserve estimated as at 31 December 2010.

Commodity	Operation[1]	% attributable to Exxaro[5]	Reserve category	2010 ROM (Mt)[2, 3]	2010 Saleable product (Mt)[2, 4]			2009 ROM (Mt)[2, 3]	2009 Saleable product (Mt)[2, 4]			% change	Life of Mine Plan (LoMP) (Years)
					Coking coal	**Thermal coal**	**Metallurgical coal**		Coking coal	Thermal coal	Metallurgical coal		
Coal Mpumalanga	Arnot mine[7] (UG)	100	Proved	**46,4**	**N/A**	**43,6**	**N/A**	72,6	N/A	70,4	N/A		
	(captive market)		Probable	**11,6**	**N/A**	**10,9**	**N/A**	10,2	N/A	9,9	N/A		
			TOTAL	**58,0**	**N/A**	**54,5**	**N/A**	**82,8**	**N/A**	**80,3**	**N/A**	**(29,9)**	**11,6**
	Inferred Resources in LoMP[6]			**6,3**									
	Matla mine[8] (UG)	100	Proved	**132,4**	**N/A**	**131,7**	**N/A**	201,1	N/A	200,1	N/A		
	(captive market)		Probable	**149,5**	**N/A**	**148,8**	**N/A**	132,1	N/A	131,5	N/A		
			TOTAL	**281,9**	**N/A**	**280,5**	**N/A**	**333,2**	**N/A**	**331,6**	**N/A**	**(15,4)**	**33**
	Inferred Resources in LoMP[6]			**57**									
					A-grade export steam coal				A-grade export steam coal				
	Inyanda mine[9] (OC)	100	Proved	**9,4**		**6,6**		11,6		8,2			
			Probable	**0,4**		**0,3**		0,4		0,3			
			TOTAL	**9,8**		**6,9**		**12,0**		**8,5**		**(18,4)**	**4,2**
	Inferred Resources in LoMP[6]			**–**									
					Export	**Thermal**	**Metallurgical**		Export	Thermal	Metallurgical		
	Leeuwpan mine[10] (OC)	100	Proved	**78,1**	**5,5**	**25,6**	**12,4**	88,3	4,2	35,4	9,5		
			Probable	**73,6**	**–**	**21,4**	**20,3**	64,8	–	9,4	23		
			TOTAL	**151,7**	**5,5**	**47,0**	**32,7**	**153,1**	**4,2**	**44,8**	**32,5**	**(0,9)**	**22**
	Inferred Resources in LoMP[6]			**–**									

COAL continued

Coal Reserves continued

Commodity	Operation[1]	% attributable to Exxaro[5]	Reserve category	2010 ROM (Mt)[2, 3]	2010 Saleable product (Mt)[2, 4]			2009 ROM (Mt)[2, 3]	2009 Saleable product (Mt)[2, 4]			% change	Life of Mine Plan (LoMP) (Years)
					Export	**Thermal**	**Metal-lurgical**		Export	Thermal	Metal-lurgical		
Coal Mpumalanga (continued)	Mafube mine[11] (OC)	50	Proved	**30,1**	**14,8**	**6,9**	**N/A**	35,6	18,4	8,2	N/A		
			Probable	**–**	**–**	**–**	**N/A**	67,3	25,1	21,2	N/A		
			TOTAL	**30,1**	**14,8**	**6,9**	**N/A**	**102,9**	**43,5**	**29,4**	**N/A**	**(70,8)**	**6**
	Inferred Resources in LoMP[6]			**–**									
	NBC[12] (OC)	100	Proved	**–**	**N/A**	**–**	**N/A**	26,9	N/A	24,5	N/A		
	(North Block Complex)		Probable	**27,2**	**N/A**	**17,0**	**N/A**	4,1	N/A	3,7	N/A		
			TOTAL	**27,2**	**N/A**	**17,0**	**N/A**	**31,0**	**N/A**	**28,2**	**N/A**	**(12,1)**	**6,3**
	Inferred Resources in LoMP[6]			**–**									
	NCC mine[13] (OC, UG)	100	Proved	**7,6**	**N/A**	**5,6**	**N/A**	11,7	N/A	7,6	N/A		
	(New Clydesdale)		Probable	**2,3**	**N/A**	**0,9**	**N/A**	–	N/A	–	N/A		
			TOTAL	**10,0**	**N/A**	**6,5**	**N/A**	**11,7**	**N/A**	**7,6**	**N/A**	**(14,7)**	**6**
	Inferred Resources in LoMP[6]			**–**									
	Belfast project[14] (UG/OC)	100	Proved	**–**	**–**	**–**	**N/A**	91,9	56,8	29,9	N/A		
	(prospecting)		Probable	**67,3**	**21,6**	**35,4**	**N/A**	3,0	–	–	N/A		
			TOTAL	**67,3**	**21,6**	**35,4**	**N/A**	**94,9**	**56,8**	**29,9**	**N/A**	**(29,1)**	**21,1**
	Inferred Resources in LoMP[6]			**0,8**									
Coal Limpopo	Grootegeluk mine (OC)	100	Proved	**2 056**	**97,6**	**900,5**	**91,0**	2 140	96,4	905,3	83,3		
			Probable	**913**	**58,9**	**356,9**	**21,9**	666	33,0	309,6	33,7		
			TOTAL	**2 969**	**156,5**	**1 257,4**	**112,9**	**2 806**	**129,4**	**1 214,9**	**117,0**	**5,8**	**54**
	Inferred Resources in LoMP[6]			**302**									
	Tshikondeni mine (UG/OC)	100	Proved	**3,65**	**1,85**	**N/A**		3,98	2,11	N/A			
	(captive market)		Probable	**–**	**–**	**N/A**		–	–	N/A			
			TOTAL	**3,65**	**1,85**	**N/A**		**3,98**	**2,11**	**N/A**		**(8,3)**	**6**
	Inferred Resources in LoMP[6]			**–**									

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

[1] *Mining method: OC – open-cut, UG – underground.*
[2] *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt.*
[3] *Coal Reserves are quoted on a Run of Mine (RoM) reserve tonnage basis which represents the tonnages delivered to the plant at an applicable moisture and quality.*
[4] *Saleable reserve tonnage represents the product tonnes of coal available-for-sale on a applicable moisture basis. Qualities of saleable products are provided in Table 2.*
[5] *Figures are reported at 100% irrespective of percentage attributable to Exxaro and refer to 2010 only.*
[6] *Inferred resources in Life of Mine Plan (LoMP) refer to Inferred Resources considered for the Life of Mine Plan.*
[7] *The decrease (30%) is the result of mining depletion (4,5Mt) and the exclusion of the envisaged open-cast areas due to technical investigations and pending authorisations.*
[8] *The net decrease of ~51Mt is the result of mining depletion (12,8Mt), changes in the resource base, exclusion (~40Mt) of potential stooping areas underlying environmentally sensitive wetlands and the exclusion of Coal Reserves in Seam 2 attributed to safety conditions.*
[9] *The net decrease is primarily the result of mining depletion (~2,3Mt). The Pegasus-South ore body which is situated within the mine right area, but to the immediate north of the main ore body, has not been converted to Coal Reserves because of ongoing technical and environmental studies.*
[10] *Measured Resources (reserve blocks OJ, OL, OI) have been converted to Probable Reserves due to metallurgical studies in progress and pending authorisations.*
[11] *Figures are received from Anglo American and were not audited by Exxaro. Probable Reserves and Inferred Resources (considered for LoMP, ~66,6Mt) were excluded pending the approval for conversion of prospecting right to mining right. Application for conversion to mining right will be submitted, pending the completion of the Environmental Management Plan (EMP). Anglo American Thermal Coal has reasonable expectation that such conversion will not be withheld.*
[12] *The decrease (3,7Mt) is the result of mining depletion. The Coal Reserve was moved to the Probable Reserve category pending the outcome of technical investigations. The Reserve consists of the NBC main orebody (~23,97Mt), Strathrae East (0,57Mt) and Eerstelingsfontein (2,67Mt). The decrease in saleable product is the result of a revised product specification adopted in 2010.*
[13] *The decrease of 1,7Mt (~14%) is the result of mine depletion and a change in the resource base. The Haasfontein Reserves (~2,3Mt) was moved to the Probable Reserve category during the alignment of mining activities to environmental compliances.*
[14] *The decrease in the Reserve is the result of the re-evaluation of the economics of the project and changes in proposed mine methods. The Reserve has been moved to the Probable Reserve category due to pending mine right and environmental authorisations.*

COAL RESERVE QUALITIES

Table 2

Operation	Seam/Layer	Thermal saleable (proved + probable)					Metallurgical saleable (proved + probable)					Coking saleable (proved + probable)				
		Tonnes (Mt)[1]	CV MJ/kg	% VM	% Ash	% S	Tonnes (Mt)[1]	CV MJ/kg	% VM	% Ash	% S	Tonnes (Mt)[1]	CV MJ/kg	% VM	% Ash	% S
Arnot mine		54,2	24,3	24,0	23,0	1,0										
Matla mine	Seam 4	130,9	18,7	N/A	39,3	N/A										
	Seam 2	151,0	21,7	N/A	23,9	N/A										
Inyanda mine		7,6	27,5	25,0	15,0	0,7										
Leeuwpan mine	TC[2]	47,0	22,7	20,0	22,7	0,5	–	–	–	–	–					
	BC[2]	–	–	–	–	–	38,2	26,6	23,0	15,5	0,6					
Mafube mine		6,9	23,9	21,3	19,8	0,6										
	Export	14,8	27,5	25,1	11,5	0,4										
NBC	NBC Main orebody	14,0	22,3	22,4	21,9											
	Strathrae East	0,5	24,7	22,9	19,0	0,8										
	Eerstelings-fontein	2,4	23,3	22,6	18,3	0,7										
NCC mine		6,5	27,6	25,7	15,2	0,9										
Belfast project	Thermal	21,6	22,9	N/A	N/A	N/A										
	Export	35,4	27,4	24,7	12,0	0,4										
Grootegeluk mine	Volksrust Formation	816,1	21,4	27,4	31,4	0,8	–	–	–	–	–	127,5	29,4	35,8	10,3	1,0
	Vryheid Formation	441,3	21,5	21,9	31,7	2,7	112,9	27,6	23,4	15,0	0,6	–	–	–	–	–
Tshikondeni mine												1,85	30,8	22,0	14,0	0,7

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

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

REVIEW OF MINERAL RESOURCES AND RESERVES
CONTINUED

MINERAL SANDS

Mineral Resources

The table below details the total inclusive Mineral Sands Resources estimated as at 31 December 2010.

Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category	2010 Tonnes (million)[3]	2010 Grade	2009 Tonnes (million)[3]	2009 Grade	% change
					% Ilmenite		% Ilmenite	
Mineral Sands KwaZulu-Natal	Hillendale mine (including Braeburn + Braeburn Extension)[4]	100	Measured	**33,2**	**2,97**	40,9	3,27	
	(OC)		Indicated	**–**	**–**	–	–	
			Inferred	**–**	**–**	–	–	
			TOTAL	**33,2**	**2,97**	**40,9**	**3,27**	**(18,9)**
	Fairbreeze A + B + C + C Ext + D[5]	100	Measured	**156,1**	**4,29**	202,1	3,72	
	(OC)		Indicated	**55,7**	**2,56**	26,9	2,50	
			Inferred	**9,0**	**1,92**	–	–	
			TOTAL	**220,9**	**3,76**	**229,0**	**3,60**	**(4)**
	Block P	100	Measured	**–**	**–**	–	–	
	(OC)		Indicated	**40,6**	**3,1**	40,6	3,1	
			Inferred	**–**	**–**	–	–	
			TOTAL	**40,6**	**3,1**	**40,6**	**3,1**	**0**
	Port Durnford project[6]	51	Measured	**142,5**	**3,0**	142,5	3,0	
	(prospecting)		Indicated	**340,1**	**2,8**	340,1	2,8	
	(OC)		Inferred	**466,0**	**2,5**	466,0	2,5	
			TOTAL	**948,6**	**2,7**	**948,6**	**2,7**	**0**
Mineral Sands Eastern Cape	Eastern Cape project	100	Measured	**Will apply for closure**		226,2	4,6	
	(Nombanjana, Ngcizele, Sandy Point old and recent)[7]		Indicated			9,9	3,3	
	(OC)		Inferred			19,8	3,9	
			TOTAL			**255,9**	**4,5**	**N/A**
Mineral Sands Limpopo	Gravelotte sand and	100	Measured	**75,1**	**9,1**	75,1	9,1	
	pebbles		Indicated	**–**	**–**	–	–	
	(OC)		Inferred	**31,3**	**4,0**	31,3	4,0	
			TOTAL	**106,4**	**7,6**	**106,4**	**7,6**	**0**
	Gravelotte rock	100	Measured	**–**	**–**	–	–	
	(OC)		Indicated	**–**	**–**	–	–	
			Inferred	**112,3**	**20,7**	112,3	20,7	
			TOTAL	**112,3**	**20,7**	**112,3**	**20,7**	**0**
	Letsitele sand project	100	Measured	**12,5**	**10,5**	12,5	10,5	
	(prospecting)		Indicated	**–**	**–**	–	–	
	(OC)		Inferred	**–**	**–**	–	–	
			TOTAL	**12,5**	**10,5**	**12,5**	**10,5**	**0**
	Letsitele rock project	100	Measured	**–**	**–**	–	–	
	(prospecting)		Indicated	**53,6**	**25,9**	53,6	25,9	
	(OC)		Inferred	**–**	**–**	–	–	
			TOTAL	**53,6**	**25,9**	**53,6**	**25,9**	**0**

Mineral Sands Resources continued

Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category	**2010** Tonnes (million)[3]	**2010** Grade		2009 Tonnes (million)[3]	2009 Grade		% change
					% Ilmenite	**% Zircon**		% Ilmenite	% Zircon	
Mineral Sands Western Cape	Namakwa Sands mine[8]	100	Measured	**344,0**	**3,27**	**0,82**	578,1	3,0	0,7	
	(OC)		Indicated	**385,9**	**2,07**	**0,49**	258,1	2,5	0,7	
			Inferred	**199,5**	**2,31**	**0,65**	84,8	1,5	0,3	
			TOTAL	**929,4**	**2,57**	**0,64**	**921,0**	**2,7**	**0,6**	**0,9**
Mineral Sands Australia	Tiwest				**% THM**			% THM		
	– Cooljarloo mine[9]	50	Measured	**232,3**	**2,3**		95,0	2,9		
	(OC)		Indicated	**193,0**	**1,9**		234,1	2,3		
			Inferred	**–**	**–**		10,0	2,4		
			TOTAL	**425,4**	**2,1**		**339,1**	**2,5**		**25,4**
					% THM			% THM		
	– Cooljarloo West project[10]	50	Measured	**–**	**–**					
	(OC)		Indicated	**62,3**	**2**		Not reported in 2009			
			Inferred	**36,5**	**2**					
			TOTAL	**98,8**	**2**		**–**	**–**		**N/A**
	– Jurien project	50	Measured	**–**	**–**		–	–		
	(OC)		Indicated	**25,6**	**6,0**		25,6	6,0		
			Inferred	**–**			–	–		
			TOTAL	**25,6**	**6,0**		**25,6**	**6,0**		**0**
	– Dongara project[11]	50	Measured	**55,2**	**4,5**		91,4	4,5		
	(prospecting)		Indicated	**12,0**	**4,8**		–	–		
	(OC)		Inferred	**15,9**	**4,0**		–	–		
			TOTAL	**83,1**	**4,5**		**91,4**	**4,5**		**(9)**

% THM – percent total heavy minerals

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

Rounding off of figures may cause computational discrepancies.

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

1 *Mining method: OC – open-cut, UG – underground.*
2 *Figures are reported at 100% irrespective of percentage attributable to Exxaro and refer to 2010 only.*
3 *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt.*
4 *The decrease is primarily the result of mining depletion (~6Mt).*
5 *Geological models were revised and updated and Fairbreeze area D, previously reported separately, is now included in the Net Resource.*
6 *The project is reviewed due to changed economical assumptions. The prospecting right has lapsed and a new application has been submitted, outcome is pending.*
7 *Exxaro decided to disinvest as a result of technical and environmental constraints.*
8 *The movements within the resource categories are mainly the result of a revised resource classification and orebody delineation.*
9 *The increase of 86,6Mt (~25%) and the movement between the various resource categories, are the result of a combination of factors. Mining depletion (~24Mt), the update of the geological model that incorporates new information obtained through an extensive exploration drilling programme executed during the last two years, as well as the implementation of a larger, lower grade pit shell due to revised economical assumptions, are the primary contributors to the increase.*
10 *The project is reported for the first time this year.*
11 *Movements between the resource categories are the result of the review and update of the historical geological models.*

REVIEW OF MINERAL RESOURCES AND RESERVES
CONTINUED

MINERAL SANDS

Ore Reserves

The table below details the total Mineral Sands Reserves estimated as at 31 December 2010.

Commodity	Operation[1]	% attribut-able to Exxaro[2]	Reserve category	2010 ROM (Mt)[3]	Grade	Total heavy mineral (THM) composition				2009 ROM (Mt)[3]	Grade	Total heavy mineral (THM) composition				% change	Life of Mine Plan (LoMP) (Years)
					% THM	% Ilmenite	% Zircon	% Rutile	% Leuco-xene		% THM	% Ilmenite	% Zircon	% Rutile	% Leuco-xene		
Mineral Sands KwaZulu-Natal	Hillendale mine[5] (OC) (including Braeburn and Braeburn Extension)	100	Proved	**11,6**	**6,37**	**54,89**	**6,88**	**3,90**	**2,02**	18,9	7,03	56,19	7,25	3,98	1,99		
			Probable	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–		
			TOTAL	**11,6**	**6,37**	**54,89**	**6,88**	**3,90**	**2,02**	**18,9**	**7,03**	**56,19**	**7,25**	**3,98**	**1,99**	**(38,6)**	**1,5**
	Inferred Resources in LoMP[4]			**–**													
	Fairbreeze A+B+C+ C Ext and D[6] (OC)	100	Proved	**114,3**	**7,74**	**62,73**	**8,52**	**3,46**	**1,71**	161,1	6,64	60,39	8,19	3,43	1,65		
			Probable	**25,4**	**5,02**	**56,19**	**7,81**	**3,29**	**1,50**	20,4	4,16	49,04	7,36	2,69	2,07		
			TOTAL	**139,6**	**7,24**	**61,54**	**8,39**	**3,43**	**1,67**	**181,5**	**6,36**	**59,11**	**8,09**	**3,34**	**1,70**	**(23)**	**10**
	Inferred Resources in LoMP[4]			**3,0**													
Mineral Sands Limpopo	Gravelotte sand (OC)	100	Proved	**52,4**	**13,0**	**85,0**	**N/A**	**N/A**	**N/A**	52,4	13,0	85,0	N/A	N/A	N/A		
			Probable	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–		
			TOTAL	**52,4**	**13,0**	**85,0**	**N/A**	**N/A**	**N/A**	**52,4**	**13,0**	**85,0**	**N/A**	**N/A**	**N/A**	**0**	**11**
	Inferred Resources in LoMP[4]			**–**													
Mineral Sands Western Cape	Namakwa Sands mine[7] (OC)	100	Proved	**133,1**	**12,67**	**28,57**	**8,45**	**2,05**	**4,50**	393,6	8,96	35,49	8,15	2,23	4,58		
			Probable	**454,8**	**9,87**	**28,06**	**6,38**	**1,72**	**4,05**	120,0	6,94	32,85	7,49	2,16	4,18		
			TOTAL	**587,9**	**10,50**	**28,19**	**6,95**	**1,81**	**4,19**	**513,6**	**8,34**	**34,77**	**7,55**	**2,16**	**4,56**	**14,5**	**20**
	Inferred Resources in LoMP[4]			**109**													
Australia	Tiwest – Cooljarloo (OC)[8]	50	Proved	**232,3**	**2,3**	**59,2**	**9,2**	**5,1**	**2,8**	93,3	2,7	60,6	8,8	4,6	3,0		
			Probable	**58,0**	**2,1**	**57,7**	**9,8**	**4,8**	**3,4**	17,0	2,7	56,0	13,4	5,2	2,8		
			TOTAL	**290,3**	**2,2**	**58,9**	**9,4**	**5,0**	**2,9**	**110,3**	**2,7**	**58,1**	**9,0**	**4,5**	**2,9**	**163,2**	**12**
	Inferred Resources in LoMP[4]			**–**													
	– Jurien (OC)	50	Proved	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–		
			Probable	**15,7**	**7,9**	**54,0**	**10,0**	**6,8**	**2,3**	15,7	7,9	54,0	10,0	6,8	2,3		
			TOTAL	**15,7**	**7,9**	**54,0**	**10,0**	**6,8**	**2,3**	**15,7**	**7,9**	**54,0**	**10,0**	**6,8**	**2,3**	**0**	**5,2**
	Inferred Resources in LoMP[4]			**–**													
	– Dongara (OC) (prospecting)	50	Proved	**29,5**	**7,3**	**48,6**	**10,1**	**7,0**	**2,0**	29,5	7,3	48,6	10,1	7,0	2,0		
			Probable	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–		
			TOTAL	**29,5**	**7,3**	**48,6**	**10,1**	**7,0**	**2,0**	**29,5**	**7,3**	**48,6**	**10,1**	**7,0**	**2,0**	**0**	**9,8**
	Inferred Resources in LoMP[4]			**–**													

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

[1] *Mining method: OC – open-cut, UG – underground.*
[3] *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt.*
[4] *Inferred Resources in Life of Mine Plan (LoMP) refer to Inferred Resources considered for the Life of Mine Plan.*
[5] *The decrease of ~7,3Mt is the result of mining depletion. Resource of 18,2Mt is not converted to Reserve mainly because of infrastructure.*
[6] *The decrease of ~41Mt is mainly the result of a change in cut-off grade and movements within the resource categories.*
[7] *The increase of 74Mt is primarily due to a review of the economic assumptions resulting in the inclusion of material previously regarded as uneconomical. The East OFS Reserve (~180Mt) has been moved to the Probable Reserve category until further technical studies have been concluded.*
[8] *The increase of 180Mt is the result of the positive change in the resource base and the implementation of a new larger, lower-grade pit shell based on reviewed economic assumptions.*

BASE METALS

Mineral Resources

The table below details the total inclusive Base Metal Resources estimated as at 31 December 2010.

Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category	2010 Tonnes (million)[3]	2010 Grade		2009 Tonnes (million)[3]	2009 Grade		% change
				Mt	**% Zn**	**% Pb**	Mt	% Zn	% Pb	
Base Metals Namibia	Rosh Pinah mine	50,04	Measured	**4,2**	**9,16**	**2,12**	4,2	8,51	2,15	
	(zinc and lead)		Indicated	**5,2**	**6,94**	**2,29**	5,8	6,66	1,81	
	(UG)		Inferred	**2,9**	**5,72**	**0,99**	1,7	4,81	0,81	
			TOTAL	**12,3**	**7,42**	**1,92**	**11,7**	**7,06**	**1,79**	**5,4**

Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category	2010 Tonnes (million)[3]	2010 Grade				2009 Tonnes (million)[3]	2009 Grade				% change
Base Metals Northern Cape	Black Mountain Mining			**Mt**	**% Zn**	**% Pb**	**% Cu**	**Ag g/t**	Mt	% Zn	% Pb	% Cu	Ag g/t	
	– Deeps & Broken Hill[4,5]	26	Measured	**3,7**	**2,67**	**3,57**	**0,38**	**41,17**	7,2	2,74	3,16	0,37	38,50	
	(zinc, lead, copper and silver)		Indicated	**6,0**	**3,09**	**3,92**	**0,49**	**56,99**	5,8	2,10	3,02	0,45	44,69	
	(UG)		Inferred	**9,6**	**2,75**	**2,60**	**0,53**	**24,85**	7,3	2,95	2,26	0,73	25,94	
			TOTAL	**19,3**	**2,84**	**3,20**	**0,49**	**37,96**	**20,3**	**2,63**	**2,80**	**0,52**	**35,78**	**(5)**
	– Swartberg[4,6]	26	Measured	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	
	(zinc,lead,copper and silver)		Indicated	**16,4**	**0,68**	**2,91**	**0,64**	**35,4**	17,3	0,63	2,87	0,70	35,0	
	(UG)		Inferred	**31,9**	**0,65**	**2,73**	**0,67**	**32,2**	24,5	0,68	2,79	0,61	41,0	
			TOTAL	**48,3**	**0,66**	**2,79**	**0,66**	**33,3**	**41,8**	**0,66**	**2,82**	**0,65**	**39,0**	**15**

Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category	**Tonnes (million)[3]**	**Grade**	Tonnes (million)[3]	Grade	% change
				Mt	**% Zn**	Mt	% Zn	
	– Gamsberg North[4,7]	26	Measured	**43,3**	**7,09**	43,3	7,09	
	(zinc)		Indicated	**57,5**	**6,47**	57,5	6,47	
	(OC)		Inferred	**53,3**	**5,39**	53,3	5,39	
			TOTAL	**154,1**	**6,27**	**154,1**	**6,27**	**0**

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

[1] *Mining method: OC – open-cut, UG – underground.*
[2] *Figures are reported at 100% irrespective of percentage attributable to Exxaro and refer to 2010 only.*
[3] *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt.*
[4] *Figures received from Anglo American and were not audited by Exxaro.*
[5] *Resources quoted are in addition to reported Ore Reserves. Broken Hill and the Deeps Mineral Resources are combined for reporting purposes as both deposits are geologically connected and make use of the same mining infrastructure.*
[6] *Mine was placed on care and maintenance in 2007. No Ore Reserves, all remaining resources are declared. The increase is the result of a re-evaluation of the cut-off and the use of updated 2010 economic assumptions.*
[7] *Mineral Resources were formerly referred to as Gamsberg.*

REVIEW OF MINERAL RESOURCES AND RESERVES

CONTINUED

BASE METALS

Ore Reserves

The table below details the total Base Metal Reserves estimated as at 31 December 2010.

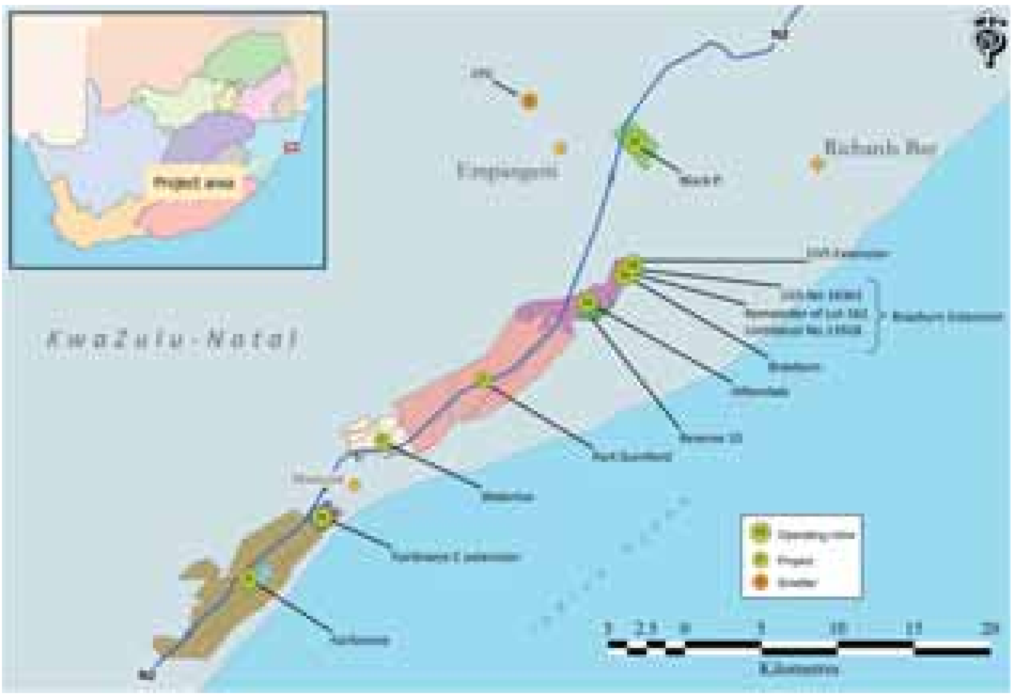
				2010					2009						
				ROM (Mt)[3]	Grade		Saleable product			Grade		Saleable product			Life of Mine Plan (LoMP) (Years)
Commodity	Operation[1]	% attributable to Exxaro[2]	Reserve category		% Zn	% Pb	zinc metal (x 1 000t)	lead metal (x 1 000t)	ROM (Mt)[3]	% Zn	% Pb	zinc metal (x 1 000t)	lead metal (x 1 000t)	% change	
Base Metals Namibia (zinc and lead)	Rosh Pinah mine[5] (UG)	50,04	Proved	**3,7**	**9,10**	**1,97**	**336,0**	**72,8**	2,8	10,25	2,50	281,8	68,7		
			Probable	**2,8**	**7,13**	**2,06**	**198,9**	**57,5**	2,0	7,91	1,68	158,4	33,8		
			TOTAL	**6,5**	**8,25**	**2,01**	**535,0**	**130,3**	**4,8**	**9,26**	**2,16**	**440,2**	**102,5**	**36**	**9,5**
	Inferred Resources inside LoMP[4]			**–**											

				2010									2009										
				ROM (Mt)[3]	Grade				Saleable product				ROM (Mt)[3]	Grade				Saleable product					Life of Mine Plan (LoMP) (Years)
Commodity	Operation[1]	% attributable to Exxaro[2]	Reserve category		% Zn	% Pb	% Cu	Ag g/t	zinc metal (x 1 000t)	lead metal (x 1 000t)	copper metal (x 1 000t)	silver metal (t)		% Zn	% Pb	% Cu	Ag g/t	zinc metal (x 1 000t)	lead metal (x 1 000t)	copper metal (x 1 000t)	silver metal (t)	% change	
Base Metals Northern Cape (zinc, lead, copper and silver)	Black Mountain mining	26	Proved	**3,6**	**2,75**	**3,76**	**0,33**	**41,07**	**98,5**	**134,9**	**11,8**	**147,3**	4,9	3,52	3,64	0,38	42,51	171,2	176,6	18,5	206,8		
	Deeps[6] (UG)		Probable	**3,6**	**3,27**	**2,80**	**0,43**	**47,47**	**117,1**	**100,3**	**15,4**	**170,0**	2,8	2,03	2,64	0,41	50,41	57,4	74,7	11,6	142,6		
			TOTAL	**7,2**	**3,01**	**3,28**	**0,38**	**44,27**	**215,6**	**235,1**	**27,2**	**317,3**	**7,7**	**2,97**	**3,27**	**0,39**	**45,43**	**228,5**	**251,6**	**30,0**	**349,5**	**(7)**	**8**
	Inferred Resources inside LoMP[4]			**9,6**																			

% Zn – percent zinc, % Cu – percent copper, % Pb – percent lead, Ag g/t – grams per tonne silver, N/A – not applicable
Reserves quoted are inclusive of reported Mineral Resources unless otherwise stated.
Rounding off of figures may cause computational discrepancies.
All changes more than 10% (significant) are explained.

[1] *Mining method: OC – open-cut, UG – underground.*
[2] *Figures are reported at 100% irrespective of percentage attributable to Exxaro and refer to 2010 only.*
[3] *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt.*
[4] *Inferred Resources in Life of Mine Plan (LoMP) refer to Inferred Resources considered for the Life of Mine Plan.*
[5] *The decrease of mining depletion (~0,7Mt) was offset by an increase of ~2,4Mt due to a change in the resource base and revised economic assumptions resulting in a net increase of 1,7Mt.*
[6] *Figures received from Anglo American and not audited by Exxaro. Reserves quoted are exclusive of reported Mineral Resources.*

Mineral sand mines and projects in KwaZulu-Natal



Base metal and industrial mineral mines in Southern Africa

SAFETY

Disclosure on management approach

Keeping our people safe

Our safety and sustainable development governance model begins with meeting legislative requirements as a minimum standard. Sophisticated risk management systems and processes are then modelled around key risks for implementation at operational level. A risk-based approach also informs the way resources are allocated and used in the group to ensure ongoing progress towards and beyond legal compliance.

To ensure effective communication, Exxaro's official language is English. All formal communication takes place in English, while remaining sensitive to local conditions. Fanakalo (the hybrid language traditionally used in South African mines) is not encouraged and no training and development takes place in that language.

Our ultimate target remains zero injuries and, therefore, zero fatalities. To reach this goal, we have an incremental target of improving safety performance by 30% each year. This is measured by the lost-time injury frequency rate – or LTIFR, a standard in the mining industry.

Every lost-time injury is investigated by the relevant business unit manager, while all fatalities are investigated by a committee with the appropriate skills, headed by an independent chairman. These are reported to the board and Exco. Each business unit tracks its adherence to standards and legislation through a programme of self-assessments and corporate audits.

We aim to achieve this target through stringent application of management protocols, programmes and systems. Formal management-worker health and safety committees are in place at all operations, and meet regularly to ensure we reach our targets.

The 2009 strategic review of our safety practices highlighted key risks facing our group, particularly limited hazard awareness, varied safety competency and non-adherence to corporate safety standards. Collectively, these may result in the perception of Exxaro being an unsafe business – a perception that carries material risk to our sustainability. Accordingly, we have developed a timeline (opposite) to Exxaro's desirable state that includes:

- Zero fatalities
- Zero lost-time injuries
- Hazard identification and risk assessments (HIRA)
- Visible felt leadership as a key driver of safety excellence in Exxaro
- Zero repeat incidents

Exxaro also has a policy detailing the approach to identifying, preparing for and responding to emergency situations affecting employees and surrounding communities. This spans all known types of emergency including fire, flood, bomb threats, etc. Emergency situations that have occurred in recent years have been well handled, demonstrating the effectiveness of both policy and training.

Safety

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

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

Flying the safety flag

Since May 2010, every Exxaro operation has flown a 'safe day' flag for each day without a lost-time injury. These highly visible flagpoles keep safety awareness high and celebrate every day without injury. In the eight months of this campaign, flags were raised on 205 of 245 working days – reflecting a safety-day rate of 84% at Exxaro.

Safety targets

Exxaro has committed R60 million over five years (2009-2013) to achieve its safety targets:

- Zero fatalities – actual for 2010 is two fatalities
- 0,21 lost-time injury frequency rate per 200 000 hours for 2010; annual improvement of 30% – actual for 2010 0,25

Highlights

- Actual LTIFR of 0,25 is an annual improvement of 24%, below the target of 30% but steady progress
- Namakwa Sands wins NOSA Top 100 Mining Companies safety award for third consecutive year, competing against over 120 international companies using the NOSA SHE management system
- KZN Sands' Hillendale shift C and residue dam B teams have maintained their outstanding safety records since 2001 (zero fatalities and zero lost-time injuries)
- Namakwa Sands' smelter reached 1 134 LTI-free days by year end
- Namakwa Sands' separation plants celebrated one year without a lost-time injury in June 2010 and reached 569 days by year end
- North Block Complex achieved 20 000 fatality-free shifts in November 2010
- Arnot engineers developed a remote device that enables electricians to switch oil circuit breakers from at least 20m away – a safety innovation with group-wide application.

Safety summits

In 2009 Exxaro initiated its group-wide CEO Safety Summits under the theme *Safety Always, All the Way*. These bi-annual summits involve a range of stakeholders to identify key areas that will make a tangible difference to safety performance: consequence management, safety training, culture (the Exxaro safety way of life), mini-HIRA (hazard identification and risk assessment) and communication.

Safety improvement plans in action

Following the 2009 safety summits, Exxaro's safety programme, *Safety Always All The Way*, was launched across the group in 2010. Since then, the people of Exxaro have been flying their Safe Day flags high, and monitoring and measuring their progress each step of the way.

Health and hygiene

Occupational health hazards affect a large number of workers globally – the ILO estimates that some 200 000 workers globally lose their lives at work and 68-157 million new cases of occupational diseases occur from various exposures in the workplace. In South Africa, the Department of Mineral Resources reported 177 fatalities but over 10 000 cases of occupational diseases in the mining industry in 2008. In 2009, this proportion had changed to 167 fatalities but over 8 000 cases of occupational diseases. Importantly, deaths due to these diseases will often occur several years after the employee has left the industry. At Exxaro, the trend of more occupational diseases than fatalities each year is similar but not nearly as pronounced:

- In 2008, 22 occupational diseases and five fatalities
- In 2009, 26 occupational diseases and four fatalities.

Healthy employees are essential for a safe workplace. Because the health effects of workplace hazards on an employee may only manifest years after initial exposure, it is important that every employee is made aware of his/her role in preventing occupational diseases, their impact and the means to mitigate the effects of potential exposure to workplace hazards.

Accordingly, Exxaro employees are made aware of hazards in the work environment, and the risk they pose to employee health:

- Health risks are identified; quantified and monitored through a ventilation and occupational hygiene surveillance programme
- Monitor health through the medical surveillance programme, to check that people are in good health
- Employees are:
  - encouraged to be vigilant about conditions that could affect their own safety and health or that of their colleagues
  - provided with information on the health implications of exposure to the risk
  - made aware of measures that should be taken for them to maintain their health.
- The exposure risk to workplace hazards is managed through a hierarchy of controls by:
  - eliminating the hazard at source
  - substituting the equipment that generates the hazard
  - controlling levels of exposure by either moving employees out of the work area or providing personal protective equipment.

Employees are also made aware of the contribution of occupational diseases to the quality of life and loss of potential income and are encouraged to comply with mitigation measures in place in the workplace.

Environment

Sustainable development issues are central to Exxaro's business, particularly the use of natural resources like water, air, biodiversity and land. Using these responsibly means:

- Ensuring all activities are properly authorised
- Using energy and water as efficiently as possible
- Ensuring activities are conducted responsibly, from the twin perspectives of compliance and natural resource use.

With the support of government, Chamber of Mines and Exxaro's recognised unions, this focus on safety is producing tangible benefits. By year end, five business units had worked for 12 months without a lost-time injury (LTI) and the group LTIFR had improved by 24% (page 82).

Following on the CEO Safety Summit held in April 2010, the Exxaro safety improvement plan was rolled out to all business units. This plan focuses on training VFL change champions (change through visible felt leadership), communicating Exxaro's zero-tolerance safety rules, rolling out the safety training matrix, safety communication guidelines and mini hazard identification and risk assessments (HIRA). This programme will continue in 2011, supplemented by the introduction of health, environment and related issues to enhance awareness and participation.

One of the most notable safety performances of the review period came from Namakwa Sands, which was also ranked first in the *Top 100 Mining Companies* category at the annual National Occupational Safety Association (NOSA) awards. This was the third consecutive win for Namakwa Sands, with its mine and smelter competing against 126 other international mining companies using NOSA SHE management systems. To qualify globally for entry, companies first have to win their regional competitions in which they are evaluated on their compliance to recognised SHE management standards, legal compliance and actual performance and experience. This is done during the annual NOSA grading audit conducted at all Exxaro's Namakwa Sands operations and companies using the same management system.

Equally notable, Exxaro's Arnot was selected as the pilot site for the South African coal sector as part of the mining industry's occupational safety and health (MOSH) fall-of-ground initiative. The customised training intervention subsequently developed and introduced at Arnot uses initial/early examination to combat problems experienced with fall-of-ground incidents and is yielding impressive results. Since its implementation, Arnot has recorded no lost-time injuries from falls of ground, while production is up over 20% post training.

Safety achievements

	Fatality-free production shifts
Grootegeluk	1 000
Inyanda	1 000
Matla mine 2	1 000
Matla coal operations	1 000
Matla mine 3	2 000
Tshikondeni	2 000
Arnot Coal	5 000
New Clydesdale	5 000
Matla mine 1	8 000
Matla central	10 000
North Block Complex	19 000

Case study – No injuries for 1 000 days at Namakwa Sands

In December, Namakwa Sands' smelter reached a major safety milestone of 1 134 days without a lost-time injury. This is especially significant considering a complete furnace reline and two partial relines were under way at the same time. Also under construction were a product storage shed, residue dam and new fume-extraction plant.

All these activities involved large numbers of contractors in addition to the inherent risks of a smelter environment (where molten metal is tapped at 1 600°C, carbon monoxide gas is released during the tapping process and large mobile machinery is used in the smelting operation).

The smelter's previous LTI-free record was 486 days, reflecting benefits of the current and ongoing focus on safety.

Case study – Safety at Namakwa Sands

Until recently, the high moisture content of material on the mill stockpile at Namakwa Sands' west mine presented a serious safety risk in the form of mud rushes. Other potential risks included loss of production and equipment damage.

To address this, a project team developed and constructed a new oversize screening system. Screening out oversize material (+30mm) allows this to bypass the run-of-mine stockpile and regular screens, and feed directly into the oversize stockpile.

Construction started in January 2010, and the first feed went through in July. The regular screens are now more efficient, and Exxaro's engineers estimate that only 7% of the moisture is now discharged into the mill stockpile versus 15% before. Slurry rushes inside and outside the mill feed tunnel have been eliminated and the mill can now be fed safely and continuously.

The project was completed without a single lost-time injury.

SAFETY CONTINUED

Challenges

Although key risks differ by operation, Exxaro's major challenges are vehicle incidents, energy and machinery isolation, and risk awareness and discipline at all levels. Skills shortages exacerbate these challenges and, accordingly, the group concentrates on ensuring sufficient trained people are in place (page 124).

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

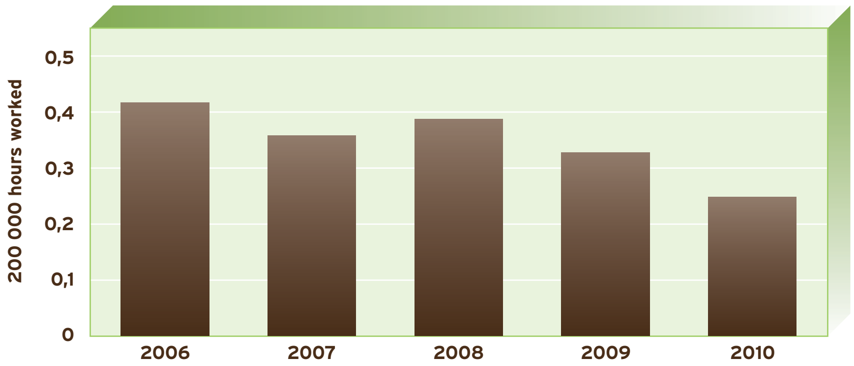
- Contractors are managed as part of Exxaro's workforce
- Adherence to corporate contractor management standards is enforced by each operation's contractor manager
- Monthly inspections ensure compliance
- Induction and medical examinations are required by all contractors before starting work
- Contractors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

Safety statistics

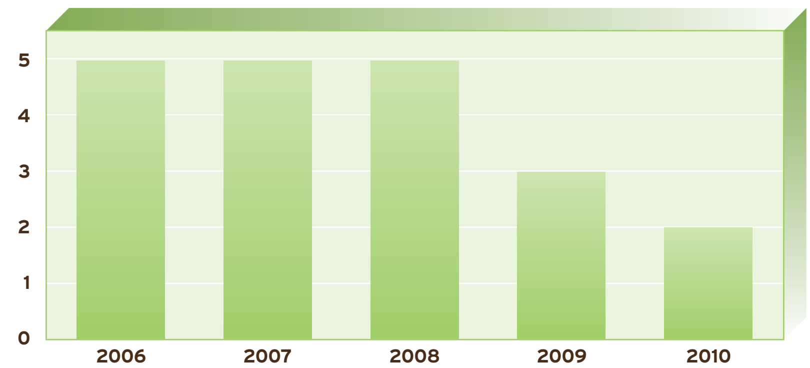
Exxaro set a target of zero fatalities, and an LTIFR (per 200 000 hours worked) of 0,21 for 2010. Despite a steady reduction in the LTIFR from 0,52 in 2005, actual performance was 0,25 in 2010. This is a record 24% improvement on the LTIFR of 0,33 in 2009. In risk-specific terms, the leading cause of injury was lifting and materials handling. The safety of our people remains fundamental to our business, and we will not rest until we achieve our safety goals through collective responsibility, commitment and ongoing focus.

The fatality frequency rate per million manhours worked in 2010 was a commendable 0,04, compared to 0,07 in 2009. Our target remains zero, as no death is acceptable. Despite excellent safety performances at several mines, we regrettably lost a contractor employee at Tshikondeni in March 2010 when he was caught between two vehicles in a towing process. In June 2010, an employee was injured in a fall of ground, and passed away in December 2010. An autopsy report from an independent pathologist is awaited to determine whether he succumbed to injuries as a result of this accident. These cases were thoroughly investigated, and the lessons learned incorporated into our safety programmes to create an injury-free work environment

LTIFR



Fatalities



ISO/OHSAS certification

In 2010, another operation obtained both international health and safety accreditation (OHSAS 18001) and environmental accreditation (ISO 14001). With all but three operations certified, the focus now shifts to maintaining and improving these standards.

Notably, Exxaro Reductants received integrated ISO and OHSAS accreditation for environment, risk and quality standards. While ISO 14001 (environment) and OHSAS 18001 (occupational health and safety) are corporate requirements, the Reductants team believed it was equally important to be accredited to the ISO 9001 (quality) standard. This was a singular achievement, given that plant commissioning occurred in parallel with accreditation processes.

HEALTH AND HYGIENE

Keeping our people healthy

Occupational health services aim to protect and promote workers' safety, health and wellbeing, improve their working conditions and working environment.

Industry statistics show that occupational diseases account for around 50 times more cases than safety-related fatalities. In addition, occupational diseases are often slow to manifest and long lasting, underscoring the importance of proactive initiatives to keep workforces healthy.

In line with our drive to achieve zero harm, our vision for health is to have a work environment that has no adverse health effects on our employees and affected communities. In 2010, we reviewed our health and hygiene strategic framework to improve our proactive management of health. We also updated our reporting framework to help us track the implementation of our strategy.

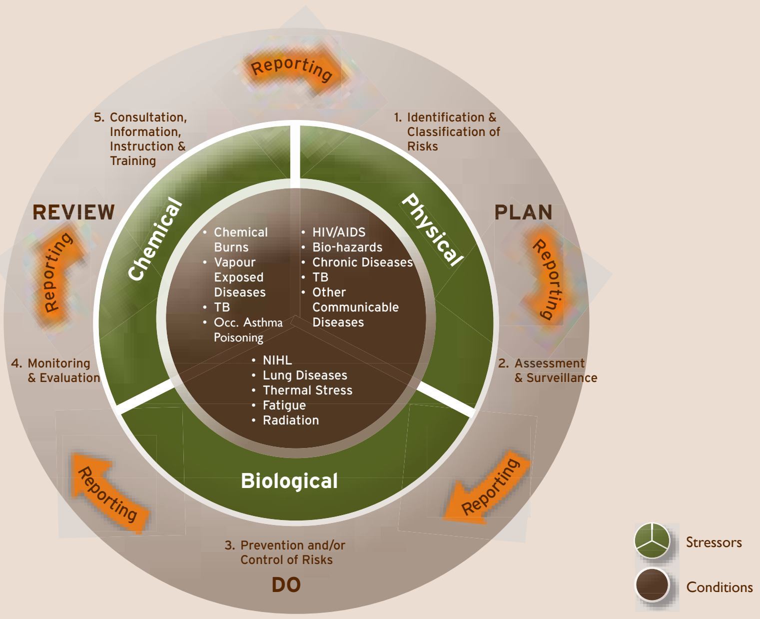
The diagram shows the stressors to which our employees are exposed and the health conditions that may arise. Managing these issues spans:

- Identifying and classifying risks
- Assessment and surveillance
- Prevention and control of risks
- Monitoring and evaluation
- Consultation, information, instruction and training
- Continuous improvement.

Business units identify, rank and quantify their risks, and then implement programmes to mitigate the impact. Workplace exposures are linked to individuals and this forms the basis of the medical surveillance programme.

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

Health & Hygiene Strategic Framework



HEALTH AND HYGIENE CONTINUED

2009	2010-2011	Status	2012-2015
1 Status report on noise and dust-control programmes	1 Review priorities	Strategy revised	1 Review priorities
2 50% VCT	2 Track cases with >5% loss of hearing (shift from baseline)	Implemented	2 No cases >10% NIHL
3 A total of 200 peer educators trained	3 Reduce percentage of employees exposed to OEL dust and fumes	In progress	3 >80% VCT; >70% retention on treatment programme
4 Implement TB standard at three business units	4 70% VCT and 50% retention on treatment programme	38% retention on treatment programme	4 >85% TB cases complete treatment
	5 TB treatment provided at 50% of business units	2011 audit to assess implementation	5 Reduce new HIV infections by 5%
	6 Occupational risk and exposure profiling standard	Under development	6 Reduce indirect costs due to HIV/Aids by 5% from baseline
	7 Baseline study of indirect costs of HIV/Aids	In progress	
	8 Awareness campaign on noise, dust and thermal stress at all business units	In progress	

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

Highlights
- Interdisciplinary approach to health management implemented
- Pilot site Matla reduced dust levels by 40% in a MOSH project that will be rolled out to other sites and by other companies in the mining industry (page 86)
- Introduced early reporting of noise-induced hearing loss to proactively identify and minimise noise exposure to employees and enable Exxaro to track the effectiveness of its control programmes
- Revised corporate standard for medical surveillance
- Developed standard for reporting and statistics
- Reached our target of a 70% testing rate for HIV.

Acknowledging that collaboration across departments is essential for health and hygiene initiatives to succeed, during the year Exxaro formalised its interdisciplinary approach to health management in a forum represented by technology, information management, human resources and supply chain management. Projects undertaken by this team include:
- Training occupational hygienists on the use of the hearing protection device tool developed by MOSH (page 86) to assist in selecting appropriate devices for various employee categories
- Refresher training on reading X-rays to identify early markers of lung diseases
- Developing procurement guidelines for selecting equipment based on noise levels.

Reporting standards

Exxaro has finalised a new management standard on health and hygiene reporting criteria across the group. In terms of this standard, business units will report to the executive committee monthly, quarterly and annually on key health and hygiene issues including noise, airborne pollutants, hazardous chemicals, thermal stress, fatigue, biological hazards and radiation. Detailed monthly reports will provide a holistic view of health and hygiene standards and trends across the group.

This will enable management to more effectively monitor the risk identification and assessment process, comply with legislation and reporting requirements for listed companies, and track the implementation of programmes against set targets.

Medical surveillance

A new standard was developed in 2010 covering medical surveillance of employees and contractors in terms of the Mine Health and Safety Act (29 of 1996), Occupational Diseases in Mines and Works Act (78 of 1993 as amended), Occupational Health and Safety Act (85 of 1993), National Nuclear Regulator Act (47 of 1999) and Compensation for Injuries and Diseases Act (130 of 1993).

The objectives of Exxaro's new risk-based medical surveillance standard include:

- Early detection of adverse health effects and occupational diseases from workplace exposure
- Assessing the health status of employees by regularly collecting relevant health information to detect adverse health effects at the earliest opportunity and ensure continued fitness to work
- Enabling management to take appropriate and timely corrective action to safeguard the health and wellbeing of employees
- Improving risk management by identifying adverse health effects among employee groups exposed to similar occupational hazards (homogeneous exposure groups)
- Enabling employees to be fully informed of the risks associated with their work and procedures to minimise those risks and prevent occupational diseases
- Identifying occupational disease from previous and current occupational exposure, and referring affected employees for confirmation of diagnosis, treatment where appropriate, rehabilitation and proper placement
- Submitting claims for compensation where necessary.

As per legislative requirements, all employees and contractors are required to undergo medical surveillance in terms of the risk assessment. This spans:

- Pre-employment/pre-placement medical examination
- Periodic medical examination
- Transfer medical examination
- Out-of-cycle medical examination
- Exit medical examination.

Meeting mining sector targets

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

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

Initiatives to reduce noise include:

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

Initiatives to reduce dust include:

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

HEALTH AND HYGIENE CONTINUED

Case study – Reducing dust at Matla

Exxaro's Matla coal mine was selected as a pilot site for the mines occupational safety and health initiative, known as MOSH. Given that the impact of dust is a key issue in preventing silicosis in the industry, the first project at Matla focused on reducing dust both on surface and underground. In tandem with assessing available dust-suppression systems, Matla initiated a broad and consultative communication process with employees, facilitated by union representatives.

For the surface installation, the project addressed the high dust load at the plant secondary crushers. Automatically activated, a micro dust-suppression system produces atomised mist that has reduced respirable and total dust levels by more than 90%.

Underground, previous measurements had indicated high dust levels in intake airways. Using a fogger dust-suppression system at major points and air-scrubbing technology for airways, bunkers and silos, respirable dust levels dropped over 40% while total dust was reduced by more than 30%.

Key lessons learned from the pilot site have industry-wide application. These range from the importance of risk assessment to facilitating communication by involving unions and related associations.

Case studies

Reducing tuberculosis cases at Matla

In 2009, 12 accepted cases of pulmonary TB were from Matla. A three-year analysis of data on results of personal coal-dust levels, number of TB cases (reported and accepted for compensation) and affected occupations showed a correlation between increased dust exposure levels and the number of TB cases. The analysis also identified specific problematic work areas and work areas where personal dust levels were decreasing.

Actions implemented to control or reduce dust levels included:

- Suppression to reduce respirable dust levels
- Investigating new technology for respirators.

In 2010, Matla also had 12 accepted cases of occupational TB. However, two of these were first reported in 2005, which means a 20% decrease in accepted TB cases for the review period.

Reducing cases of noise-induced hearing loss (NIHL) at Matla

Given that around two-thirds of NIHL cases accepted for compensation by Exxaro in 2009 were from Matla, an investigation was conducted to:

- Determine the proportion of personal noise samples exceeding 85dB(A) over an eight-hour shift
- Identify the number of noise sources and their sound levels
- Identify the number of people exposed to these noise levels and affected occupations.

Corrective action included:

- Identifying priority equipment for replacement
- Supplying customised hearing protection devices to employees exposed to noise levels >90dB(A)
- Conducting hearing conservation awareness campaign.

In 2010 improvement was evident: Matla reported no new cases of NIHL; and had two cases accepted for compensation as opposed to 11 cases in 2009.

Occupational diseases

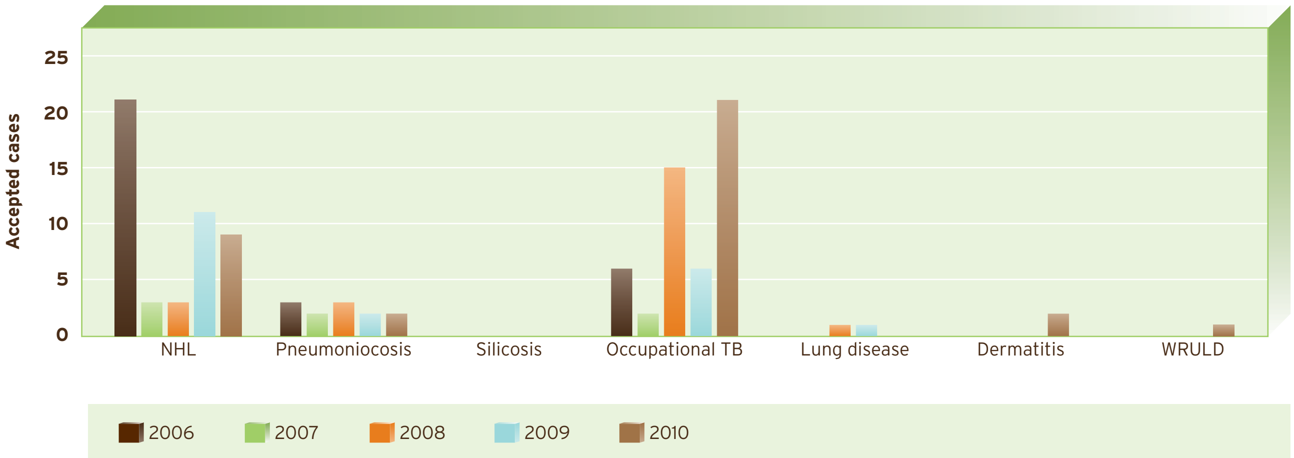
Two pieces of legislation govern compensation: Compensation for Occupational Injuries and Diseases Act (COIDA) and the Occupational Diseases in Mines and Works Act which provides for medical benefits for former employees. Therefore, Exxaro educates employees on benefits they can access in their own health management but, more importantly, focuses on improving their health to avoid unnecessary or premature loss of life.

Exxaro is also participating in a tri-partite initiative (employers-employees-government represented by the Chamber of Mines, unions and Department of Health respectively) for former mineworkers to improve access to medical benefits as envisaged by the act. Internally we will also focus on education and awareness of the benefits of preventive measures in the workplace for employee health and wellbeing, as well as employees benefits provided for by legislation.

Reported cases are those newly diagnosed and submitted to the compensation authorities to confirm they are work related and eligible for compensation. In 2010 Exxaro reported 89 occupational diseases (compared to 85 in 2009): this is an early indicator of the possible occupational disease burden. These were occupational TB (52); NIHL (12); pneumoconiosis (23); dermatitis (1) and work-related upper-limb disease (WRULD) (1). Tracking this data indicates potential cases that could be compensated and provides an opportunity to reinforce preventive programmes.

In 2010, Exxaro had 35 occupational disease cases accepted for compensation: nine of NIHL, two of pneumoconiosis, 21 of occupational TB, two of dermatitis, and one WRULD. The five-year trend is shown below.

Cumulative occupational diseases



HEALTH AND HYGIENE CONTINUED

In 2010, there was a decrease in NIHL, but no decrease in pneumoconiosis and occupational TB. Efforts to reduce employees' high noise exposure continue. There is also increased susceptibility to TB, possibly fuelled by the increase in the number of individuals with compromised immune systems. There have been no cases of silicosis.

In 2011, Exxaro will concentrate on a hearing conservation programme, ensuring each business unit has a dedicated and functioning committee to report and investigate incidents of hearing loss above 5% and to review that unit's noise-related procurement policy and criteria. This will be supplemented by awareness campaigns across the group and system improvements for more accurate reporting.

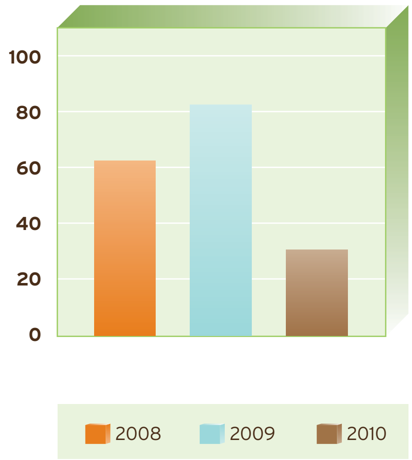
Tuberculosis

New cases of non-occupational TB increased from 2008 (63) to 2009 (83 out of 11 180 employees). In 2010, there were 30 new cases. The new TB standard issued for the group in 2009 to ensure uniform and comprehensive management of employees with TB has been implemented. This disease remains a focus for Exxaro's health and hygiene team, given the scope of related risks, including:

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

Given the dramatic increase in TB rates in South Africa and in the mining industry in recent years, it is important to manage TB and HIV holistically through better surveillance, diagnosis, treatment and monitoring. At each business unit, TB education initiatives reach employees at least once a year. These include information on symptoms and the importance of early diagnosis for effective treatment. Adhering to this new standard is expected to reduce the risk of developing, contracting and spreading multiple- and extensively drug-resistant TB in Exxaro. This programme will be reviewed in 2011.

Number of TB cases



Areas for improvement that will influence the number of TB cases will be identified from the TB programme audit conducted in 2011. Ensuring early enrolment of HIV-positive employees onto the HIV management programme will also ensure early identification and treatment of patients co-infected with HIV and TB.

H1N1 (swine flu)

There was one recorded case of H1N1 in Exxaro in 2010 compared to three cases reported across the group in 2009. The individual was treated and recovered fully. Exxaro will continue to monitor and manage potential risks as the flu season approaches.

TB in South Africa

South Africa has the largest tuberculosis (TB) burden in the world with 900-1 000 new cases per 100 000 people each year. In this country, the high rate of HIV prevalence (70%) among TB patients contributes to the death rate of people with HIV/Aids.

The coal-mining industry's focus on TB in recent years is reflected in statistics well below the industry level. Of almost 4 500 cases of occupational TB reported in 2009 by the mining industry, only 207 were from collieries. This translates to a rate of 345/100 000 compared to 900/100 000 in the broader mining industry.

Some 10 000 new cases of multidrug-resistant TB occur each year in South Africa – indicating failure in the control of TB. Although treatment is available at primary healthcare facilities, resource constraints and other social issues make treatment supervision and follow-up difficult. The Chamber of Mines has initiated a review of TB programmes in the mining industry and Exxaro will review its own programme in 2011 to assess the implementation of its own TB management standard.

HIV/Aids

Material issue – healthy people

While there is effective treatment for people infected with HIV, the disease is running rampant globally, with two-thirds of the HIV burden being in sub-Saharan Africa. More than 33 million people are estimated to be living with HIV (including 2 million children) – 5,7 million of these are in South Africa, the highest prevalence in the world. Mining is one of the industries bearing the brunt of Aids-related deaths (along with transport, heavy construction, agriculture and fishing). A recent report from the Actuarial Society of South Africa estimates the mining industry's Aids-related death costs at 3,4% of total salary cost. The society believes that without the rollout of anti-retroviral programmes and other initiatives, associated insurance claims could have reached R3 billion in 2010 instead of the R2,4 billion paid out. At Exxaro, we have devoted considerable time and cost to educating our people about this pandemic and the latest results are indeed encouraging. With appropriate counselling and support, 70% of our workforce has now been voluntarily tested and the numbers enrolling on treatment programmes are rising steadily.

The prevalence of HIV/Aids across Exxaro is currently estimated at 13%, compared to 25% across the industry. At the end of 2010, we had reached our target of a 70% testing rate for HIV, reflecting the impact of extensive campaigns to inform and counsel employees ahead of testing. Our target for 2011 is to have 75% of our employees participate in voluntary counselling and testing.

Other initiatives include:

- Peer educators are supported each month in sessions for debriefing and training
- Exxaro has started a programme to destigmatise HIV/Aids in the group and encourage employees to enrol on the HIV management programme and access treatment timeously
- The projected number of HIV-infected people not enrolled on the treatment programme is tracked monthly to encourage 13% of Exxaro employees (projected to be HIV positive) to enrol on the HIV management programme.
- Ongoing awareness campaigns help group employees understand the importance of their HIV status and provide information for appropriate lifestyle choices such as joining a treatment programme or keeping their status negative.

Community HIV programme

Exxaro has initiated community programmes at Arnot, Leeuwpan and North Block Complex, which will be rolled out to three other sites (Inyanda, Matla and New Clydesdale) in 2011.

Following a situational analysis in communities around each of the business units, groups were identified for HIV/Aids training. The aim is to provide HIV education and encourage related testing in communities around our business units to foster:

- Lower-risk lifestyles
- Increased access to available ARV treatment programmes
- An overall reduction in HIV/Aids-related stigma that makes it easy for our employees to openly discuss their status both within the company and outside, and support existing initiatives.

Arnot has completed training the first group of 35 community peer educators from the Mafube, Beestepan, Mooifontein and Rietkuil communities. Community learners were enthusiastic and talked openly about many of the problems facing the community, including the difficulty in talking to their children about HIV/Aids issues. For an HIV/Aids programme to succeed, it needs support from all stakeholders in the community who represent religious, cultural and moral values:

- Community members highlighted the link between HIV and poverty, alcohol abuse, migrant labour and lack of education
- One learner said *"There is a need for a coordinated and robust programme that delivers life skills programmes. Our culture might have made us who we are, but who we become is up to us"*
- Many learners recognised they needed to become HIV ambassadors in their community and within their own families. One learner stated *"This course is going to build a strong relationship between me and my family because we will understand the danger of HIV"*.

At **Leeuwpan**, HIV/Aids training will be provided to three groups: 35 community members, three traditional health practitioners and 40 caregivers from the Ekhukhanyeni Drop-in Centre near Leeuwpan. The centre provides cooked meals for orphans and vulnerable children, home visits and referrals for chronically ill patients. The caregivers conduct

The statistics show Exxaro is making headway in its fight against the spread of HIV/Aids. Since December 2008:

- 10 376 people have attended HIV training
- 9 319 (90%) were counselled
- 8 696 (84%) were tested and 8 343 (80%) know their status
- 3 933 had never tested before (or not in the prior two years)
- 1 163 tested HIV positive; and 583 (50%) were testing for the first time
- 7 483 tested HIV negative; and 3 317 (40%) had never tested before
- 115 more people enrolled onto the HIV management programme in 2010, bringing the total to 448
- 323 are on anti-retroviral treatment

awareness campaigns and training on various wellness topics. They are monitored by a supervisor who conducts audits. Caregivers have no formal HIV/Aids training and little training in first aid. They have 379 patients on their database and about 70 orphans.

At **North Block Complex**, HIV/Aids training and support will be provided to two existing projects in the Siyathuthuka community just outside Belfast:

- The Impilo Ende coal yard – provide HIV/Aids training to members of an existing project sponsored by North Block Complex
- Sizimisele Home-based Care which has been operating since 2006. A team of 12 caregivers provides Siyathuthuka community with home-based care services and HIV/Aids awareness. They assist around 90 patients with chronic diseases and also provide services for orphaned and vulnerable children, TB patients (some of whom are schoolchildren and old people who cannot take care of themselves).

Employee wellness

To ensure support for any of our people experiencing difficulties, an employee assistance programme provides access to an external counselling service. The programme is a preventive measure that helps employees take the necessary steps to manage personal concerns, and assists management in minimising productivity issues.

The overall objective is early identification, referral and resolution of personal and work-related problems before they affect job performance and productivity. To achieve this, various role players are trained to recognise and deal with personal issues that may be affecting a staff member's work performance and provide guidance on how to use the employee assistance programme as a management tool.

During the review period, our people accessed the employee assistance programme service for the following reasons in order of priority:

- Couple and family issues
- Dependency
- Management consultations
- Personal emotional: In 2010 depression has been a particular challenge for employees across Exxaro's operations – we believe this is a stark reflection of the impact of two years of economic turmoil
- Work-related reasons
- Financial: Again reflecting the economic climate, some 1 900 of our people have garnishee and maintenance orders deducted from their monthly pay. On average, affected employees are each paying R470 monthly against these orders. Every effort is being made to help these employees fulfil their obligations and regain their financial footing.

Exxaro is aware of social, psychological and mental health challenges and has programmes in place at all business units to manage these challenges both reactively and proactively.

Exxaro also has a programme focusing on executive wellness. This consists of a holistic assessment as well as general support to the executive team.

The importance of employee wellness is recognised in terms of ethical, legislative, safety, production requirements and the company's values. We recognise that employees and their families face a range of chronic and life-threatening diseases with social and financial implications. We strive to minimise these implications through our comprehensive and proactive employee wellness programmes.

Wellness programmes empower employees to manage their own wellbeing by raising awareness and disseminating information through work-site posters, booklets, an annual wellness calendar, and wellness days at business units that include health screenings.

Wellness

Most business units arranged wellness days in 2010. Service providers conduct different health-screening tests and advise participants on lifestyle issues. These days are open to employees, family members and the broader community. Although participation is voluntary, attendance is very good and contributes to the effectiveness of our wellness programme.

Exxaro's HIV/Aids service

Exxaro's HIV/Aids service offers employees support focused on four key areas:

Prevention:

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

Detection:

- Voluntary HIV testing.

Treatment:

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

Care and support:

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

ENVIRONMENT

Disclosure on management approach

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

- Minimising the use of natural resources
- Complying with all statutory environmental requirements as a minimum and actively participating in all non-statutory environmental compliance requirements such as the Carbon Disclosure Project and its new water disclosure initiative, among others. Our aim is to exceed statutory compliance
- Developing innovative policies and programmes for addressing environmental impacts and use of natural resources.

All Exxaro's South African operations have environmental management programmes (EMPs) as required under the Mineral and Petroleum Resources Development Act (MPRDA) and the National Environmental Management Act (NEMA). While a record number of integrated water use licences were approved in the review period, the Department of Water Affairs directed the Arnot Mooifontein open-cast operation to cease using a haul road constructed over a water course. The Department of Mineral Resources directed North Block Complex's Glisa operation to update and submit its EMPR. Both directives have been fully complied with. North Block Complex's EMP is being updated to align all activities with environmental management plan reporting requirements, while the EMP amendment to Arnot's Mooifontein operation is being considered by the authorities. All EMPs are key indicators in ensuring that Exxaro remains a sustainable business. Exxaro also adopts the precautionary principle entrenched in NEMA in evaluating all the environmental impacts of business opportunities.

To enhance implementation of these legal requirements and the sustainable use of natural resources, group standards for air quality management, water management, biodiversity management, rehabilitation and mine closure management, and incident management were implemented in 2010.

A strategic review of key environmental risks from Exxaro's mining activities in 2009 highlighted:

- Air quality management, water quality management, water security and surface disturbance
- Cost of, and provision for, environmental liabilities
- Lead time for securing environmental authorisations
- Increasing statutory and non-statutory environmental requirements.

Exxaro believes conservation is becoming increasingly important, given the enormous value of biodiversity and tourism to the South African economy. Accordingly, Exxaro intends to be a mining company that leads by example in protecting, enhancing and conserving the country's biodiversity and demonstrating that mining activities can co-exist with world-class biodiversity conservation initiatives. That way, we ensure the right of future generations to a healthy, complete and rich environment.

Under this policy, various conservation measures are being implemented that underscore Exxaro's commitment to entrench duty-of-care principles.

ENVIRONMENT CONTINUED

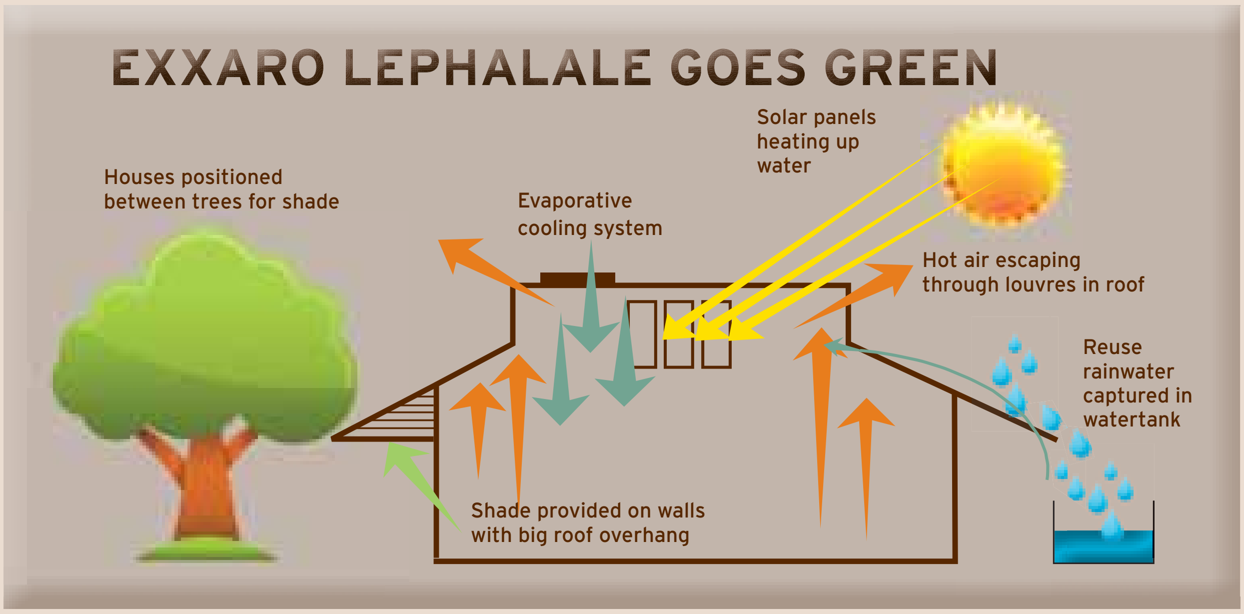
Exxaro's green timeline

2011	> Continue to develop cleaner energy initiatives encompassing a combination of co-generation, carbon credit trading, renewable energy, coal-bed methane development and coal base load projects.
2010	> Exxaro participated in the inaugural CDP water project > Record number of integrated water use licences approved > Major water management programme introduced > Sophisticated fume-extraction system installed at Namakwa Sands, with noticeable reduction of visible fumes > Final feasibility study under way on using furnace offgas to co-generate electricity > Developing renewable energy projects > Exxaro pays R912 million for electricity > Group budget for energy and carbon management programme is R9 million – programme broadened to focus on climate change and associated risks > Exxaro involved in industry engagement on future policies.
2009	> Exxaro pays over R600 million for electricity > Energy and carbon strategy framework approved > Exxaro participates in SA Research Centre for Carbon Capture and Storage with local and international partners > Exxaro score in CDP leadership index improves 9 percentage points > Comprehensive response developed to energy, carbon and climate change management to enable and achieve the group's vision.
2008	> South Africa realises the extent of its energy crisis > Energy efficiency forum established, champions at each business unit > Exxaro places fifth in South Africa's CDP leadership index chapter for the energy-intensive sector > Exxaro sponsors Unisa Chair in Business and Climate Change for three years > Exxaro spends R460 million on electricity.
2007	> Carbon emissions reported for the first time (1,9 million tonnes of CO_2e) > Exxaro spends R358 million on electricity.
2006	> Electricity highlighted as a major cost to the group > Exxaro adopts Energy Efficiency Accord.

Feature case study – Grootegeluk expansion illustrates Exxaro's approach to environmental impact

The energy-efficiency goals set by the Department of Mineral Resources were analysed and incorporated into the housing plans. One of the key points to consider was that, wherever possible, the efficient use of renewable energy (such as solar water heating, solar architecture, and energy-efficient appliances) had to be used. The houses were carefully planned with the following features:

- Units face north-east, between trees for better temperature regulation and efficient lighting
- Houses have insulation for better temperature regulation to save on energy costs
- Grey-water recycling – recycled water used for toilets, gardens and washing cars, etc
- House built with overhanging roofs to capture rainwater that can be used for cooking, washing and gardening
- Solar systems to heat water, save electricity and reduce greenhouse emissions.



Green housing

The purpose of the project was to build eco-friendly houses that did not rely on electricity supplies as their main sources of energy, guided by the following objectives:

- Construct 797 housing/flat units of mixed architectural design, combining eco-friendly, renewable energy and ordinary building techniques to satisfy Exxaro's housing needs.
- Create a specific mix of housing types and location to ensure affordability across the range of income groups in the group.
- Complete the project within the time, cost and quality constraints determined by Exxaro.
- Ensure housing units meet the energy-efficiency goals set by the Department of Mineral Resources. These goals include energy savings for buildings.
- Housing units should comply to all relevant legislation.
- Endeavour to use local resources to promote economic growth and skills development: 50-70% local labour to be trained in key construction skills by the end of the project.
- The project was governed by Exxaro's BEE policies: contract awards had to comply with strict broad-based black economic empowerment codes.

Prior to embarking on the Lephalale housing project, Exxaro piloted five eco-friendly houses in nearby Marapong. Sustainability aspects addressed included piloting environmentally friendly building materials and appliances, such as eco-friendly bricks, zinc-fuel battery systems to power lights and small electrical appliances, to prove their cost-effectiveness for future Exxaro housing projects and the provincial housing department.

In addition, to meet housing demand in the area, Exxaro initiated the Lephalale Development Forum in conjunction with Eskom, Sasol, all levels of government and local stakeholders. The forum concentrates on infrastructure, housing, education, health and welfare services, sport and recreation facilities.

Feature case study – Grootegeluk expansion illustrates Exxaro's approach to environmental impact continued

A compliance certificate was submitted with building plans for approval from the Lephalale Municipality.

This project cuts across all sustainable development areas. In the social arena, it offers mixed and affordable housing types; environmentally there is reduced requirement for energy and water; while economically it has provided skills training and small enterprise development.

In maximising the impact of a R590 million budget, the project also provided a number of benefits to the community and Exxaro employees:
- In Marapong, 24 direct jobs were created in constructing the eco-friendly houses and there were 101 indirect beneficiaries
- In Lephalale, 1 124 employees were housed in mixed-use houses and flats
- Green alternatives were incorporated in building these houses and flats. Energy savings are estimated at 2 334MWh per annum, at 2 400 tonnes CO_2e
- Of 1 023 contractors, 50% were from the local community (many of whom first had to complete artisan training offered by Exxaro and the European Union to build the required base of skills)
- The project has constructed infrastructure for Lephalale Municipality to support the housing units – including roads, water recycling systems
- In Grootegeluk, 41 people were trained and mentored in-house on road construction and brick-making
- Entrepreneurial training has been offered by Exxaro to those showing interest
- Exxaro has funded an upgrade of the water reticulation and sewerage system in Grootegeluk
- There has been a significant improvement in infrastructure at Lephalale which will contribute to its maintenance and growth
- The community is more environmentally responsible.

2011	2012	2012 – 2015
	Review priorities	**Review priorities**
1 Develop and implement air quality management plans – Inyanda, KZN Sands and Zincor 2 EIA-EMP amendments (14) 3 Eight site-closure reviews 4 Ferroland divestment (Gravelotte and Hlobane) 5 Approval of closure EMPR for Hlobane 6 Develop and implement integrated water-use licence (Glen Douglas, Tshikondeni opencast and Eerstelingsfontein project) 7 Assurance preparedness – all findings 8 Biodiversity action plans	1 Review performance on air-quality management plans for Grootegeluk, New Clydesdale, Matla 2 Review performance on integrated water-use licence for Namakwa Sands, Arnot, North Block Complex, Glisa, Grootegeluk and selected projects 3 EIA-EMP amendments 4 Ferroland divestment from Hlobane and Gravelotte 5 Biodiversity action plans – Arnot-Matla, North Block Complex, Grootegeluk, KZN Sands, Namakwa Sands, Rosh Pinah 6 Roll out of recommendations from the water business study 7 Implementation of closure activities at Northfields and KZN Sands according to plan 8 Transfer of Glen Douglas environmental provisions to new owners Afrimat 9 Approval of closure EMPRs for Durnacol and Hlobane	1 Exxaro-wide strategic environmental risk assessment 2 Water business case implementation 3 Review implementation of closure activities at mines in closure 4 Environmental liability management process (EERF, Arnot-Matla)

Most of these have at least a 12-month cycle
Key: EIA – environmental impact assessment; EMP – environmental management plan; EMPR – environmental management plan report; EERF – Exxaro environmental rehabilitation fund

Highlights

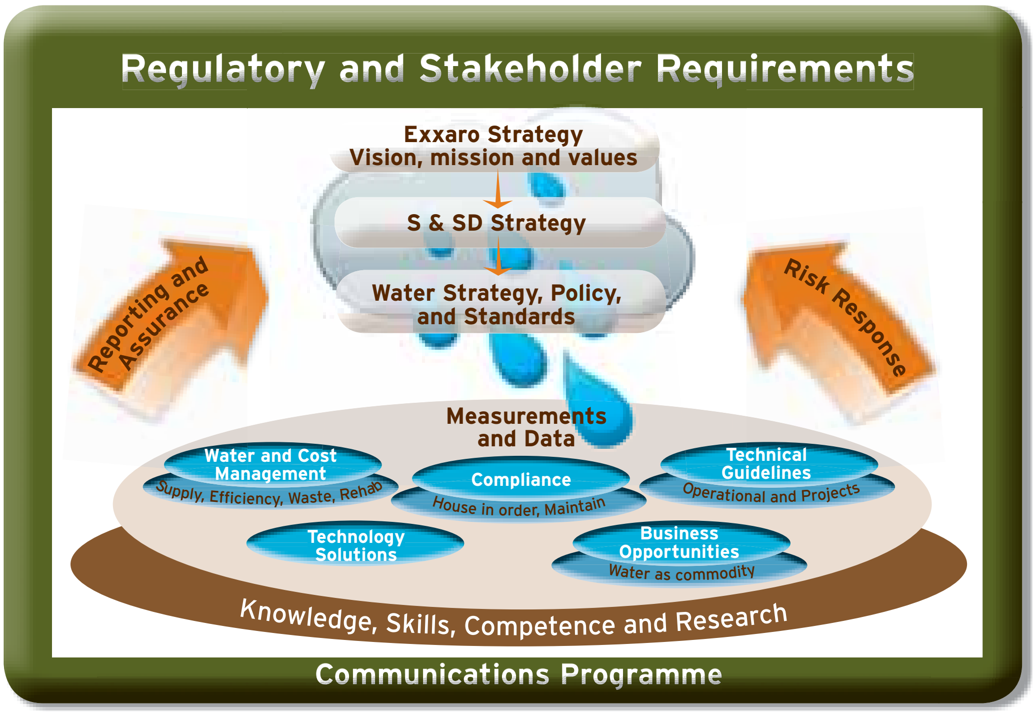
- Water management programme introduced, supported by revised policy and management standard
- Group standards implemented for air quality management, biodiversity management, rehabilitation and mine closure management, and incident management
- Exxaro in top three mining companies on carbon disclosure standards in South Africa and participated in the first water-disclosure initiative issued by global body, Carbon Disclosure Project (CDP).
- Record integrated water use licences approved

New water management programme

Water management is a material issue for Exxaro. During the year a water management programme was finalised, drawing on internal and external expertise, and funds approved for implementation. The programme is based on a wide-ranging group water management policy and standard, and includes Exxaro's waste management activities through integrated water and waste management plans being developed for each business unit that encompass:

- Quantitative impact assessment and prediction of future impacts (pollution sources and receiving environment)
- Water supply
- Water resource conservation and/or reuse and reclamation
- Storm water management
- Process water management
- Water treatment
- Pollution control dams
- Groundwater management
- Waste management (domestic waste and industrial residues)
- Water and salt balances
- Monitoring and auditing systems.

The aim of this comprehensive programme is to achieve responsible and sustainable water management use across Exxaro. The programme will concentrate on relevant water-risk issues – from security of supply and water efficiency to water-cost management – and manage these to ensure current and future anticipated regulatory compliance. Exxaro also plans to create awareness of water issues through communication and training, and wider competency in water-management issues through research and skills development. Initial areas of focus include reporting and assurance, measurements and data, technology solutions and management principles.



Material issue – Water use

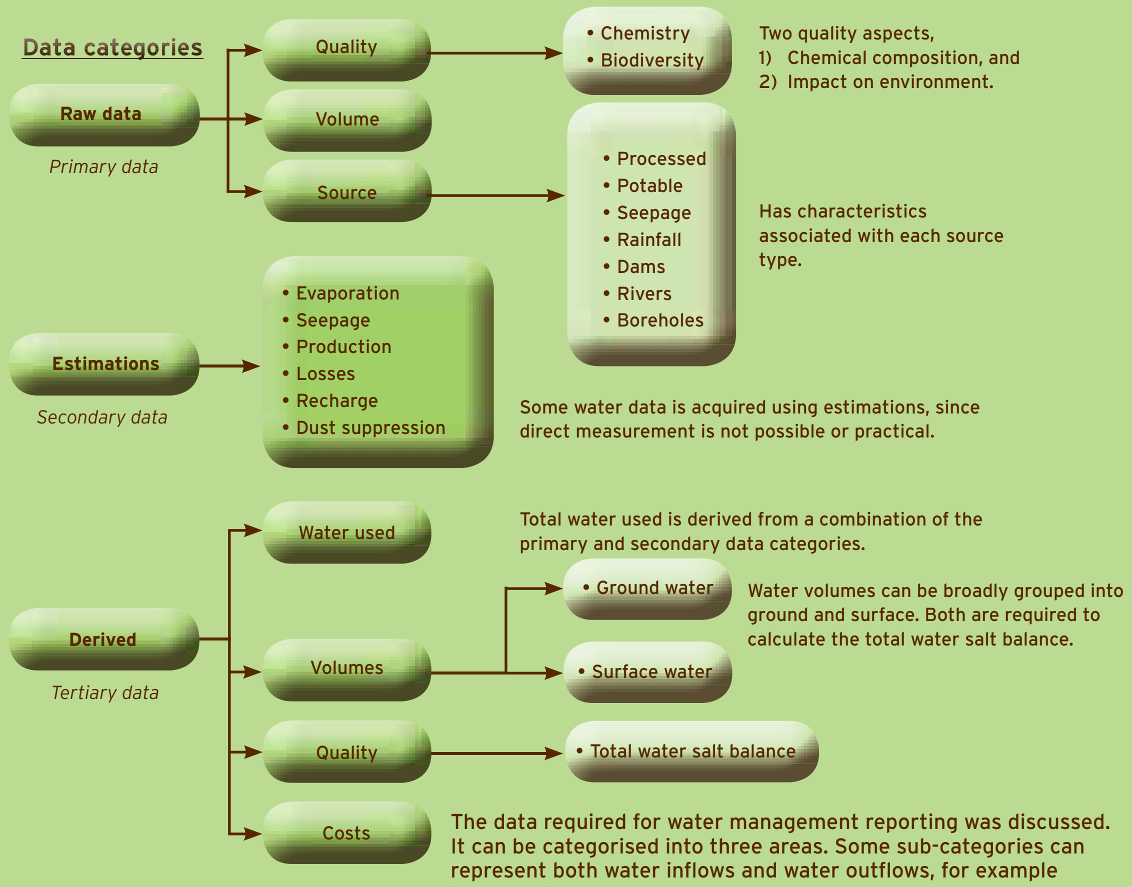
For any company to truly understand its water use, and the impact of its activities on water, measurements and data on quality, quantity and cost are essential. Exxaro's data on the first two factors is relatively well established, and processes are being strengthened to ensure that cost is a standardised reporting indicator across our business units.

Exxaro is investing in systems to more accurately measure water withdrawal by source at each operation. This will in turn provide a better understanding of our broader impact (water withdrawal, reduced access to water, loss of natural water resources, reduced agricultural activity) and our specific environmental impact (withdrawal impact on source, potential lowering of water table, reduced flow, draining of wetlands, downstream activities).

The group is also enhancing systems to measure total water discharge by quality and destination. This will enable us to address specific impacts of water discharge on the receiving environment, as well as other environmental issues around quality and quantity (including total dehydration of source, loss of wetlands and associated fauna and flora, degradation of the quality of the resource due to pollution).

To determine the level of reporting maturity on these factors across our operations, site visits began with Grootegeluk, Exxaro's largest operation.

Reportable data types



The data required for water management reporting was discussed. It can be categorised into three areas. Some sub-categories can represent both water inflows and water outflows, for example 'seepages'.

A steering committee of subject-matter experts, environmentalists and members of senior management reports to the Exxaro executive committee and board sub-committee for safety and sustainable development. The programme is supported by a stakeholder engagement and communications process that will be rolled out in 2011.

One of the early successes of the programme was Exxaro's recent submission to the first CDP Water Disclosure, a voluntary but detailed submission on water-related data that will provide valuable insight into the water strategies of many of the largest companies in the world.

Water licensing

Most of Exxaro's operations have their water use authorised under the old water act. However, all operations have since had their integrated water-use licences (or IWULs) submitted to the appropriate authorities for consideration and approval. Tshikondeni mine and mine pit expansion was the first Exxaro operation to receive an integrated water-use licence — the culmination of detailed consultation with authorities. Licences have since been approved for:

- Grootegeluk mine
- Grootegeluk mine: Medupi expansion project (GMEP)
- Char plant
- Matla mine
- Matla mine river diversion project
- North Block Complex (Eerstelingsfontein)
- New Clydesdale Colliery
- KZN Sands (Fairbreeze)
- Zincor (NRDF)
- Inyanda

While Exxaro already reports on water issues against relevant GRI indicators as well as UN Global Compact principles, and the ICMM sustainable development framework, standardised processes will enhance data from the new financial year.

During the year, some environmental groups raised issues with the JSE and in the media about mining companies' compliance with environmental standards, and particularly about whether JSE standards for membership of the Socially Responsible Investment index needed to be raised. Exxaro was among the companies singled out for attention, citing the alleged lack of water licences at specific operations and allegedly unauthorised mining operations at another. Exxaro was able to prove to the JSE that the required water licences had been issued, and that no unauthorised mining activities were being undertaken at Arnot's Mooifontein section. In addition, Exxaro was able to prove that an innovative solution was being implemented at Matla to preserve and minimise mining impacts of the wetland (right).

Exxaro has a proven record of environmental conservation and management, as illustrated in case studies in this report.

Case study — Limiting wetland damage at Matla

Exxaro's planned expansion of underground operations at Matla coal mine in Mpumalanga will enable the group to increase capacity and supply the Eskom power station while preserving the ecologically sensitive and valuable wetland systems on the province's Highveld.

This unique wetland project combines an adaptation of the mining model with a 14km diversion of the Rietspruit River, a tributary of the Olifants River which in turn is a major water source for several mines in the area, including Exxaro's Inyanda mine and New Clydesdale mine.

As a result of the controlled impacts of mining and controlled water use, the flow and functioning of the Rietspruit ecosystem has been maintained and its biodiversity protected. We believe this is a good example of mining innovation and nature working together: at Matla, we are going below the wetland using undermining, a technique typically used when a mine extends under a building, roadway or town.

To date, Exxaro has spent R31 million on constructing the river diversion and another R1 million on monitoring biodiversity in the wetland project. Monitoring will continue until 2017 when mining ends at Matla. However we will continue to monitor the performance of the wetland for a further three years after mining has ceased to record post-mining conditions. Should results be positive after this period, monitoring will be stopped.

Water efficiency projects

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

Projects are now being tracked through the water steering committee

Total water withdrawal by source

Given the growing demand for water and scarcity of this natural resource in an arid South Africa, Exxaro is concentrating on optimising its water use by reusing and reclaiming contaminated water to the fullest possible extent. In doing so, Exxaro can minimise raw-water abstraction.

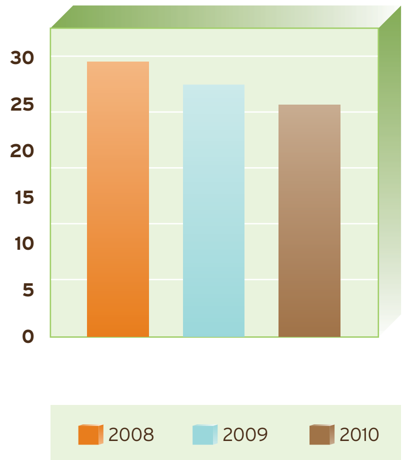
It is a permit condition for water use licences to be audited; these audits will be coordinated through the new water management programme. As part of this process, Exxaro will regularly update its operational water balances and develop system changes to minimise consumption of raw water while preventing losses from the water reticulation system.

Water withdrawal by source

	North Block Complex	Tshikondeni	Glen Douglas	Rosh Pinah	Zincor	KZN Sands	Namakwa Sands
Source	Municipal, boreholes	Unwa Dam, boreholes	Municipal	NAM-Water	Municipal, boreholes, rainwater harvest	Municipal (Waterboard – River abstraction)	Olifants River (Western Cape seawater); Municipal (Smelter)
Major climatic region	Temperate Highveld region	Tropical summer rainfall area	Temperate Highveld region	Desert	Temperate Highveld region	Sub-tropical east coast region	Arid region

	Arnot	Glisa	Grootegeluk	Inyanda	Leeuwpan	Matla	New Clydesdale
Source	Eskom	Municipal, boreholes	Mokolo Dam, boreholes, pit water	Olifants River (Mpumalanga), boreholes	Boreholes	Eskom	Olifants River (Mpumalanga)
Major climatic region	Temperate Highveld region	Temperate Highveld region	Tropical summer rainfall area	Temperate Highveld region	Temperate Highveld region	Temperate Highveld region	Temperate Highveld region

Consumption per business unit (000m³)



Hazardous waste management

In 2010, a multi-disciplinary task group was formed to focus on developing an integrated approach to managing air, water and biodiversity. Detailed action plans should be finalised in 2011. A company-wide policy on waste management will be finalised in 2011. This will address material issues, such as the avoidance, minimisation, management and disposal of hazardous as well as general waste generated from Exxaro operations.

Radioactive materials are a potential risk at KZN Sands, Namakwa Sands and Zincor. Exxaro aims to have zero radiation incidents and to keep personal radiation exposure limits as low as possible. The group complies with the conditions of applicable authorisations and limits set by the International Commission on Radiological Protection or ICRP. This includes developing an appropriate policy, implementing radiation protection programmes to protect workers and members of the public, and enforcing an emergency preparedness policy that spans transportation and physical security procedures.

To date, there have been no breaches of Exxaro's licence conditions issued by the National Nuclear Regulator for radioactive waste.

Energy and climate change

Management approach

Given that energy and climate challenges are broad, and potential solutions complex, Exxaro is simultaneously addressing three imperatives: energy security, economic productivity and environmental impact.

To remain competitive and sustainable, Exxaro is dealing with potential energy shortages, rising costs of energy, climate change and related environmental concerns as imperatives in the group's long-term business strategy. A dual approach is currently being implemented:

- An energy and carbon management programme is addressing mitigation and adaptation issues
- Exxaro is evaluating and developing a growth pipeline of environmentally friendly energy projects.

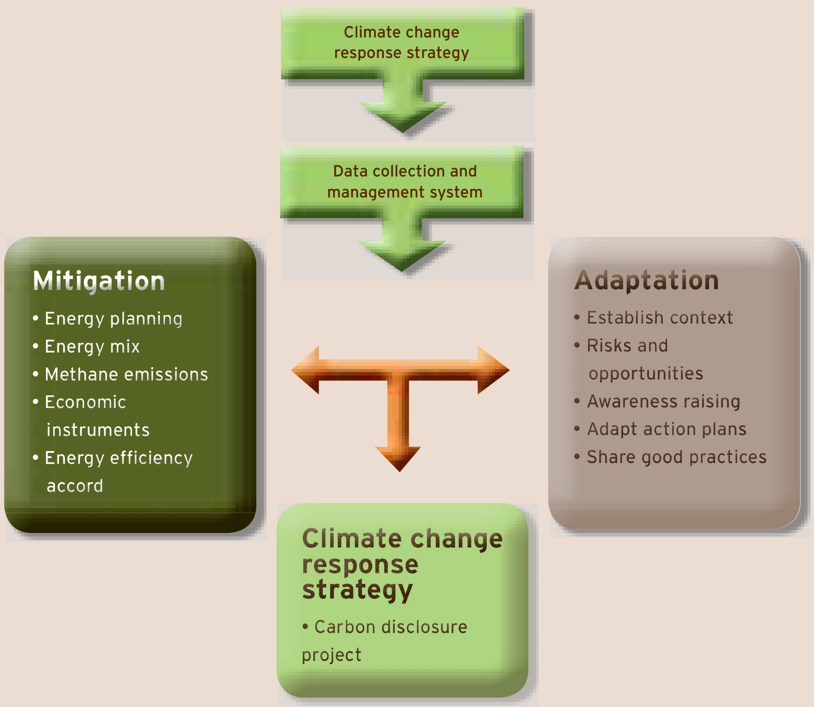
These two programmes are linked by Exxaro's drive to become carbon neutral and the need to thrive in a low-carbon economy.

Risks and opportunities of climate change

Following an independent physical climate-risk assessment of Exxaro's operations in southern Africa in early 2009, the key risks to the group from climate change are floods, droughts, heat, disrupted transport infrastructure and increased vulnerability of local communities and workforces. The possible implications are outlined below:

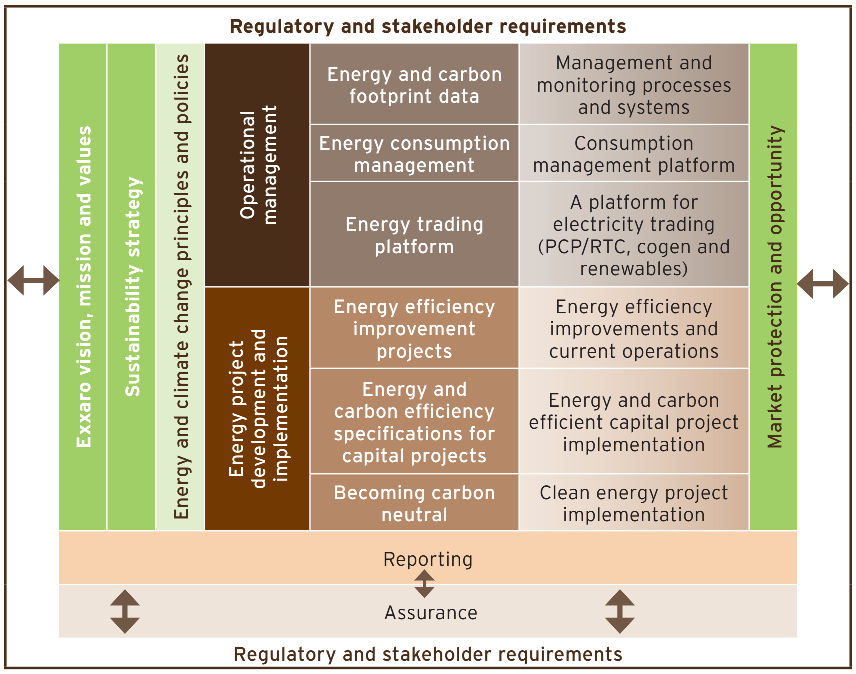
- Flooding
  - Infrastructure damage leading to production losses
  - Pit and dam flooding causing contamination of clean water and operating licence transgressions
  - Deterioration of product quality.
- Drought
  - Water scarcity and increased cost of water for the whole region
  - Increased cost of land management – fauna, flora and rehabilitation
  - Increased fire hazards
  - Higher demand for dust suppression.
- Heat
  - Fatigue from heat, humidity and dehydration leading to increased accidents
  - Evaporation from dams will upset mine water balance
  - Skills retention and talent management in unattractive environment.

These risks, and related opportunities, were integrated into a climate change response strategy that requires an internal and external approach.



Energy and carbon management programme

The energy and carbon management strategy drives the programme shown below. It deals with both operational management and energy project development and has six focus areas.



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

In 2010, the focus has been on high energy-consumption areas, specifically electricity consumption. This includes special attention to items such as electric motors, lighting, water heating, conveyors and HVAC (heating, ventilation and air-conditioning). By questioning basic design and use factors, the energy teams have already made headway in all these areas. As an example, preliminary results on a conveyor installation at Grootegeluk show an efficiency saving of 25% – far above what was expected at concept and feasibility stage.

These initiatives will in time be expanded to other business units including other sources of energy such as diesel, illuminating paraffin and petrol. This will facilitate an accurate measure of total energy use from all sources across all business units, and how this relates to production measurements such as run-of-mine tonnes, making it easier to effectively compare and measure energy efficiency.

The next step will be to critically evaluate current plant processes. Continual improvement is embedded in Exxaro's culture and we believe there is solid potential to increase energy efficiency and reduce emissions through operational and process improvements.

Case study: Namakwa Sands

The largest consumers of electricity at Namakwa Sands are the arc furnaces, accounting for over 90% of the electrical energy used at the smelter plant. Using furnace off-gas to generate electricity is one of the biggest opportunities for this business unit to become more energy efficient. The project is at feasibility stage and all indications are that, once complete, it could generate around 13MW.

Case study: Grootegeluk

Despite difficult test work to prove the technology, the Grootegeluk energy champions successfully implemented a variable speed drive pilot project. A conveyor installation direct-on-line starter was replaced by a variable speed drive, with an energy efficiency saving of 25%. With appropriate funding participation, Exxaro plans to roll out the project to other conveyor installations.

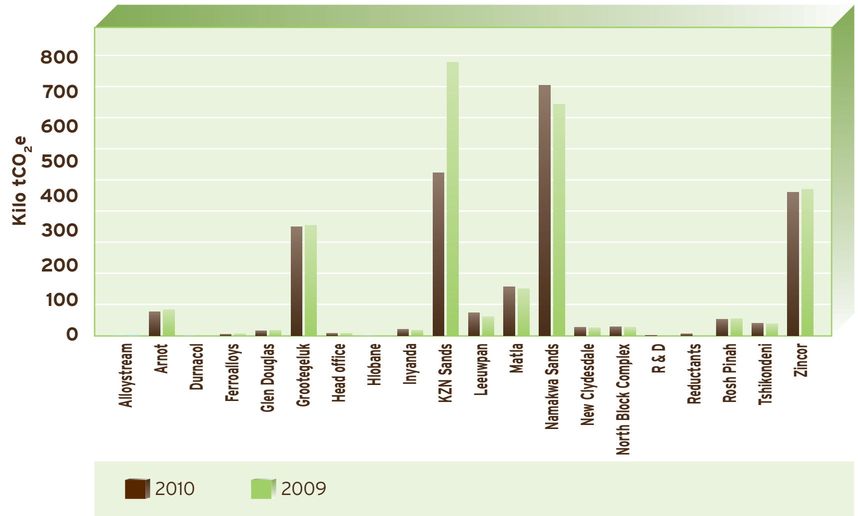
Grootegeluk is already using an electricity-based trolley-assist system in the pit in which trucks use electricity rather than diesel. This translates to a cost saving of some R165 per truck. The saving for 2010 was some R8 million.

ENVIRONMENT CONTINUED

Energy and carbon footprint data

Reflecting the investment and effort of recent years, Exxaro's data management and reporting is steadily maturing. This is aligned with internal and external reporting requirements, and is moving onto the main systems platform. This will become the basis of reporting on carbon disclosure and carbon footprint statistics.

Total CO_2e Exxaro Group



Energy consumption management

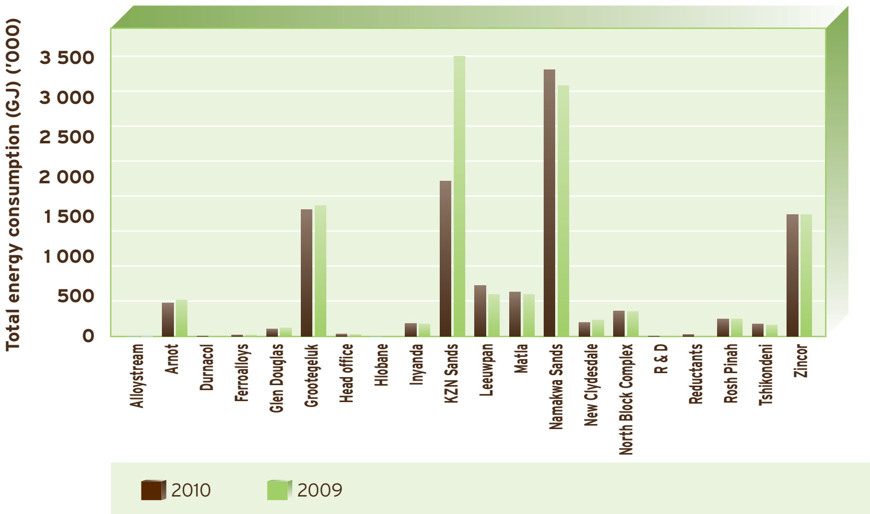
Updated metering equipment was installed at our business units to facilitate:

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

Exxaro now has a centralised real-time metering capability, independent business unit monitoring and is ready for Eskom's power conservation programme (page 103).

For the review period, actual average energy consumed was 12% lower than the collective Exxaro group baseline. The improved performance is a combined result of lower production in the current economic climate and work completed to get the largest Exxaro electricity baselines adjusted and accepted by Eskom. To date, Eskom has approved the Grootegeluk, Namakwa Sands smelter, Brand se Baai, Matla, KZN Sands smelter, Hillendale mine and Zincor baselines. These are subject to change in the new draft power conservation programme rules.

Total energy Exxaro Group



Review of South Africa's energy efficiency strategy

In 2010, the 2005 energy efficiency accord was reviewed and reconstituted as the Business Network for Leadership in Energy Efficiency. The review was prompted by the 2009 energy shortages, price increases and new national electricity-provision policies. The new business network facilitates the move towards mandatory requirements. It applies to all business sectors, and is intended to encourage business collaboration and leadership on energy issues, enhance interaction with government and provide a measure of flexibility for the legislature.

The overarching objective is to drive continuous improvement of energy efficiency in the SA business sector, in support of the national energy-efficiency strategy, leading to enhanced international competitiveness and greenhouse gas reductions.

The network offers considerable value for businesses:

- Effective management of energy, leading to improved competitiveness
- Access to best practice, technical expertise and experience of others
- Public reporting leading to public recognition and improved brand equity
- Better understanding of regulatory requirements, resulting in targeted responses
- Standardised approaches to reporting, measurement, monitoring and verification
- Constant feedback through member participation and interaction with government.

Preparing for power outages

Following the 2007/8 power outages that resulted in widespread load shedding, a multi-stakeholder working group was established to develop a national code of practice on how future load shedding and load curtailment should be managed. As part of this process, South Africa now has a specification for the national power grid that provides three options for how customers like Exxaro are expected to act in a system emergency.

Option 1: load shedding

When instructed by the national system operator (Eskom), the customer must immediately reduce consumption by at least 25% by disconnecting loads automatically or manually.

Option 2: load curtailment

This happens in five stages, as shown below:

Stage	Type	Customer action
0	Unscheduled (pre-agreed)	Reduce consumption by 25% for two hours within an agreed time (typically 10 minutes
1	Scheduled (notified)	Reduce normal demand by 10% within two hours of notification (excludes customers who participate under stage 0)
2	Scheduled (notified)	
3	Scheduled (notified)	Reduce normal demand by 20% within two hours of notification
4	Unscheduled (instructed)	Reduce normal demand as instructed

Option 3: demand market participation (DMP)

This is an agreement between Eskom and customer to interrupt loads on a commercial basis. Customers who participate in DMP are exempt from stages 0, 1 and 2 load curtailment, and receive monetary compensation for the load curtailment. While this compensation will not make up for the potential loss in production, in some cases (Namakwa Sands and KZN Sands) the impact is minimal.

What this means to Exxaro

Namakwa Sands already participates in DMP and will be exempt from stages 0, 1 and 2. KZN Sands has selected the DMP option and is in the implementation stages. KZN Sands will also be exempt from stages 0, 1 and 2.

As critical suppliers to Eskom, Zincor, Grootegeluk and Matla cannot allow their loads to be shed nor is DMP an option. These operations therefore have selected option 2 – load curtailment.

Eskom's power conservation programme

The South African electricity supply/demand balance is overly tight, and latest forecasts indicate this could worsen from 2011 to 2012. This means availability rather than capacity is the key challenge, and that the security-of-supply risk is high. To mitigate this, Eskom's power conservation programme (PCP) is scheduled for implementation in January 2011. While not yet finalised, the programme is focused on lowering absolute electrical consumption by 10% (for businesses) and charging punitive rates for exceeding agreed baselines. The financial implications of this programme could be significant.

KZN Sands, Namakwa Sands, Zincor, Grootegeluk and Matla are the five largest consumers (90%) of electricity in Exxaro and would potentially be impacted by the implementation of PCP. As key suppliers, Matla and Grootegeluk are excluded from the programme. Exxaro's energy team will monitor both the finalisation of the programme and consumption at business unit level to optimise performance in terms of consumption versus allocation.

ENVIRONMENT CONTINUED

South Africa's energy debate

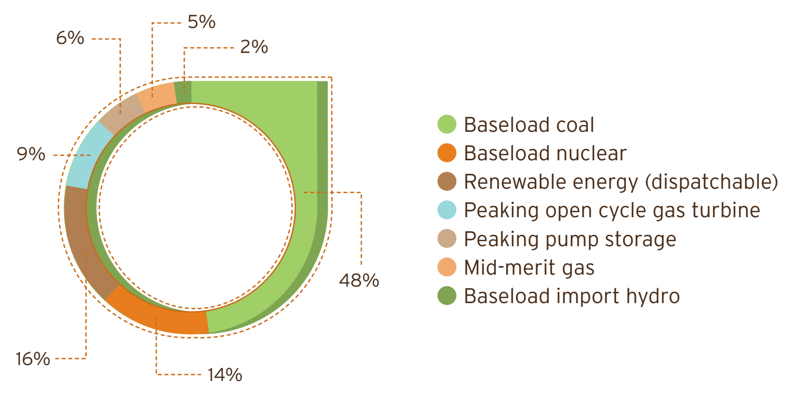
The ongoing debate around South Africa's energy industry, coupled with the fact that coal remains the country's most affordable electricity resource, raises a serious question: how do we as a nation balance the need to reduce our carbon footprint with the need to provide significantly more power at a price that keeps the industry competitive?

The question of price versus demand is one of the issues central to the government's recently released second integrated resource plan (IRP), a 20-year plan that predicts how much electricity the country will need in the next two decades, how this demand could be met, and what it will cost.

The IRP 2010 sketches the ideal scenario for electricity generation in South Africa, the sources of that energy, and the price at which it will be sold to the industry and public. It takes into account carbon emissions, production costs, security of electricity supply, sustainable job creation and water use.

The summary of the balanced scenario which the IRP 2010 proposes as the optimal electrical energy mix by 2030 envisages coal comprising 48% of the feedstock mix (compared to 80% at present), with baseload nuclear and renewable energies comprising 14% and 16% respectively (see pie chart below). Expectations are that the IRP 2010 proposal will be promulgated by early 2011.

IRP 2010 balanced scenario



What does this mean for Exxaro?

In its current draft, the IRP could have major implications for Exxaro's business:

- The only coal-fired power to be implemented after Kusile will be in 2027. This will temper Exxaro's current coal ambitions in South Africa
- The significant roll out of renewable energy sources supports Exxaro's plans to develop its renewable energy business
- The IRP gives an indication of the long-term electricity price, which is more than 150% of the current price. This will significantly increase operating costs at Exxaro's smelters.

What does it mean for consumers?

- The long-term electricity price is even higher than current indications from Eskom and the National Energy Regulator of South Africa. This will put households under even more financial strain
- The burden of higher electricity prices will make local industry less competitive on a global scale, which could affect employment
- Positively, however, the draft IRP 2010 provides for the large-scale roll out of renewable and nuclear energy, which will result in cleaner air and fewer carbon emissions.

Energy efficiency improvement projects

To remain competitive while dealing with climate change and its related environmental concerns, Exxaro is improving its energy efficiency and has committed to:

- Reduce costs by improving energy efficiency from 2009 baseline by 10% by 2012
- Promoting the use of sustainable and renewable energy
- Promoting the use of clean technologies.

In 2009, the electricity baseline was established for all business units. In 2010, energy audits were conducted at Leeuwpan, North Block Complex, New Clydesdale, Tshikondeni, Grootegeluk, Namakwa Sands, Arnot, Matla, Inyanda, and KZN Sands, as well as the research and development unit and corporate office. The top projects were identified and common solutions are being investigated.

Becoming carbon neutral

A feasibility study on co-generation to produce some 15MW of electricity from waste energy at our Namakwa Sands operation is well advanced. This project could save almost 150 000 tonnes of CO_2e per annum and offers significant financial benefits via carbon credits.

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

The objective is to minimise energy waste, thus increasing energy efficiency. The carbon footprint of electricity from these sources is virtually zero.

Despite delays due to the global economic slowdown, Exxaro remains committed to reducing its carbon footprint by implementing these projects as well as renewable energy initiatives (subject to the roll out of an enabling policy environment).

The group is also participating in carbon capture and storage developments by playing an active role in establishing the South African Centre for Carbon Capture and Storage (SA Centre for CCS).

Carbon disclosure project reporting

Exxaro again participated in the Carbon Disclosure Project (CDP), the leading proponent of climate change and carbon disclosure. In 2010 the CDP represented over 530 investors with USD64 trillion of assets under management; a total of 1 800 companies participated worldwide, including around 80% of the FTSE Global 500. Companies listed on the JSE have participated for the last four years; in 2010 74% of the top 100 companies (by market capitalisation) on the JSE responded.

Exxaro performed well on both CDP measures:

- The carbon disclosure rating focuses on disclosure of emissions, the degree to which a company has identified its risks and opportunities from climate change, and the development of internal structures for information management and governance. Exxaro ranked fourth with a score of 87% (compared to the first mining company at 93%)
- The carbon performance rating, introduced in 2010: this indicates the degree to which a company is taking positive actions that contribute to climate change mitigation, adaptation and transparency. Companies are ranked in four performance bands – leading, fast-following, on the journey and just starting. Exxaro was rated in the second category.

Cleaner production

Exxaro has several research projects under way to reduce its environmental footprint from waste production and water use. With a budget of over R1 700 million for the review period (mostly for scouting work), these include:

- Dry beneficiation
- Building environmental competency
- Power generation from waste coal
- Slimes community of practice
- Water community of practice
- Water conservation and purification.

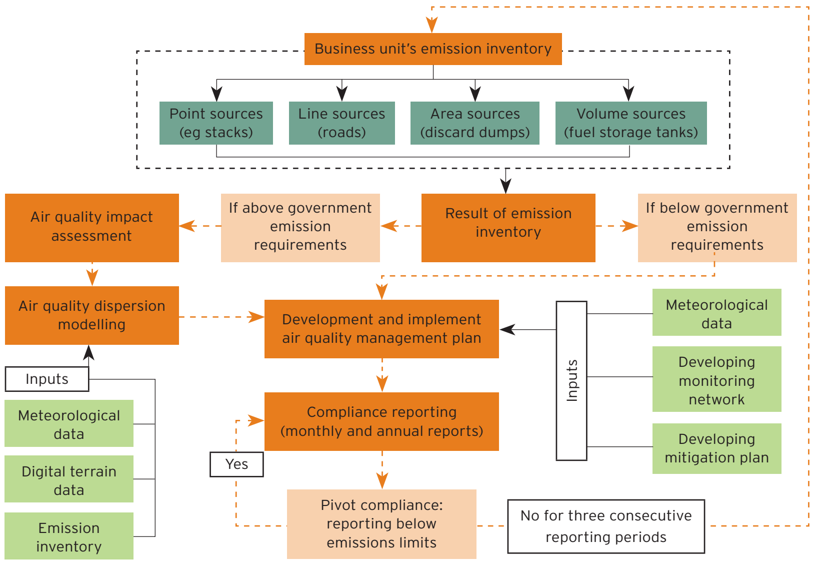
By year end, dry beneficiation technologies were being tested for various applications, with some already included in Grootegeluk's Medupi designs. In addition, solid progress has been made in raising awareness of the importance of water conservation and treatment, as well as slimes treatment, across the group's business units.

Air quality management

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

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

Air quality management framework



Emissions from mining operations

Every day, Exxaro addresses the challenges of dust-generating activities (blasting, vehicle entrainment and wind erosion of exposed operational areas) through environmental management measures. These include dust-suppressant agents on haul roads, applying water to secondary unpaved operational roads, and vegetating topsoil and overburden material.

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

Case study – Improving air quality at Namakwa Sands

One of the biggest environmental challenges at the Namakwa Sands smelter has been solved by a new extraction plant that removes dust and fumes from the tapfloor during tapping operations.

Namakwa Sands has an obligation to keep the West Coast environment as beautiful as it is, and provide a safe environment for employees. But the previous fume-extraction system had become inefficient and conditions in the furnace building were unpleasant during taps. On a calm day the red dust hanging over the furnace building was visible from a distance.

Construction of the new fume-extraction plant took 13 months at a cost of R63 million and, importantly, was completed without a lost-time injury. The plant uses the most modern filtration equipment and energy-efficient fans run at reduced power between taps. Most importantly, it improves conditions on the tapfloor.

Figure 1: National standards (SANS)

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

Figure 2: Results from Exxaro's monitoring points

		Number of monthly exceedances 2010			
Commodity	Points monitored with single-unit fallout dust bucket	600mg/m²/day	>3 months/year	1 200 mg/m² day	>3 months/year
Coal	58	9	5	4	1
Mineral sands and base metals	36	10	7	5	2

Performance of smelters

Business unit	No of points	Pollutant	Permitted emission rate	Units	Assessed	Number of exceedances recorded for 2010
Namakwa Sands	2	PM	30	mg/m^3 (24hr average)	Bi-annually	0
	2	SO_2	500	mg/m^3 (1hr average)	Bi-annually	0
KZN Sands	1	SO_2	500	mg/m^3 (1hr average)	Quarterly	0
	14	PM	50	mg/m^3 (24hr average)	Quarterly	2
Zincor	2	SO_2	500	mg/m^3 (1hr average)	Continuous	0

PM: particulate matter, SO_2: sulphur dioxide

Although Exxaro's operations are classified under industrial targets, some are close to densely populated areas. As such, tracking compliance against the more stringent residential limit as opposed to the industrial limit provides a standardised and more appropriate management approach to move our operations towards the long-term target of $300mg/m^2$/day.

The tables on page 106 give a consolidated view of our performance against air quality guidelines. In total, coal operations recorded four monthly exceedances of the industrial limit of 1 200mg/m2/day. The SANS guideline allows operations to have at most three exceedances per year without any reporting. Given the strong performance of our coal operations in 2010, the guideline industrial limit was exceeded by one month. The mineral sands and base metal operations also registered exceedances of the industrial limit for five months in 2010.

We are concentrating on improving our mitigation measures for operational activities that contribute significantly to dustfall. This will ensure fallout dust is reduced to national residential guidelines of 300mg/m2/day.

Emissions from smelting operations

All Exxaro's smelters have registration certificates under section 10 of the Atmospheric Pollution Prevention Act, 1965, which has been superseded by the National Environment: Air Quality Act, 34 of 2004. These stipulate acceptable stack emissions for particulate matter at KZN Sands smelters; particulate matter, NO_x and SO_2 at Namakwa Sands; and SO_2 at the zinc smelter. The performance of our smelters against permit conditions is shown below.

Biodiversity management

Exxaro-owned and -managed land has significant biodiversity given the wide geographical spread of the group's operations. As part of the process of developing biodiversity management plans for each business unit, a comprehensive study has determined vegetation types on all land held by Exxaro and quantified greenhouse gas reduction as a result of vegetation. The carbon quantities captured in the 32 types of vegetation in land under operational control are estimated to be around 30 million tonnes. A summary of biodiversity management is shown overleaf.

In terms of a formal biodiversity management policy, revised in 2010, group operations are mandated to ensure that conserving biodiversity and using natural resources through mining co-exist through proper planning, decision making, conservation and offsets.

The objectives of this policy focus on protecting and conserving biodiversity-rich sections of undisturbed areas, preventing or limiting destruction of Red Data faunal and floral species, and eradicating and controlling alien invasive species through practical and cost-effective management skills, programmes and action plans.

A detailed management standard was issued at the end of the review period to guide business units in implementing group policy. The standard aims to:

- Ensure a cost-effective integrated approach to biodiversity management
- Be environmentally responsible in protecting and managing biodiversity
- Be ecologically sustainable by ensuring biodiversity-rich areas are contained within mining right areas, to manage and monitor protected and threatened Red Data species, and control declared category 1, 2 and 3 declared invasive plants from spreading.

Detailed desktop studies at all business units have been completed while specialist biodiversity assessments have been completed for Tshikondeni, Inyanda, New Clydesdale, Leeuwpan, KZN Sands and Namakwa Sands. Assessments are under way for Grootegeluk, North Block Complex and Arnot. Identification, mapping and management plans for the control and eradication of category 1, 2 and 3 species were included in the biodiversity assessments. Management plans for these species per business unit will be finalised and implemented in 2011 although

ENVIRONMENT CONTINUED

implementation is already under way at Grootegeluk and KZN Sands. Marking protected trees and compiling and submitting permit applications for various developments at Grootegeluk and Tshikondeni (the only two business units where this was required to date) was conducted for various developments. All activities at Grootegeluk and Tshikondeni where protected trees were impacted in 2010 had approved permits for the removal/destruction and transport of protected trees.

At Inyanda relocation of the Red Data species *Frithia humilis* was completed and will be monitored until 2012. A post-graduate research project with the North West University on the ecology of the relocated species began in January 2011, in conjunction with SANBI (SA National Biodiversity Institute) and the Mpumalanga Tourism and Parks Agency.

To date, biodiversity action plans have been developed for five of Exxaro's 17 operating units. The balance will be

Biodiversity management

		Inyanda	Zincor	Tshikondeni	
Location/size of land owned, leased, managed or adjacent to protected areas of high biodiversity value	**Land adjacent to protected areas**	**X**	**✓ (Next to RAMSAR site)**	**✓ Adjacent to Kruger National Park. Lies within the Gariep Centre of Plant Endemism**	
	Size of land assessed (ha)	**1 747**	**295,5**	**22 385,89**	
Significant impacts of activities: total land owned/leased/managed for production or extractive use	Buildings (farm buildings, mine buildings, etc)	12	38,29	Buildings (farm buildings, mine buildings, etc)	71,52
	Cultivation	249	0	Bushveld	4 457,49
	Grassland scrub	18	0	Cultivated fields	708,97
	Mine tailings, pits, bare soil, airfields	0	106,77	Floodplain bushveld	26,81
	Open water	4	0	Inland forest	235,34
	Plantations	57	9,34	Mine tailings, pits, bare soil, airfields	131,76
	Grassland (natural)	1 372	24,29	Mopani bushveld	5 710,09
	Grassland secondary/ transformed grassland	35	113,4	Mountain bushveld	3 920,79
	Wetland grassland	0	3,41	Open bushveld	662,98
	Stream vegetation	0	0	Open water	196,69
	Sugarcane	0	0	Riparian forest	472,92
	Degraded bushveld	0	0	Sand banks	176,67
	Thicket and encroached bushveld	0	0	Stream vegetation (bushveld)	412,01
	–	0	0	Thicket and encroached bushveld	4 469,23
	–		0	Transformed/degraded bushveld	589,52
	–		0	Wetland grassland	40,19
	–		0	Woodland	102,91
Total		**1 747**	**295,5**		**22 385,89**

completed in 2011. Expenditure of around R30 million in 2010 is expected to increase as biodiversity action plans are fully implemented and declared category 1, 2 and 3 alien invader species are eradicated.

During the year, biodiversity was affected at Arnot Mooifontein where mining operations intruded on a wetland area. After a directive from the Department of Water Affairs on the haul road in the eastern pit of Mooifontein operation, we stopped using and then closed this haul road.

We have prioritised rehabilitation of the affected wetland area to improve biodiversity and ecological functionality. Measures include ongoing mitigation initiatives and offset areas of similar biodiversity functionality. Stakeholders and interested and affected parties have been duly consulted on these envisaged measures.

KZN Sands			Namakwa Sands				Rosh Pinah	
KZN – Hillendale & Port Durnford		CPC	BSB	CPS	Smelter			
✓ (Close to Tongaland-Pondoland Regional Centre of Floral Endemism)		✓ (Southern Namaqualand Strandveld Centre of Plant Endemism)	✓ (Southern Namaqualand Strandveld Centre of Plant Endemism)	✓ (Southern Namaqualand Strandveld Centre of Plant Endemism)	✓ (Southern Namaqualand Strandveld Centre of Plant Endemism)		✓ (Adjacent to Sperr Gebied/ Richtersveld National Park/ endemic hotspot area	
5 418,51		**66,35**	**0**	**0**	**0**			**1 250,75**
Buildings (farm buildings, mine buildings, etc)	180,63	1,25					Buildings (farm buildings, mine buildings, etc)	23,47
Coastal forest	679,34	0,12					Desert wash	34,52
Cultivation (harvested sugar cane)	341,9	25,19					Mine tailings, borrow pits, bare soil, airfields	121,36
Dune scrub	525,74	2,1					Mountain desert	455,42
Mine tailings, borrow pits, bare soil, airfields	390,72	3,38					Sandy plains desert	615,98
Plantations/ woodlots	24,55	15,52					–	0
Secondary/ transformed grassland	157,37	5,07		Not assessed in 2009/2010			–	0
Stream vegetation	23,3	0					–	0
Sugarcane	3 091,16	5,23					–	0
Wetland grassland	3,8	8,22					–	0
–	0	0,27					–	0
–	0	0					–	0
–	0	0					–	0
–	0	0					–	0
–							–	
–	0	0					–	0
–	0	0					–	0
5 418,51		**66,35**	**0**	**0**	**0**			**1 250,75**

Biodiversity management

		Inyanda	Zincor	Tshikondeni		
Location/size of land owned, leased, managed or adjacent to protected areas of high biodiversity value	**Land adjacent to protected areas**	**X**	**✓ (Next to RAMSAR site)**	**✓ Adjacent to Kruger National Park. Lies within the Gariep Centre of Plant Endemism**		
	Size of land assessed (ha)	**1 747**	**295,5**	**22 385,89**		
Habitats protected/restored?	Protected:	X	✓ (RAMSAR site)	✓ (Kruger National Park)		
	Restored	Red Data species relocated to offset areas under MTPA (provincial) management	✓ (wetland with Red Data)	Adjacent to protected area – limited impact due to underground mining activities		
Strategies, actions and plans for managing impacts on biodiversity	Exxaro general biodiversity strategy (draft)	✓	✓	✓		
	Management plan (EMPR)	✓ Draft 2 under review to update category 1, 2 and 3 management measure	✓	✓		
	Biodiversity action plans		Draft 2 under review to update management of *Kniphofia* sp management measure	Draft update of certain sections in 2010 incomplete		
IUCN Red List and national conservation lists species affected by operations	–	Red Data species *Frithia humilis* relocated to three offset areas. Continuous monitoring by North West University till 2012. Research project on lifecycle started in 2011	✓ Recorded but not currently affected/ population of *Kniphofia typhoides* is stable and healthy	✓ Various species recorded in areas adjacent to current and future operations. Recorded but not currently affected by underground mining operations. Potential that future opencast operations may impact on Red Data listed species		

	KZN Sands			Namakwa Sands				Rosh Pinah	
	KZN – Hillendale & Port Durnford		CPC	BSB	CPS	Smelter			
	✓ (Close to Tongaland-Pondoland Regional Centre of Floral Endemism)		✓ (Southern Namaqualand Strandveld Centre of Plant Endemism)	✓ (Southern Namaqualand Strandveld Centre of Plant Endemism)	✓ (Southern Namaqualand Strandveld Centre of Plant Endemism)	✓ (Southern Namaqualand Strandveld Centre of Plant Endemism)	✓ (Adjacent to Sperr Gebied/ Richtersveld National Park/ endemic hotspot area	
	5 418,51		66,35	0	0	0		1 250,75
	X (No mining activities at Port Durnford)		X	✓	✓	✓	✓	
	X		X	X	X	X	X	
	✓		✓	✓	✓	✓	✓	
	✓ (Only Hillendale – Port Durnford no mining activities)		✓	✓	✓	✓	✓	
	Draft reviewed. Update category 1, 2 and 3 declared invader species management measure (Hillendale only)		Completed but not submitted	Biodiversity study complete as part of EMPR amendment. Require biodiversity action plan	X	X	X	
	✓ Recorded and currently affected (Hillendale – habitat transformation)		X None recorded to date	✓ Recorded and currently affected	✓ Recorded and currently affected	✓ Recorded and currently affected	✓ Recorded various IUCN Red Data plant species – affected during previous exploration activities. Dust is currently the biggest impact on Red Data flora species. High number of endemic species present and recorded.	

Legal framework for managing biodiversity in Exxaro

Biodiversity management in South Africa is based on the clause in the country's constitution that stipulates 'everyone has the right to an environment that is not harmful to their health or wellbeing and to have the environment protected, for the benefit of present and future generations'. It is governed primarily by the National Environmental Management Act, and supporting legislation, summarised in the following legislative framework that guides Exxaro's policy on biodiversity management:

- National Environmental Management Act (NEMA) (Act No 107 of 1998, Mine rehabilitation)
- National Environmental Management Biodiversity Act (NEMBA) (Act No 10 of 2004) and its annexures on threatened or protected species
- National Environmental Management: Protected Areas Act (NEMPAA) (Act No 57 of 2003)
- National Water Act (NWA) (Act No 36 of 1998)
- Mineral and Petroleum Resource Development Act (MPRDA) (Act No 28 of 2003)
- National Environmental Management: Air Quality Act (NEMAQA) (Act No 39 of 2004)
- Environment Conservation Act (ECA) (Act No 73 of 1989)
- Conservation of Agricultural Resources Act (CARA) (Act No 43 of 1983)
- World Heritage Convention Act (WHCA) (Act No 49 of 1999)
- National Forests Act (Act No 84 of 1998)
- Draft integrated coastal management bill (2006)
- Marine Living Resources Act (Act No 18 of 1998)
- Marine Pollution (Intervention) Act (Act No 64 of 1987)
- Dumping at Sea Control Act (Act No 58 of 1973)
- Sea-Shore Act (Act No 21 of 1935):
- Sea Fisheries Act (Act No 58 of 1973)

In terms of Exxaro's biodiversity policy, all related risks need to be identified, assessed and prioritised for all activities at business units. This includes the control and management of all Category 1 alien invaders, the protection and management of biodiversity hotspot areas/biodiversity-rich ecosystems, conservation of fauna and flora of business units situated in or adjacent to sensitive areas such as centres of plant endemism (Fairbreeze, Rosh Pinah) sensitive ecological areas (Matla river diversion), adjacent to RAMSAR sites (Zincor) or adjacent to protected areas or areas of high sensitivity for the tourism industry (Tshikondeni).

Mine rehabilitation

Exxaro's mine rehabilitation policy and management standard follows a legal and risk approach – chronological steps that optimise ongoing rehabilitation from feasibility stage through all operational phases and, ultimately, preparing for efficient closure of any mining operation. This framework dictates physical processes, financial provisions, and rehabilitation performance indicators.

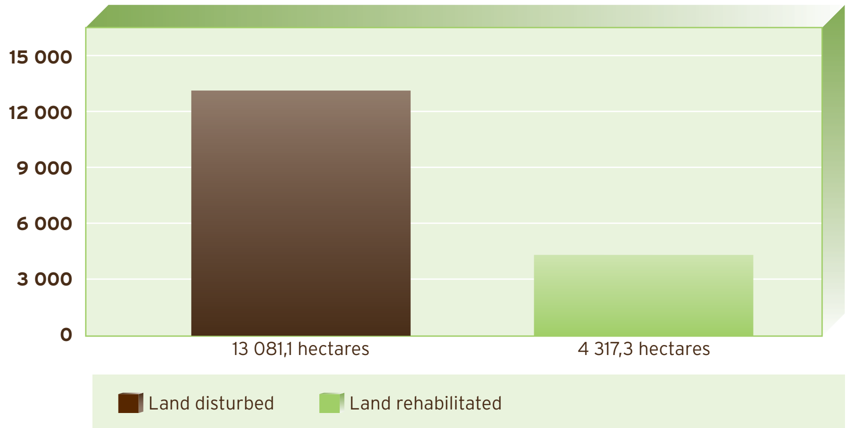
Business units report quarterly on these indicators. By monitoring this data, rehabilitation backlogs are identified before undue financial liabilities are incurred. The goal of the environmental rehabilitation department is to budget for and schedule ongoing rehabilitation aligned with the mining plans of each business unit. Integral to this process is minimising any negative mining impacts on affected parties or the environment and communicating rehabilitation actions via established forums.

Exxaro contributed roughly R68 million in 2010 and had R502,5 million in its trust fund at 31 December 2010 for mine-closure activities. Updating and revising rehabilitation provisions annually also highlights potential rehabilitation alternatives that could decrease the closure liabilities of mines in the long term.

Closure-cost reviews were completed at eight operations, including five inactive sites. Performance assessments against the objectives of environmental management plan reports were completed for eight operations and submitted to DMR. In line with the growing government focus on rehabilitation, Exxaro is ensuring that all group business units have reviewed their rehabilitation plans (with appropriate schedules and budgets) and that these are being implemented.

During the period, the Department of Mineral Resources Mpumalanga served Arnot Colliery with a directive to submit an EMPR (environmental management plan report) performance assessment report. This is a regulatory tool introduced by the department to monitor implementation of the EMPR. It is also a requirement in terms of the Exxaro environmental liability management framework that operations conduct EMPR performance assessments, and that such assessments be reported to the department. Scheduling these assessments is done through the Exxaro environmental rehabilitation fund. The Arnot EMPR performance has since been completed and submitted to the department in Mpumalanga.

Exxaro's North Block Complex also received a directive from the department on the need to align mining activities (including the washing plant) with the EMPR. Since the processes of updating these documents had already started in 2010, the required EMPR update was finalised and submitted to the department in Mpumalanga.



Mine closure

Exxaro has two mines at different stages of their closure plans – Durnacol and Hlobane. In 2010, R145 million was budgeted for mines in closure, spanning implementation of the relevant social plans and rehabilitating negative and latent environmental impacts.

During the year, implementation of Durnacol's social plan gained new momentum and projects such as the training centre, bakery and steelworks are now operational, underscoring solid working relationship between this community and Exxaro. Shaft-sealing and dump rehabilitation activities during the year have improved water, dust and visual impacts at Durnacol.

At Hlobane, the group policy of completing rehabilitation work manually has created job opportunities during the construction phase. Crack and subsidence sealing at Hlobane has improved water quality in the catchment area.

Current mining legislation presents a number of risks specific to mine closure. These include possible pressure from affected communities to increase the corporate contribution to mine-closure social programmes which will escalate the longer-term financial requirement. An additional risk comes from third-party applications for continued mining at mines in closure (Hlobane and Durnacol). Continued mining at these old workings are exceptionally dangerous and any incidents will have an impact on Exxaro's image. Future liability is likely to escalate as new mining and old mining impacts cannot be separated in terms of water quality, subsidence and crack formation. With any mine closure, there is also the risk that implementing the closure plan might not address all negative impacts. Exxaro has prepared as fully as possible for these contingencies in its existing closure plans.

Broader industry participation

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

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

Exxaro is also involved in the initiatives of:

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

Four years ago, Exxaro began sponsoring the Chair in Business and Climate Change at Unisa to create a centre of excellence in business and climate change research, education and advocacy. While solid progress was made in the early years of this sponsorship, including the landmark publication of *Climate Change: A Guide for Corporates* (Unisa Press, 2009), the pace has accelerated considerably since the appointment of Dr Godwell Nhamo. Since August 2009, four research papers have been published, nine conference papers presented, and related courses at honour's level proposed. The Exxaro group was used as the first of a series of case studies examining how companies intend operating in a low-carbon economy. The Exxaro study was published in 2009. Dr Nhamo is also a member of the National Business Initiative (South Africa) climate change committee working group, and a member of the Department of Trade and Industry/Business Unity South Africa climate change forum. Dr Nhamo was named Unisa's researcher of the year in 2009, a significant vote of confidence in the chair's activities.

Given this important progress, Exxaro has renewed its sponsorship of this chair until 2015. This will maintain the current momentum and strengthen the chair's critical research, advocacy and tuition activities in advancing the business and climate change agenda.

From 2010, research will be streamlined to focus mainly on business and address climate policy at national, regional and international levels, including the transition to a low-carbon economy (ie issues relating to green/sustainable procurement), energy and climate change, integrated reporting and other emerging areas. Research topics will address climate change and business issues on four key thematic areas: mitigation, adaptation, greenhouse gas inventories, research and development (including breakthrough low-carbon technologies).

Environmental performance

Exxaro has a standardised system in all business units to ensure the effective management of all incidents, leading to a safer and more sustainable work environment. This integrated platform tracks and manages incidents; identifies root causes and ensures proper incident reporting and management. Environmental incidents are categorised as:

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

Reportable environmental incidents across the group are shown alongside. A total of 30 level 2 incidents occurred in 2010, and were reported to the relevant authorities. Corrective actions to remedy the incidents and prevent them from recurring were approved by authorities prior to implementation. There were no significant (level 3) incidents reported in 2010.

Fifteen of Exxaro's 17 business units have ISO 14001 accreditation, reflecting the global industry standards in place.

Case study – Carbon offset project

Each year, Exxaro offsets the environmental impact of its annual report and group newsletter. The carbon footprint of the paper, printing and distribution is quantified under the international greenhouse gas reporting protocol. To ensure the integrity of an offset project, five criteria set by the World Bank must be followed:

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

In 2009, we installed a 300-litre solar-powered geyser at the Badirammogo Home in Olievenhoutbosch, a low-cost housing area close to Exxaro's corporate centre. The home offers full-time care to eight elderly residents and will benefit from the significant reduction in monthly running costs.

In 2010, we planted sufficient trees in and around our operations to offset the impact of the annual report and Exxaro's internal newsletter.

Environmental incidents – group

	Level 1		Level 2		Level 3	
Commodity business	**2010**	2009	**2010**	2009	**2010**	2009
EXXARO COAL	**500**	495	**18**	6	**0**	0
Arnot	**50**	75	**1**	0	**0**	0
Char plant	**54**	23	**0**	0	**0**	0
Durnacol	**0**	0	**0**	0	**0**	0
Grootegeluk	**61**	135	**1**	2	**0**	0
Hlobane	**0**	0	**0**	0	**0**	0
Inyanda	**22**	37	**11**	4	**0**	0
Leeuwpan	**103**	28	**0**	0	**0**	0
Matla	**109**	51	**1**	0	**0**	0
New Clydesdale Colliery	**94**	72	**1**	0	**0**	0
North Block Complex	**4**	26	**2**	0	**0**	0
Tshikondeni	**3**	48	**1**	0	**0**	0
MINERAL SANDS	**330**	339	**12**	14	**0**	0
KZN Sands	**86**	79	**11**	10	**0**	0
Namakwa Sands	**244**	260	**1**	4	**0**	0
BASE METALS AND INDUSTRIAL MINERALS	**101**	188	**0**	0	**0**	0
Glen Douglas	**30**	47	**0**	0	**0**	0
Rosh Pinah	**0**	0	**0**	0	**0**	0
Zincor	**71**	141	**0**	0	**0**	0
CORPORATE OFFICE	**0**	0	**0**	0	**0**	0
Alloystream	**0**	0	**0**	0	**0**	0
Ferroalloys	**0**	0	**0**	0	**0**	0
Head office	**0**	0	**0**	0	**0**	0
R & D	**0**	0	**0**	0	**0**	0
Total	**931**	1022	**30**	20	**0**	0

Level 1: Minor impact and/or non-compliance
Level 2: Intermediate impact and/or non-compliance
Level 3: Major impact and/or non-compliance

ENVIRONMENT CONTINUED

Environmental incidents – level 2

Business unit	Description	Receiving environment
Grootegeluk	Accidental diversion of reclaimed slimes dam water to an unlined slimes dam caused localised pollution.	Groundwater
Matla	Graves were discovered during mining-related activities; area demarcated and South African Heritage Resource Agency (SAHRA) informed.	Heritage resource
Arnot	Temporary silt damwall broke and caused slurry to run into field.	Soil and natural vegetation
KZN Sands – Hillendale	Failure of a slimes transfer pipeline feeding the residue dam.	Soil and natural vegetation
KZN Sands – CPC	Burn-through on furnace 2 shell during a metal tap with dust and iron oxide fumes.	Air
KZN Sands – Hillendale	Breach in berm caused sediment to wash off site into Umhlathuze River.	Surface water
KZN Sands – Hillendale	Water from backfill cyclones breached the berm; discoloration of Umhlathuze River.	Surface water
KZN Sands – Hillendale	Burst pipe caused slimes to spray onto neighbouring property.	Soil and crops
KZN Sands – Hillendale	Subsoil saturated due to elevated water ingress from hydro cyclone underflow; discoloration and retarded growth of sugar cane in neighbouring field.	Subsoil and crops
KZN Sands – Hillendale	Blocked channel caused surface runoff to neighbouring properties with damage to tomato crops.	Surface water
KZN Sands – Hillendale	HDPE pipe burst caused ROM to spill offsite.	Soil
KZN Sands – CPC	Stack emission exceeded permit requirements for particulate matter.	Air
KZN Sands – CPC	Blockage in small disintegrator delivery line caused excessive visual smoke and particulate matter emissions	Air
North Block Complex Glisa	Decant water from block B flowing into a clean water environment.	Surface water
North Block Complex Strathrae	Slurry spill into the field.	Soil and natural vegetation
Tshikondeni	Discharge of sewage.	Soil and natural vegetation
Inyanda mine	Dust concentrations exceeded air quality standards five times in 12 months.	Air
Inyanda mine	Coal sediment and contaminated water spilled into a clean environment	Surface water
Inyanda mine	Heavy rainfall caused return-water dam level to exceed lined level.	Soil and groundwater
Inyanda railway siding	Dust concentrations exceeded air quality standards once in 12 months.	Air
Inyanda railway siding	Pollution control dam overflowed twice in 12 months.	Surface water
Inyanda mine	Evaporation dam overflowed	Surface water

Consumption per business unit: 1 January – 31 December 2010

Commodity business	Electricity (GJ)		Diesel (GJ)**		Sasol gas (GJ)		Petrol used (GJ)		Total energy use (GJ)*		Water (m³)	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
COAL	**1 956 915**	1 835 131	**2 126 313**	2 199 610	**–**	–	**15 808**	14 899	**4 099 036**	4 049 640	**10 830 228**	11 345 080
Arnot	**188 997**	201 082	**232 783**	341 106	**–**	–	**3 140**	3 307	**424 920**	545 494	**755 441**	1 045 197
Char plant	**18 517**	9 266	**4 574**	5 272	**–**	–	**–**	–	**23 091**	14 538	**92 111**	62 165
Durnacol	**318**	–	**5 750**	–	**–**	–	**198**	–	**6 266**	–	**–**	–
Grootegeluk	**962 169**	904 342	**640 167**	727 756	**–**	–	**3 818**	4 623	**1 606 154**	1 636 721	**6 326 873**	6 673 009
Hlobane	**32**	–	**1 409**	–	**–**	–	**215**	–	**1 656**	–	**–**	–
Inyanda	**25 972**	22 997	**140 017**	134 678	**–**	–	**–**	–	**165 989**	157 675	**853 200**	778 205
Leeuwpan	**88 354**	76 144	**558 251**	427 349	**–**	–	**–**	–	**646 605**	503 492	**493 965**	414 856
Matla	**491 807**	463 723	**68 640**	64 618	**–**	–	**3 318**	5 035	**563 765**	533 377	**1 522 054**	1 573 593
New Clydesdale Colliery	**53 440**	37 566	**125 202**	158 273	**–**	–	**–**	–	**178 642**	195 839	**295 505**	274 493
North Block Complex	**8 826**	5 184	**314 028**	307 630	**–**	–	**–**	–	**322 854**	312 814	**336 776**	1 103
Tshikondeni***	**118 483**	114 828	**35 492**	32 929	**–**	–	**5 120**	1 933	**159 095**	149 690	**154 303**	522 459
MINERAL SANDS	**3 682 239**	4 214 567	**497 116**	481 817	**257 426**	307 040	**5 741**	3 888	**4 442 522**	5 007 312	**11 419 905**	13 029 937
KZN Sands***	**1 637 787**	2 298 182	**71 255**	71 067	**257 426**	307 040	**–**	–	**1 966 468**	2 676 289	**8 983 419**	11 115 338
Namakwa Sands	**2 044 452**	1 916 384	**425 861**	410 750	**–**	–	**5 741**	3 888	**2 476 054**	2 331 023	**2 436 486**	1 914 599
BASE METALS AND INDUSTRIAL MINERALS	**1 674 769**	1 697 593	**162 521**	153 602	**–**	–	**401**	395	**1 837 691**	1 851 591	**2 701 754**	2 731 962
Glen Douglas	**35 753**	44 809	**57 796**	61 296	**–**	–	**401**	395	**93 950**	106 501	**295 706**	289 315
Rosh Pinah	**156 318**	161 225	**63 650**	61 169	**–**	–	**–**	–	**219 968**	222 394	**1 033 549**	1 149 524
Zincor	**1 482 698**	1 491 559	**41 075**	31 137	**–**	–	**–**	–	**1 523 773**	1 522 696	**1 372 499**	1 293 123
CORPORATE OFFICE	**51 757**	48 506	**430**	–	**1 335**		**2 261**	–	**55 783**	48 506	**–**	–
Alloystream	**1 670**	4 881	**–**	–	**–**	–	**72**	–	**1 742**	4 881	**–**	–
Ferroalloys	**17 679**	19 195	**–**	–	**1 335**	–	**51**	–	**19 065**	19 195	**–**	–
Head Office	**24 329**	24 430	**430**	–	**–**	–	**2 138**	–	**26 897**	24 430	**–**	–
R & D	**8 079**	–	**–**	–	**–**	–	**–**	–	**8 079**	–	**–**	–
Total	**7 365 680**	7 795 797	**2 786 380**	2 835 029	**258 761**	307 040	**24 211**	19 183	**10 435 032**	10 957 049	**24 951 887**	27 106 979

* *Total energy figures comprise electricity, diesel, petrol and Sasol gas*
** *Figures are based on SAP issue reports*
*** *Recommissioned furnace in 2009 ramping up to production*

Energy consumption was 4,8% lower in 2010 mainly due to the unplanned downtime on furnaces at KZN Sands.

ENVIRONMENT CONTINUED

Operational intensities

Commodity business	Saleable product (kt) 2010	2009	Energy/t 2010	2009	Electricity/t 2010	2009	Diesel/t 2010	2009	Water/t 2010	2009
COAL	44 436	36 412	0,10	0,11	0,05	0,05	0,05	0,06	0,27	0,31
Arnot	4 167	5 211	0,10	0,10	0,05	0,04	0,06	0,07	0,18	0,20
Char plant	114	n/a	0,20	0,40	0,16	0,25	0	0,14	0,81	1,70
Durnacol	–	–	–	–	–	–	–	–	–	–
Grootegeluk	18 426	13 521	0,09	0,12	0,05	0,07	0,03	0,05	0,34	0,49
Hlobane	–	–	–	–	–	–	–	–	–	–
Inyanda	1 830	n/a	0,09	0,21	0,01	0,03	0,08	0,18	0,47	1,04
Leeuwpan	3 149	2 585	0,21	0,19	0,03	0,03	0,18	0,17	0,16	0,16
Matla	12 336	11 254	0,05	0,05	0,04	0,04	0,01	0,01	0,12	0,14
New Clydesdale Colliery	858	785	0,21	0,25	0,06	0,05	0,15	0,20	0,34	0,35
North Block Complex	3 278	2788	0,10	0,11	0,00	0,00	0,10	0,11	0,10	0,00
Tshikondeni	278	268	0,57	0,56	0,43	0,43	0,13	0,12	0,55	1,95
MINERAL SANDS	838	984	5,30	10,60	4,39	4,28	0,59	0,49	13,62	13,24
KZN Sands	499	659	3,94	2,98	3,28	3,49	0,14	0,11	18,00	16,86
Namakwa Sands	339	325	7,29	7,61	6,02	5,89	1,25	1,26	7,18	5,89
BASE METALS AND INDUSTRIAL MINERALS	1 269	1 440	1,45	1,28	1,32	1,18	0,13	0,11	2,13	1,90
Glen Douglas	1 061	1 228	0,09	0,08	0,03	0,04	0,05	0,05	0,28	0,24
Rosh Pinah	118	121	1,86	1,82	1,32	1,33	0,54	0,51	8,73	9,49
Zincor	90	91	17,01	16,78	16,55	16,43	0,46	0,34	15,32	14,24
CORPORATE OFFICE	–	–	–	–	–	–	–	–	–	–
Alloystream	–	–	–	–	–	–	–	–	–	–
Ferroalloys	–	–	–	–	–	–	–	–	–	–
Head Office	–	–	–	–	–	–	–	–	–	–
R & D	–	–	–	–	–	–	–	–	–	–
Total	46 544	38 836	0,25	0,27	0,17	0,20	0,07	0,07	0,59	0,70

Eco-efficiency

		2010	2009	2008
COAL	Energy (GJ/t)	0,1	0,11	0,09
	Water (m^3/t)	0,27	0,31	0,27
MINERAL SANDS	Energy (GJ/t)	5,3	5,09	4,65
	Water (m^3/t)	13,62	13,24	27,00
BASE METALS AND INDUSTRIAL MINERALS	Energy (GJ/t)	1,45	1,29	1,28
	Water (m^3/t)	2,13	1,90	2,11

CO_2 from electricity purchased and diesel

Commodity business	CO_2 from electricity purchased (kt)*		CO_2 from diesel (kt)**		Total CO_2 emissions (kt)	
	2010	2009	**2010**	2009	**2010**	2009
COAL	**532,67**	509,71	**157,66**	163,07	**690,33**	672,78
Arnot	**51,45**	55,86	**17,26**	25,29	**68,71**	81,14
Char plant	**5,00**	2,57	**0,34**	0,39	**5,34**	2,96
Durnacol	**0,09**	–	**0,43**	–	**0,51**	–
Grootegeluk	**261,92**	251,21	**47,47**	53,95	**309,39**	305,16
Hlobane	**0,00**	–	**0,10**	–	**0,11**	–
Inyanda	**7,07**	6,39	**10,38**	9,98	**17,46**	16,37
Leeuwpan	**24,05**	21,00	**41,39**	31,68	**65,45**	52,68
Matla	**133,88**	128,81	**5,09**	4,79	**138,97**	133,60
New Clydesdale Colliery	**14,55**	10,44	**9,29**	11,73	**23,83**	22,17
North Block Complex	**2,40**	1,44	**23,28**	22,81	**25,69**	24,25
Tshikondeni	**32,25**	32,00	**2,63**	2,44	**34,88**	34,44
MINERAL SANDS	**1 002,39**	1 170,71	**36,86**	35,72	**1 039,25**	1 206,43
KZN Sands	**445,84**	638,38	**5,28**	5,27	**451,12**	643,65
Namakwa Sands	**556,55**	532,33	**31,58**	30,45	**588,12**	562,78
BASE METALS AND INDUSTRIAL MINERALS	**455,92**	471,45	**12,00**	11,39	**467,92**	482,83
Glen Douglas	**9,73**	12,45	**4,30**	4,54	**14,03**	16,99
Rosh Pinah	**42,55**	45,00	**4,70**	4,54	**47,25**	49,54
Zincor	**403,63**	414,00	**3,00**	2,31	**406,63**	416,31
CORPORATE OFFICE	**14,08**	13,44	**0,03**	–	**14,11**	13,44
Alloystream	**0,46**	1,36	**–**	–	**0,46**	1,36
Ferroalloys	**4,80**	5,30	**–**	–	**4,80**	5,30
Head Office	**6,62**	6,79	**0,03**	–	**6,66**	6,79
R & D	**2,20**	–	**–**	–	**2,20**	–
Total	**1 990,97**	2 151,87	**206,52**	210,17	**2 197,49**	2 362,04

* *Electricity purchased * 0,98/1 000*
** *Diesel used * 0,00271/1 000*

SOCIAL PERFORMANCE

Our people

Disclosure on management approach

Exxaro's approach to its people is guided by a comprehensive suite of policies that covers employment, labour/management relations, occupational health and safety, training and education, and diversity and equal opportunity.

For a number of reasons, South Africa is particularly challenged by the **shortage of specific skills** and a national plan is in place to address this. Known as critical or scarce competencies, attracting, retaining and developing these skills is a focal area for all mining companies and a competitive point of difference. Supported by the leading practices developed in recent years, Exxaro concentrates on exceeding compliance targets in South Africa by training and development to maximise individual potential, equality and safety in the workplace, meeting our employment equity targets and improving standards of living in our stakeholder communities. Collectively, our initiatives are also contributing to reducing the shortage of skills in our industry.

Exxaro follows a **total remuneration approach** with guaranteed and variable components. The group's vision, mission, business strategy and culture drive this philosophy and strategy, in tandem with governance structures and external statutory regulations (SA Revenue Services, King III and IFRS II). The components include guaranteed pay, short-term performance incentives and long-term incentives such as share schemes and other benefits linked to longer-term targets to ensure sustainability. All components are benchmarked against the external market to ensure Exxaro remains competitive.

Wage agreements on remuneration are in place at all group employers, while formal processes determine remuneration for non-unionised employees. Six-monthly market surveys ensure total remuneration is market related.

At all levels, minimum conditions of employment exceed the requirements of South Africa's Basic Conditions of Employment Act.

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

- Develop and sustain core competencies and maximise human resources to meet the group's strategic objectives and improve operational performance
- Create a learning culture by assisting and facilitating the process in which employees and their dependants take responsibility for improving their own educational and competency levels, to the mutual benefit of the individual and the organisation
- Ensure integration and uniformity in all learning and development processes by leveraging technologies
- Support and reinforce our values through various learning and development initiatives
- Ensure learning and development initiatives are career-focused and aligned with business objectives
- Establish life-long learning as the major thrust of learning and development.

Diversity and equal opportunity

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

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

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

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

Highlights

- New R3 million assessment workshop opened in April at Grovos training centre in Lephalale
- 201 learners enrolled in 2010

Workforce

Exxaro's staff complement was 10 937 at 31 December 2010, split into employees in bargaining units and the management and specialist category. In the bargaining units, there are 8 597 employees, with 1 913 employees in the management and specialist category. Regional distribution is shown below:

Region	Bargaining unit	Management and specialist category	Temporary employees	Total
Gauteng	880	611	151	**1 642**
KwaZulu-Natal	529	167	64	**760**
Limpopo	2 395	480	16	**2 891**
Mpumalanga	3 552	294	153	**3 999**
Western Cape	771	253	35	**1 059**
Namibia	469	98	8	**575**
Expatriates		4		**4**
Local nationals*	1	6		**7**
Total	**8 597**	**1 913**	**427**	**10 937**

** Australia office.*

The HR management system introduced in March 2009 is providing the group with end-to-end business process integration, including e-learning and medical surveillance. This advanced environment has enhanced Exxaro's ability to monitor, control and enforce compliance (medical and induction expiries, overtime and statutory leave). It also ensures accurate and timely business information, and effective forecasting of people-related information (employees and contracting workforce).

There were again no reported incidents of discrimination in the group during the year. As collective agreements determine specific guaranteed minimum salaries, there is no discrimination between salaries of men and women in this category. In the management and specialist category, all employees are on performance contracts and individual salaries are based on performance, not gender or race.

The breakdown of employees by gender and age is shown below.

	Bargaining unit		Management and specialist category		Temporary employees		
Region	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Total**
Gauteng	702	178	411	200	113	38	**1 642**
KwaZulu-Natal	466	63	134	33	41	23	**760**
Limpopo	2 144	251	416	64	8	8	**2 891**
Mpumalanga	3 110	442	250	44	113	40	**3 999**
Western Cape	673	98	204	49	25	10	**1 059**
Namibia	438	31	71	27	4	4	**575**
Expatriates			4				**4**
Local nationals		1	5	1			**7**
Total	**7 533**	**1 064**	**1 495**	**418**	**304**	**123**	**10 937**

SOCIAL PERFORMANCE CONTINUED

	Bargaining unit						Management and special					Temporary employees						
	18-25	26-35	36-45	46-55	56-65	66-68	18-25	26-35	36-45	46-55	56-65	18-25	26-35	36-45	46-55	56-65	66-75	Total
Gauteng	38	237	249	239	117		20	157	213	161	60	62	22	25	13	25	4	**1 642**
KwaZulu-Natal	55	274	134	56	10		4	50	64	34	15	13	17	9	16	7	2	**760**
Limpopo	181	588	593	820	213		19	142	154	122	43	2	5	5	3	1		**2 891**
Mpumalanga	302	1 079	910	1 014	246	1	20	87	91	82	14	44	69	27	6	4	2	**3 999**
Western Cape	103	326	262	73	7		10	60	102	70	11	17	10	2	1	4	1	**1 059**
Namibia	51	193	110	88	27		1	33	31	29	4	2	3	3				**575**
Expatriates								2	2									**4**
Local nationals			1					1	4	1								**7**
Total	**730**	**2 697**	**2 259**	**2 290**	**620**	**1**	**74**	**532**	**661**	**499**	**147**	**140**	**126**	**71**	**39**	**41**	**9**	**10 937**

The challenge of finding suitable skills to staff new projects is ongoing. Exxaro has an active retention programme to maintain scarce skills that accounts for 5-6% of total payroll. Equally, considerable attention is given to building a sustainable talent pipeline of skills in critical or scarce competencies.

Employee turnover

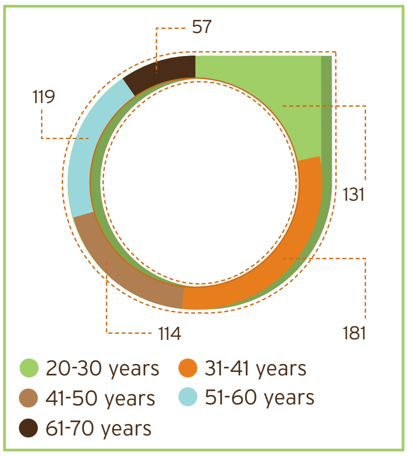
Between 1 January and 31 December 2010, Exxaro's average employee turnover rate was 6% (2009: 4%), primarily because of death, resignation, dismissal and disability. The turnover rate by employee group is show below:

	Terminations January – December 2010	
Employment equity – occupational levels	**% of workforce**	**Number**
Top management	0	0
Senior management	0	19
Professional, specialist and middle management	0	13
Skilled technical, academically qualified and junior management	1	74
Semi-skilled and discretionary decision making	5	475
Unskilled staff	0	21
	6	602

Breakdown of turnover statistics

		Gender		Race				Reasons for terminations					
Turnover numbers	**Total**	**F**	**M**	**A**	**C**	**I**	**W**	**Absconded**	**Death**	**Disability**	**Dismissal**	**Resigned**	**Retired**
Grand total	**602**	**61**	**541**	**371**	**59**	**14**	**158**	**40**	**85**	**66**	**79**	**262**	**70**

Turnover by age groups



Employment equity

The breakdown of Exxaro's annual employment equity reports, as submitted to the Department of Labour, is shown below. As these reports are for the period 1 August 2009 to 31 July 2010, totals differ from year-end numbers.

	Male				Female				Foreign		
	A	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**M**	**F**	**Total**
Top management	2	1		3							**6**
Senior management	9	2	5	63	2		1	8	1		**91**
Professional, specialists and middle management	217	29	33	491	72	9	22	131	9	2	**1 015**
Skilled technical, academically qualified and junior management	1 206	213	42	1 251	228	51	24	358	11	2	**3 386**
Semi-skilled and discretionary decision making	3 536	447	11	272	317	79	9	59	71		**4 801**
Unskilled and defined decision making	929			30	159	2		3	6		**1 129**
Total permanent	5 899	692	91	2 110	778	141	56	559	98	4	**10 428**
Temporary employees	41	2		32	16	3	2	20			**116**
Total	**5 940**	**694**	**91**	**2 142**	**794**	**144**	**58**	**579**	**98**	**4**	**10 544**

A – African, I – Indian, C – Coloured, W – White.
Excludes international employees and local nationals in Australia

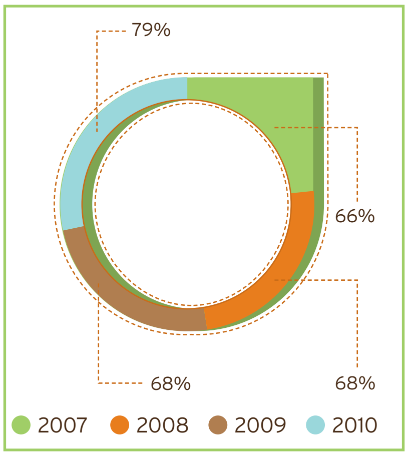
Literacy and numeracy

Exxaro's target is to provide all employees with qualifications below NQF level 1 the opportunity to become functionally literate. Exxaro employees with a qualification of below NQF level 1 now form 21% of the total workforce.

Exxaro offers sponsored, voluntary adult basic education and training (ABET) programmes at all commodity businesses and carries the full cost of these programmes. This initiative amounted to R1,9 million in 2010, a significant increase on the prior year (2009: R1,3 million).

To ensure informed decisions, candidates are screened and counselled, and an incentive scheme for each level completed encourages more employees to become functionally literate and numerate. Almost 1 200 employees have passed one or more ABET levels since the inception of this programme.

Percentage of employees with NQF level 1 qualifications and above



In 2010, 180 employees completed various ABET levels successfully (14 passed ABET level 4, 53 passed level 3, 34 level 2, 59 level 1 and 20 pre-ABET). Over 150 non-Exxaro employees completed different ABET levels during the year.

SOCIAL PERFORMANCE CONTINUED

Exxaro has accredited ABET training centres at Grootegeluk, Tshikondeni, Matla and Arnot mines. An ABET centre was launched at North Block Complex in September 2009, while Tshikondeni centre introduced full-time classes in 2010. The group's annual training reports and workplace skills plans, approved by the MQA, reflects the number of ABET candidates completing various levels as well as those planned for the years ahead.

	Number of people	
Functionally literate and numerate	**2010**	**2009**
Total staff count	**10 510***	11 180
Employees below ABET level 3	**1 683**	2 236
Employees on ABET level 3	**511**	345
Employees above ABET level 3	**8 316**	8 599

** Number of full-time employees.*

Training and education

Material issue: Training and development

The critical shortage of artisans in South Africa, and around the world, is affecting virtually every aspect of our economy from municipal service delivery to routine maintenance.

At the heart of the issue lies the lack of suitably qualified candidates with the necessary entry skills, particularly in science and mathematics. These subjects are the basis of many trades. The situation is compounded by emigration, significantly reduced corporate training because of the government's SETA learnership programme, and the fact that almost half our existing artisan population is over the age of 50.

South Africa is currently producing around 5 600 qualified artisans each year – well below the target of 12 500 set by the Department of Higher Education and Training. Estimates of the country's requirement range from 50 000 to 80 000 artisans – our current artisan workforce is estimated at 1 340.

In 2010, Exxaro had 379 people at different stages of their artisan qualifications. To put this contribution into perspective, Exxaro alone accounts for a sizeable portion of all engineering learnerships registered with the MQA. This training will lead to full artisan status in trades such as electrician, fitter, plater, diesel mechanic and millwright. All these trades appear on South Africa's scarce skills list.

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

At Exxaro, we believe that empowering all staff with the knowledge and skills they need to develop personally will also help us grow the company. In 2010, 7 013 Exxaro employees successfully completed some form of relevant development training. Exxaro's policy is to invest an appropriate amount of total payroll each year on human resource development. In 2010, this was 5,1% or an investment of R140 million (2009: 5% or R126 million).

In 2010, the group continued its broader focus on skills development, moving from engineering learnerships to include other learnerships and skills programmes. During the year, Exxaro enrolled 166 new engineering learners, 17 mining learners, 12 operator learners, seven administrative learners and 18 plant learners for the Grootegeluk Medupi expansion project.

The ratio of learnerships in the pipeline to the number of artisans employed in various trades is monitored as part of our artisan retention strategy. This ratio is currently 1:3.

E-learning is an integral part of our training delivery approach and implemented across the organisation.

Portable skills training is provided to assist employees in managing career termination as part of the social and labour plan for each mine.

To preserve technical and engineering competence in the group, aggressive retention and succession-planning strategies are in place for technical and other categories. Comprehensive training and growth opportunities provide continual rotation and exposure of talent to multi-disciplinary teams.

Across the group, training and development is based on a comprehensive needs analysis, incorporating business strategy, identified skills deficiencies via the performance management process, succession-planning requirements, employee career progress and employment equity plans.

All employees outside bargaining units receive formal performance and career development reviews bi-annually. Management members are assessed throughout the year as the basis for individual succession plans and talent management. These assessments are also linked to reward and remuneration.

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

Employees in the bargaining unit are not part of Exxaro's formal performance management system. Their development is guided by individual development plans based on the job profile, formal career path and individual preference.

We encourage our people to accept joint responsibility in managing their career growth. Exxaro financially assists permanent employees with potential to continue their education through part-time studies of recognised, approved courses and programmes. Employees nominated by the company to attend courses or programmes are fully sponsored for tuition, examinations, travel, accommodation costs and study leave.

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

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

Skills development

Description	Spent 2010* Rm	 2009 Rm
Total leviable amount (payroll)	**2 736**	2 045
Total training spend	**140**	126
Total training spend on black people	**115**	89
Total training spend on black women	**21**	11
Total training spend on white women	**11**	9

** Numbers as per skills development plan submitted to Department of Labour on 31 March 2010*

Career development

To ensure solid learning foundations, further skills development only takes place once employees have been declared competent in their current positions. In most cases, further development is focused on a career path in the department in which the employee is currently working.

Exxaro's strategy is to ensure 75% of all new appointments are made internally. Our integrated process is therefore aligned with both our strategy and industry needs to provide a steady flow of qualified talent for our growth and expansion projects.

In 2010, there were 221 participants on programmes supporting internal advancement. The overarching objective is to ensure that trainees entering the group are empowered, challenged and appropriately rewarded:

- **Exxaro people development initiative**
  Exxaro granted 30 bursaries in 2010 to school leavers interested in technical disciplines such as engineering, geology and mine surveying. Candidates must be grade 12 students from Exxaro mining communities who want to study for a technical degree or diploma. On completing their studies, candidates are considered for an Exxaro bursary.

- **Bursary programme**
  There are currently 118 bursars studying at South African institutions at a cost of R11 million: two-thirds are historically disadvantaged South Africans and 30% are women.

- **Professionals-in-training programme**
  In this three-year programme that blends academic theory with the work environment, each professional-in-training has a mentor who supervises exposure to the various commodities, leadership and management training, and formal training from professional bodies. In 2010, there were 73 professionals in training throughout Exxaro in a R40-million programme: 65% are from designated groups and 29% of those are women.

Getting the golden ticket

In 2009, Exxaro introduced a programme to help employees obtain their government certificate of competence (GCC) in electrical or mechanical engineering. Given the pass rate of around 20%, obtaining the GCC offered by the Department of Mineral Resources has been a formidable obstacle to many engineers in the past.

The Exxaro programme, developed by a manager in the engineering field at Matla, prepares qualifying employees by building on the practical engineering exposure and training they have received in the years prior to registering for the GCC examination.

Since the introduction of the course, Exxaro's pass rate has risen from 20% to 50%.

Grovos conducting trade tests

Trainee electricians, fitters and millwrights are enjoying the benefits of the new R3-million assessment workshop that opened at the Grovos training centre in Lephalale in April. This is in line with legislation that requires training providers to conduct their final trade tests at a different venue to where learners were trained.

The launch of the assessment centre follows a series of improvements over the past four years, in which Grovos has increased the intake of new learners by 56%, while setting a record with an 89% qualification rate in 2009. In 2010, the qualification rate dropped slightly to 85%.

The centre is now equipped to train 180 learners per year, many of whom will be placed at Grootegeluk to support its expansion plans.

Case study – Exxaro learner management programme has industry-wide benefits

Exxaro's learner management programme is instrumental in designing skills programmes for the engineering and mining disciplines in the coal industry. Once approved by the MQA, courses are loaded onto the MQA database for national use. In addition, Exxaro loads course material onto its own e-learning platform for other business units to use.

During the year, two more groups of gas-testing and flame-proofing learners graduated. To date, 72 employees have been trained in gas-testing 720 unit standards and 38 employees in flame-proofing 141 unit standards.

Leadership development

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

The professionals-in-training programme supports the success of critical skills in the management and specialist categories. The programme also assists in achieving the group's employment equity targets.

New leadership programme — *(In)Credible Leadership*

Exxaro has developed a unique leadership philosophy dedicated to strategic business objectives and personal improvement on all levels. Hundreds of leaders in Exxaro have contributed to developing a sound philosophy that encourages leadership *credibility* first and *incredibility* to follow.

Credible

Competence: Leaders have basic functional and managing competencies to lead.
Self: Leaders have a value-centred, accountable and reflective character.
People orientated: Leaders have basic rational skills including diversity, respect and constructive discipline.
Communication: Leaders have foundational communication attitudes such as openness, listening and positive attitude.

Incredible

Involved: Leaders create a context for meaningful participation of teams through diversity, trust and alignment.
Inspire: Leaders connect people with the dream and maintain motivation for the vision.
Invest: Leaders facilitate knowledge and understanding of people.
Influence: Leaders influence achievement of goals through respect, understanding and openness to change.

Communities of practice

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

Labour relations

Almost 70% of Exxaro's employees are represented by affiliated unions, predominantly National Union of Mineworkers (NUM) (54,5%), and Solidarity (10,7%). Other recognised unions are Mineworkers Union of Namibia (MUN), National Union of Metalworkers in South Africa (NUMSA), and United Association of South Africa (UASA).

Negotiations for improved wages and conditions of employment are conducted in various in-house forums and through the Chamber of Mines.

In September 2010, members of NUM employed in the bargaining unit at Exxaro Sands operations in KwaZulu-Natal went on strike over a wage dispute. The strike was resolved after three weeks. Labour relations at all other Exxaro operations are managed in such a way that they facilitate progress towards amicable and mutually beneficial resolution.

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

Employee benefits

Through collective bargaining, full-time employees receive a range of benefits – many exceeding legislative stipulations for South Africa's basic conditions of employment – including:

- Retirement fund membership including contributions by the employer
- Medical aid membership subsidised by the employer
- Housing allowance and/or company accommodation
- Guaranteed annual holiday bonuses/13th cheque for bargaining unit employees
- Travel/commuting allowances
- Standby and call-outs as well as payment for overtime worked
- Annual leave, sick leave, maternity leave, family responsibility leave
- On-target short-term incentive schemes
- Long-term incentives – either based on share price appreciation or the achievement of longer-term targets aimed at sustainable operations.

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

SOCIAL PERFORMANCE CONTINUED

In 2010, employees participating in Exxaro's Mpower (empowerment scheme holding around 3% of Exxaro's shares to broaden share participation among workers) received their fifth dividend payment. Since inception in November 2006, each of the Mpower beneficiaries (9 289 at year end) has received some R5 670 in dividends.

	Number of employees		
	2010	2009	2008
Home owners (bought company property)	**948**	929	822
Hostels	**40**	594	389
Single quarters	**1 505**	1 343	1 336
Rental and other	**8 017**	8 314	7 588
Total	**10 510**	11 180	10 135

Housing

Exxaro continues to focus on home ownership. To comply with the mining charter and our own business needs, a new long-term housing strategy was developed two years ago.

In 2009, the group introduced a five-year subsidy for first-time homebuyers who are permanent employees. This was particularly welcome given the unprecedented scarcity of bank mortgage finance at that time. To date, 232 employees have benefited from this subsidy to make home-ownership more affordable.

While Exxaro's housing policy focuses on home ownership, employees receive a housing or living-out allowance to assist them in obtaining accommodation. The total value of these allowances in 2010 was over R137 million.

The steady increase in the number of home owners reflects the group's commitment to facilitating affordable ownership. At all operations, except Tshikondeni due to the current life of mine, there is only one person per room in the hostels; at Tshikondeni some rooms have two occupants.

Exxaro provides meals at Matla and Tshikondeni where the quality and nutritional value are determined by a dietician. Qualified staff continually monitor adherence to contractual obligations. Employees have accessible mechanisms to engage both management and suppliers on food issues.

Women in mining initiatives

Although Exxaro already exceeds prior mining charter targets of having 10% of the workforce staffed by women, attracting women to work in the group's core business remains a focus area.

In 2010, five women aiming to become miners began their training programme at Tshikondeni. By the end of November, they had completed the first phase of their studies at the Colliery training college and will train for another 12 months on-site before qualifying as miners.

Human rights

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

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

SUSTAINABLE PROCUREMENT

Disclosure on management approach

Sustainable procurement

Exxaro is adapting its supply chain operations to ensure we source, contract, lease, hire and procure goods and services from suppliers that practise sustainable development value-chain principles that minimise harm to ourselves, others, the environment and our planet. This will include implementing warehouse and inventory management practices that minimise waste and excessive consumption or use of our natural resources.

Equally, our supply chain partners are important stakeholders in addressing inefficiencies that might impact negatively on health, hygiene, safety and the environment.

Progress

In the review period Exxaro developed a sustainable supply-chain philosophy that will be adopted across the group as an initial milestone in building competency in this field. In terms of this philosophy, all employees and other stakeholders making procurement decisions are encouraged to support our supply-chain function in building relationships with suppliers that demonstrate commitment to sustainable business practices including:

- Upholding basic human rights and complying to relevant labour legislation
- Integrating sound health, safety and hygiene management practices into all aspects of their businesses
- Implementing effective and compliant environmental management in design, manufacturing and waste management processes
- Commitment to Exxaro's ethical code of conduct in dealing with internal and external stakeholders
- Supporting and contributing to the economic and social development of communities in which Exxaro operates.

All collaborative efforts with our stakeholders and partners will be carried out in the spirit of support for sustainable business practices, enhancing Exxaro's level of competence in supply-chain sustainability. Current focus areas are strategic sourcing, supplier management, procurement, logistics and inventory management.

Preferential procurement

Management approach on disclosure

Preferential procurement

The group's preferential procurement policy tasks the business to capitalise on its purchasing power to ensure that, in business practices, we engage and contract with external suppliers with strong BEE credentials or that are making a tangible effort to transform their business to be BEE compliant. This is an important element of material stewardship.

Since the promulgation of the new mining charter in September 2010, we have reviewed our policy and strategy to accommodate multi-national suppliers of capital goods that wish to contribute 0,5% of annual income generated from Exxaro into a special fund for the socio-economic development of local communities.

SUSTAINABLE PROCUREMENT CONTINUED

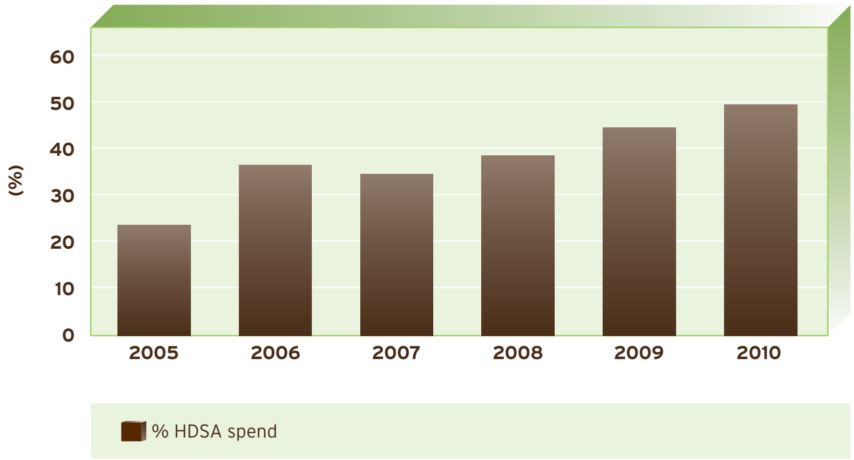
Progress

Our current policy incorporates BEE targets specified by expenditure on capital goods, operational goods and services. We have demonstrated our commitment to procuring from HDSA companies through steady progression from 16% in 2004 to over 45% in 2009. We exceeded our 2010 target of 47%, recording an actual procurement level of 50% from HDSA companies.

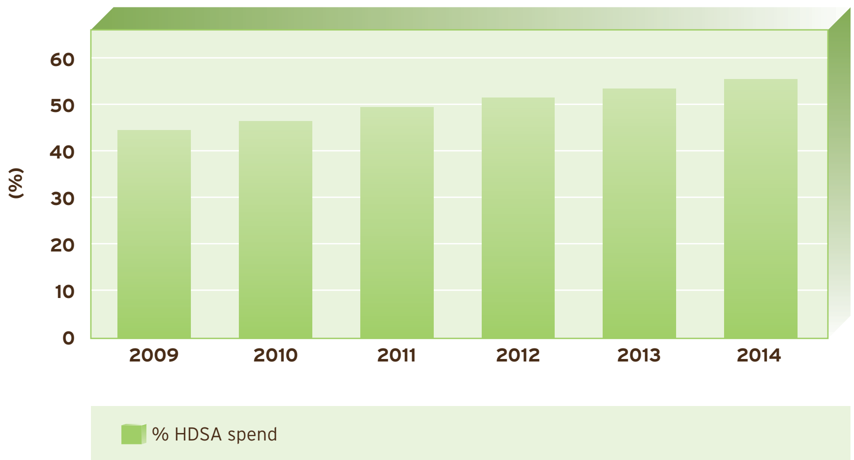
For the review period, the 50% level achieved represents R3,8 billion spent with HDSA-owned companies, reflecting numerous BEE capital contracts for the Medupi project among others.

The target for 2011 is 50%, rising incrementally to 56% by 2014. Accurately reflecting spending on suppliers by category as required by the mining charter is important to track our performance against targets and we have configured our systems to report quarterly progress in terms of capital goods, consumable goods and services. Configuring and developing our systems to track multi-national supplier contributions remains an industry-wide challenge.

Procurement from HDSA suppliers



Preferential procurement targets



SOCIO-ECONOMIC DEVELOPMENT

Disclosure on management approach

Communities

Exxaro's community activities are directly linked to its strategy by ensuring the group's sustainability, and protecting and building its reputation by fostering mutually beneficial relationships with local communities. A local community is defined as a community in the immediate area of Exxaro's operations and from labour-sending areas.

In considering any project, our overarching objective is to alleviate poverty and improve the life of identified communities. This is even more important given the rural location of most of our operations — areas characterised by the level of unemployment and relevant development needs.

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

In South Africa, all mining groups are required to have social and labour plans supporting the key provisions of the mining charter. Exxaro's social and labour plan strategy describes each plan as a set of initiatives designed to minimise any negative social impacts and maximise the positive social opportunities of mining operations. The objective is to ensure real sustainable development and growth in communities.

An important element in Exxaro's approach is generating new non-mining economic opportunities within identified local communities, particularly for local BEE companies and SMEs owned by disadvantaged groups. Exxaro's role is to ensure that measures are in place to support the establishment and growth of SMEs and to develop effective linkages with funded, accredited training and development institutions.

In terms of socio-economic development, Exxaro implements social responsibility strategies that reflect ongoing commitment from the company via the Exxaro Chairman's Fund and Exxaro Foundation, aimed at entrenching the image of Exxaro as a caring corporate citizen in the community.

Exxaro encourages volunteerism and participation in local economic development projects to create of a culture of socially conscious employees.

SOCIO-ECONOMIC DEVELOPMENT CONTINUED

Focus areas

Exxaro's sustainable development activities, including socio-economic initiatives and donations, are focused on areas that are relevant and strategic to South Africa's socio-economic development. Accordingly, we are currently focusing on:

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

In implementing our strategy, we aim to integrate social sustainability into our business activities, creating public-private partnerships (PPPs) where possible to extend the impact. We accept that the sustainability of host communities extends beyond the finite time frames associated with our operations, and this is an integral part of the closure plan for each mine.

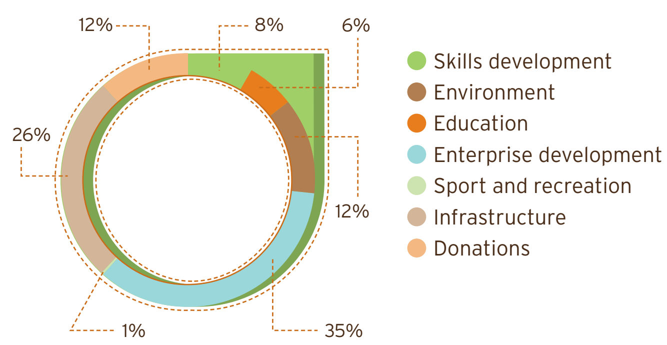
Although not all our social and labour plans have been approved by the Department of Mineral Resources, those already in place are mainly implemented according to set targets. These plans focus on communities close to our operations, as well as labour-sending areas, to ensure they benefit from the mine's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

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

In 2010, Exxaro allocated some R38,6 million to socio-economic development projects currently under way, corporate projects and other initiatives. This includes some discretionary donations made by the corporate centre and individual business units. Most of these initiatives stem from identified community needs and are considered against the local municipality's integrated development plan.

Exxaro Chairman's Fund and Exxaro Foundation

Funds allocated 1 January – 31 December 2010: R38,6 million



Monitoring and evaluation

We are currently implementing a monitoring and evaluation system to measure progress and identify challenges. This system is also aligned with Exxaro's internal socio-economic development technology platform. It will be fully operational by November 2011.

Project implementation

Exxaro's five-year socio-economic development projects focus on enterprise development, infrastructure development and poverty alleviation as requested by the Department of Mineral Resources.

In terms of the group's social and labour plans, Exxaro has 55 sustainable projects unfolding over a five-year period. These are being implemented in conjunction with all relevant stakeholders to ensure a collaborative approach. The number of jobs being created through these projects exceeds 670, indirectly benefiting over 11 400 people.

Exxaro also contributed more than R16 million in 2010 via corporate projects and commitments, including university chairs, skills development and membership fees to national and international bodies such as the National Business Initiative, WWF and the Peace Parks Foundation.

Some of Exxaro's local economic development projects are detailed as case studies overleaf.

Case study: Agri-business takes root at Grootegeluk

At Grootegeluk, the success of a rural community is as integral to the mine as its operations. Grootegeluk has partnered with the Lephalale Agricultural Corridor (LAC) project – a comprehensive agri-business initiative that aims to alleviate poverty by linking the burgeoning mining economy in Lephalale with the poorer marginalised economy of the broader region. Our goal is to establish the local rural villages of Seleka, Shongoane and Langa as sustainable food sources that can supply both local and international markets. Good progress is being made:

- A new pump and water reservoir have been installed to draw and store water from the nearby river
- Main-line irrigation has been set up both at the reservoir and on selected areas of farming ground. This system is designed to best suit the water needs of the area and type of crops that will be grown – instead of irrigating upwards, the water goes directly into the ground
- Storage areas are being built in the communities to hold agricultural produce.

Besides this infrastructure, the LAC will also help these communities sell their products to industries for catering purposes, as well as to local supermarkets and the community at large. The traditional leader for the area, Queen Langa, is exceptionally pleased with the progress on this project since Grootegeluk came on board.

Case study – Zikulise skills training and SME development centre

The Zikulise centre was officially opened in November 2007 as a partnership project between Exxaro KZN Sands, uMhlathuze Municipality, NGO Zikulise Community Upliftment and the European Union.

This project will be worth R6 million on completion and will offer skills training in various areas including sewing, beading, baking, pottery, and handcrafted jewellery. It also caters for blind people who are trained by the Blind Society of KZN in weaving baskets and cane furniture production. Off-site training in bricklaying, plumbing, plastering and carpentry will be offered.

Five SME companies have been established to date, with three currently moving through the incubation phase. Established SMEs are mentored by the centre for three months after completing skills and business training to ensure their sustainability. To date, 1 800 people from the community have been trained by the centre.

The centre also promises to become an important tourist attraction with visitors able to view training sessions and buy products from trainees. An attractive cafeteria, where bakery trainees also learn more about hospitality training, gives visitors to chance to enjoy unique African baking and delicacies like home-made ginger beer. Once a month, a morning market enables all SMEs to market their products at the centre.

Zikulise is rapidly becoming a prime training centre, concentrated on two of government's main focus areas in alleviating poverty, skills training and enterprise development.

SOCIO-ECONOMIC DEVELOPMENT CONTINUED

Case study – Innovative beneficiation at Namakwa Sands

Namakwa Sands' mine at Brand-se-Baai is like a huge sandpit next to the Atlantic Ocean. But this sandpit provides a livelihood for over 1 000 employees and their families now and 20 years into the future. The sustainability of this deposit is therefore a key focus area for the Namakwa Sands geology and planning departments.

Traditionally, mining and beneficiation at Namakwa Sands included high-grade zones and low-grade zones, also known as waste. But the mining method resulted in erratic feed to the primary concentration plants, which affected recovery of the revenue-generating minerals.

The geology department recently instituted a grade-control programme to stabilise feed to the plants by cutting out waste material and blending sand from different pits. Using technology, an innovative method was developed to communicate this to the mining department and to brief them on their daily targets, thus ensuring the sustainability of the deposit for many years to come.

Case study: Inyanda supports infrastructure development

Over the last three years, Inyanda has spent R3,3 million to maintain the 11km stretch of Zaaihoek Road that leads to the mine from Oosbank siding. The most recent upgrades were completed in October, and maintenance will continue in 2011.

Zaaihoek Road is an important link for farming and Klarinet's developing communities, being one of the access roads on the north-eastern side leading to the town of eMalahleni (formerly Witbank). The road is also shared by school buses and other mining houses. Employees of Inyanda Coal use the road to get to work and the mine transports coal products to local and overseas markets. Prior to Inyanda assuming this maintenance responsibility, the road was in serious disrepair.

Case study: Arnot hydroponics project

This 10-hectare project is in the Steve Tshwete municipal area, in Mpumalanga. It involves 21 local community members, who have been trained in open-field vegetable production. Arnot Coal is assisting beneficiaries in all phases to achieve the following objectives:

- Build a sustainable BEE farming business
- Create jobs for 21 community members
- Alleviate poverty
- Contribute to reforming agribusiness in the municipal area
- Develop skills for a number of prospective farmers from previously disadvantaged communities

The best site was identified by Arnot's stakeholders forum, including representatives from the local municipality, an agricultural specialist from the Department of Agriculture, Forestry and Fisheries, and the National Union of Mineworkers.

The mine provides funding and ongoing quality control, with appropriate employees using their time and skills to assist in building capacity. The mine's sustainable development manager is overseeing the project daily and is responsible for ensuring that the monitoring and evaluation system is in place.

Beneficiaries growing their first vegetables

And selling their produce

SOCIO-ECONOMIC DEVELOPMENT CONTINUED

Case study – Official opening of Lepharo incubation project

Lepharo, an incubation project registered as a section 21 company (in the name of Seda Ekurhuleni Base Metals Incubator) was officially opened by the executive mayor of Ekurhuleni, Clr Mondli Gungubele, on 23 February 2011. In his address, the mayor applauded the alignment with government's drive to create jobs, skills development and reduce reliance on hand-outs.

The idea of establishing a base metals incubator to develop SMMEs in Ekurhuleni was conceived as an Exxaro and Impala Refineries initiative in 2003. The reasoning was simple: there was no downstream beneficiation business in base metals, particularly in zinc and copper, for small entrepreneurs. Traditionally, this segment was the domain of large companies.

A feasibility study on this initiative was conducted by IZASA and results showed that sustainable SMMEs in sheet-metal work and spin-casting using base metals could be established.

An expression of interest was submitted to GODISA (now Seda Technology Programme) for funding to start a base metals incubator in Ekurhuleni. GODISA was the main funder of incubators in South Africa at the time.

GODISA accepted our expression of interest and funds were raised among the partners (Seda Technology Programme, Exxaro, Impala Refineries, Ekurhuleni Municipality) to establish and manage the centre.

The facilities were completed in 2009 and all machinery installed in 2010.

There are two main businesses being incubated in this centre. These are spin-casting manufacturing keyholders, tin/bottle openers, medals, name tags, plate tags, trophies, etc, and sheet-metal work manufacturing gutters, down pipes, roof sheets, fascia boards, welding, etc. Two enterprises, Finecast and Medu Gutters and Installations, have graduated and are in business.

View www.lepharo.co.za

Case study: Makuya farmers' cooperative

Exxaro's Tshikondeni mine is partnering with national, provincial and local authorities as well as development agencies to help local farmers implement better farming methods and grow lucerne for animal feed which will in turn produce better livestock.

This R1,5 million project (Exxaro's contribution) is expected to create 40 direct jobs, with 150 indirect project beneficiaries.

During the year, work was started on the loading zones for the crush pens, which are now being constructed, and two boreholes sunk to produce 2 000 litres per day. The administration block and engine room were completed and Eskom will install electricity. The University of Venda is conducting research on the most suitable types of livestock to be farmed.

Case study: Namakwa Sands making a difference

The Pholla Park project will bring electricity to around 400 households in Vredendal on South Africa's west coast, benefiting some 1 600 people. This was part of a resettlement process in which informal housing was moved to designated areas and then connected to the electricity infrastructure, greatly improving the residents' quality of life. In 2010, all 400 households were moved and the project completed two years ahead of schedule.

Of the total project cost of R3,42 million, Namakwa Sands contributed R1,95 million. The costs saved by completing the project ahead of schedule will be allocated to other approved projects, with agreement from the Department of Mineral Resources.

Pholla Park informal settlement – before

Newly constructed power lines

Serviced stands to which dwellings were removed

New serviced plots with informal houses established

Governance review

EXECUTIVE COMMITTEE

1. Sipho Nkosi 2. Wim de Klerk 3. Trevor Arran 4. Mxolisi Mgojo

1. Mr SA Nkosi – Sipho (56)
Chief executive officer (executive director)
BCom (hons)(econ), MBA (Univ Mass, USA), Diploma in marketing management, Advanced management leadership programme

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.

2. Mr WA de Klerk – Wim (47)
Finance director (executive director)
BCom (hons), Acc, CTA CA(SA), Executive management programme (Darden), Strategic marketing diploma (Harvard)

Wim served on the executive management team of Iscor, responsible for strategy and continuous improvement. He also managed Iscor quarries and the Grootegeluk coal mine during this period. From 2001, he managed Exxaro's mineral sands commodity business and then the base metals businesses in 2008. He was appointed finance director in 2009.

3. Mr PT Arran – Trevor (43)
Executive general manager: sands and base metals
BSc (hons)(econ geo), Advanced management programme (UP/GIBS), BEP, diploma project management

Trevor has a wide mining background, supplemented by financial experience gained in equity markets, investment banking and new business. He assumed responsibility for his current portfolio early in 2009.

4. Mr MDM Mgojo – Mxolisi (50)
Executive general manager: coal
BSc (hons) energy studies, MBA, Advanced management programme (Wharton)

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

5. Retha Piater | 6. Ernst Venter | 7. Marie Viljoen | 8. Willem van Niekerk

5. Mrs M Piater – Retha (56)
Executive general manager: human resources
BCom (hons), MBA, Advanced management programme (Insead)

Retha has 26 years of human resources experience across the various business units and commodities, specifically in the area of remuneration.

6. Mr PE Venter – Ernst (54)
Executive general manager: business growth
BEng (hons), MBA, Advanced management programme (Insead)

Ernst has headed a number of portfolios including base metals, consulting services, mining technology, coal beneficiation, process development and plant metallurgy. Prior to assuming his current position, he was responsible for the coal commodity business.

7. Mrs MS Viljoen – Marie (64)
Company secretary

Marie has 24 years' experience in the field. She is responsible for the group's corporate governance and business administration to comply with statutory and legal requirements.

8. Dr WH van Niekerk – Willem (51)
Executive general manager: corporate services
BSc (hons), MSc, PhD (met eng)(Univ of Pretoria), BCom (Unisa), MBA (Henley Management College, London), TEP (Darden)

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

DIRECTORATE

Sipho Nkosi Wim de Klerk

Mr SA Nkosi – Sipho (56)
Chief executive officer (executive director)

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Mr WA de Klerk – Wim (47)
Finance director (executive director)

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Mr CI Griffith – Chris (46)
Non-executive director, member of Tremco
BEng (mining)(hons), PrEng

Current directorships: CEO Kumba Iron Ore, chairman Sishen Iron Ore Company, director Kumba International Trading SA, member of Anglo American plc executive committee

Other memberships: registered professional engineer with the Engineering Council of South Africa, member of South African Institute for Mining and Metallurgy and Association of Mine Managers.

Mr JJ Geldenhuys – Jurie (68)
Independent director, chairman of S&SD committee, member of Tremco
BSc (eng)(elec), BSc (eng)(min), MBA (Stanford), professional engineer

Current directorships: non-executive chairman Astral Food Limited and chair human resources and remuneration committee.

Prior directorships: Avgold Limited, Anglovaal Ltd, Avmin Ltd, Freegold Consolidated Mines Ltd, Hartebeestfontein Gold Mining Company Ltd, Lorraine Gold Mines Ltd, Eastern Transvaal Gold Mines Ltd, Iscor Ltd, Sallies Ltd. President Chamber of Mines (1993-1994), served on Atomic Energy Council and National Water Advisory Council.

Chris Griffith Jurie Geldenhuys

Ufikile Khumalo Len Konar

Mr U Khumalo – Ufikile (45)
Non-executive director
BSc (eng), MSc (eng)(UCT), MAP (Wits), Senior executive development programme (Harvard), Advanced management programme (Insead)

Current responsibilities: IDC divisional executive responsible for investments in resources and beneficiation sectors, food beverage and agro industries, energy and infrastructure sectors as well as high-technology venture capital.

Prior directorships: non-executive director of many companies including JSE-listed DigiCore Holdings.

Dr D Konar – Len (57)
Independent director, chairman of the board and nomination committee
BCom, CA(SA), MAS, DCom

Current directorships: chairman – Steinhoff International, Mustek Limited; director – Illovo Sugar, South African Reserve Bank, Sappi, JD Group; member ad hoc United Nations ethics panel.

Prior directorships: member of safeguards panel of International Monetary Fund, Washington; co-chairman of implementation oversight panel of World Bank, past chairman and member of external audit committee of International Monetary Fund.

Tremco = transformation, remuneration, human resources and nomination committee

Mr VZ Mntambo – Zwelibanzi (53)
Non-executive director, member of Tremco
BJuris, LLB (Univ of North West), LLM (Yale)

Current directorships: executive chairman Xalam Performance, chairman Metrobus (Pty) Ltd, Mainstreet 333 (Pty) Ltd, director SA Tourism (Pty) Ltd and trustee of Paleo-Anthropological Scientific Trust.

Prior directorships: executive director IMSSA, director-general of Gauteng Province and chairman of Commission for Conciliation, Mediation and Arbitration of South Africa.

Mrs N Langeni – Noluthando (67)
Non-executive director, member of the S&SD committee
BA(Cur) (Unisa), Diploma in nursing education (University of Natal)

Current directorships: CEO South African Women in Mining Investment Holdings (Pty) Ltd, group CEO Bambizandla Holdings, director National African Women's Alliance (Pty) Ltd (NAWA), chairman Basadi ba Kopane Investments (Pty) Ltd.

Prior directorships: Protea Hotels Group, group CEO NAWA.

Zwelibanzi Mntambo Noluthando Langeni

Rick Mohring Nkunku Sowazi

Mr RP Mohring – Rick (64)
Independent director, chairman of Tremco, member of audit, risk and compliance committee, member of S&SD committee
BSc (eng)(mining), MDP, professional engineer

Prior directorships: CEO NewCoal, an empowerment initiative and forerunner to Eyesizwe Coal.

Mr NL Sowazi – Nkunku (47)
Non-executive director, member of audit, risk and compliance committee
BA, MA (UCLA)

Current directorships: founding executive chairman of Tiso Group, chairman of Idwala Industrial Holdings, Home Loan Guarantee Company, Financial Markets Trust; director Aveng Ltd, Alstom South Africa, Trident Steel, Emira Property Fund and African Explosives Ltd.

Prior directorships: executive deputy chairman of African Bank Investments Limited, MD Mortgage Indemnity Fund (Pty) Limited.

Mr J van Rooyen – Jeff (61)
Independent director, chairman of audit, risk and compliance committee
BCom, BCompt (hons), CA(SA)

Current directorships: Uranus Group, non-executive director of MTN Group and Pick n Pay Stores. Trustee of International Financial Reporting Standards (IFRS) Foundation, member of University of Pretoria's faculty of economic and management sciences oversight board. Founder member and former president of Association for the Advancement of Black Accountants of South Africa.

Prior directorships: partner Deloitte and Touché, chairman Public Accountants and Auditors Board, CEO Financial Services Board, advisor to the Minister of Public Enterprises.

Mr D Zihlangu – Rain (44)
Non-executive director, member of S&SD committee
BSc (min eng) (Wits), MDP (SBL, Unisa), MBA (WBS, Wits)

Current directorships: CEO Eyabantu Capital Consortium; non-executive director PetroSA, chairman of its human capital committee, member of its business strategy committee; director of Sentula Mining.

Prior directorships: CEO Alexkor Limited

Jeff van Rooyen Rain Zihlangu

REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE

. . . MOVING TOWARDS AN INTEGRATED REGULATORY AND COMPLIANCE PROCESS, SUPPORTED BY ENABLING TECHNOLOGY

Disclosure on management approach

Exxaro is systematically developing a dedicated, transformed board, equipped with the necessary skills and knowledge to make timely and effective decisions to ensure the group's sustainability. The board provides strategic direction through in-depth knowledge of Exxaro's markets and operations, and viable board processes.

To ensure the base of knowledge, Exxaro pays market-related directors' fees, and annually allocates sufficient funds for director induction and training. Continuing development is both direct through leading service providers and via the national skills levy. In 2010, this amounted to R168 000. Regular meetings with the Exxaro management team are supplemented with communiqués to board members on topical matters to facilitate strategic thinking, planning and compliance. Quarterly information packs on broad business developments and legal issues are distributed. The chairman of the board meets weekly with executive management. Site visits are arranged as required and board members regularly attend group functions, including the CEO Safety Summits.

Leadership

Understanding the importance of diligent succession planning to the sustainability of the group, Exxaro has launched a unique leadership programme for all line managers. The programme is aimed at creating a signature-style single leadership philosophy. Exxaro is one of the first organisations to move away from a commercial leadership approach to a customised programme linked to our brand and values. To date 619 line managers have attended this programme at a cost to the group of R345 000.

In terms of its charter, it is the responsibility of the board to govern the legal compliance management processes of the group. The board is assisted by the audit, risk and compliance committee which, inter alia, assesses legal and compliance risks that may have an impact on the annual consolidated financial statements. Safety, health and environmental risks are monitored by the safety and sustainable development committee.

A compliance policy was adopted by the board in 2008 and sets out the integrated compliance processes in Exxaro. The policy is based on the standards of the Compliance Institute of South Africa. In this policy, compliance risk is defined as the risk to earnings, capital and reputation arising from violations or non-compliance with laws, regulations, supervisory requirements, prescribed practices or ethical standards.

We manage our compliance risks through:

- Awareness training for employees and other affected stakeholders on high compliance risks identified from time to time
- Monitoring and reporting on the level of compliance with regulatory requirements
- Providing advice and formal legal opinions on current and envisaged actions and business processes.

Calendar 2010 proved an important year for Exxaro from a compliance perspective, with the adoption and proposed adoption of a number of key regulatory changes in the corporate and mining spheres, including:

- The adoption of the new mining charter in September 2010
- The King Report on Corporate Governance for South Africa and the King Code of Governance Principles (King III), which became effective on 1 March 2010
- Approval of the new Companies Act 71 of 2008 by parliament, but still not effected
- Proposed Competition Act amendments
- Consumer Protection Act 68 of 2008, with commencement deferred to April 2011
- Amendments to the National Credit Act 34 of 2005
- Stricter enforcement of the body of legislation relating to weighbridges, particularly the Trade Metrology Act 77 of 1973.

These changes formed the foundation of Exxaro's key compliance objectives, with progress set out below.

Key objectives for 2010	Progress
Implementation of the new mining charter	A corporate forum has been established to monitor and evaluate progress on social and labour plans as well as the mining charter each quarter. A similar forum will be established at each business unit. The first progress reports were submitted to the Department of Mineral Resources at the end of March 2011.
Conducting an independent King III readiness assessment to ascertain compliance gaps	A favourable report was received by our independent external corporate governance advisers. A summary of the findings is discussed on page 150.
Implementing e-learning training and awareness on business implications of the Competition Act	The Competition Act was identified as a high compliance risk due to the potential impact and probability of non-compliance. A Competition Act awareness programme was launched to address risks associated with non-compliance. At 31 December 2010, 558 of the targeted 667 employees in the group had completed the relevant e-learning training. A process is in place to ensure all participants complete the training.
Continual monitoring of the status of converting mining rights and considering associated risks	The board and management receive a quarterly report on the status of all mining and prospecting rights, which sets out the risk attached to the rights in terms of conflicting and competing applications and mitigating actions discussed.
Monitoring compliance to social and labour plans	The investment in socio-economic development for 2010 was 2,5% of net profit after tax. Of 13 social and labour plans, 11 have been granted.
Conducting compliance audits on the status of integrated water-use licences in terms of the National Water Act	To date 10 integrated water use licence applications have been approved with seven still outstanding.

REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE CONTINUED

Key objectives for 2010	Progress
Raising awareness of the business implications of the new Companies Act	Presentations on the status and major business implications were made to the board, management and business units as well as major subsidiary companies.
Training related to contract law and basic contractual management	Training was provided to the following business units: › Medupi project team › Matla › Arnot › Namakwa Sands › North Block Complex › New Clydesdale › Leeuwpan › Inyanda. Training will be extended to the remaining business units in 2011.
Environmental laws awareness training	Awareness training was provided at: › Grootegeluk › Arnot › North Block Complex › Corporate centre. Awareness training will be ongoing in 2011.
Health, safety and labour awareness training	Training was conducted at: › KZN Sands › Zincor › Grootegeluk › Inyanda › Matla. Legal liability training on health and safety will be rolled out in 2011. This will focus on line managers, mining/plant discipline at shopfloor or coal-face level, legal appointees, appointment letters and statutory lines of reporting.

Status of converting mining rights

It is imperative that mining rights be secured by Exxaro for its existing mines and new mining opportunities. In 2010 conversion was granted by the Department of Mineral Resources (DMR) for the old-order mining rights held for Matla and Strathrae. Execution and registration of all granted conversions, and obtaining conversion for the old-order rights for Arnot and North Block Complex, have been prioritised for 2011.

In terms of the Mineral and Petroleum Resources Development Act 2002 (MPRDA), Exxaro must comply with the relevant approved mine works programme, social and labour plan and environmental management programme as approved by the DMR for each mining right held. Compliance audits on the implementation and management of these programmes will be conducted in 2011 for all Exxaro mining rights and, where applicable, the required amendments applied for.

The MPRDA requires in section 28(2) that all holders should annually submit financial reports reflecting profits and losses as well as a report on its compliance with the mining charter and MPRDA. Compliance audits on this annual reporting (as well as the monthly return) will be conducted in 2011 for all Exxaro mining rights.

The year was marked by an increase in conflicting prospecting/mining right applications being accepted and granted by the DMR. Exxaro has established an internal monitoring and reporting process, through Mineral Asset Management and its legal advisers, to deal with such applications by third parties. The DMR itself recognised this as an area of concern and implemented an administrative action plan together with a moratorium on new prospecting right applications until end February 2011.

In addition to conflicting applications, third parties have approached the DMR to apply for prospecting rights on old dumps/slurry ponds, etc owned by Exxaro. The necessary legal opinions on the status of these dumps have been obtained and Exxaro has successfully prevented such rights being considered by the DMR. The business units affected (Hlobane, Durnacol and Zincor) have been briefed on the legal status of the dumps to ensure consistency in Exxaro's approach to the DMR and third parties.

Exxaro mineral asset status as at 31 December 2010.
Locations of Exxaro's mines are shown on pages 8, 65 and 77.

In place
In process
Not in place

Mining operation conversions

Commodity	Region	Mines	Mining* right granted	Mining△ right executed	Action
Mineral sands	KZN	Hillendale			Documents submitted for registration at Mining Titles Office
		Fairbreeze A, B, C, D and Block P			Documents submitted for registration at Mining Titles Office
		Reserve 10 (Hillendale)			Documents submitted for registration at Mining Titles Office
	Western Cape	Namakwa Sands			Complete
Coal	Limpopo	Gravelotte			Awaiting execution date from DMR
		Grootegeluk			Formal application for historical gas
		Tshikondeni			Execution date postponed on 27 October 2010 till further notice
	Mpumalanga	Leeuwpan			Documents submitted for registration at Mining Titles Office
		Mafube			Cession confirmed
		Arnot			Conversion application lodged
		Glisa (North Block Complex)			Conversion application lodged
		Matla			Due for follow up
		Strathrae (North Block Complex)			Due for follow up

New mining rights

Commodity	Region	Mines	Mining right granted	Mining right executed	Action
Mineral sands	KZN	Fairbreeze C Ext			Mining commencement extension granted
		Braeburn (Hillendale)			Complete
		UVS and Braeburn Ext (Hillendale)			Complete
	Limpopo	Goni (Tshikondeni)			Complete
Coal	Mpumalanga	Inyanda			Power of attorney, captive three portions
		Leeuwpan Ext			Documents submitted for registration at Mining Titles Office
		Eerstelingsfontein			Renewal due
		New Clydesdale Colliery			DMR to approve amended layout plan for registration
		Belfast			DMR meeting scheduled

** Granted = an administrative right granted prior to acceptance of terms and conditions.*
△ Executed = approval of the EMPR and commencement date

REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE CONTINUED

Corporate governance

The provisions of King III became effective on 1 March 2010. The group is committed to applying these principles to all its subsidiaries as appropriate. However, Exxaro understands that effective governance practices should be embedded in all its business processes rather than following a simple tick-box approach.

As proposed in King III, the office of the company secretary is responsible for implementing and monitoring compliance to corporate governance best practices across the group. Our company secretary, Mrs MS Viljoen, serves as 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 acting group risk manager, the chief audit executive and our outsourced legal advisers to promote a culture of good governance and compliance in the group.

The independent corporate governance compliance review conducted in 2008 was followed by an independent King III readiness assessment in 2009, undertaken by our independent sustainability and governance advisers. Through independent advice, we ensure we continue to improve our well-established corporate governance processes and remain abreast of the latest industry developments.

Key objectives for 2010	Progress
Identify and appoint a chairman in line with our BEE status	Dr D Konar was appointed chairman of the board on 23 February 2010, and re-elected for one year on 22 February 2011.
Awareness programmes to the board and key business units	Presentations were made to the board, Exco and major business units and subsidiaries on the key requirements of King III. The Exxaro sustainability and assurance steering committee was established to drive integrated reporting in the group.
Conduct an independent King III readiness assessment to ascertain compliance gaps	Review concluded in June 2010 with findings presented to the board and management. The status of compliance and action steps for continuous improvement are discussed on page 150.
Initiate an integrated risk and compliance process adhering to best-practice standards, supported by enabling technology	A project was initiated in conjunction with our risk management advisers to address current shortcomings of our risk management methodology and to align with industry best practices such as ISO 31000. The first phase of the project – identifying relevant gaps and making recommendations – is complete. The second phase - refining the current methodology and implementing enabling technology – is under way.
Review current board committee structures, composition and terms of reference against best-practice requirements	The review was completed in December 2010 and comparative benchmarks obtained for implementation in 2011.
Review organisational structures and processes to address governance, risk and compliance in an effective, integrated and consistent manner	As part of the Siyaya programme it was proposed that governance, risk and compliance be merged into a single business unit to ensure all related processes are integrated and that monitoring risk and compliance is done independently.
The review and adoption of a new fraud-prevention policy and process	A new fraud-prevention policy was adopted in November 2010, supported by a dedicated governance forum, the ethics committee, to ensure effective management of the process.
Conduct independent board assessments	To assess the skills and experience of each board member and the board as a whole, an independent board assessment was conducted by the Institute of Directors.

Ethics

Exxaro is committed to the highest standards of honesty, integrity and fairness, and has zero tolerance for the commissioning or concealment of fraudulent acts by employees, contractors or suppliers. To support this approach, a revised fraud-prevention policy was adopted during the review period.

The group has an ethics committee comprising executives and representatives of internal audit and the chief audit executive. The committee, chaired by the finance director, meets monthly to consider issues of non-compliance to the group code of ethics and/or conflict of interest policy as well as matters reported on the ethics line or to management. Required investigations are conducted by a dedicated forensics team. This approach is reinforced by articles highlighting the importance of ethical behaviour in the quarterly internal newsletter.

A dedicated ethics line is in place to report all ethical matters including possible fraud and corruption. This is independently operated by Tip-Offs at a cost of R100 000 per annum.

In 2010, 31 cases of alleged fraud were reported at corporate level for forensic investigation, 11 of these via the ethics line. Eight of these led to disciplinary action and the dismissal of employees concerned. Four cases were also reported to the South African Police Service (SAPS) for criminal prosecution. The estimated impact or saving to the group of prompt action against suspected fraud was R4,5 million. At business unit level, over 160 cases of alleged fraud were reported, resulting in disciplinary action in 36 cases and 17 cases reported to SAPS.

The types of fraud investigated included:

- Fraudulently changing bank accounts
- Credit card fraud
- Submitting false qualifications
- Tender fraud
- A fraudulent payment scheme (crime syndicate)
- Fraudulent orders (crime syndicate with possible employee collusion).

Employees and all stakeholders can report suspected incidents of fraud or corruption to Tip-offs at 0800 203 579 or exxaro@tip-offs.com. This is an independent service designed to help people report incidents while remaining totally anonymous for their protection.

Key findings of the King III readiness assessment

The release of King III is a milestone in the evolution of corporate governance in South Africa and offers significant opportunities for Exxaro to enhance current corporate governance practices. King III has opted for an "apply or explain" governance framework. This means that where the board believes it to be in the best interests of the company, it can adopt a different practice from that recommended in King III, but must explain this.

The table summarises key observations and areas for consideration from an independent review of the principles of King III and its adoption in Exxaro. The findings are the result of an independent review completed by a leading corporate governance adviser in the second half of last year. Where Exxaro does not comply with King III, the reasons are given. Actions initiated to apply or enhance the principles are shown in the last column.

For a copy of King III contact the Institute of Directors at www.iodsa.co.za.

REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE CONTINUED

Key:

- No or minor adjustments required to conform with King III principles.
- Specific gaps identified that would require focused management action to conform with King III principles.
- Non-conformance with King III principles. Significant management effort required.

Chapter	Governance element	Status	Summary of findings	Action steps for continuous improvement
1	Ethical leadership and corporate citizenship		No major findings.	› Governance forum known as the ethics committee has been established. › Fraud-prevention policy adopted by the board in November 2010. See page 149 for statistics.
2	Board of directors		No major findings. Exxaro is currently not able to adopt all the principles on the composition of boards as our board structure is regulated by our articles of association based on the Pangolin shareholders' agreement entered into between various parties in November 2006. For more information, please contact the company secretary.	Exxaro will continue with its board induction and extensive knowledge-enhancement programmes.
3	Audit committee		The role of the audit committee must be re-assessed in light of its changed role, more specifically the: › review of integrated reporting › implementation of a combined assurance model › approving disclosure of sustainability issues.	The structure, composition and terms of reference for all board committees, including the audit committee, were reviewed in December 2010 and January 2011, for finalisation in 2011.
4	The governance of risk		The current risk management framework should be more integrated and aligned to industry best practice.	At the request of the audit, risk and compliance committee, Exxaro has initiated a project to ensure that a new integrated risk management framework is designed and implemented across the group. The new framework will be supported by best-practice enabling technology that includes the ability to monitor all risks, including risks related to compliance and information technology. The first phase of the project, which identified gaps with ISO 31000, from an organisational structure and process perspective, was concluded in October 2010. The next phase, which examines the implementation of enabling technology, will be finalised in 2011.

Chapter	Governance element	Status	Summary of findings	Action steps for continuous improvement
5	The governance of information technology (IT)	●	This is the only new chapter in King III. The findings relate to: › The board not being sufficiently involved in IT strategy and governance › IT risk being managed in a fragmented manner › The board not being sufficiently involved in the acquisition and disposal of IT goods and services.	The new integrated risk management framework will include management of all IT risks (page 21).
6	Compliance with laws, rules, codes and standards	●	Although Exxaro has adopted a compliance policy, the associated processes have not been implemented.	Integrated compliance risk management was addressed from an organisational structure and process point of view. The proposed new process adheres to the standards of the Compliance Institute of South Africa and was finalised in November 2010. We expect the integrated compliance risk management process to be implemented in 2011.
7	Internal audit	●	Exxaro should integrate risk management and control in its business processes to create value.	See 4.
8	Governing stakeholder relations	●	Current stakeholder relations policies need to be reviewed by the board. The integrated report should also disclose the nature and outcome of Exxaro's dealings with stakeholders.	Exxaro has implemented a stakeholder relations strategy that is two pronged: a stakeholder management process at each business unit to ensure all material issues for internal and external stakeholders have been identified and a management response instituted; secondly, forming a stakeholder panel comprising independent experts and NGOs in the social and environment fields to verify that all relevant material issues have been identified. The report of the stakeholder panel is included on page 172.
9	Integrated reporting and disclosure	●	No major findings.	A sustainability and assurance steering committee has been established that meets at least quarterly to discuss: › Material issues and their communication to the board › Regulatory changes that may impact the nature of reporting to stakeholders › The scope of external reporting and assurance.

REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE CONTINUED

Board

Role and composition

A highlight of 2010 was the appointment of Dr Len Konar as chairman of the board on 23 February 2010. Dr Konar has extensive experience as chairman and provides overall leadership to the board without limiting the principle of collective responsibility of board decisions. Dr Konar is also chairman for purposes of in-committee discussions at the transformation, remuneration, human resources and nomination committee and is not a member of any other committee of the board. He brings a wealth of financial, governance, industry and international knowledge (detailed on page 142). In line with the recommendations of King III, Exxaro has a unitary board structure, comprising:

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

In assessing the status of directors, the principles contained in King III and the Listings Requirements of the JSE Limited were used.

At Exxaro we understand that by promoting transformation actively in all our structures, a sustainable future will be ensured in the communities in which we operate. This is also visible in the composition of our board: we are proud that the majority of our board members are historically disadvantaged South Africans. The diverse backgrounds of directors ensure a wide range of experience in commerce, industry and engineering. The directors have access to management as required, and Dr Konar regularly meets individually with senior management to share knowledge.

The board defines the levels of authority in Exxaro and reserves specific powers to itself while delegating others to management. The collective responsibility of management vests in the chief executive officer, Mr Sipho Nkosi. Mr Nkosi provides regular reports to the board on progress towards the group's objectives and strategy.

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

In addition, the board has a responsibility to the broader stakeholder base – which includes present and potential beneficiaries of Exxaro products and services, clients, lenders and employees – to achieve continuing prosperity and ensure its sustainability.

The board has a written charter that governs its powers, functions and responsibilities; and ensures that no one board member has unfettered powers of decision making. The charter is reviewed annually. The board charter also formalises policies on board membership, composition, procedures, compliance and risk management, board evaluation, induction and remuneration. A broadened policy on board appointments has been approved by the board.

The board selects and appoints the company secretary and recognises the pivotal role to be played by this person in entrenching good corporate governance. All directors have access to the advice and services of the company secretary. The board has an established procedure for directors to obtain independent professional advice at the group's cost.

New directors are informed of their duties and responsibilities by way of extensive induction material, and also have access to key management members where information on Exxaro's operations may be obtained. Visits to operational businesses are included in the annual board programme.

A formal ongoing directors' development programme was instituted in 2008, giving members the opportunity to attend briefing sessions to ensure they are kept up to date with local and industry developments, risk management, financial reporting and corporate governance best practice.

An independent appraisal of the board was undertaken at the end of 2009 by the Institute of Directors. Feedback sessions were held with individual directors by the chairman.

The chief executive officer's performance is also evaluated against his performance contract. This is approved annually by the transformation, remuneration, human resources and nomination committee, in conjunction with the chairman of the board.

Attendance

Board meetings 2010	23 Feb	27 May	Special 7 Jun	Special 14 Jun	Special 14 Jul	10 Aug	Special 31 Aug	Special 14 Sep	Special 26 Oct	30 Nov
D Konar (chairman)	P	P	P	P	P	P	T	P	P	P
WA de Klerk	P	P	P	P	P	P	T	P	P	P
JJ Geldenhuys	P	P	N	N	T	P	P	P	P	P
CI Griffith	A	P	N	N	T	P	A	N	A	P
U Khumalo	A	P	P	A	A	P	P	A	P	A
N Langeni	NM	P	N	N	P	P	P	A	P	P
VZ Mtambo	P	A	A	N	P	P	T	A	A	P
RP Mohring	P	P	A	P	P	P	P	P	P	P
SA Nkosi	P	P	P	P	P	P	P	P	A	P
NL Sowazi	P	P	P	A	A	P	P	A	P	P
J van Rooyen	P	P	P	P	P	P	P	P	P	P
D Zihlangu	P	P	P	N	P	P	A	P	P	A

P = present, A = apology, T = teleconference, N = not required, NM = not member

Committees of the board

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

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

The board has three committees through which it operates:

- Audit, risk and compliance committee
- Safety and sustainable development committee
- Transformation, remuneration, human resources and nomination committee.

In the spirit of transparency and full disclosure, each committee's independent chairman reports formally to the board after each meeting on all matters within its duties and responsibilities, including recommendations on envisaged action steps.

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

Audit, risk and compliance (audit) committee

Apart from the statutory duties of the audit committee as set out in the Corporate Laws Amendment Act, and the provisions of the JSE Listings Requirements and King III, the role of this committee has been expanded to include issues of risk management and compliance.

The committee met its responsibilities under the current terms of reference for the review period.

The terms of reference will be expanded to include new areas of responsibility, eg integrated reporting and information technology.

The committee assists the board in:

- Examining and reviewing the group's financial statements and reporting of 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
- Overseeing cooperation between the internal and external auditors, and serving as a link between the board and these functions
- Overseeing the external audit function
- Approval of the internal audit plan, fees and qualifications of the internal auditors
- Evaluating the qualification and independence of the external auditor
- Approval of the external audit fees
- Ensuring effective internal financial controls are in place
- Reviewing the integrity of risk control systems and risk policies
- Evaluating the scope and effectiveness of the internal audit function
- Evaluating the competency level of the financial director
- Appointing the chief audit executive
- Complying with legal and regulatory requirements.

The committee meets at least four times a year.

The three members of the committee are non-executive members, and two of these are independent. The finance director, Wim de Klerk, and chief audit executive, Rian Strydom, attend meetings by invitation. During the review period, the committee considered, and was satisfied with the adequacy and resources of the group's finance function, including the appropriateness, expertise and experience of the finance director.

Although Exxaro is only required to rotate the senior partner responsible for the group's audit, we recognise that a periodic change in external auditors supports good governance and have appointed PricewaterhouseCoopers as external auditors from 1 January 2011.

To ensure consistency in sustainability reporting, the services of the current assurance provider on sustainability issues in the integrated report were retained. The audit committee has considered the disclosure of sustainability issues in the integrated report and is satisfied with the contents.

The committee has satisfied itself on the independence of the external auditor in accordance with section 270A of the Companies Act. Principal matters considered in determining independence included those arising from the ownership of shares, the quantum of the audit fee and the types and quantum of the non-audit services provided by the firm. Requisite assurance was sought and provided by the external auditor that internal governance processes in the firm support and demonstrate its claim to independence.

The committee also determines and carefully monitors the use of the external auditor for non-audit-related services and is guided by a formal policy that precludes the external auditor from providing services that would impair audit independence. The non-audit services rendered by the external auditors during the period comprised tax advisory services, tax compliance services, accounting opinions and other advisory services. The fees applicable to these services totalled R747 288.

The committee nominated the appointment of PricewaterhouseCoopers (PwC) as registered auditors for the 2011 financial year and Mr D Shango, the audit partner, as the independent registered auditor of the company. The committee also considered and satisfied itself that PwC, including its advisors, is accredited in terms of the JSE list of accredited auditors as contemplated in paragraph 3.86 of the JSE Listings Requirements.

The following compliance-related documents were submitted to the committees and board for noting:

- Directors' liability in terms of safety and environmental statutes
- Directors' liability in terms of the Competition Act 1 of 2009 (which seeks to amend the Competition Act 89 of 1998)

REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE CONTINUED

- Gap analysis on the King III report and actions required by the board and management
- The impact of the proposed Companies Act 71 of 2008
- Quarterly information manuals updating the board on industry, regulatory, legal and statutory matters.

Audit meetings 2010	23 Feb	26 May	10 Aug	30 Nov
J van Rooyen (chairman)	T	P	P	P
RP Mohring	P	P	P	P
NL Sowazi	P	P	P	P

P = present, A = apology, T = teleconference

Transformation, remuneration, human resources and nomination committee

The purpose of this committee (known as Tremco) is to:

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

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

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

Although the board chairman is not a member of this committee, a separate agenda is set for nominations committee matters and the board chairman takes the chair.

Attendance

Tremco meetings 2010	3 Feb	21 May	4 Nov
RP Mohring (chairman)	P	P	P
JJ Geldenhuys	A	P	P
CI Griffith	NM	P	A
VZ Mntambo	P	P	P
D Konar	Invitee	Invitee	Invitee

P = present, A = apology, NM = not member

Nomination committee

Nomination committee meetings 2010	3 Feb	21 May	4 Nov
D Konar (chairman)	P	P	P
RP Mohring	P	P	P
JJ Geldenhuys	A	P	P
CI Griffith	NM	P	A
VZ Mntambo	P	P	P

P = present, A = apology, NM = not member

Safety and sustainable development (S&SD) committee

The name of this committee was changed from safety, health and environment committee in 2010 to encompass its obligations to the environment, employees and communities impacted by operations in support of sustainable development.

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

In executing the governance function, the committee will:

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

The committee meets at least three times a year.

Attendance

S&SD meetings 2010	10 Mar	21 Jul	4 Nov
JJ Geldenhuys (chairman)	P	P	P
N Langeni	P	P	A
RP Mohring	A	P	P
D Zihlangu	P	P	P

P = present, A = apology

Management committees

Executive committee

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

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

The duties of Exco include:

- Overseeing the financial, operational and safety performance of Exxaro
- Guiding Exxaro in its relations with shareholders and key stakeholders, including personnel, regulators, environmental interests and the media
- Developing group strategy for board approval
- Receiving and considering regular reports from businesses in Exxaro to monitor and manage financial performance
- Ensuring coordination between business units and corporate service departments
- Regularly reviewing the adequacy of reporting arrangements and effectiveness of internal control and risk management
- Approving or recommending to the board expenditure and other financial commitments as specified in the framework for the delegation of authority
- Acting as a responsible corporate citizen with an ethical culture.

Portfolio review committee

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

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

Investment review committee

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

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

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

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

Offshore review committee

This committee assists the CEO and finance director with the management process of Exxaro's portfolio of offshore investments and interests. The primary responsibilities of the committee include:

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

The committee meets quarterly, or more frequently if required.

External communications

Briefing analysts, investors and fund managers is integral to maintaining investor relations. However, we only provide price-sensitive information after disclosing that information to the market.

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

Marketing communication

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

Implementation of the mining charter

In 2009, the Department of Mineral Resources promulgated codes of good practice for the mining industry. In 2010, the review of the mining charter was finalised and the accompanying scorecard adjusted. Exxaro already complies with several aspects of the revised scorecard and steady progress is being made in those areas where the group does not fully comply. The table overleaf sets out the status on compliance:

REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE CONTINUED

MINING CHARTER SCORECARD

In 2009, the Department of Mineral Resources promulgated codes of good practice for the mining industry. In 2010, the review of the mining charter was finalised and the accompanying scorecard adjusted. Exxaro already complies with several aspects of the revised scorecard and steady progress is being made in those areas where the group does not fully comply.

Exxaro Resources: 2010 scorecard for the broad-based socio-economic mining empowerment charter

Element	Description	Measure	Compliance target by 2014	
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	26%	
		Full shareholder rights	26%	
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	
	Conversion and upgrading of hostels into family units	Percentage conversion of hostels into family units	Family units established	
Procurement and enterprise development	Procurement spent on BEE entity	Capital goods	40%	
		Services	70%	
		Consumable goods	50%	
	Multinational suppliers contribution to the social fund	Annual spend on procurement from multi-national suppliers	0,5%	
Employment equity	Diversification of the workplace to reflect the country's demographics to attain competitiveness	Top management (board)	40%	
		Senior management	40%	
		Middle management	40%	
		Junior management	40%	
		Core skills	40%	
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 efficiency (energy and water use in mining), beneficiation as well as environmental conservation	HRD expenditure as percentage of total annual payroll (excluding mandatory skills development levy)	5%	

	Progress achieved by	
	Compliance target	Actual
	2010	2010
	Mining charter report will be submitted to DMR during March 2011	
	15%	52,10%
	15%	52,10%
	Accommodation › Number of people sharing hostel rooms = 40. › Number of employees accommodated in single quarters (one person per room) = 1 505 › Number of employees staying in family quarters = 417 › Number of company houses sold to employees = 948	1,15% of employees in company – provided accommodation
	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.	417 family units established
	5%	43%
	30%	24%
	10%	25%
	0,5%	0,5%
	20%	50%
	20%	30%
	30%	51%
	40%	63%
	15%	25%
	3%	5,1%

REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE CONTINUED

MINING CHARTER SCORECARD CONTINUED

Exxaro Resources: 2010 scorecard for the broad-based socio-economic mining empowerment charter (continued)

Element	Description	Measure	Compliance target by 2014	
Mine community development	Conduct ethnographic community consultative and collaborative processes to delineate community needs analysis	Implement approved community projects	Up-to-date project implementation	
Sustainable development and growth	Improvement of the industry's environmental management	Implement approved environmental management programmes (EMPs)	100%	
	Improvement of the industry's mine health and safety performance	Implementation of tripartite action plan on health and safety	100%	
	Utilisation of South Africa-based research facilities for analysis of samples across the mining value	Percentage of samples in South African facilities	100%	
Beneficiation	Contribution towards beneficiation (effective from 2012)	Added production volume contributory to local value addition beyond the baseline	Section 26 of MRPDA (% above baseline)	

Progress achieved by	
Compliance target	Actual
2010	2010
> Continual engagement with all stakeholders (ie authorities, interested and affected parties) ensures a collaborative approach in implementing community projects > The establishment of a formal ethnographic consultative and collaborative socio-economic development forum at each business unit to be finalised during June 2011 > Total spend on socio-economic development in 2010 was 2,5% of net profit after tax	
Programmes are in place to achieve the compliance target by 2014	
In terms of implementing the tripartite action plan, Exxaro has developmental plans for 70% of the actions. These span continuous improvement in safety and health, transforming our culture, training, adopting leading practices, and supporting related research.	
Exxaro has a research and development department and commissioned research was 100% South Africa-based in 2010. > In addition, Exxaro approved three tertiary chairs as part of its research support initiatives: > Exxaro chair in global change and sustainability at Wits > Exxaro chair in business and climate change at Unisa > Exxaro chair in biodiversity and business at University of Pretoria	
Exxaro is in the business of mining and beneficiating minerals. Products like coal and zinc are sold as final products and used in other processes; they therefore cannot be further beneficiated. Other products like mineral sands are beneficiated to a semi state (slag). While these products are being investigated to increase beneficiation rates, they are technically complex processes and thus long-term projects. Exxaro does not benefit from incentives in the mining charter for beneficiation as the group cannot offset ownership with beneficiation initiatives. Exxaro is already BEE owned. Exxaro is a founder member of SAMMRI (an industry/government (dti)/academic institution) initiative on long-term research in beneficiation to develop value-adding technologies and internal skills (HDSA) in South Africa. A downstream project is our market coke initiative, where we are investigating the production of market coke as a reductant for the chrome industry. Certain technology evaluation accompanies this initiative. Our coal beneficiation target for 2014 is 0,5%. Calendar 2009 was the first full production year for Exxaro's char plant. Coal from Grootegeluk is beneficiated in the char plant, and the product sold locally to ferrochrome smelters as a reductant. Tar is processed as a by-product and sold to a tar-refining company for further processing into products such as wood preservatives. The full production capacity of the plant is 140ktpa char and 8ktpa of tar. The mineral sands business unit is investigating downstream beneficiation opportunities for titania slag and zircon. A number of new titanium metal production technologies were investigated with the aim of establishing a local production facility. Investigations and studies are long term and ongoing.	

REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE CONTINUED

Remuneration report

Introduction

As indicated in the legal, regulatory and compliance review, PwC was engaged to assess compliance with the King III report, including a remuneration perspective. A number of actions were undertaken in 2010 to align with these remuneration requirements; however, achieving full compliance will be an ongoing exercise in coming years.

Remuneration philosophy

The Exxaro brand is built on a strong vision – everything we do and deliver today will allow others to realise their vision tomorrow. Exxaro believes in the power of people and their ability to explore and shift boundaries that lead to success. Exxaro's people strategies have been developed to reinforce the brand values of:

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

A total remuneration approach is followed. This includes guaranteed and variable components which play a critical role in attracting, motivating and retaining the high-performing and talented individuals required to achieve Exxaro's objectives.

We recognise that one of our competitive sources of value is our people, and we believe that to meet our corporate goals and business objectives, our reward policies and objectives must:

- Be an integral part of an overall human resource strategy, geared to support business strategies
- Be designed to motivate and reinforce superior performance
- Be designed to motivate and reinforce living the values in an outstanding and demonstrable manner
- Encourage the development of organisational and individual performance
- Encourage the development of competencies required to meet future business needs
- Be based on the premise that employees should share in the success of the company
- Be designed to attract and retain high-quality individuals with the optimum mix of competencies
- Be aimed at securing our people's commitment to goals via the optimum mix of financial and non-financial rewards.

Remuneration governance

The transformation, remuneration, human resources and nomination committee (Tremco) sets and monitors non-executive and executive remuneration policies for the company. This committee is responsible for making recommendations on remuneration policies and practices for the company's executive directors, senior management and personnel in general.

The committee comprises four non-executive directors. The CEO, finance director (FD), executive general manager: human resources, and compensation and benefits advisers may be invited to attend any meeting but they have no voting rights. For full details on the committee, refer to the review on page 154.

At the annual general meeting to be held on 19 May 2011, shareholders will be requested to approve the remuneration policy as outlined in this report and that the board of directors be authorised to undertake the necessary acts to implement the remuneration policy as summarised here. Resolutions for consideration are included in the notice of meeting on page 304.

Remuneration benchmarking

External remuneration benchmarking for executives and general staff positions is done continually and external comparisons are reported to Tremco every six months.

The benchmarking used for median performance of the management and specialist category 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.

Remuneration policy

The total remuneration approach includes guaranteed and variable components, as noted earlier, to attract, motivate and retain the caliber of individuals required to achieve Exxaro's objectives.

Exxaro remuneration: overview

<table>
<tr><th colspan="2" rowspan="2">Remuneration elements</th><th colspan="5">Management and specialist category employees</th><th>Bargaining category employees</th></tr>
<tr><th>F band</th><th>E band</th><th>DU band</th><th>DL band</th><th>CU band</th><th>A-DL band</th></tr>
<tr><td rowspan="3">Guaranteed remuneration</td><td>Notional cost of employment or basic salary</td><td colspan="5">Annual adjustments based on:
› Performance
› External market benchmark
› Internal parity
› Affordability</td><td>Annual adjustments based on:
› Wage negotiations
› Mandate on affordability</td></tr>
<tr><td>Benefits</td><td colspan="6">› Retirement fund: employer and employee contributions
› Medical aid: employer and employee contributions
› Housing: Company housing or allowances/subsidies applicable to a specific business unit</td></tr>
<tr><td>Circumstantial remuneration</td><td colspan="6">› Job-specific
› Skills scarcity</td></tr>
<tr><td rowspan="7">Variable remuneration</td><td rowspan="3">Short-term incentives</td><td colspan="2">Special performance:
› Individual performance base</td><td colspan="4">Not applicable</td></tr>
<tr><td colspan="6">› On-target incentive:
› Business unit stretch budget achievement</td></tr>
<tr><td colspan="6">Second and third tier above target improvement incentives:
› Capped at 30% of Exxaro above-budget improvement
› Annually set stretched targets</td></tr>
<tr><td rowspan="4">Long-term Incentives</td><td>Deferred bonus plan
› Share match</td><td colspan="5">Not applicable</td></tr>
<tr><td colspan="2">Long-term incentive scheme
› Performance conditions</td><td colspan="4">Not applicable</td></tr>
<tr><td colspan="3">Share appreciation right scheme
› Performance conditions</td><td colspan="3">Not applicable</td></tr>
<tr><td colspan="3">Not applicable</td><td colspan="3">Mpower scheme
› 3% and five-year employee share option scheme</td></tr>
</table>

REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE CONTINUED

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

Non-management category

Employees in the non-management category are remunerated on a traditional menu package consisting of basic salary, housing allowance, employer contributions to retirement and medical funds. Annual adjustments are determined through wage negotiations as applicable.

Benefits

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

Retirement funds

Retirement fund contributions are made according to the specific conditions of employment and fund rules for the different levels and categories of employees. Employer and employee contributions to these funds are reflected in note 30 of the annual financial statements.

Employees belong to any one of the following retirement funds:

Fund description	Employee % contribution or range	Employer % contribution or range	Total % contribution or range
Chamber of Mines	13,20	11,45	24,65
Sentinel Funds	7,50-10,70	12,50-20,52	20,00-28,02
Mine Employees Pension Funds	7,50-10,70	12,50-15,00	20,00-24,65
Namakwa Sands Sentinel Funds	6,50-7,50	13,90-26,60	20,40-34,10
Alexander Forbes Pension Fund	7,50	12,50	20,00
Coris Capital Pension Funds (non-package and notional cost of employment)	7,00	10,00	17,00
Rosh Pinah Retirement Fund	9,75	16,25	26,00
BillProv	7,00	10,50	17,50
Iscor Employees Umbrella Provident Fund	7,00	10,00	17,00
Mine Workers Provident Funds	7,50-10,70	12,50-15,00	20,00-24,65
Namakwa Sands Provident Funds (C up & D+)	7,50	9,00-15,00	16,50-22,50
Zincor: Iscor Provident Fund – old	8,00	14,74	22,74
Zincor: Selector Umbrella – (new and old)	7,00-8,00	10,00-14,74	17,00-22,74

Exxaro-accredited retirement funds are defined contribution funds. Any actuarially valued defined benefit fund obligation disclosed in the annual financial statements (refer to note 30) 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	Namakwa Sands	Exxaro Sands	Zincor	Exxaro Other
Fund names	Bonitas	Bonitas	Bonitas		Bonitas
	Discovery	Discovery	Discovery	Discovery	Discovery
	Sizwe		Umvuzo	Sizwe	Sizwe
	WCMAS (ring-fenced)				Umvuzo
Employee contributions	50%	50%	*100%	50%	40%
Employer contributions	50%	50%	0%	50%	60% to a max of R1 765

** Employer contribution included in package.*

Exxaro does not provide any post-retirement medical benefits. The post-retirement benefit obligation disclosed in the annual financial statements (note 30) merely recognises past practice which was discontinued with the creation of Exxaro in November 2006.

Contributions to medical funds, charged against income, are also reflected in note 30.

Variable remuneration

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.

Short-term incentives

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

- Individual performance reward
- A three-tier performance incentive
  - On-target business unit incentive
  - Commodity improvement incentive
  - Group improvement incentive.

Individual performance reward

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

Three-tier performance incentive

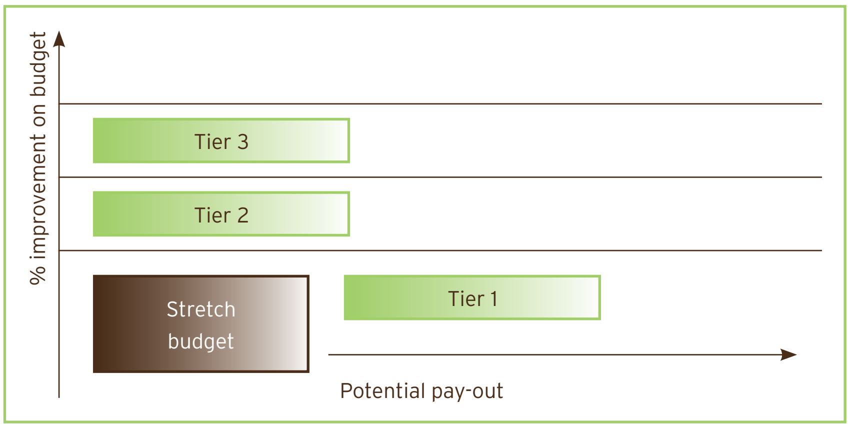
This is a three-tier performance incentive created to reinforce a performance culture. Accordingly, all full-time employees participate in this incentive scheme.

The second and third tier are profit based and 30% of gains above budget are shared with employees.

Incentives are profit-based and gains above set targets are shared (up to a maximum of 30%) with employees.

The three-level short-term incentive scheme structure is set out below:

Three-tier performance incentive



REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE CONTINUED

First tier

The first tier is a line-of-sight incentive based on achieving 100% of the business unit's set 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 and corporate staff department.

Second tier

The second tier is based on exceeding the budgeted consolidated net operating profit target by an improvement percentage at commodity level.

Third tier

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

Long-term incentives

Exxaro makes general share offers to participants once a year in terms of the following approved schemes:

- Exxaro share appreciation right scheme (SAR)
- Exxaro long-term incentive plan (LTIP)
- Deferred bonus plan (DBP).

The table below summarises Exxaro's long-term incentives:

Plan	Eligibility	Date implemented	Rights shares on 31 Dec 2009	Maximum award per individual	Performance condition	Vesting period	Grants during 2010	Total grants since inception to 31 Dec 2010
Share appreciation rights	D3-F5 employee Paterson band	01-03-2007	6 937 922	193 364	HEPS* performance condition	3 years	1 797 040	6 847 500
Long-term incentive plan	E2-F5 employee Paterson band	01-03-2007	523 789	156 632	50% TSR** 50% ROCE*** performance condition	3 years	427 542	1 670 112
Deferred bonus plan	E4-F5 employee Paterson band	31-08-2007	96 374	18 285	None	3 years	31 318	104 700

* *Headline earnings per share*
** *Total shareholder return*
*** *Return on capital employed*

Exxaro share appreciation right scheme

Share appreciation rights are rights to receive Exxaro shares equal to the value of the difference between the exercise price and the grant price.

Vesting of the share appreciation rights is subject to a HEPS performance condition, over a three-year performance period, set by Tremco. If the performance condition is met, the share appreciation rights vest and participants have a further period of seven years from date of original offer in which to exercise these.

Total rights granted and cancelled: 31 December 2009 to 31 December 2010

Share incentive scheme	Number of rights/shares not yet exercised on 31 Dec 2009	Offered 2010	Cancelled 2010	Number of rights/shares not yet exercised on 31 Dec 2010
Share appreciation right scheme	5 851 231	1 797 040	322 769	6 937 921

Details of transactions by participants have been excluded.

Long-term incentive plan (LTIP)

Exxaro employees in top and senior management levels participate in the LTIP with total shareholder return and return on capital employed performance conditions

The LTIP allows for the conditional grant of Exxaro shares to qualifying employees, subject to performance conditions being met over a performance period of three years. The number of shares vesting of the conditional share award, after the performance period, depends on the extent to which the performance conditions, total shareholder return and return on capital employed as determined by Tremco have been satisfied.

Under the rules of the LTIP, Exxaro will procure the delivery of Exxaro shares to settle the value of the vested portion of the conditional share award. The conditional share awards which do not vest at the end of the performance period will lapse.

Total awards granted and cancelled: 31 December 2009 to 31 December 2010

Share incentive scheme	Number of shares not yet exercised on 31 Dec 2009	Offered 2010	Cancelled 2010	Number of shares not yet exercised on 31 Dec 2010
Long-term incentive plan	1 549 575	427 542	39 361	1 523 789

Details of transactions by participants have been excluded.

Deferred bonus plan (DBP)

The purpose of the DBP is to encourage directors and senior employees to use part of their after-tax values of short-term incentive and special performance reward payment to acquire shares (pledged shares) in Exxaro. Participants who own pledged shares are entitled to all rights in respect of these shares, including dividend and voting rights.

If the pledged shares are held for the pledge period of three years and the participants remain in the employ of the company for the pledge period, then the company will provide a matching award of free shares (matching shares).

Total awards granted and cancelled: 31 December 2009 to 31 December 2010

Share incentive scheme	Number of rights/shares not yet exercised on 31 Dec 2009	Offered 2010	Cancelled 2010	Number of rights/shares not yet exercised on 31 Dec 2010
Deferred bonus plan	67 114	31 318	0	96 374

Details of transactions by participants have been excluded.

Kumba share option scheme

Details on the discontinued Kumba share option scheme are comprehensively addressed under equity compensation benefits in note 30 to the annual financial statements.

Plan	Eligibility	Date implemented	Options on 31 Dec 2009	Maximum award per individual	Performance condition	Vesting period	Options granted during 2010	Total issued since inception to 31 Dec 2010
Exxaro options	Unbundling of Kumba Resources on 26-11-2001	03-12-2001	1 459 520	77 880	none	7 years	0	0

The option scheme was discontinued after the introduction of the share appreciation right scheme.

Mpower (Exxaro employee share option scheme)

This scheme provides incentives to participants, attracts new employees and retains current staff. Another key purpose is to promote BEE in the company. The trust obtained some 3% of Exxaro's shares:

- All shares are unitised and granted to qualifying employees
- The initial award – all employees in service on 26 November 2006 received 1 068 units with pro rata awards to new employees after this date.

Dividends are paid to participants: they qualify for 50% of each dividend (tax free) and the remaining 50% of dividend services the loan.

The capital appreciation period for the scheme is five years and ends in November 2011, when proceeds calculated in accordance with the trust deed and applicable taxation legislation will be paid to participants.

Current unit status of Mpower Trust:

2009	2010			
Closing unit balance 31 Dec 2009	Units cancelled	Units cancelled death	Units awarded	Closing unit balance 31 Dec 2010
8 806 243	**(365 071)**	**(83 331)**	**177 732**	**8 535 573**

Remuneration of:

Executive directors, non-executive directors and senior managers

Directors

Information of the remuneration of executive directors and non-executive directors is reflected in the directors' report on page 190.

Senior managers

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. Exxaro decided to disclose the top four.

Earnings of four top earners excluding executive directors:

	Annual (2010)						
	Guaranteed			Short-term incentives			Long-term incentives
Name and initials	Total package	Company contributions retirement and medical	Totals	STI	SPI	Total	Grant face value exercised 31 Dec 2009 – 31 Dec 2010
Venter PE	3 026 869	244 334	3 271 203	436 871	773 729	1 210 600	1 171 640
Arran PT	2 775 120	206 986	2 982 106	268 386	566 592	834 978	617 635
Mgojo MDM	2 820 834	230 634	3 051 468	430 298	627 625	1 057 923	1 111 767
Van Niekerk WH	2 775 120	255 450	3 030 570	365 881	551 444	917 325	483 709

RP Mohring
Chairman
Transformation, human resources and remuneration committee

Shareholder information and analysis

Market listings and other information

The principal market for Exxaro is the JSE Limited. As a constituent of the All Share Top 40 Index (ALSI40 Index), Exxaro shares trade through the Strate system.

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

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

ADR holders

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

Dividend determination

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

Shareholder communication

General shareholder enquiries

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

All enquiries about shares held in ADR form should be directed to BoNY, with contact details set out on the inside back cover.

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

Publication of financial statements

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

Major shareholders

As of 31 December 2010, the one entity known to Exxaro as owning more than 10% of its shares is Main Street 333 (Pty) Limited with 186 550 873 shares, representing 52,10% of the number of shares in issue. This entity is commonly referred to as BEE Holdco (page 5).

REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE CONTINUED

Registered shareholder spread

as at 31 December 2010

Issued share capital: 358 089 230

Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	19 748	82,79	5 836 578	1,63
1 001 – 10 000 shares	3 327	13,95	9 685 427	2,70
10 001 – 100 000 shares	603	2,53	19 244 323	5,37
100 001 – 1 000 000 shares	152	0,64	42 245 466	11,80
1 000 001 shares and above	23	0,10	281 077 436	78,50
Total	**23 853**	**100,00**	**358 089 230**	**100,00**

Public and non-public shareholdings

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
NON-PUBLIC SHAREHOLDERS	7	0,05	233 573 805	65,24
Main Street 333 (Pty) Limited	1	0,00	186 550 873	52,10
Anglo American Corp of SA Limited	1	0,00	34 730 282	9,70
Exxaro Employee Empowerment	1	0,00	10 618 974	2,97
Kumba Management Share Trust	1	0,00	1 459 520	0,41
Kumba Bestuursaandele Trust	1	0,00	159 038	0,04
D Konar	1	0,00	168	0,00
WA De Klerk	1	0,00	54 950	0,02
SA Nkosi*		0,00	9 698 806	
VZ Mntambo*		0,00	5 529 881	
D Zihlangu*		0,00	2 818 552	
NL Sowazi*		0,00	3 038 387	
PUBLIC SHAREHOLDERS	23 846	99,95	124 515 425	34,76
Total	**23 853**	**100,00**	**358 089 230**	**100,00**

* *Indirectly held through Main Street 333 (Pty) Limited.*

Beneficial shareholdings above 3%

Beneficial shareholdings	Total shareholding	% of issued capital
Main Street 333 (Pty) Limited	186 550 873	52,10
Anglo American Corp of SA Limited	34 730 282	9,70
Public Investment Corporation	19 001 010	5,31
Total	**240 282 165**	**67,10**

Beneficial shareholder categories

Category	Total shareholding	% of issued capital
Black economic empowerment	186 550 873	52,10
Pension funds	37 917 173	10,59
Corporate holding	35 276 164	9,85
Unit trusts	31 874 508	8,90
Other	16 557 128	4,62
Retail investor	16 080 438	4,49
Employees	10 618 974	2,97
Insurance companies	8 443 831	2,36
Foreign government	6 110 896	1,71
American depositary receipts	572 441	0,16
Investment trust	393 903	0,11
University	154 540	0,04
Charity	60 709	0,02
Local authority	34 000	0,01
Other	7 443 652	2,08
Total	**358 089 230**	**100,00**

[1] *Includes categories above 2% only.*

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

for the year ended 31 December 2010

Scope of our engagement

We have completed our independent assurance engagement to enable us to express our limited assurance conclusions on Exxaro Resources Limited's ('Exxaro's') reporting of material sustainable development risks and opportunities and views and expectations of its stakeholders; that Exxaro's Sustainability Performance Review 2010 ('the Report') for the period ending 31 December 2010, has been prepared, in all material respects, in accordance with the self-declared Global Reporting Initiative (GRI) G3 Guidelines B+ application level using the principles of materiality, completeness and sustainability context; and Exxaro's performance for identified risks and opportunities by way of the following selected key performance indicators:

- Occupational Tuberculosis (TB) (page 88)
- Pneumoconiosis (page 87)
- Noise Induced Hearing Loss (NIHL) (page 87)
- HIV/AIDS voluntary counselling and testing (VCT) (page 89)
- Diesel (page 117)
- Gas (page 117)
- Hazardous waste disposed of (page 99)
- Indirect CO_2 emissions (from electricity and diesel only) (page 119)
- Level 2 and 3 environmental incidents (page 115/6)
- Water consumption (page 117)
- Status of Integrated Water User licence (IWUL) applications (page 97)
- Land disturbed vs rehabilitated (page 113)
- Employment Equity (EE) (page 123)
- ABET training numbers (page 123)
- Preferential procurement (page 129)
- Socio-economic development (SED) project spend as per Social and Labour plans (page 132)

We have completed our independent assurance engagement to enable us to express our reasonable limited assurance conclusions on whether the description of the systems and approaches Exxaro used to manage identified material sustainability risks and opportunities as related to the following key performance indicators:

- Fatalities (page 82);
- Lost Time Injuries (LTI) (page 82);
- LTI frequency rate (LTIFR) (page 82); and
- Electricity (page 117).

Our responsibility in performing our independent limited and reasonable assurance engagements is to Exxaro Resources Limited only and in accordance with the terms of reference for this engagement as agreed with them. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Exxaro Resources Limited, for our work, for this report, or for the conclusions we have reached.

Directors' responsibility

Exxaro's Directors are responsible for the preparation and presentation of the Report and the information and assessments contained in the Report in accordance with the relevant criteria. This responsibility includes: designing, implementing and maintaining appropriate performance management and systems to record, monitor and improve the accuracy, completeness and reliability of the sustainability data and to ensure that the information and data reported to meet the requirements of the relevant criteria, and contains all relevant disclosures that could materially affect any of the conclusions drawn.

Assurance provider's responsibility

Our responsibility is to express our limited and reasonable assurance conclusions on the areas as highlighted under the scope above. Our independent limited and reasonable assurance engagement was performed in accordance with the International Federation of Accountants' (IFACs) International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. This standard requires us to comply with ethical requirements and to plan and perform our engagements to obtain limited assurance regarding the Report and the specified Key Performance Indicators contained in the Report, as expressed in this report.

Basis of work and limitations

The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the subject matter and the purpose of our engagement. In making these assessments, we have considered internal control relevant to the entity's preparation and presentation of the Report and the information contained therein, in order to design procedures appropriate for gathering sufficient appropriate assurance evidence to determine that the information in the Report is not materially misstated or misleading as set out in the summary of work performed below. Our assessment of relevant internal control is not for the purpose of expressing a conclusion on the effectiveness of the entity's internal controls.

We have planned and performed our work to obtain all the information and explanations that we considered necessary to provide a basis for our limited and reasonable assurance conclusions pertaining to the Report and the specified KPIs, expressed below. We have no responsibility to update this report for events and circumstances occurring after the date of the report, nor will we perform any work in this regard.

Where a limited assurance conclusion is expressed, our evidence gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

Our report does not extend to providing assurance on historical data.

We provide no assurance over the web content relating to the Report and the specified KPIs. Assurance is provided only on the Report and specified KPIs as included in pdf format on Exxaro Resources Limited's website.

Summary of work performed

Set out below is a summary of the procedures performed pertaining to the Report and the specified KPIs which were included in the scope of our assurance engagement.

- We obtained an understanding of:
  - The entity and its environment;
  - Entity-level controls;
  - The stakeholder dialogue process;
  - The selection and application of sustainability reporting policies;
  - The significant reporting processes including how information is initiated, recorded, processed, reported and incorrect information is corrected, as well as the policies and procedures within the reporting processes.
- We made such enquiries of management, employees and those responsible for the preparation of the Report and the specified KPIs, as we considered necessary.
- We inspected relevant supporting documentation and obtained such external confirmations and management representations as we considered necessary for the purposes of our engagement.
- We performed analytical procedures and limited tests of detail responsive to our risk assessment and the level of assurance required, including comparison of judgementally selected information to the underlying source documentation from which the information has been derived.
- We considered whether Exxaro Resources Limited has applied the GRI G3 Guidelines to a level described on page 30.

We believe that the evidence obtained as part of our assurance engagement, is sufficient and appropriate to provide a basis for our findings and our limited and reasonable assurance conclusions expressed below.

Conclusions

Based on the work performed and subject to the limitations described above, managements disclosures pertaining to Fatalities, LTIs, LTIFR and Electricity consumption are fairly stated.

Based on the work performed and subject to the limitations described above, nothing has come to our attention that causes us to believe that Managements disclosures pertaining to Occupational TB; NIHL; Pneumoconiosis; HIV/AIDS VCT; Diesel; Sasol gas; Hazardous waste; CO_2 emissions (from electricity and diesel only); Level 2 and 3 environmental incidents; Water consumption; Status of IWUL applications; Land disturbed versus rehabilitated; EE; ABET training numbers; Preferential procurement; SED project spend as per Social and Labour plans; and the self-declared B+ GRI G3 application level are not fairly stated.

Ernst & Young Inc
Director — Alasdair Stewart
Registered Auditor
Chartered Accountant (SA)

Ernst & Young
52 Corlett Drive
Johannesburg
15 March 2011

INDEPENDENT ASSURANCE

Stakeholder panel feedback – executive summary

The stakeholder panel comprises academics from related faculties at leading universities, sustainability practices within leading professional services firms and independent experts.

Key material issues: no consensus by panelists; key material issues ranged from climate change/greenhouse gas emissions (2) to economic value added and fatalities. One panelist grouped his most pressing issues as water withdrawal, mine closure, green procurement, working conditions, LTI, health and safety systems, occupational diseases, medical surveillance, decent wages, risk management and clean production.

However, from their general comments, against the political backdrop, the most pressing issues in 2010 appear to be: 1) economic value added (spanning ownership, employment equity, decent wages and living conditions, and labour relationships); 2) climate change/greenhouse gas emissions, and 3) safety and health (including pollution impacts on health of communities in general).

All panelists noted that to be effective, stakeholder reporting needs to begin from a base of proper planning: understanding and mapping the inter-relationships between the various issues, and developing a strategic, holistic approach to them. Specific pointers included:

- process of determining material issues: context, cross-cutting issues (such as understanding that the amount of hazardous material disposed of could impact mine closure costing)
- stakeholders: who are they (how identified, how engaged, how addressed).

All highlighted the importance of context: for example an aggregate figure for water withdrawal is meaningless if one operation is in a desert and another next to a river. Equally, celebrating the creation of 100 jobs (enterprise development) becomes hollow in the context of shedding 1 000 members of the workforce (retrenchment).

This feedback was an important part of the progress Exxaro has made in enhancing its stakeholder reporting in 2010. The role of the panel will be expanded in 2011.

GRI INDICATOR INDEX

Index to Global Reporting Initiative G3 indicators

This index includes the 2007 GRI guidelines (G3) and 2009 mining and minerals sector supplement.

	Reasonable assurance by E&Y
	Limited assurance by E&Y
	Exxaro material issue

GRI	Topic	Page
	Strategy and analysis	
1.1	Statement from senior management	41
1.2	Key impacts, risks and opportunities	Foldout, 16
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EC3	Coverage of defined benefit plan obligations	160
EC4	Significant financial assistance from government	zero
EC5	Standard entry-level wage compared to local minimum wage	160
EC6	Policy, practices, and spending on local suppliers	129
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GRI	Topic	Page
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	Materials	
EN1	Materials used by weight or volume	nr
EN2	Percentage recycled input materials (includes post-consumer recycled material and waste from industrial sources, but excludes internal recycling within facility (home scrap).	nm
	Energy	
EN3	Direct consumption by primary energy source	117
EN4	Indirect consumption by primary source	117
EN5	Energy saved from conservation and efficiency improvements	101, 117
EN6	Reductions from energy-efficient or renewable energy-based products and services	101
EN7	Initiatives to reduce indirect energy consumption, reductions achieved	101-105
	Water	
EN8	Total water withdrawal by source. Water use, including water quality	99
EN9	Sources significantly affected by withdrawal	99
EN10	Percentage and volume recycled and reused	nr
	Biodiversity	
EN11	Location and size of land owned, leased, managed or adjacent to protected areas, areas of high biodiversity value	107-111
EN12	Description of significant impacts of activities.	108-111
	Where possible, describe impact (gain/loss) on sustainable land use. Include impacts of resettlement and closure activities reported under MM9 and MM10 respectively.	108-111
MMI	Amount of land (owned/leased, managed for production or extractive use) disturbed or rehabilitated	113
EN13	Habitats protected or restored. Report on biodiversity offsets	108-111
EN14	Strategies, actions and plans for managing impacts on biodiversity. Disclose consideration of ecosystems services and associated values.	108-111
MM2	Number and percentage of total sites requiring biodiversity management plans according to stated criteria, and number (percentage) of sites with plans in place	108-111
EN15	IUCN Red List species and national conservation list species in areas affected by operations	108-111
	Emissions, effluents, and waste	
EN16	Total direct and indirect greenhouse gas emissions	102, 117
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EN18	Initiatives to reduce greenhouse gas emissions, reductions achieved	100-105
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EN20	NOx, SOx, and other significant air emissions by type and weight. Include emissions from major mobile sources and on-site stationary sources	117
EN21	Total water discharge by quality and destination	nr
EN22	Total weight of waste by type and disposal method. Site waste and construction waste. Large-volume mining and mineral processing waste to be reported under MM3	nr
MM3	Total amounts of overburden, rock, tailings and sludges and their associated risks	nr
EN23	Total number and volume of significant spills. Include spills of tailings, slimes or other significant process materials. Report follow-up actions to reduce number and severity of spills, even at a level before emergency procedures are required.	115-116
EN24	Waste transported under terms of Basel Convention (Annex I, II, III, VIII)	na
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by discharges of water and runoff	nr
	Products and services	
EN26	Initiatives to mitigate environmental impacts of products, extent of mitigation	105
EN27	Percentage of products sold and packaging materials reclaimed by category	na
	Compliance	
EN28	Significant fines, sanctions for non-compliance with environmental laws and regulations	Zero
	Transport	
EN29	Significant impacts of transporting products, and members of workforce	nr
EN30	Total environmental protection expenditures and investments by type	nr

GRI INDICATOR INDEX CONTINUED

GRI	Topic	Page
	Social performance: labour practices and decent work	
	Employment	
LA1	Workforce by employment type, employment contract and region	121
LA2	Number and rate of employee turnover by age group, gender, and region	122
LA3	Benefits for full-time employees not provided to temporary/part-time employees	127, 160
	Labour/management relations	
LA4	Percentage employees covered by collective bargaining agreements	127
LA5	Minimum notice period on significant changes, including specified in collective agreements	127
MM4	Number of strikes and lock-outs exceeding one week's duration, by country	127
	Occupational health and safety	
LA6	Percentage workforce represented in formal joint health and safety committees to monitor and advise on programmes	80
LA7	Rates of injury, occupational diseases, lost days, absenteeism, work-related fatalities. Describe each fatality, and subsequent actions	82, 87
LA8	Education, training, counselling, prevention, and risk-control programmes to assist workforce members, their families or community members with serious diseases	83
LA9	Health and safety topics covered in formal agreements with trade unions	83
	Training and education	
LA10	Average hours of training per year per employee by employee category	125
LA11	Programmes for skills management and lifelong learning that support continued employability	125
LA12	Percentage of employees receiving regular performance and career development reviews.	124, 160
	Diversity and equal opportunity	
LA13	Composition of governance bodies and breakdown of employees per category: gender, age group, minority group membership, and other indicators of diversity	123
LA14	Ratio of basic salary of men to women by employee category	121
	Social performance: human rights	
	Investment and procurement practices	
HR1	Percentage and number of significant investment agreements with human rights clauses or human rights screening	nr
HR2	Percentage significant suppliers and contractors screened on human rights and actions taken	nr
HR3	Total hours and percentage employee training on aspects of human rights relevant to operations	128
	Non-discrimination	
HR4	Total number of incidents of discrimination and actions taken	Zero, 121
	Freedom of association and collective bargaining	
HR5	Operations where right to freedom of association and collective bargaining may be at significant risk, actions taken to support rights.	127
HR6	Operations with significant risk for incidents of child labour, measures to eliminate	Zero
HR7	Operations with significant risk of forced or compulsory labour, measures to eliminate	Zero
	Security practices	
HR8	Percentage security personnel trained in policies/procedures on human rights relevant to operations	128
	Total number of operations in/adjacent to indigenous peoples' territories, and number and percentage of operations/sites with formal agreements with indigenous peoples' communities	nr
MM5	Indigenous rights	
HR9	Number of violations involving rights of indigenous people and actions taken	nr

GRI	Topic	Page
	Social performance: society	
	Community	
SO1	Programmes and practices to manage impacts of operations on communities, including entering, operating, and exiting. Exxaro donations Disclose how Exxaro acts to mitigate negative impacts and contribute to local development, and how consultation processes ensure that assessing impacts and evaluating benefits properly reflect local views. Report on extent to which community participation processes are socially inclusive and ensure engagement with disadvantaged groups (social responsibility aspect) or means to oppose operations if they do not feel they are treated equitably (risk mitigation aspect). Issues for particular consideration include: > Community economic development planning processes, including sources of community income, access to services and social infrastructure, access to capital and natural resources, and access to further education and skills training. > Co-ordination with other agencies, eg on poverty alleviation and natural resource management. > Procedures for identifying and protecting subsistence-related resources of local communities, including water, plants and wildlife. > Measures of community health and wellbeing, incl prevalence of cultural practices and associations.	131-136
MM6	Number and description of significant disputes on land use, customary rights of local communities and indigenous peoples	nr
MM7	Extent to which grievance mechanisms were used to resolve disputes above, and outcomes	nr
MM8	Number (and percentage of operating sites where artisanal and small-scale mining (ASM) takes place on/adjacent to the site; associated risks and actions taken to manage and mitigate these risks	nr
MM9	Sites where resettlements took place, number of households resettled, and how livelihoods affected	nr
MM10	Number and percentage of operations with closure plans	113
	Corruption	
SO2	Percentage and number of business units analysed for risks related to corruption	nr
SO3	Percentage of employees trained in anti-corruption policies and procedures	145
SO4	Actions taken in response to incidents of corruption	149
	Public policy	
SO5	Public policy positions and participation in policy development and lobbying	28
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions	zero
	Anti-competitive behaviour	
SO7	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices, outcomes	Zero
	Compliance	
SO8	Significant fines, sanctions for non-compliance with laws and regulations. Summary of judgments against Exxaro on health and safety and labour laws.	Zero, 144

GRI INDICATOR INDEX CONTINUED

GRI	Topic	Page
	Social performance: product responsibility	
	Customer health and safety	
MM11	Programmes and progress relating to materials stewardship	nr
PR1	Life cycle stages in which impacts of products and services are assessed for improvement, percentage of significant products and services categories subject to such procedures	nr
PR2	Number non-compliances with regulations and voluntary codes on health and safety impacts of products and services during life cycle, by types of outcomes	na
	Products and service labelling	
PR3	Type of information required, percentage of significant products concerned	na
PR4	Incidents of non-compliance with regulations and voluntary codes on labelling	na
PR5	Practices related to customer satisfaction	na
	Marketing communications	
PR6	Programmes for adherence to laws, standards, and voluntary codes	155
PR7	Incidents of non-compliance	Zero
	Customer privacy	
PR8	Substantiated complaints on breaches of customer privacy and losses of customer data	na
	Compliance	
PR9	Significant fines for non-compliance with laws and regulations concerning provision and use of products and services.	na

nm – not measured nr – not reported na – not applicable

GROUP CASH VALUE ADDED STATEMENTS

for the year ended 31 December 2010 (Unaudited)

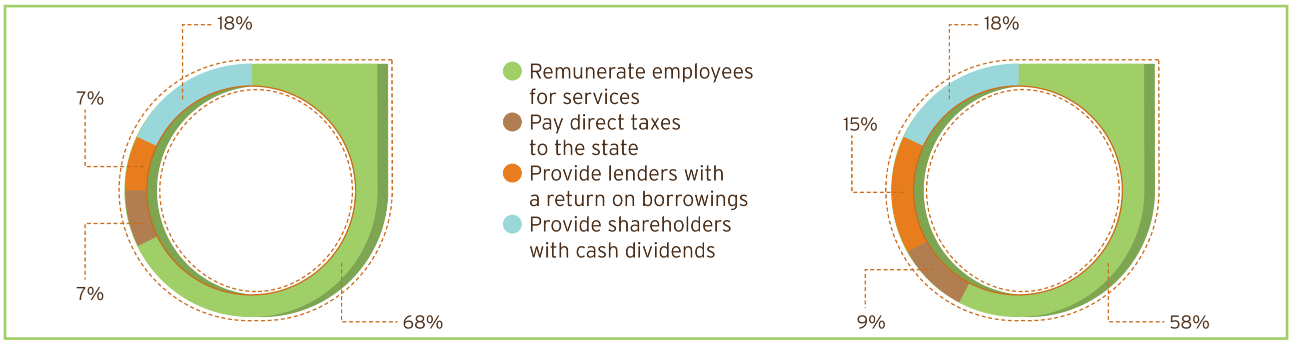
The value added statement shows the wealth the group has created through mining, beneficiation, trading and investing operations. Exxaro generates and creates value for many of its stakeholders as follows:

- Exxaro's biggest assets: employees receive salaries/wages, as well as bonuses.
- The governments of the countries where Exxaro has operations receive taxes and royalty payments.
- Suppliers and contractors are supported through the procurement of consumables, services and capital goods.
- To ensure sustainability and expansion continual and substantial re-investment into the group is necessary.
- Shareholders receive a fair return on their investment through dividends and growth on the share price.

The statement below summarises the total cash wealth created and how it was disbursed among the group's stakeholders, leaving a retained amount which was reinvested in the group for the replacement of assets and further development of operations.

	31 December 2010 Rm	31 December 2009 Rm
Cash generated		
Cash derived from sales and services	**16 524**	14 812
Income from investments and interest received	**1 817**	1 754
Paid to suppliers for materials and services	**(10 044)**	(10 802)
Cash value added	**8 297**	5 764
Cash utilised to:		
Remunerate employees for services	**4 056**	3 502
Pay direct taxes to the state	**430**	892
Provide lenders with a return on borrowings	**391**	526
Provide shareholders with cash dividends	**1 056**	1 050
Cash disbursed among stakeholders	**5 933**	5 970
Cash retained in the group to maintain and develop operations	**2 364**	(206)
Total cash value disbursed or retained	**8 297**	5 764
Notes to the group cash value added statement		
1. Taxation contribution		
Direct taxes (as above)	**430**	892
Value added taxes levied on purchases of goods and services	**2 010**	1 915
Gross contributions	**2 440**	2 807
2. Additional amounts collected by the group on behalf of government		
Value added tax and other duties charged on turnover	**2 091**	1 976
Employees' tax deducted from remuneration paid	**1 016**	652
Unemployment Insurance Fund	**30**	32
Withholding tax	**4**	
	3 141	2 660
3. Levies paid to government		
Rates and taxes paid to local authorities	**28**	35
Royalties paid to government	**115**	80
Workers' Compensation Fund	**10**	6
Unemployment Insurance Fund	**30**	32
Skills Development Levy	**30**	30
	213	183

Cash disbursed among stakeholders 2010 **Cash disbursed among stakeholders 2009**



SELECTED GROUP FINANCIAL DATA TRANSLATED INTO US DOLLARS

for the year ended 31 December 2010 (Unaudited)

The group statutory 2010 financial statements have been expressed in US dollars for information purposes.

The average US dollar/rand of USD1:R7,30 (2009: USD1:R8,35) has been used to translate the income and statement of cash flows,whilst the statement of financial position has been translated at the closing rate on the last day of the reporting period of USD1:R6,63 (2009: USD1:R7,40).

	2010 USD million	2009 USD million
INCOME STATEMENTS		
Revenue	**2 350**	1 797
Operating expenses	**(1 989)**	(1 761)
NET OPERATING PROFIT	**361**	36
Net financing costs	**(62)**	(50)
Income from equity-accounted investments	**509**	228
PROFIT BEFORE TAX	**808**	214
Income tax expense	**(91)**	(92)
PROFIT FOR THE YEAR	**717**	122
Profit attributable to:		
Owners of the parent	**714**	122
Non-controlling interests	**4**	
	717	122
Attributable earnings per share (cents)	**206**	36
Headline earnings	**710**	301
Headline earnings per share (cents)	**205**	87
STATEMENTS OF FINANCIAL POSITION at 31 December 2010		
ASSETS		
Non-current assets		
Property, plant and equipment	**2 007**	1 605
Biological assets	**7**	6
Intangible assets	**11**	12
Investments in associates and joint ventures	**585**	266
Deferred tax	**110**	85
Financial assets	**208**	164
Current assets		
Cash and cash equivalents	**323**	138
Other	**1 052**	853
Non-current assets classified as held-for-sale	**13**	12
TOTAL ASSETS	**4 316**	3 141
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent	**2 630**	1 745
Non-controlling interests	**(3)**	
Non-current liabilities		
Interest-bearing borrowings	**550**	588
Deferred tax, non-current provisions and financial liabilities	**535**	395
Current liabilities		
Interest-bearing borrowings	**108**	55
Other	**488**	351
Non-current liabilities classified as held-for-sale	**8**	7
TOTAL EQUITY AND LIABILITIES	**4 316**	3 141
NET DEBT (refer definitions on page 181)	**335**	504
STATEMENTS OF CASH FLOWS for the year ended 31 December 2010		
Cash flows from operating activities	**324**	(25)
Cash flows from investing activities	**(134)**	(169)
Cash flows from financing activities	**(37)**	105
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**153**	(89)

DEFINITIONS

Attributable cash flow per ordinary share
Cash flow from operating activities after adjusting for participation of non-controlling interests therein divided by the weighted average number of ordinary shares in issue during the year.

Capital employed
Total equity plus net debt minus non-current financial asset.

Cash and cash equivalents
Comprise cash on hand and current accounts in bank, net of bank overdrafts, together with any highly liquid investments readily convertible to known amounts of cash and not subject to significant risk of changes in value.

Current ratio
Current assets divided by current liabilities.

Dividend cover
Attributable earnings per ordinary share divided by dividends per ordinary share.

Dividend yield
Dividends per ordinary share divided by the closing share price on the JSE Limited.

Earnings per ordinary share
– **Attributable earnings basis**
  Earnings attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the year.
– **Headline earnings basis**
  Earnings attributable to owners of the parent adjusted for profits and losses on items of a capital nature recognising the tax and non-controlling interests impacts on these adjustments, divided by the weighted average number of ordinary shares in issue during the year.

NET FInancing cost cover
– EBIT: net operating profit (before interest and tax) divided by net financing costs
– EBITDA: net operating profit (before interest, tax, depreciation, amortisation, impairment charges and net deficit/surplus on sale of investments and assets) divided by net financing costs.

Headline earnings yield
Headline earnings per ordinary share divided by the closing share price on the JSE Limited.

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

Net assets
Total assets less current and non-current liabilities less non-controlling interests which equates to equity of owners of the parent.

Net debt to equity ratio
Interest-bearing debt less cash and cash equivalents as percentage of total equity.

Net equity per ordinary share
Equity attributable to owners of the parent divided by the number of ordinary shares in issue at the year end.

Number of years to repay interest-bearing debt
Interest-bearing debt divided by cash flow from operating activities before dividends paid.

Operating margin
Net operating profit as a percentage of revenue.

Operating profit per employee
Net operating profit divided by the average number of employees during the year.

Return on capital employed
Net operating profit plus income from non-equity-accounted investments plus income from investments in associates as a percentage of average capital employed.

Return on ordinary shareholders' equity
– **Attributable earnings**
  Earnings attributable to owners of the parent as a percentage of average equity attributable to owners of the parent.
– **Headline earnings**
  Headline earnings attributable to owners of the parent as a percentage of average equity attributable to owners of the parent.

Return on invested capital
Net operating profit plus income from non-equity accounted investments plus income from investments in associates as a percentage of the average invested capital.

Return on net assets
Net operating profit plus income from non-equity accounted investments plus income from investments in associates as a percentage of the average net assets.

Revenue per employee
Revenue divided by the average number of employees during the year.

Total asset turnover
Revenue divided by average total assets.

Weighted average number of shares in issue
The number of shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period in which they have participated in the income of the group.

In the case of shares issued pursuant to a share capitalisation award in lieu of dividends, the participation of such shares is deemed to be from the date of issue.

GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2010

Financials

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DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

TO THE MEMBERS OF EXXARO RESOURCES LIMITED

The directors of the company are responsible for maintaining adequate accounting records, the preparation of the annual financial statements of the company and the group and to develop and maintain a sound system of internal control to safeguard shareholders' investments and the group's assets. In presenting the accompanying financial statements, International Financial Reporting Standards have been followed, applicable accounting policies have been used and prudent judgements and estimates have been made.

In order for the directors to discharge their responsibilities, management has developed and continues to maintain a system of internal control aimed at reducing the risk of error or loss in a cost-effective manner. Such systems can provide reasonable but not absolute assurance against material misstatement or loss. The directors, primarily through the audit, risk and compliance committee which consists only of non-executive directors, meet periodically with the external and internal auditors, as well as executive management to evaluate matters concerning accounting policies, internal control, auditing, financial reporting and risk management. The group's internal auditors independently evaluate the internal controls and coordinate their audit coverage with the external auditors. The external auditors are responsible for reporting on the financial statements. The external and internal auditors have unrestricted access to all records, property and personnel as well as to the audit, risk and compliance committee. The directors are not aware of any material breakdown in the functioning of these controls and systems during the year under review.

The directors are of the opinion, based on the information and explanations given by management and the internal auditors, and on comments made by the external auditors on the results of their audit conducted for the purpose of expressing their opinion on the annual financial statements, that the internal accounting controls are adequate, such that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

The directors have reviewed the group's financial budgets with its underlying business plans for the period to 31 December 2011. In light of the current financial position and existing borrowing facilities, they consider it appropriate that the annual financial statements be prepared on the going-concern basis.

Against this background, the directors of the company accept responsibility for the annual financial statements, which were approved by the board of directors on 22 February 2011 and are signed on its behalf by:

SA Nkosi
Chief executive officer

WA de Klerk
Finance director

The external auditor has audited the annual financial statements of the company and group and their unmodified report appears on page 185.

CERTIFICATE BY COMPANY SECRETARY

In terms of the Companies Act No 61 of 1973 of South Africa, as amended, I, MS Viljoen, in my capacity as company secretary, confirm that for the year ended 31 December 2010, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

MS Viljoen
Company secretary

22 February 2011

REPORT OF THE INDEPENDENT AUDITOR ON THE ANNUAL FINANCIAL STATEMENTS TO THE MEMBERS OF EXXARO RESOURCES LIMITED

We have audited the annual financial statements of Exxaro Resources Limited, which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on the attached pages.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Exxaro Resources Limited as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Deloitte & Touche
Registered auditor
Per BW Smith
Partner

22 February 2011

Buildings 1 and 2, Deloitte Place
The Woodlands Office Park
Woodlands Drive, Sandton

National Executive: GG Gelink *(Chief Executive)*,
AE Swiegers *(Chief Operating Officer)*
GM Pinnock *(Audit)*, DL Kennedy *(Risk Advisory)*, NB Kader *(Tax & Legal Services)*, L Geeringh *(Consulting)*, L Bam *(Corporate Finance)*, JK Mazzocco *(Human Resources)*, CR Beukman *(Finance)*, TJ Brown *(Clients)*, NT Mtoba *(Chairman of the Board)*, MJ Comber *(Deputy Chairman of the Board)*

A full list of partners and directors is available on request.

BBBEE rating: Level 2 contributor/AAA (certified Empowerdex)
Member of Deloitte Touche Tohmatsu Limited

REPORT OF THE DIRECTORS

The directors have pleasure in presenting the annual financial statements of Exxaro Resources Limited (Exxaro) and the group for the year ended 31 December 2010.

NATURE OF BUSINESS

Exxaro, incorporated in South Africa, is a mining group of companies focusing on extracting and processing a range of minerals and metals including coal, mineral sands, base metals and selected industrial minerals. Exxaro also holds a 20% interest in Sishen Iron Ore Company (Pty) Limited, which extracts and processes iron ore.

CORPORATE GOVERNANCE

The board of Exxaro endorses the principles contained in the King III report.

Full details on how these principles were applied in Exxaro and the actions undertaken to achieve full compliance are set out in the corporate governance report on page 140.

REGISTRATION DETAILS

Exxaro is a company listed on the JSE Limited. The company registration number is 2000/011076/06. The registered office is Roger Dyason Road, Pretoria West, 0183, Republic of South Africa.

ACTIVITIES AND FINANCIAL RESULTS

Summarised information on the activities and performance of the group and the various divisions of the group are contained in the reports on pages 6 to 11 as well as in the financial and operational review on pages 48 to 59. These reports are unaudited.

CAPITAL MANAGEMENT

As a diversified mining company Exxaro is exposed to the cyclical price movements associated with its suite of commodities. The group's policy is therefore to ensure it maintains a robust capital structure with strong financial metrics underpinned by adequate borrowing facilities to withstand a significant downturn in commodity cycles. Growth opportunities, debt levels and dividend distributions to shareholders are considered against this backdrop.

The board of directors is ultimately responsible to monitor debt levels, return on capital as well as compliance with contractually agreed loan covenants. For the year under review the following key metrics were achieved:

	2010	2009
Net debt/equity ratio (%)	**13**	29
Net financing cost cover – EBITDA (times)	**9**	7
Return on capital employed (%)	**38**	15

(Refer definitions on page 181)

The capital base consists of total shareholders' equity as disclosed, as well as interest-bearing borrowings. As a new-generation empowerment company with a 56% BEE shareholding, Exxaro is constrained from issuing equity, and its memorandum and articles of association accordingly incorporate various provisions limiting the issue of new shares or alterations to its share capital that could result in a loss of its empowerment status.

The group aims to cover its annual net funding requirements through longer-term loan facilities with maturities spread evenly over time.

Although the intention is to progress to distributing 50% of attributable earnings to shareholders, adequate provision is made for future commitments and working capital requirements in determining the level of interim and final dividends to shareholders.

The group may from time to time repurchase its own shares in the open market, depending on prevailing market prices. These share repurchases are primarily intended to settle the group's various employee share incentive schemes and decisions are made on a specific transaction basis by the executive committee. The group does not, however, have a defined share buyback plan.

During the year, the group complied with all its contractually agreed loan covenants.

There were no changes in the group's approach to capital management during the year. The group continuously reviews its capital expenditure programmes, including sustaining capital to ensure that its capital structure remains robust to withstand any downturns. Neither the company nor any of its subsidiaries are subject to externally imposed regulatory capital requirements.

PROPERTY, PLANT AND EQUIPMENT

Capital expenditure for the period was R2 677 million (2009: R1 982 million).

SHAREHOLDERS' RESOLUTIONS

At the ninth annual general meeting of shareholders, held on 21 May 2010, the following resolutions were passed:

- renewal of the authority that unissued shares be placed under the control of the directors
- general authority to issue shares for cash
- resolution to approve amendments to the 2006 incentive plans
- resolution to authorise directors to issue and allot shares in terms of the 2006 incentive plans
- special resolution to authorise directors to repurchase company shares.

Exxaro and its subsidiaries have passed no other special or ordinary shareholders' resolutions of material interest or of a substantive nature.

SHARE CAPITAL

The total number of shares in issue increased during the year to 358 089 230. The increase can be summarised as follows:

	Date of issue	Number of shares
Opening balance		356 940 200
Issued in terms of the Kumba management share option scheme due to options exercised at market prices ranging from R106,03 to R140,09	4 January 2010 to 17 December 2010	1 149 030
Closing balance		358 089 230

SHAREHOLDERS
An analysis of shareholders and shareholdings appears on page 168 of the annual report.

DIVIDEND PAYMENTS
Dividend number 15
Interim dividend number 15 of 200 cents per share was declared in South African currency for the period ended 30 June 2010. The dividend was paid on Monday, 4 October 2010 to shareholders recorded in the register of the company at close of business on Friday, 1 October 2010. To comply with the requirements of Strate, the last day to trade cum dividend was Thursday, 23 September 2010. The shares commenced trading ex dividend on Monday, 27 September 2010 and the record date was Friday, 1 October 2010.

Dividend number 16
Final dividend number 16 of 300 cents per share was declared in South African currency for the period ended 31 December 2010.

No Secondary Tax on Companies (STC) was payable on these dividends after taking into account STC credits on the dividends received from SIOC.

The dividend payment date is Monday, 11 April 2011 to shareholders recorded in the books of the company at close of business on Friday, 8 April 2011. To comply with the requirements of Strate, the last day to trade cum dividend is Friday, 1 April 2011. The shares will commence trading ex dividend on Monday, 4 April 2011 and the record date is Friday, 8 April 2011.

INVESTMENTS AND SUBSIDIARIES
The financial information on investments and interests in subsidiaries of the company is disclosed in annexures 2 and 3 to the financial statements.

EVENTS AFTER THE REPORTING PERIOD
The directors are not aware of any matter or circumstance arising after the statement of financial position date up to the date of this report not dealt with in this report or in the group financial statements that would significantly affect the operations or the results of the group.

On 1 January 2011 the Glen Douglas investment was sold to JSE-listed materials supplier Afrimat Limited. On 31 December 2010, this investment still constituted a non-current asset classified as held for sale.

The Fairbreeze project was approved by the board and construction is expected to start in the second quarter of 2011 subject to normal regulatory and environmental approvals. A possible reversal or partial reversal of the previous impairments of the carrying value of the assets will be considered during 2011.

DIRECTORATE AND SHAREHOLDINGS
The names of the directors in office at the date of this report are set out on page 142.

The following changes occurred to the board in 2010:
- Ms N Langeni was appointed as a non-executive director of the board on 23 February 2010 as the Basadi Ba Kopane Investments (Pty) Limited nominated representative.
- The acting chairman, Dr D Konar, was elected as chairman of the board with effect from 23 February 2010. J van Rooyen was appointed as Chairman of the Audit, Risk and Compliance Committee (audit committee) on the same date.

The directors below are required to retire by rotation in terms of clause 16.1 of the articles of association of the company, and being eligible for re-election, offer themselves for re-election at the forthcoming annual general meeting:
- VZ Mntambo
- NL Sowazi
- J van Rooyen
- D Zihlangu

COMPANY SECRETARY
The company secretary is MS Viljoen. The company secretary's registered address is:

Roger Dyason Road	PO Box 9229
Pretoria West	Pretoria
0183	0001
South Africa	South Africa

AUDIT COMMITTEE
The audit committee (referred to as the audit, risk and compliance committee) of Exxaro operates within prescribed terms of reference incorporating all duties and responsibilities as required by the:
- Corporate Laws Amendment Act
- The JSE Listings Requirements
- King III.

The committee has reviewed the scope as well as the independence and objectivity of the external auditor and satisfied itself that the external auditor is independent as defined by the Companies Act, and the committee has approved the audit fees for the period ended 31 December 2010. The committee has nominated PricewaterhouseCoopers (PwC) as external auditor for the 2011 financial year for approval at the annual general meeting on 19 May 2011. Refer to the section on corporate governance on page 153 for further details on the composition, role, purpose and principal functions of the audit committee.

At the board meeting on 22 February 2011, Mr J van Rooyen was re-elected as chairman of the audit, risk and compliance committee for the following year.

REPORT OF THE DIRECTORS CONTINUED

INDEPENDENT AUDITOR

In line with the group's practice of reviewing its service providers every five years, Exxaro appointed PricewaterhouseCoopers (PwC) as its statutory auditor from the 2011 fiscal year to replace Deloitte & Touche subsequent to its audit of Exxaro's financial results for the year ended 31 December 2010.

NON-AUDIT SERVICES

Exxaro has an approved board policy to regulate the use of non-audit services by our independent 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, Deloitte & Touche were engaged for tax advisory and compliance services, accounting opinions and other advisory services. The fees applicable to these services totalled R0,8 million.

CHANGE IN ACCOUNTING POLICIES

The accounting policies are consistent with those applied in the annual financial statements for the year ended 31 December 2009.

BORROWING POWERS

Borrowing capacity is determined by the directors in terms of the articles of association, from time to time:

	GROUP	
	2010 Rm	2009 Rm
Amount approved	**21 850**	16 136
Total borrowings	**4 360**	4 754
Unutilised borrowing capacity	**17 490**	11 382

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2010 and 2009 financial years.

GOING CONCERN

The directors believe the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going-concern basis. The board is not aware of any new material changes that may adversely impact the group. The board is not aware of any material non-compliance with statutory or regulatory requirements.

EMPLOYEE INCENTIVE SCHEMES

Details of the group's employee incentive schemes are set out on page 164 of this report.

ANNUAL GENERAL MEETING

The tenth annual general meeting of members of Exxaro will be held at the corporate office, Roger Dyason Road, Pretoria West, South Africa, at 09:00 on Thursday, 19 May 2011. Refer to pages 304 to 308 of these annual financial statements for further details of the ordinary and special business for consideration at this meeting.

DIRECTORS' REMUNERATION

This report on remuneration and related matters covers issues which are the concern of the board as a whole, in addition to those which were dealt with by the transformation, remuneration, human resources and nomination committee (Tremco).

REMUNERATION POLICY

Tremco has a clearly defined mandate from the board aimed at:

- ensuring the company's chairman, directors and senior executives are fairly rewarded for their individual contributions to the company's overall performance
- ensuring the company's remuneration strategies and packages, including incentive schemes, are related to performance, suitably competitive and give due regard to the interests of the shareholders and the financial and commercial health of the company (page 160).

DIRECTORS' SERVICE CONTRACTS

All executive directors' normal contracts are subject to six calendar months' notice. Non-executive directors are not bound by service contracts.

There are no restraints of trade associated with the contracts of executive directors.

DIRECTORS' REMUNERATION CONTINUED

SUMMARY OF REMUNERATION for the year ended 31 December 2010

	Basic salary R	Fees for services R
Executive directors		
SA Nkosi	**5 233 180**	
WA de Klerk	**2 879 349**	
	8 112 529	
Less: Gains on share scheme		
Add: Share-based payment expense		
Total remuneration paid by Exxaro	**8 112 529**	
Non-executive directors		
JJ Geldenhuys		**411 680**
CI Griffith[4]		**236 487**
U Khumalo[4]		**200 120**
Dr D Konar (chairman)		**603 200**
N Langeni[3]		**191 622**
VZ Mntambo		**268 460**
RP Mohring		**509 330**
NL Sowazi[4]		**297 770**
J van Rooyen		**371 031**
D Zihlangu		**268 460**
Total remuneration paid by Exxaro		**3 358 160**

[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 23 February 2010.*
[4] *Fees paid to the respective employer and not the individual.*

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

Performance bonuses[1] R	Benefits and allowances[2] R	Retirement fund contributions R	Gains on management share option scheme R	Other R	Total R
3 150 335	97 403	458 341	4 457 001	6 005	13 402 265
1 633 632	225 137	274 397	2 231 251	3 488	7 247 254
4 783 967	322 540	732 738	6 688 252	9 493	20 649 519
					(6 688 252)
					9 890 618
4 783 767	322 540	732 738	6 688 252	9 493	23 851 885
	34 003				445 683
					236 487
					200 120
					603 200
	6 569				198 191
					268 460
	26 520				535 850
					297 770
					371 031
	3 179				271 639
	70 271				3 428 431

DIRECTORS' REMUNERATION CONTINUED

SUMMARY OF REMUNERATION for the year ended 31 December 2009

	Basic salary R	Fees for services R
Executive directors		
SA Nkosi	4 051 228	
WA de Klerk[3]	2 232 764	
DJ van Staden[4]	489 511	
	6 773 503	
Less: Gains on share scheme		
Add: Share-based payment expense		
Total remuneration paid by Exxaro	6 773 503	
Non-executive directors		
PM Baum[5, 6]		123 720
JJ Geldenhuys		379 440
CI Griffith[5, 7]		76 850
U Khumalo[5]		184 440
Dr D Konar (chairman)		570 000
VZ Mntambo		247 440
RP Mohring		469 440
SEA Mngomezulu[8]		184 440
NL Sowazi[5]		240 737
J van Rooyen		274 440
D Zihlangu		247 440
Total remuneration paid by Exxaro		2 998 387

[1] *All incentive schemes are performance related and were approved by the board. The three-tier short-term incentive scheme applies to all employees throughout the group.*
[2] *Include travel allowances.*
[3] *Appointed on 1 March 2009*
[4] *Retired on 28 February 2009*
[5] *Fees paid to the respective employer and not the individual*
[6] *Resigned on 15 July 2009*
[7] *Appointed on 16 July 2009*
[8] *Resigned on 21 December 2009*

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

Performance bonuses[1] R	Benefits and allowances[2] R	Retirement fund contributions R	Gains on management share option scheme R	Other R	Total R
2 373 637	135 713	368 187		4 728	6 933 493
1 708 603	215 838	217 551	1 644 031	2 843	6 021 630
308 427	426 980	51 117		529	1 276 564
4 390 667	778 531	636 855	1 644 031	8 100	14 231 687
					(1 644 031)
					3 288 279
4 390 667	778 531	636 855	1 644 031	8 100	15 875 935
					123 720
	35 241				414 681
					76 850
					184 440
					570 000
					247 440
	19 693				489 133
					184 440
					240 737
					274 440
	11 696				259 136
	66 630				3 065 017

DIRECTORS' REMUNERATION CONTINUED

	Direct	Indirect
Directors' beneficial interest in Exxaro shares at 31 December 2010		
Director		
SA Nkosi		**9 698 806**
WA de Klerk	**1 462**	
JJ Geldenhuys		
CI Griffith		
U Khumalo		
Dr D Konar (chairman)	**168**	
N Langeni		
VZ Mntambo		**5 529 881**
RP Mohring		
NL Sowazi		**3 038 387**
J van Rooyen		
D Zihlangu		**2 818 552**
Directors' non-beneficial interest in Exxaro shares at 31 December 2010		
Director		
SA Nkosi		
WA de Klerk		**54 950**
JJ Geldenhuys		
CI Griffith		
U Khumalo		
Dr D Konar (chairman)		
N Langeni		
VZ Mntambo		
RP Mohring		
NL Sowazi		
J van Rooyen		
D Zihlangu		

	Direct	Indirect
Directors' beneficial interest in Exxaro shares at 31 December 2009		
Director		
SA Nkosi		8 016 068
WA de Klerk	1 462	
JJ Geldenhuys		
CI Griffith		
U Khumalo		
Dr D Konar (chairman)	168	
VZ Mntambo		5 529 881
RP Mohring		
NL Sowazi		2 181 590
J van Rooyen		
D Zihlangu		2 818 552
Directors' non-beneficial interest in Exxaro shares at 31 December 2009		
Director		
SA Nkosi		
WA de Klerk		54 950
JJ Geldenhuys		
CI Griffith		
U Khumalo		
Dr D Konar (chairman)		
VZ Mntambo		
RP Mohring		
NL Sowazi		
J van Rooyen		
D Zihlangu		

There has been no change to the interest of directors in share capital since the year-end.

On 31 December 2010 Mr SA Nkosi held 2,7% (2009: 2,3%), Mr VZ Mntambo held 1,5% (2009: 1,6%) and Mr NL Sowazi held 0,8% (2009: 0,6%) directly or indirectly in the share capital of the company.

DIRECTORS' REMUNERATION CONTINUED

Directors' share options and restricted share awards

The following options and rights in shares in the company were outstanding in favour of directors of the company under the company's share option schemes:

Management share option scheme for the year ended 31 December 2010

	Options held at 31 December 2010	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2010 R
Executive director				
WA de Klerk	**3 230**	**13,62**	**16/03/2011**	**440 055**
	29 130	**12,90**	**16/03/2011**	**3 968 671**
	8 750	**19,62**	**22/04/2012**	**1 192 100**
	41 110			**5 600 826**

[1] *Based on a share price of R136,24 which prevailed on 31 December 2010.*

Management share option scheme for the year ended 31 December 2009

	Options held at 31 December 2009	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2009 R
Executive director				
WA de Klerk	3 230	13,62	16/03/2011	337 535
	29 130	12,90	16/03/2011	3 044 085
	8 750	19,62	22/04/2012	914 375
Total	41 110			4 295 995

[1] *Based on a share price of R104,50 which prevailed on 31 December 2009.*

Pre-tax gain if exercisable at 31 December 2010[1] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
396 063					
3 592 894					
1 020 425					
5 009 382					

Pre-tax gain if exercisable at 31 December 2009[1] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
293 542					
2 668 308					
742 700					
	2 140	11,48	92,11	172 548	26/10/2009
	4 000	11,48	91,20	318 880	26/10/2009
	2 840	10,76	91,51	229 330	26/10/2009
	1 710	10,76	91,30	137 723	26/10/2009
	9 790	10,76	91,00	785 550	26/10/2009
3 704 550	20 480			1 644 031	

DIRECTORS' REMUNERATION CONTINUED

Management share appreciation right scheme for the year ended 31 December 2010

	Rights held at 31 December 2010	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2010 R
Executive director				
SA Nkosi	**38 680**	**60,60**	**01/03/2014**	**5 269 763**
	41 780	**112,35**	**01/04/2015**	**5 692 107**
	67 430	**67,07**	**01/04/2016**	**9 186 663**
	45 474	**126,77**	**01/04/2017**	**6 195 378**
	193 364			**26 343 911**
WA de Klerk	**19 330**	**60,60**	**01/03/2014**	**2 633 519**
	16 410	**112,35**	**01/04/2015**	**2 235 698**
	37 760	**67,07**	**01/04/2016**	**5 144 422**
	21 478	**126,77**	**01/04/2017**	**2 926 163**
	94 978			**12 939 802**

[1] *Based on a share price of R136,24 which prevailed on 31 December 2010*

Management share appreciation right scheme for the year ended 31 December 2009

	Rights held at 31 December 2009	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2009[1] R
Executive director				
SA Nkosi	38 680	60,60	01/03/2014	4 042 060
	41 780	112,35	01/04/2015	
	67 430	67,07	01/04/2016	7 046 435
	147 890			11 088 495
WA de Klerk	19 330	60,60	01/03/2014	2 019 985
	16 410	112,35	01/04/2015	
	37 760	67,07	01/04/2016	3 945 920
	73 500			5 965 905

[1] *Based on a share price of R104,50 which prevailed on 31 December 2009.*

It is assumed that directors will not exercise rights which are out of the money.

Pre-tax gain if exercisable at 31 December 2010[1] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
2 925 755					
998 124					
4 664 133					
430 639					
9 018 651					
1 462 121					
392 035					
2 611 859					
203 397					
4 669 412					

Pre-tax gain if exercisable at 31 December 2009[1] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
1 698 052					
2 523 905					
4 221 957					
848 587					
1 413 357					
2 261 944					

DIRECTORS' REMUNERATION CONTINUED

Management share scheme – long-term incentive plan for the year ended 31 December 2010

	Rights held at 31 December 2010	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2010 R
Executive director				
SA Nkosi				
	41 782		**01/04/2011**	**5 692 380**
	67 438		**01/04/2012**	**9 187 753**
	47 412		**01/04/2013**	**6 459 411**
	156 632			**21 339 544**
WA de Klerk				
	16 418		**01/04/2011**	**2 236 788**
	37 764		**01/04/2012**	**5 144 967**
	21 478		**01/04/2013**	**2 926 163**
	75 660			**10 307 918**

[1] *Based on a share price of R136,24 which prevailed on 31 December 2010.*

Management share scheme – long-term incentive plan for the year ended 31 December 2009

	Rights held at 31 December 2009	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2009 R
Executive director				
SA Nkosi	38 682		01/03/2010	4 042 269
	41 782		01/04/2011	4 366 219
	67 438		01/04/2012	7 047 271
	147 902			15 455 759
WA de Klerk	19 334		01/03/2010	2 020 403
	16 418		01/04/2011	1 715 681
	37 764		01/04/2012	3 946 338
	73 516			7 682 422

[1] *Based on a share price of R104,50 which prevailed on 31 December 2009.*

Pre-tax gain if exercisable at 31 December 2010[1] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
	15 434		**116,00**	**1 790 344**	**05/03/2010**
	1 821		**116,01**	**211 254**	**05/03/2010**
	649		**116,05**	**75 316**	**05/03/2010**
	20 778		**116,25**	**2 415 443**	**05/03/2010**
5 692 380					
9 187 753					
6 459 411					
21 339 544	**38 682**			**4 492 357**	
	13 452		**116,25**	**1 563 795**	**05/03/2010**
	3 421		**116,26**	**397 725**	**05/03/2010**
	1 900		**116,28**	**220 932**	**05/03/2010**
	561		**116,31**	**65 250**	**05/03/2010**
2 236 788					
5 144 967					
2 926 163					
10 307 918	**19 334**			**2 247 702**	

Pre-tax gain if exercisable at 31 December 2009[1] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
4 042 269					
4 366 219					
7 047 271					
15 455 759					
2 020 403					
1 715 681					
3 946 338					
7 682 422					

DIRECTORS' REMUNERATION CONTINUED

Management share scheme – deferred bonus plan for the year ended 31 December 2010

	Rights held at 31 December 2010	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2010 R
Executive director				
SA Nkosi				
	718		**28/02/2011**	**97 820**
	2 573		**28/02/2011**	**350 546**
	213		**01/09/2011**	**29 019**
	2 315		**02/03/2012**	**315 396**
	6 620		**31/03/2012**	**901 909**
	466		**31/08/2012**	**63 488**
	1 433		**01/03/2013**	**195 232**
	3 527		**31/03/2013**	**480 518**
	420		**31/08/2013**	**57 221**
	18 285			**2 491 149**
WA de Klerk				
	542		**28/02/2011**	**73 842**
	1 398		**28/02/2011**	**190 464**
	182		**01/09/2011**	**24 796**
	1 644		**02/03/2012**	**223 979**
	3 000		**31/03/2012**	**408 720**
	326		**31/08/2012**	**44 414**
	1 003		**01/03/2013**	**136 649**
	2 083		**31/03/2013**	**283 788**
	262		**31/08/2013**	**35 695**
	10 440			**1 422 347**

[1] *Based on a share price of R136,24 which prevailed on 31 December 2010.*

Pre-tax gain if exercisable at 31 December 2010[1] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
	361		**112,68**	**40 677**	**08/09/2010**
97 820					
350 546					
29 019					
315 396					
901 909					
63 488					
195 232					
480 518					
57 221					
2 491 149	**361**			**40 677**	
	212		**112,68**	**23 888**	**08/09/2010**
73 842					
190 464					
24 796					
223 979					
408 720					
44 414					
136 649					
283 788					
35 695					
1 422 347	**212**			**23 888**	

DIRECTORS' REMUNERATION CONTINUED

Management share scheme – deferred bonus plan for the year ended 31 December 2009

	Rights held at 31 December 2009	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2009 R
Executive director				
SA Nkosi	361		01/10/2010	37 725
	718		01/04/2011	75 031
	2 573		01/04/2011	268 879
	213		01/10/2011	22 259
	2 315		01/04/2012	241 918
	6 620		04/05/2012	691 790
	466		01/10/2012	48 697
	13 266			1 386 299
WA de Klerk	212		01/10/2010	22 154
	542		01/04/2011	56 639
	1 398		01/04/2011	146 091
	182		01/10/2011	19 019
	1 644		01/04/2012	171 798
	3 000		04/05/2012	313 500
	326		01/10/2012	34 067
	7 304			763 268

[1] *Based on a share price of R104,50 which prevailed on 31 December 2009.*

Pre-tax gain if exercisable at 31 December 2009[1] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
37 725					
75 031					
268 879					
22 259					
241 918					
691 790					
48 697					
1 386 299					
22 154					
56 639					
146 091					
19 019					
171 798					
313 500					
34 067					
763 268					

INCOME STATEMENTS AND STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

		GROUP		COMPANY	
	Notes	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
Revenue	2	**17 155**	15 009	**1 048**	1 009
Operating expenses	3	**(14 519)**	(14 705)	**(1 295)**	(4 320)
NET OPERATING PROFIT/(LOSS)		**2 636**	304	**(247)**	(3 311)
Interest income	5	**135**	145	**64**	51
Interest expense	5	**(590)**	(560)	**(295)**	(390)
Income from investments	6	**2**	2	**3 205**	6 731
Income from equity-accounted investments	14	**3 717**	1 898		
PROFIT BEFORE TAX		**5 900**	1 789	**2 727**	3 081
Income tax expense	7	**(665)**	(766)	**(36)**	(2)
PROFIT FOR THE YEAR		**5 235**	1 023	**2 691**	3 079
Profit attributable to:					
Owners of the parent		**5 208**	1 023	**2 691**	3 079
Non-controlling interests		**27**			
		5 235	1 023	**2 691**	3 079
STATEMENTS OF COMPREHENSIVE INCOME					
Profit for the year		**5 235**	1 023	**2 691**	3 079
Other comprehensive income:					
Exchange differences on translating foreign operations		**(9)**	(35)	**2**	3
Cash flow hedges		**227**	(474)		
Share of comprehensive income of associates		**40**	(34)		
Income tax relating to components of other comprehensive income		**(115)**	142		
Net gain/(loss) recognised in other comprehensive income	26	**143**	(401)	**2**	3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5 378**	622	**2 693**	3 082
Total comprehensive income attributable to:					
Owners of the parent		**5 408**	759	**2 693**	3 082
Non-controlling interests		**(30)**	(137)		
		5 378	622	**2 693**	3 082
ATTRIBUTABLE EARNINGS PER SHARE (CENTS)	8				
– basic		**1 501**	297		
– diluted		**1 443**	286		

STATEMENTS OF FINANCIAL POSITION

at 31 December 2010

		GROUP		COMPANY	
	Notes	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	11	**13 305**	11 869	**266**	240
Biological assets	12	**46**	41		
Intangible assets	13	**75**	87	**1**	10
Investments in associates and joint ventures	14	**3 880**	1 966		
Investments in subsidiaries	15			**6 017**	6 668
Deferred tax	23	**726**	629	**85**	87
Financial assets	16	**1 375**	1 217	**12**	11
Total non-current assets		**19 407**	15 809	**6 381**	7 016
Current assets					
Inventories	17	**3 120**	3 133		
Trade and other receivables	18	**3 752**	3 121	**8 054**	7 090
Current tax receivable		**105**	57		14
Cash and cash equivalents		**2 140**	1 023	**1 229**	343
Total current assets		**9 117**	7 334	**9 283**	7 447
Non-current assets classified as held for sale	19	**85**	86	**10**	18
TOTAL ASSETS		**28 609**	23 229	**15 674**	14 481
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital and premium	20	**2 170**	2 141	**2 347**	2 318
Other components of equity		**2 321**	2 046	**1 143**	1 041
Retained earnings		**12 946**	8 721	**8 656**	7 038
Equity attributable to owners of the parent		**17 437**	12 908	**12 146**	10 397
Non-controlling interests		**(23)**	1		
Total equity		**17 414**	12 909	**12 146**	10 397
Non-current liabilities					
Interest-bearing borrowings	21	**3 644**	4 347	**2 718**	3 335
Non-current provisions	22	**2 193**	1 853	**27**	28
Financial liabilities			75		
Deferred tax	23	**1 353**	995		
Total non-current liabilities		**7 190**	7 270	**2 745**	3 363
Current liabilities					
Trade and other payables	24	**3 057**	2 510	**366**	359
Interest-bearing borrowings	21	**716**	407	**417**	362
Current tax payable		**147**	57		
Current provisions	22	**33**	27		
Total current liabilities		**3 953**	3 001	**783**	721
Non-current liabilities classified as held for sale	19	**52**	49		
TOTAL EQUITY AND LIABILITIES		**28 609**	23 229	**15 674**	14 481
NET DEBT		**2 220**	3 731	**1 906**	3 354

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2010

	Notes	GROUP 2010 Rm	GROUP 2009 Rm	COMPANY 2010 Rm	COMPANY 2009 Rm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated by/(utilised in) operations	25.1	**4 106**	2 117	**(24)**	(788)
Net financing costs	25.2	**(256)**	(381)	**(231)**	(337)
Tax paid	25.3	**(430)**	(892)		
Dividends paid	25.4	**(1 056)**	(1 050)	**(1 073)**	(1 066)
		2 364	(206)	**(1 328)**	(2 191)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investments to maintain operations	25.5	**(1 155)**	(992)	**(68)**	(88)
Investments to expand operations	25.6	**(1 522)**	(990)		
Investment in intangible assets			(19)		(19)
Proceeds from disposal of property, plant and equipment		**60**	11	**1**	
(Increase)/decrease in investments in other non-current assets	25.7	**(149)**	(1 090)	**606**	(795)
Income from equity accounted investments	25.8	**1 815**	1 752		
Income from investments	25.9	**2**	2	**2 205**	2 131
Foreign currency translations	25.10	**(29)**	(88)	**2**	1
		(978)	(1 414)	**2 746**	1 230
NET CASH INFLOW/(OUTFLOW)		**1 386**	(1 620)	**1 418**	(961)
CASH FLOWS FROM FINANCING ACTIVITIES					
Non-current interest-bearing borrowings raised		**345**	1 572		1 301
Non-current interest-bearing borrowings repaid		**(960)**	(658)	**(526)**	(674)
Current interest-bearing borrowings raised/(repaid)		**311**	(93)	**(35)**	157
Proceeds from issuance of share capital		**29**	43	**29**	42
Increase in loans from non-controlling interests		**6**	10		
		(269)	874	**(532)**	826
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1 117**	(746)	**886**	(135)
Cash and cash equivalents at beginning of year		**1 023**	1 769	**343**	478
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2 140**	1 023	**1 229**	343
CALCULATION OF MOVEMENT IN NET DEBT:					
Net cash inflow/(outflow) as above		**1 386**	(1 620)		
Add:					
– proceeds from issuance of share capital		**29**	43		
– loans from non-controlling interests		**6**	10		
– non-cash flow movements in net debt applicable to currency translation differences of transactions denominated in foreign currency		**187**	340		
– non-cash flow movements in net debt applicable to currency translation differences of net debt items of foreign entities		**(97)**	(123)		
DECREASE/(INCREASE) IN NET DEBT		**1 511**	(1 350)		

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

			Other components of equity						
	Share capital Rm	Share premium Rm	Foreign currency trans-lations Rm	Financial instru-ments revalu-ation Rm	Equity-settled Rm	Retained income Rm	Attribut-able to owners of the parent Rm	Non-control-ling interests Rm	Total equity Rm
OPENING BALANCE AT 1 JANUARY 2009	4	2 094	964	145	1 081	8 708	12 996	128	13 124
Total comprehensive income			(162)	(142)		1 063	759	(137)	622
Issue of share capital[1]		43					43		43
Share-based payment movements (restated)					160		160		160
Non-controlling interests additional contributions								10	10
Dividends paid[2]						(1 050)	(1 050)		(1 050)
BALANCE AT 31 DECEMBER 2009	**4**	**2 137**	**802**	**3**	**1 241**	**8 721**	**12 908**	**1**	**12 909**
Total comprehensive income			**(86)**	**213**		**5 281**	**5 408**	**(30)**	**5 378**
Issue of share capital[1]		**29**					**29**		**29**
Share-based payment movement					**148**		**148**		**148**
Non-controlling interests additional contributions								**6**	**6**
Dividends paid[2]						**(1 056)**	**(1 056)**		**(1 056)**
BALANCE AT 31 DECEMBER 2010	**4**	**2 166**	**716**	**216**	**1 389**	**12 946**	**17 437**	**(23)**	**17 414**
Dividend paid per share (cents) in respect of the 2009 financial year	**200**								
Dividend paid per share (cents) in respect of the 2010 interim period	**200**								
Final dividend payable per share (cents) in respect of 2010 financial year	**300**								

[1] *Issued to the Kumba Resources Management Share Trust due to options exercised.*
[2] *The STC on these dividends amount to Rnil after taking into account STC credits.*

Foreign currency translation reserve
The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities that are not integral to the operations of the group.

Financial instruments revaluation reserve
The financial instruments revaluation reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

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

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

			Other components of equity				
	Share capital Rm	Share premium Rm	Foreign currency trans-lations Rm	Financial instru-ments revalu-ation Rm	Equity-settled Rm	Retained income Rm	Total equity Rm
OPENING BALANCE AT 1 JANUARY 2009	4	2 272	(3)		949	5 025	8 247
Total comprehensive income			3			3 079	3 082
Share-based payment movements (restated)					92		92
Cash dividends paid[1]						(1 066)	(1 066)
Issue of share capital[2]		42					42
BALANCE AT 31 DECEMBER 2009	**4**	**2 314**			**1 041**	**7 038**	**10 397**
Total comprehensive income			**2**			**2 691**	**2 693**
Share-based payment movements					**100**		**100**
Cash dividends paid[1]						**(1 073)**	**(1 073)**
Issue of share capital[2]		**29**					**29**
BALANCE AT 31 DECEMBER 2010	**4**	**2 343**	**2**		**1 141**	**8 656**	**12 146**
Dividend paid per share (cents) in respect of the 2009 financial year	**200**						
Dividend paid per share (cents) in respect of the 2010 interim period	**200**						
Final dividend payable per share (cents) in respect of 2010 financial year	**300**						

[1] The STC on these dividends amount to Rnil after taking into account STC credits.
[2] Issued to the Kumba Resources Management Share Trust due to options exercised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2010

1. ACCOUNTING POLICIES

Principal accounting policies

The principal accounting policies of the group and the disclosures made in the annual financial statements comply with International Financial Reporting Standards (IFRS) effective for the group's financial year, as well as the AC 500 statements as issued by the Accounting Practices Board or its successor, schedule 4 Part IV of the South African Companies Act, No 61 of 1973, as amended, and the Listings Requirements of the JSE Limited.

The financial statements are prepared on the historical cost basis, except for the revaluation to fair value of financial instruments and biological assets. Where comparative financial information is reported, the accounting policies have been applied consistently for all periods.

Adoption of new and revised standards and interpretations

In May 2010, the International Accounting Standards Board (IASB) issued amendments to the standards as part of the annual improvements process. The amendments result from proposals that were contained in the exposure draft of proposed amendments to IFRS published in August 2009 and in the exposure draft Rate-regulated Activities published in July 2009. The annual improvements process provides a vehicle for making non-urgent but necessary amendments to IFRS. Some amendments involve consequential amendments to other IFRS.

The topics addressed by these amendments are as follows:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*
- IFRS 3 *Business Combinations*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 34 *Interim Financial Reporting*
- IFRIC 13 *Customer Loyalty Programmes*

The effective date of each amendment is included in the list of the new and revised standards and interpretation list below.

The following Standards and Interpretations have been applied, where relevant, to the financial statements for the period ended 31 December 2010:

- Amended IFRS 1 *First-time Adoption of International Financial Reporting,* effective for annual periods beginning on or after 1 July 2009.
- Amended IFRS 2 *Share-based Payment* resulting from April 2009 Annual Improvements to IFRS, effective for annual periods beginning on or after 1 July 2009.
- Amended IFRS 2 *Share-based Payment,* effective for annual periods on or after 1 January 2010.
- Revised IFRS 3 *Business Combinations,* effective for annual periods beginning on or after 1 July 2009.
- Amended IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations,* effective for annual periods beginning on or after 1 July 2009.
- Amended IFRS 8 *Operating Segments,* effective for annual periods beginning on or after 1 January 2010.
- Amended IAS 1 *Presentation of Financial Statements,* effective for annual periods beginning on or after 1 January 2010.
- Amended IAS 7 *Statement of Cash Flows,* effective for annual periods beginning on or after 1 January 2010.
- Amended IAS 17 *Leases,* effective for annual periods beginning on or after 1 January 2010.
- Revised IAS 27 *Consolidated and Separate Financial Statements,* effective for annual periods beginning on or after 1 July 2009.
- Revised IAS 28 *Investments in Associates,* effective for annual periods beginning on or after 1 July 2009.
- Revised IAS 31 *Interests in Joint Ventures,* effective for annual periods beginning on or after 1 July 2009.
- Amended IAS 32 *Financial Instruments: Presentation,* effective for annual periods beginning on or after 1 February 2010.
- Amended IAS 36 *Impairment of Assets,* effective for annual periods beginning on or after 1 January 2010.
- Amended IAS 38 *Intangible Assets,* effective for annual periods beginning on or after 1 January 2010.
- Amended IAS 39 *Financial Instruments: Recognition and Measurement,* effective from 1 July 2009.
- Amended IAS 39 *Financial Instruments: Recognition and Measurement,* effective for annual periods ending on or after 30 June 2009.
- Amended IAS 39 *Financial Instruments: Recognition and Measurement,* amendments resulting from April 2009 Annual Improvements to IFRS, effective for annual periods beginning on or after 1 January 2010.
- Amended IFRIC 9 *Reassessment of Embedded Derivatives,* effective for annual periods beginning on or after 1 July 2009.
- IFRIC 17 *Distributions of Non-cash Assets to Owners,* effective for annual periods beginning on or after 1 July 2009.
- IFRIC 18 *Transfers of Assets from Customers,* effective from 1 July 2009.

The adoption of the amended and revised standards did not have a significant impact on the measurement or disclosure and presentation of items included in the financial statements. No standards were early adopted during 2010 or 2009.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- Amended IFRS 7 *Financial Instruments: Disclosures,* effective for annual periods beginning on or after 1 January 2011.
- IFRS 9 *Financial Instruments – Classification and Measurement,* effective for annual periods beginning on or after 1 January 2013.
- Amended IAS 24 *Related Party Disclosure,* effective date for annual periods 1 January 2011.
- Amended IAS 34 *Interim Financial Reporting,* effective for annual periods beginning on or after 1 January 2011.
- IFRIC 13 *Customer Loyalty Programmes,* effective for annual periods beginning on or after 1 January 2011.
- IFRIC 14 *IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction*, effective for annual periods beginning on or after 1 January 2011.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments,* effective for annual periods on or after 1 January 2011.

The directors believe that none of the other new or revised standards and interpretations will have an effect other than enhanced disclosure.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2010

1. **ACCOUNTING POLICIES** (continued)

Basis of consolidation

The group annual financial statements present the consolidated financial position and changes therein, operating results and cash flow information of the company and its subsidiaries. Subsidiaries are those entities in which the group has an interest of more than half of the voting rights or the power to exercise control.

The results of subsidiaries are included for the duration of the period in which the group exercises control over the subsidiary. All intercompany transactions and resultant profits and losses between group companies are eliminated on consolidation. Where necessary, accounting policies for subsidiaries are changed to ensure consistency with the policies adopted by the group. If it is not practical to change the policies, the appropriate adjustments are made on consolidation to ensure consistency within the group.

The results of special purpose entities that, in substance, are controlled by the group, are consolidated.

The company carries its investments in subsidiaries at cost less accumulated impairment losses.

Goodwill

Goodwill is reflected at cost less accumulated impairment losses, if any. It represents the excess of the cost of a business combination over the fair value of the group's share of the identifiable net assets and contingent liabilities of that entity at the date of acquisition. Goodwill is assessed for impairment on an annual basis.

The gains or losses on disposal of an entity includes the balance of goodwill relating to the entity.

Negative goodwill arising on a business combination represents the excess of the fair value of the net identifiable assets and contingent liabilities of the entity acquired over the cost of acquisition, and is recognised immediately in profit or loss.

Investments in associates and joint ventures

The company carries its investments in associates and joint ventures at cost less accumulated impairment losses.

An associate is an entity over which the group has the ability to exercise significant influence, but which it does not control.

A joint venture is an entity jointly controlled by the group and one or more other venturers in terms of a contractual arrangement requiring unanimous consent for strategic financial and operating decisions. It may involve a corporation, partnership or another entity in which the group has an interest.

Investments in associates are accounted for in the group financial statements using the equity method for the duration of the period in which the group has the ability to exercise significant influence. Equity accounted income represents the group's proportionate share of profits of these entities and the share of tax thereon. The retained earnings of an associate, net of any dividends, are classified as distributable reserves. The group's interest in associates is carried in the statement of financial position at an amount that reflects its share of the net assets and the unimpaired portion of goodwill on acquisition.

Where the group's share of losses of an associate exceeds the carrying amount of the associate, the investment in the associate is carried at nil value. Additional losses are only recognised to the extent that the group has incurred further funding obligations or provided guarantees or sureties in respect of the associate.

Investments in joint ventures are accounted for in the group financial statements using the proportionate consolidation method.

Where necessary, the results of associates and joint ventures are restated to ensure consistency with group policies. Unrealised profits and losses are eliminated.

Property, plant and equipment

Land and extensions under construction are stated at cost and are not depreciated. Buildings, including certain non-mining residential buildings and all other items of property, plant and equipment are reflected at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged on a systematic basis over the estimated useful lives of the assets after taking into account the estimated residual value of the assets. Useful life is either the period of time over which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of the asset.

Moulds and refractory furnace relines are depreciated based on the usage thereof.

Items of property, plant and equipment are capitalised in components where components have a different useful life to the main item of property, plant and equipment to which the component can be logically assigned.

The estimated useful lives of assets and their residual values, are reassessed periodically with any changes in such accounting estimates being adjusted in the financial year of reassessment and applied prospectively.

1. **ACCOUNTING POLICIES** (continued)

Property, plant and equipment (continued)

The estimated useful lives of items of property, plant and equipment are:

2010	Coal	Mineral sands
Buildings and infrastructure (including residential buildings)	**1 – 25 years**	**3 – 40 years**
Mineral properties	**1 – 25 years**	**3 – 29 years**
Fixed plant and equipment	**1 – 25 years**	**1 – 30 years**
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	**13 000 – 50 000 hours or 1 – 17 years**	**3 – 25 years**
Loose tools and computer equipment	**1 – 10 years**	**3 – 10 years**
Development costs	**1 – 20 years**	**10 – 20 years**
Refractory relines	**10 years**	**4 – 6 years**
Site preparation, mining development and exploration	**1 – 25 years**	**3 – 29 years**

	Base metals	Industrial minerals	Other
Buildings and infrastructure (including residential buildings)	**2 years – indefinite**	**10 – 25 years**	**20 – 25 years**
Mineral properties	**n/a**	**n/a**	**n/a**
Fixed plant and equipment	**2 years – 50 years**	**5 – 25 years**	**5 years**
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	**2 – 15 years**	**5 – 15 years**	**2 – 5 years**
Loose tools and computer equipment	**2 – 8 years**	**5 years**	**3 – 5 years**
Development costs	**n/a**	**n/a**	**n/a**
Refractory relines	**n/a**	**n/a**	**n/a**
Site preparation, mining development and exploration	**7 – 25 years**	**20 years**	**n/a**

2009	Coal	Mineral sands
Buildings and infrastructure (including residential buildings)	2 – 25 years	3 – 40 years
Mineral properties	2 – 25 years	3 – 29 years
Fixed plant and equipment	2 – 25 years	1 – 30 years
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	13 000 – 40 000 hours or 1 – 14 years	3 – 25 years
Loose tools and computer equipment	1 – 5 years	3 – 15 years
Development costs	8 – 20 years	10 – 20 years
Refractory relines	n/a	4 – 6 years
Site preparation, mining development and exploration	0 – 25 years	3 – 29 years

	Base metals	Industrial minerals	Other
Buildings and infrastructure (including residential buildings)	2 years – indefinite	10 – 25 years	20 – 25 years
Mineral properties	n/a	n/a	n/a
Fixed plant and equipment	2 years – 50 years	5 – 25 years	5 – 10 years
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	2 – 15 years	5 – 15 years	2 – 5 years
Loose tools and computer equipment	2 – 8 years	5 years	3 – 5 years
Development costs	n/a	n/a	n/a
Refractory relines	n/a	n/a	n/a
Site preparation, mining development and exploration	7 – 25 years	20 years	6 years

1. ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are taken to profit or loss.

Direct attributable expenses relating to mining and other major capital projects, site preparations and exploration are capitalised until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent that these are recognised as a provision.

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalised at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings was utilised. Capitalisation of borrowing costs ceases when the asset is substantially complete.

Directly attributable costs associated with the acquisition, development and installation of certain software are capitalised. Such assets are depreciated using the amortisation methods and periods applicable to computer equipment.

Gains and losses on the disposal of property, plant and equipment are taken to profit or loss.

Leased assets

Leases involving plant and equipment whereby the lessor provides finance to the group with the asset as security and where the group assumes substantially all the benefits and risks of ownership, are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the useful life of the asset. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance charge is charged against income over the lease period using the effective interest rate method.

For a sale and leaseback transaction that results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and recognised on the straight-line basis over the period of the lease.

Leases of assets to the group under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged against income on the straight-line basis over the period of the lease.

Arrangements that contain the right to use an asset are evaluated for recognition, classification as a finance or operating lease, measured, and accounted for accordingly.

Biological assets

Biological assets are measured on initial recognition and at each financial year-end at their fair value less estimated point-of-sale costs and any change in value is included in the net profit or loss for the period in which it arises.

Plantations are measured at their fair value less estimated point-of-sale costs. The fair value of the plantations is determined by an independent appraiser, based on the Faustman Formula as applied within the forestry industry. Livestock are measured at fair value less estimated point-of-sale costs, fair value being determined by the age and size of the animals and the market price. Market price is determined on the basis that the animal is sold to be slaughtered. Livestock held for sale is classified as consumable biological assets (inventories). Game is measured at fair value less estimated point-of-sale costs, fair value being determined as the market price. Market price is determined with reference to the most recent live auction selling prices. Game held for sale is classified as consumable biological assets (inventories).

Intangible assets

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the enterprise and the cost can be reliably measured. Amortisation is charged on a systematic basis over the estimated useful lives of the intangible assets.

Subsequent expenditure on capitalised intangible assets is capitalised only if it increases the future benefits embodied in the specific asset to which it relates.

Intangible assets with finite useful lives are amortised on the straight-line basis over their estimated useful lives. The amortisation methods and estimated remaining useful lives are reviewed at least annually. The estimated maximum useful lives of intangible assets in respect of patents, licences and franchises are 25 years.

The carrying amounts are reviewed at each financial year-end to determine whether there is any indication of impairment.

Research, development and exploration costs

Research, development and exploration costs are charged against income until they result in projects that are evaluated as being technically or commercially feasible, the group has sufficient resources to complete development and can demonstrate how the asset will generate future economic benefits, in which event these costs are capitalised and amortised on the straight-line basis over the estimated useful life of the project or asset. The carrying amounts are reviewed at each financial year-end to determine whether there is any indication of impairment.

Impairment of assets

The carrying amounts of assets are reviewed at each financial year-end to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of the net selling price and the value in use.

In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

1. ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill a recognised impairment loss is not reversed.

Financial instruments

Recognition

A financial instrument is recognised when the group becomes a party to a contract which entitles it to receive contractually agreed cash flows on the instrument. All acquisitions of financial assets that require delivery within the timeframe established by regulation or market convention (regular-way purchases) are recognised at trade date, which is the date on which the group commits to acquire the asset.

Derecognition

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in financial assets transferred that is created or retained by the group is recognised as a separate asset or liability.

The group may enter into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all, or substantially all, risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position.

The rights and obligations retained in the transfer of financial instruments are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt instruments, trade and other payables, cash and cash equivalents, loans and borrowings and trade and other receivables.

Non-derivative financial instruments are recognised initially at fair value plus, in the case where financial instruments are not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the group's cash management system and are included as a component of cash and cash equivalents for purposes of the cash flow statements. Cash and cash equivalents are measured at amortised cost.

Financial instruments at fair value through profit or loss

The group designates financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the assets or liabilities contain an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract and has to be separately disclosed and fair-valued through profit or loss.

All of the group's financial instruments designated as at fair value through profit or loss were designated as such as it is believed that the designation significantly reduces an accounting mismatch which would otherwise arise.

Subsequent to initial recognition, financial instruments designated or classified as at fair value through profit or loss are measured at fair value with changes in fair value recognised in profit or loss.

Available-for-sale financial assets

The group has designated certain assets as available-for-sale financial assets. In other circumstances available-for-sale financial assets are classified as such because they do not fall within the classification of loans and receivables, held to maturity investments or financial assets at fair value through profit or loss. Gains or losses on available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses on monetary items. When the financial asset is derecognised, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Financial instruments not at fair value through profit or loss, and not available-for-sale

- *Receivables*

  Long-term receivables and trade and other receivables are measured at amortised cost using the effective interest rate method. Effective interest rate method is a method of calculating the amortised cost of a financial asset or liability (or group of financial assets or financial liabilities) and allocating the interest income or interest expense over the relevant period. Amortised cost is the amount at which the long-term receivables and trade and other receivables is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment or uncollectability.

- *Loans and borrowings*

  Loans and borrowings are measured at amortised cost using the effective interest rate method.

- *Payables*

  Trade and other payables are reported at amortised cost, namely original debt less principal repayments and any amortisation using the effective interest rate method.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2010

1. **ACCOUNTING POLICIES** (continued)

Financial instruments (continued)

Financial instruments not at fair value through profit or loss, and not available-for-sale (continued)

- *Investment in equity instruments*
  The fair value of investments is based on quoted bid prices for listed securities or valuations derived from discounted cash flow models for unlisted securities. Equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment. When equity instruments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities.

- *Held to maturity investments*
  Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held to maturity. These investments are included in non-current assets, except for maturities within 12 months from the financial year-end date, which are classified as current assets. Held to maturity investments are carried at amortised cost using the effective interest rate method.

Derivative financial instruments

The group holds derivative financial instruments to hedge its foreign currency, interest rate and price risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivative instruments are recognised initially at fair value, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative instruments are measured at fair value, and changes in fair value are accounted for as described below.

Fair value hedges

When a derivative is designated as a hedge of the change in fair value of a recognised asset or liability or a firm commitment, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point, to a hedged item for which the effective interest rate method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

Cash flow hedges

When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised directly in equity. The amount recognised in equity is removed and included in profit or loss in the same period as the hedged item's cash flows affect profit or loss under the same income statement line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised in equity remains in equity until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in equity is recognised immediately in profit or loss.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses.

Net investments in foreign operation hedges

When a derivative, or a non-derivative financial liability, is designated as a hedge of a net investment in a foreign operation instrument, the effective portion of changes in the fair value of the hedging instrument is recognised directly in equity, in the foreign currency translation reserve. Any ineffective portion of changes in the fair value of the derivative instrument is recognised immediately in profit or loss. The amount recognised in equity is removed and included in profit or loss on disposal of the foreign operation.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment allowance is raised when there is an indication of impairment and a write-off is only effected when the debtor is deemed to be fully impaired and not recoverable.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

1. **ACCOUNTING POLICIES** (continued)

Financial instruments (continued)

Offset

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Determining fair values

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using generally accepted valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments like interest rate and currency swaps. For these financial instruments, inputs into models are available on the market.

The fair value of long and medium-term borrowings is calculated using quoted market prices, or where such prices are not available, discounted cash flow analysis using the applicable yield curve for the duration of the borrowing are used. The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets, is determined with reference to quoted market prices. The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from widely available current market transactions. The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analyses for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Financial guarantee contracts

Financial guarantees are contracts that require the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment if a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

Net finance costs

Finance income comprises interest income on funds invested including available-for-sale financial assets and hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance expenses comprise interest expense on borrowings and agreements for the use of assets classified as finance leases in terms of *IFRIC 4 Determining whether an Arrangement contains a Lease*, unwinding of the discount on provisions, and dividends on preference shares classified as liabilities. All borrowing costs are recognised in profit or loss using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis.

Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission expenses relate mainly to transaction and service fees and are expensed as the services are received.

Inventories

Inventories are valued at the lower of cost, determined on the moving average basis, and net realisable value. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and fixed production overheads, but excludes interest charges. Fixed production overheads are allocated on the basis of normal capacity. Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

Foreign currencies

Transactions and balances

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Gains or losses arising on translation are credited to or charged against income.

Foreign entities

The financial statements of foreign entities are translated into South African rand as follows:

- assets and liabilities at rates of exchange ruling at the reporting date;
- income, expenditure and cash flow items at weighted average rates;
- goodwill and fair value adjustments arising on acquisition at rates of exchange ruling at the reporting date.

All resulting exchange differences are reflected as part of shareholders' equity. On disposal, such translation differences are recognised in the income statement as part of the cumulative gain or loss on disposal.

Foreign currency hedges

Foreign currency hedges are dealt with in the financial instruments accounting policy.

Exchange rates used

The average US dollar to South African rand conversion rate, where applicable, of US$1:R7,30 (2009: US$1:R8,35) has been used to translate the income and statements of cash flows while the statement of financial position has been translated at the closing rate at the last day of the reporting period US$1:R6,63 (2009: US$1:R7,40).

Revenue recognition

Revenue, which excludes value added tax, represents the gross value of goods invoiced. Export revenues are recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred.

1. **ACCOUNTING POLICIES** (continued)

Revenue recognition (continued)

Exchange rates used (continued)

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Revenue arising from services and royalties is recognised on the accrual basis in accordance with the substance of the relevant agreements.

Interest and dividend income

Interest is recognised on the time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

Dividends are recognised when the right to receive payment is established.

Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years in determination of taxable profit (temporary differences), and it further excludes items that are never taxable or deductible (non-temporary differences). The group's liability for tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for tax purposes.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated using tax rates that have been enacted at the reporting date. The effect on deferred tax of any changes in taxation rates is charged or credited to the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends and has the ability to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money, and where appropriate, the risk specific to the liability.

Decommissioning and environmental rehabilitation

Provision is made for environmental rehabilitation and decommissioning costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

Where a provision is made for dismantling and site restoration costs, an asset of similar initial value is raised and amortised in accordance with the group's accounting policy for property, plant and equipment.

Annual contributions are made to the group's Environmental Rehabilitation Fund, created in accordance with statutory requirements, to provide for the funding of the estimated cost of pollution control and rehabilitation during, and at the end of the life of mines. The Exxaro Environmental Rehabilitation Fund is consolidated.

Expenditure on plant and equipment for pollution control is capitalised and depreciated over the useful lives of the assets whilst the cost of ongoing current programmes to prevent and control pollution and to rehabilitate the environment is charged against profit or loss as incurred.

Employee benefits

Post-employment benefits

Retirement

The group provides defined contribution retirement funds for the benefit of employees, the assets of which are held in separate funds. These funds are funded by contributions from employees and the group, taking account of the recommendations of independent actuaries. The group's contribution to the defined contribution fund is charged to the income statement in the year to which it relates.

The group does not provide guarantees in respect of returns in the defined contribution funds.

Provision for severance benefits is made in accordance with Namibian law for the Namibian operations. As the severance benefits are only payable on retirement or the involuntary termination of service from the side of the employer, this is accounted for as a post-retirement service. The plan is a defined benefit obligation. The cost of providing these benefits is determined based on the projected unit credit method and actuarial valuations are performed at every reporting date. The defined benefit obligation presented in the statement of financial position represents the sum of the present value of the obligation less the fair value of plan assets plus/minus any balance of unrecognised actuarial gains or losses, minus any balance of unrecognised past service costs.

Unrecognised actuarial gains or losses are recognised in profit or loss based on the corridor method. In other words, an excess of the balance of unrecognised gains or losses over 10% of the greater of the present value of the obligation or fair value of the plan assets is recognised in profit or loss over the expected remaining working lives of participating employees.

Past service cost is recognised immediately to the extent that the benefits are vested and recognised over the remaining period until vesting for benefits that are unvested.

1. **ACCOUNTING POLICIES** (continued)

Employee benefits (continued)

Post-employment benefits (continued)

Medical

A post-retirement medical contribution obligation exists for certain in-service and retired employees who are members of accredited medical aid funds. This benefit is no longer offered to employees. The actuarially determined liability is raised as a non-current provision.

Short- and long-term benefits

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions, are recognised during the period in which the employee renders the related service.

The vesting portion of long-term benefits is recognised and provided for at financial year-end, based on current total cost to company.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group recognises termination benefits when it has demonstrated its commitment to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefits fall due more than 12 months after the reporting date, they are discounted to present value.

Equity compensation benefits

Senior management, including executive directors, and eligible employees participated in the share appreciation right scheme (SARs), long-term incentive plan (LTIP), deferred bonus plan (DBP), share option scheme and the employee empowerment participation scheme (MPower).

SARs, LTIP, DBP, share options and MPower are treated as equity-settled share-based payment schemes with the fair value being expensed over the vesting period of the instrument with a corresponding increase in equity. The fair value of these schemes are determined at grant date and subsequently reviewed at each reporting period only for changes in non-market performance conditions and employee attrition rates applicable to each scheme.

Only share options issued to certain executives and senior managers (phantom options) are treated as cash-settled share-based payments. A liability equal to the portion of goods and services received is recognised at the current fair value determined at each financial year-end.

Dividend

Dividends paid are recognised by the company when the shareholder's right to receive payment is established. These dividends are recorded and disclosed as dividends paid in the statement of changes in equity. Dividends proposed or declared subsequent to the year-end are not recognised at the financial year-end, but are disclosed in the notes to the financial statements.

Secondary tax on companies

Tax costs incurred on dividends are included in the taxation line in the income statement in the year in which the related dividends are declared.

Discontinued operations and non-current assets held for sale

Discontinued operations are significant, distinguishable components of an enterprise that have been sold, abandoned or are the subject of formal plans for disposal or discontinuance.

The profit or loss on the sale or abandonment of a discontinued operation is determined from the formalised discontinuance date.

If the carrying amount of a non-current asset and liability or disposal group will be recovered principally through a sale transaction rather than through continuing use, such an asset and liability is classified as non-current assets and liabilities held for sale and measured at the lower of carrying amount and fair value less cost to sell. This condition is regarded as met only when the sale is highly probable and the asset and liability (or disposal group) are available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Segment reporting

Exxaro is a mining group of companies focusing on extracting and processing a range of minerals and metals including coal, mineral sands, base metals, and selected industrial minerals. Exxaro also holds a 20% interest in Sishen Iron Ore Company (Pty) Limited which extracts and processes iron ore.

Segments are based on the group's different products and operations as well as the physical location of these operations and associated products. The group's reportable segments are tied coal operations, commercial coal operations, KZN Sands, Namakwa Sands, Australia Sands, Rosh Pinah, Zincor, other base metals and other. The basis of segment reporting is representative of the internal structure used for management reporting.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated. The carrying amount of these assets approximates their fair value.

Judgements made by management

The following judgements, apart from those involving estimates (as mentioned below) have been made by management in the process of applying the group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

- The identification of special purpose entities controlled by the group which must be consolidated (refer note 28).
- In applying IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, management has made judgements as to which non-current assets and discontinued operations fall within the scope of the standard and had to be reclassified and measured in terms of IFRS 5;

1. **ACCOUNTING POLICIES** (continued)

Judgements made by management (continued)

- In applying IFRS 2 *Share-based Payment,* management has made certain judgements in respect of the fair value option pricing models to be used in determining the various share-based arrangements in respect of employees, as well as the variable elements used in these models (refer note 30).
- In applying IFRIC 4 *Determining whether an Arrangement contains a Lease,* and IAS 17 Leases, contractual agreements were assessed to determine whether they convey the right to use an asset and their classification as either an operating or finance lease.
- In applying IFRS 8 *Operating Segments,* the identification of reportable operating segments of the group.
- In applying IAS 19 *Employee Benefits,* the identification as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme.

Key assumptions made by management in applying accounting policies

The following key assumptions concerning the future, and other key sources of estimation uncertainty at the financial year-end, may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year if the assumption or estimation changes significantly:

Going concern

Management considers key financial metrics and loan covenant compliance in its approved medium-term budgets, together with its existing term facilities, to conclude that the going-concern assumption used in compiling its annual financial statements, is relevant.

Share-based payments

For share-based payments, estimates are made in determining the fair value of equity instruments granted. The assumptions are used in the Black-Scholes methodology and the Monte Carlo valuation methodology and include assumptions regarding future dividend yield, risk-free rate, expected employee attrition rate, expected share volatility and expected option life. Refer note 30.

Environmental and decommissioning provision

Provision is made for environmental and decommissioning costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are made in determining the present obligation of environmental and decommissioning provisions, which include the actual estimate, the discount rate used and the expected date of closure of mining activities in determining the present value of environmental and decommissioning provisions. Estimates are based upon costs that are regularly reviewed, by internal and external experts, and adjusted as appropriate for new circumstances. Refer note 22.

Post-retirement obligations

For defined benefit schemes, management is required to make annual estimates and assumptions about future returns on classes of schemes' assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, exchange rates, life expectancy and expected remaining periods of service of employees. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Refer note 22.

Other provisions

For other provisions, estimates of legal or constructive obligations are made resulting in the raising of provisions, and the expected date of probable outflow of economic benefits to assess whether the provision should be discounted. Refer note 22.

Impairments and impairment reversals

Impairment tests are performed when there is an indication of impairment of assets or a reversal of previous impairments of assets. Management therefore has implemented certain impairment indicators and these include movements in exchange rates, commodity prices and the economic environment its businesses operate in.

Estimates are made in determining the recoverable amount of assets which include the estimation of cash flows and discount rates used. In estimating the cash flows, management base cash flow projections on reasonable and supportable assumptions that represent managements' best estimate of the range of economic conditions that will exist over the remaining useful life of the assets, based on publicly available information. The discount rates used are pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the assets for which the future cash flow estimates have not been adjusted.

Contingent liabilities

Management considers the existence of possible obligations which may arise from legal action as well as the possible non-compliance of the requirements of completion guarantees and other guarantees provided. The estimation of the amount disclosed is based on the expected possible outflow of economic benefits should there be a present obligation. Refer note 31.

Deferred tax assets

Deferred tax assets are recognised based on the probability that sufficient future taxable income will be available to reduce the asset carried. This requires management to make assumptions on a subsidiary by subsidiary level of future taxable income in determining the deferred tax asset to be raised. Refer note 23.

Useful life and residual values

The depreciable amount of assets is allocated on a systematic basis over their useful lives. In determining the depreciable amount management makes certain assumptions in respect of the residual value of assets based on the expected estimated amount that the entity would currently obtain from disposal of the asset, after deducting the estimated cost of disposal. If an asset is expected to be abandoned the residual value is estimated at zero.

In determining the useful life of assets, management considers the expected usage of assets, expected physical wear and tear, legal or similar limits of assets such as mineral rights as well as obsolescence.

Mineral resources

Management makes estimates of mineral resources and ore reserves in accordance with the SAMREC Code (2000) for South African properties and the JORC Code (2004) for Australian properties. Such estimates relate to the category for the resource (measured, indicated or inferred), the quantum and the grade.

	Notes	GROUP 2010 Rm	GROUP 2009 Rm	COMPANY 2010 Rm	COMPANY 2009 Rm
2. REVENUE					
Sale of goods		**17 127**	15 009		
Services		**28**		**1 048**	1 009
		17 155	15 009	**1 048**	1 009
3. OPERATING EXPENSES					
Cost by type					
Raw materials and consumables		**3 470**	3 538	**30**	35
Staff costs					
– salaries and wages		**3 702**	3 253	**566**	508
– share-based payments		**145**	91	**67**	37
– termination benefits		**6**	4		
– pension and medical costs		**282**	245	**36**	34
General charges		**2 277**	2 751	**479**	389
Royalties		**114**	86		
Railage and transport		**1 109**	1 008	**2**	1
Repairs and maintenance		**1 808**	1 585	**4**	5
Impairment charges of non-current assets	4	**4**	1 435	**48**	
Impairment charges and write-offs of trade and other receivables		**45**	217	**10**	3 273
Energy		**946**	761	**7**	6
Depreciation of property, plant and equipment	11	**1 367**	1 123	**41**	25
Amortisation of intangible assets	13	**13**	13	**9**	9
Movement in inventories		**(631)**	(1 295)		
Own work capitalised		**(125)**	(97)	**(4)**	(1)
Sublease rentals received		**(13)**	(13)		(1)
		14 519	14 705	**1 295**	4 320
Cost by function					
Costs of goods sold/services rendered		**13 539**	12 199	**1 237**	1 048
Selling and distribution costs		**944**	867		
Sublease rentals received		**(13)**	(13)		(1)
Impairment charges of non-current assets	4	**4**	1 435	**48**	
Impairment charges, write-offs of trade and other receivables		**45**	217	**10**	3 273
		14 519	14 705	**1 295**	4 320

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2010

	Notes	GROUP 2010 Rm	GROUP 2009 Rm	COMPANY 2010 Rm	COMPANY 2009 Rm
3. OPERATING EXPENSES (continued)					
The above costs are stated after including: Auditors' remuneration					
– audit fees		**16**	16	**5**	5
– other services		**1**	1		1
Consultancy fees		**224**	166	**148**	78
Contingent rentals paid		**13**	12		
Contingent rentals received		**(58)**	(37)		
Currency exchange differences					
– net realised losses on currency exchange differences		**125**	576	**4**	8
– net unrealised losses on currency exchange differences		**30**	45	**2**	8
Depreciation and amortisation					
– buildings	11	**16**	1		
– mineral properties	11	**185**	180		
– residential buildings	11	**6**	6		
– buildings and infrastructure	11	**151**	125		
– machinery, plant and equipment	11	**916**	767	**41**	25
– leased assets under finance lease	11	**44**	9		
– site preparation, mining development, exploration and rehabilitation	11	**49**	35		
– amortisation of intangible assets	13	**13**	13	**9**	9
Directors' emoluments (refer to the Directors' remuneration report, page 192)					
– executive directors					
– remuneration received by directors of the company				**19**	11
– bonuses and cash incentives				**5**	4
– non-executive directors					
– remuneration received by directors of the company				**3**	3
Exploration expenditure		**60**	115		
Fair value (gains)/losses on financial assets at fair value through profit or loss:					
– designated upon initial recognition		**(13)**	(19)		(1)
– held for trading		**(483)**	(465)		
– ineffectiveness arising from cash flow hedges (gains)/losses		**(5)**	60		

	Notes	GROUP 2010 Rm	GROUP 2009 Rm	COMPANY 2010 Rm	COMPANY 2009 Rm
3. OPERATING EXPENSES (continued)					
Fair value losses/(gains) on financial liabilities at fair value through profit or loss:					
– designated upon initial recognition			(7)		
– held for trading		**36**	26		3
Net fee costs on financial liabilities not at fair value through profit or loss		**5**	5	**5**	5
Impairment charges of non-current assets	4	**4**	1 435	**48**	
Inventories write down to net realisable value		**50**	2		
Provisions expenses	22	**47**	23	**(1)**	4
Net (profit)/loss on disposal or scrapping of property, plant and equipment		**(32)**	84		
Reconditionable spares usage		**6**	4		
Operating lease rentals expenses					
– property		**14**	15	**6**	7
– equipment		**118**	71	**10**	14
Operating sublease rentals received					
– property		**(13)**	(13)		(1)
Research and development costs		**3**	7		3
Impairment charges, write-offs of trade and other receivables[1]		**45**	217	**10**	3 273

[1] *Consequent to the impairment of the KZN Sands businesses in 2009, intergroup loans receivable by the company (included in trade and other receivables) were impaired to an amount of R3 273 million.*

Note:

Pensions

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

Operating lease arrangements – contingent rent received

The group has entered into various operating lease arrangements, of which some will include contingent rent received. The major arrangements' basis to determine contingent rent received is the useful life of property, plant and equipment.

Operating lease arrangements – contingent rent paid

The basis to determine contingent rent paid is the difference between fixed escalations as specified in the contracts and producer price index (PPI) escalations.

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
4. IMPAIRMENT CHARGES NON-CURRENT ASSETS				
Included in operating expenses are the following impairment losses:				
Impairment of property, plant and equipment[1]		1 435		
Impairment of investments[2]			**48**	
Impairment of property, plant and equipment held for sale[3]	**4**			
Total impairment charges	**4**	1 435	**48**	
Tax effect	**(1)**			
Net effect on attributable earnings	**3**	1 435	**48**	

[1] The impairment of the investment in the KZN Sands operation resulted in the R1 435 million impairment on property, plant and equipment in 2009. The two Sands businesses in KZN are viewed as a single economic unit as the operations are interdependent and neither can operate economically without the other. The recoverable amount of the assets have been determined by the calculation of its value in use for which a discount of 8,4% was used compared to 8,3% used for the similar calculation performed on 30 June 2009. As at 31 December 2010, a similar evaluation of the value in use has been performed. The results thereof indicated that neither a further impairment nor a reversal of the previous impairment is required.
[2] Relates to the impairment of the Botswana investment held by the company. Due to the risk profile and early stage of the exploration phase of the project, the entire investment has been impaired until such time as the economically exploitable profile of the gas reserves is better understood.
[3] The anticipated sale of the Glen Douglas mine as a disposal group, requires an impairment to the fair value less costs to sell in terms of IFRS 5 Non-current Assets Held for Sale.

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
5. NET FINANCING COSTS				
Interest expense and loan costs	**321**	460	**294**	388
Finance leases – interest	**70**	66		
Interest income	**(135)**	(145)	**(64)**	(51)
Net interest expense	**256**	381	**230**	337
Interest adjustment on non-current provisions (refer note 22)	**199**	34	**1**	2
	455	415	**231**	339
Borrowing costs capitalised during the year amounted to R46 million (2009: R6 million).				
Included in interest expense is the following:				
Interest expense on financial liabilities measured at amortised cost	**313**	450	**293**	386
Interest expense on bank overdrafts	**2**	9	**1**	2
Interest expense on financial liabilities designated at fair value through profit or loss		1		
Interest expense or non-financial liabilities	**6**			
Included in interest income is the following:				
Interest income on unimpaired loans and receivables	**(26)**	(38)		
Interest income on unimpaired available-for-sale financial assets		(13)		
Interest income on cash and cash equivalents	**(89)**	(75)	**(63)**	(50)
Interest income on financial liabilities designated at fair value through profit or loss	**(2)**			
Interest income on financial assets designated at fair value through profit or loss	**(18)**	(19)	**(1)**	(1)

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
6. INCOME FROM INVESTMENTS				
Subsidiaries				
Unlisted shares				
– dividends			**1 016**	4 616
– net interest received			**378**	371
			1 394	4 987
Associates				
– dividends			**1 811**	1 744
Other				
Listed shares				
– dividends	**2**	2		
Total	**2**	2	**3 205**	6 731
7. INCOME TAX EXPENSE				
Charge to income				
South African normal tax				
– Current – current year	**405**	462		
– prior year	**29**	(51)	**13**	(24)
	434	411	**13**	(24)
– Deferred – current year	**139**	343	**23**	4
– prior year	**91**	1		22
	230	344	**23**	26
Foreign normal tax				
– Current – current year	**56**	36		
– prior year	**(12)**	14		
	44	50		
– Deferred – current year	**(46)**	(46)		
– prior year	**3**	7		
	(43)	(39)		
Total	**665**	766	**36**	2
Reconciliation of tax rates	**%**	%	**%**	%
Tax as a percentage of profit before tax	**11,3**	42,8	**1,3**	0,1
Tax effect of:				
– assessed losses not provided for	**(0,2)**	(1,5)		
– capital losses	**(0,3)**	(1,3)		
– disallowable expenditure	**(0,2)**	(1,3)	**(1,3)**	(0,2)
– exempt income	**0,7**	2,2	**29,0**	57,8
– special tax allowances	**1,3**	2,1		
– share of associates and joint ventures	**17,6**	29,6		
– tax rate differences	**0,1**	0,5		
– imputed income	**(0,2)**	(0,8)		
– prior year tax	**(1,9)**	1,7	**(0,5)**	
– derecognition of deferred tax asset	**(0,2)**	(46,0)		
– write down of subsidiaries' loans			**(0,5)**	(29,7)
Standard tax rate	**28,0**	28,0	**28,0**	28,0
Effective tax rate for operations, excluding income from equity accounted investments, impairment charge and share of tax thereon	**30,5**	57,8		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2010

	GROUP	
	2010 Rm	2009 Rm
8. EARNINGS PER SHARE		
Basic headline earnings per share is calculated by dividing the headline earnings by the weighted average number of ordinary shares in issue during the year.		
Headline earnings (R million) (refer note 10)	**5 186**	2 514
Weighted average number of ordinary shares in issue (million)	**347**	345
Headline earnings per share (cents)	**1 495**	729
For the diluted headline earnings per share the weighted average number of ordinary shares is adjusted to assume conversion of not yet released purchased shares and options under the employees' share schemes, net of shares held by the schemes for releasing purposes. Diluted headline earnings per share is calculated by dividing headline earnings by the adjusted weighted average number of shares in issue.		
Weighted average number of ordinary shares in issue (million) as calculated above	**347**	345
Adjusted for options and net purchased shares in terms of the employees' share schemes (million)	**14**	13
Weighted average number for diluted headline earnings per share (million)	**361**	358
Diluted headline earnings per share (cents)	**1 437**	702
Basic attributable earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.		
Profit for the year attributable to equity holders of the parent (R million)	**5 208**	1 023
Weighted average number of ordinary shares in issue (million)	**347**	345
Basic earnings per share (cents)	**1 501**	297
For the diluted attributable earnings per share the weighted average number of ordinary shares is adjusted as above.	**361**	358
Diluted earnings per share (cents)	**1 443**	286
For the 2010 and 2009 financial years, shares under option had an effect on the adjusted weighted average number of shares in issue as the average option price attached to the option shares was lower than the average market price.		

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
9. DIVIDEND				
Dividends paid during the year:				
Cash dividends	**1 056**	1 050	**1 073**	1 066

STC on these dividends amounts to nil (2009: nil) after taking into account STC credits.

	For the year ended 31 December 2010			
	Gross Rm	**Tax Rm**	**Non-controlling interest Rm**	**Net Rm**
10. RECONCILIATION OF GROUP HEADLINE EARNINGS				
Profit for the year attributable to owners of the parent				**5 208**
Adjusted for:				
– impairment of property, plant and equipment	**4**	**(1)**		**3**
– losses on disposal of property, plant and equipment	**(26)**			**(26)**
– share of associates' gains or losses on disposal of property, plant and equipment	**1**			**1**
Headline earnings	**(21)**	**(1)**		**5 186**

	For the year ended 31 December 2009			
	Gross Rm	Tax Rm	Non-controlling interest Rm	Net Rm
Profit for the year attributable to owners of the parent				1 023
Adjusted for:				
– impairment of property, plant and equipment	1 435			1 435
– gains or losses on disposal of property, plant and equipment	88	(24)	(2)	62
– share of associates' gains or losses on disposal of property, plant and equipment	(8)	2		(6)
Headline earnings	1 515	(22)	(2)	2 514

	2010 cents	2009 cents
Group headline earnings per share for the year ended 31 December 2010		
Headline earnings per share (refer note 8)		
– basic	**1 495**	729
– diluted	**1 437**	702

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2010

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site pre-paration, mining develop-ment, exploration and rehabili-tation Rm	Extensions under con-struction Rm	Total Rm
GROUP								
2010								
Gross carrying amount								
At beginning of year	562	2 640	180	2 969	11 809	972	1 591	20 723
Additions	20		1	67	823	17	1 749	2 677
Changes in decommissioning assets			1	11	42	66		120
Disposals of items of property, plant and equipment			(1)	(29)	(311)			(341)
Exchange differences on translation		6		5	35	7	10	63
Other movements	146	(87)	(7)	(25)	1 105	10	(1 136)	6
At end of year	728	2 559	174	2 998	13 503	1 072	2 214	23 248
Accumulated depreciation								
At beginning of year	20	765	48	856	4 542	395		6 626
Depreciation charges	16	185	6	151	960	49		1 367
Accumulated depreciation on disposals of items of property, plant and equipment			(1)	(13)	(215)			(229)
Exchange differences on translation		3		3	20	3		29
Other movements	(8)	8			(2)	2		
At end of year	28	961	53	997	5 305	449		7 793
Impairment of assets								
At beginning of year		6		672	1 406	142	2	2 228
Disposals of items of property, plant and equipment				(17)	(61)			(78)
At end of year		6		655	1 345	142	2	2 150
Net carrying amount at end of year	700	1 592	121	1 346	6 853	481	2 212	13 305

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site preparation, mining development, exploration and rehabilitation Rm	Extensions under construction Rm	Total Rm
GROUP								
2009								
Gross carrying amount								
At beginning of year	184	2 262	147	2 309	10 060	776	1 887	17 625
Additions	106		27	403	1 020	87	339	1 982
Changes in decommissioning assets			2	7	15	17	(2)	39
Increase in joint venture	349	87	7	81	704			1 228
Disposals of items of property, plant and equipment			(4)	(4)	(186)		(36)	(230)
Net reclassification to non-current assets classified as held for sale			1	(1)	(5)		2	(3)
Exchange differences on translation	1	9		7	51	11	7	86
Other movements	(78)	282		167	150	81	(606)	(4)
At end of year	562	2 640	180	2 969	11 809	972	1 591	20 723
Accumulated depreciation								
At beginning of year	1	575	42	727	3 787	355		5 487
Depreciation charges	1	180	6	125	776	35		1 123
Increase in joint venture	18	5		5	44			72
Accumulated depreciation on disposals of items of property, plant and equipment				(3)	(94)			(97)
Exchange differences on translation		5		5	30	5		45
Other movements				(3)	(1)			(4)
At end of year	20	765	48	856	4 542	395		6 626
Impairment of assets								
At beginning of year		6		227	495	63	38	829
Impairment charges (refer note 4)				445	911	79		1 435
Disposals of items of property, plant and equipment							(36)	(36)
At end of year		6		672	1 406	142	2	2 228
Net carrying amount at end of year	542	1 869	132	1 441	5 861	435	1 589	11 869

	2010 Rm	2009 Rm
11. PROPERTY, PLANT AND EQUIPMENT (continued)		
The net carrying amount of machinery, plant and equipment includes:		
Assets held under finance leases (refer note 21)		
– cost	**196**	197
– accumulated depreciation	**112**	69
	84	128

For detail of property, plant and equipment pledged as security refer to annexure 1.

A register of land and buildings is available for inspection at the registered office of the company.

	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site pre-paration, mining develop-ment, exploration and rehabili-tation Rm	Extensions under con-struction Rm	Total Rm
COMPANY								
2010								
Gross carrying amount								
At beginning of year				**12**	**215**		**87**	**314**
Additions					**15**		**53**	**68**
Disposals of items of property, plant and equipment				**(2)**	**(3)**			**(5)**
Other movements					**21**		**(21)**	
At end of year				**10**	**248**		**119**	**377**
Accumulated depreciation								
At beginning of year				**5**	**69**			**74**
Depreciation charges					**41**			**41**
Accumulated depreciation on disposals of items of property, plant and equipment				**(2)**	**(2)**			**(4)**
At end of year				**3**	**108**			**111**
Net carrying amount at end of year				**7**	**140**		**119**	**266**

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site pre-paration, mining develop-ment, exploration and rehabili-tation Rm	Extensions under con-struction Rm	Total Rm
COMPANY								
2009								
Gross carrying amount								
At beginning of year				11	114		104	229
Additions					22		66	88
Disposals of items of property, plant and equipment					(4)			(4)
Other movements				1	83		(83)	1
At end of year				12	215		87	314
Accumulated depreciation								
At beginning of year				5	48			53
Depreciation charges					25			25
Accumulated depreciation on disposals of items of property, plant and equipment					(4)			(4)
At end of year				5	69			74
Net carrying amount at end of year				7	146		87	240

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2010

	Plantation Rm	Livestock Rm	Game Rm	Total Rm
12. BIOLOGICAL ASSETS				
GROUP				
2010				
Carrying amount				
At beginning of year	**7**	**7**	**27**	**41**
Gains attributable to physical and price changes	**1**	**4**	**5**	**10**
Net reclassification to inventory		**(4)**	**(1)**	**(5)**
At end of year	**8**	**7**	**31**	**46**
Fair value of biological assets can be split as follows:				
– mature	**4**	**7**	**31**	**42**
– immature	**4**			**4**
	8	**7**	**31**	**46**
The plantation was valued by Mr J M Potgieter, an independent appraiser, on 17 November 2010.				
2009				
Carrying amount				
At beginning of year	8	6	20	34
(Losses)/gains attributable to physical and price changes	(1)	3	9	11
Net reclassification to inventory		(2)	(2)	(4)
At end of year	7	7	27	41
Fair value of biological assets can be split as follows:				
– mature	4	7	27	38
– immature	3			3
	7	7	27	41

Plantations consist of wattle and blue gum trees.

Livestock consists of cattle and horses.

Game consists of rhino, buffalo, warthog, giraffe, ostrich and a large variety of antelope.

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
13. INTANGIBLE ASSETS				
Patents, licences and franchises				
Gross carrying amount				
At beginning of year	**143**	121	**19**	
Additions		19		19
Exchange differences	**2**	3		
At end of year	**145**	143	**19**	19
Accumulated amortisation				
At beginning of year	**56**	42	**9**	
Amortisation charge	**13**	13	**9**	9
Exchange differences	**1**	1		
At end of year	**70**	56	**18**	9
Net carrying amount at end of year	**75**	87	**1**	10
All intangible assets have finite useful lives and are amortised on the straight-line basis over the respective useful lives.				
14. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES				
ASSOCIATED COMPANIES (Unlisted)	**3 880**	1 965		
JOINT VENTURES (Unlisted)				
– incorporated		1		
Total	**3 880**	1 966		

Refer to annexure 2 for market and directors' valuations of investments.

	Associate companies			Joint ventures		
	Investments Rm	Loans[1] Rm	Total Rm	Investments Rm	Loans Rm	Total Rm
2010						
GROUP						
At beginning of year	**1 810**	**155**	**1 965**		**1**	**1**
Transfer (to)/from other assets					**(1)**	**(1)**
Net share of results	**3 655**	**63**	**3 718**			
Per income statement	**3 654**	**63**	**3 717**			
Elimination of intergroup profits	**1**		**1**			
Dividends paid	**(1 815)**		**(1 815)**			
Exchange difference adjustments	**(12)**		**(12)**			
Share of reserve movements	**24**		**24**			
At end of year (refer annexure 2)	**3 662**	**218**	**3 880**			

[1] *These loans are interest free and have no fixed repayment terms. These loans have been subordinated to other debt until such time that the associate's assets exceeds its liabilities. The net share of results arises from the recoupment of previous impairments by way of current trading income.*

	Associate companies			Joint ventures		
	Investments Rm	Loans[1] Rm	Total Rm	Investments Rm	Loans Rm	Total Rm
14. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)						
2009						
GROUP						
At beginning of year	1 816	32	1 848		1	1
Net share of results	1 776	123	1 899			
Per income statement	1 776	122	1 898			
Elimination of intergroup profits		1	1			
Dividends paid	(1 752)		(1 752)			
Exchange difference adjustments	(38)		(38)			
Share of reserve movements	8		8			
At end of year (refer annexure 2)	1 810	155	1 965		1	1

[1] *These loans are interest free and have no fixed repayment terms. These loans have been subordinated to other debt until such time that the associate's assets exceeds its liabilities. The net share of results arises from the recoupment of previous impairments by way of current trading income.*

	2010 Rm	2009 Rm
Aggregate post-acquisition reserves:		
– associate companies	**3 380**	1 466
– joint ventures	**3 014**	2 982
Total	**6 394**	4 448

[1] *These loans are interest free and have no fixed repayment terms. These loans have been subordinated to other debt until such time that the associate's assets exceeds its liabilities.*

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
15. INVESTMENTS IN SUBSIDIARIES				
Shares at cost less impairment losses			**3 290**	3 322
Indebtedness				
– by subsidiaries			**10 745**	10 358
– to subsidiaries			**(97)**	(105)
Total (refer annexure 3)			**10 648**	10 253
Less: Current portion included in trade and other receivables			**(8 018)**	(7 012)
Less: Current portion included in trade and other payables			**97**	105
Non-current portion			**2 727**	3 346
			6 017	6 668
Aggregate attributable after tax profits and losses of subsidiaries:				
– profits	**2 563**	1 743		
– losses	**(658)**	(3 617)		

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
16. FINANCIAL ASSETS				
Environmental Rehabilitation Trust asset	**522**	422	**12**	11
Long-term receivables	**477**	420		
Investments (refer annexure 2)	**376**	375		
	1 375	1 217	**12**	11
For details refer to note 27 on financial instruments.				
17. INVENTORIES				
Finished products	**1 312**	1 404		
Work-in-progress	**671**	659		
Raw materials	**586**	527		
Plant spares and stores	**544**	537		
Merchandise	**7**	6		
	3 120	3 133		
Included above are inventories relating to Exxaro Sands (Pty) Limited, Rosh Pinah Zinc Corporation (Pty) Limited and Exxaro Base Metals (Pty) Limited which might be sold or utilised in production over more than 12 months. Included in merchandise are biological assets held for sale classified as inventories. There was no inventory sold in which delivery was delayed at the buyer's request. No inventories were pledged as security for liabilities in both 2010 and 2009.				
The amount of inventory carried at net realisable value (NRV) is R750 million (2009: R528 million).				
18. TRADE AND OTHER RECEIVABLES				
Trade receivables	**2 554**	2 620		
Other receivables	**209**	240	**38**	40
Indebtedness by subsidiaries (refer note 15)			**8 018**	7 012
Indebtedness by subsidiaries			**11 298**	10 285
Specific allowances for impairment			**(3 280)**	(3 273)
Derivative financial instruments (refer note 27.1)	**192**	51		34
Non-financial instrument receivables	**848**	433	**2**	5
Specific allowances for impairment	**(50)**	(221)	**(4)**	(1)
Collective allowances for impairment	**(1)**	(2)		
	3 752	3 121	**8 054**	7 090
Included in non-current assets classified as held for sale (refer note 19)	**22**	18	**10**	18
	3 774	3 139	**8 064**	7 108

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2010

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
18. TRADE AND OTHER RECEIVABLES (continued)				
Trade receivables are stated after the following allowances for impairment:				
Specific allowances for impairment				
At beginning of year	**(221)**	(9)	**(3 274)**	(1)
Impairment loss recognised	**(45)**	(220)	**(3)**	
Indebtedness by subsidiaries impairments			**(23)**	(3 273)
Indebtedness by subsidiaries reversals			**16**	
Impairment loss reversals		3		
Other reconciling items	**216**	5		
At end of year	**(50)**	(221)	**(3 284)**	(3 274)
Of which relates to:				
Trade receivables	**(3)**	(217)		
Other receivables	**(47)**	(4)	**(4)**	(1)
Subsidiaries			**(3 280)**	(3 273)
	(50)	(221)	**(3 284)**	(3 274)
Collective allowances for impairment				
At beginning of year	**(2)**	(2)		
Other reconciling items	**1**			
At end of year	**(1)**	(2)		
Of which relates to:				
Trade receivables	**(1)**	(2)		
	(1)	(2)		
For a detailed analysis of the trade and other receivables refer to note 27 on financial instruments.				
19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE				
Assets				
Property, plant and equipment	**34**	38		
Financial assets	**21**	17		
Inventories	**8**	8		
Trade and other receivables (refer note 18)	**22**	18	**10**	18
Tax receivable		5		
	85	86	**10**	18
Liabilities				
Other long-term payables				
Non-current provisions	**(29)**	(28)		
Deferred tax liabilities	**(8)**	(9)		
Trade and other payables (refer note 24)	**(14)**	(12)		
Tax payable	**(1)**			
	(52)	(49)		
Total at end of year	**33**	37	**10**	18

Included above are the assets and liabilities of a subsidiary, Glen Douglas Dolomite (Pty) Limited, classified as held liabilities for sale (disposal group) and other assets and liabilities classified as held for sale. The Glen Douglas subsidiary was sold with an effective date of 1 January 2011.

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
20. SHARE CAPITAL				
Share capital at par value				
Authorised				
500 000 000 ordinary shares of R0,01 each	**5**	5	**5**	5
Issued				
358 089 230 (2009: 356 940 200) ordinary shares of R0,01 each	**4**	4	**4**	4
Share premium	**2 343**	2 314	**2 343**	2 314
Shares held by Kumba Resources Management Share Trust and the Exxaro Employee Empowerment Participation Scheme Trust (MPower)	**(177)**	(177)		
Total	**2 170**	2 141	**2 347**	2 318
The Kumba Resources Management Share Trust and the Exxaro Employee Empowerment Participation Scheme Trust (MPower) have been consolidated.				
Refer to statements of changes in equity (pages 209 to 210) for details of movements.				
Reconciliation of authorised shares not issued (million)				
Number of authorised unissued ordinary shares at beginning of year	**143**	145	**143**	145
Number of shares issued during the year	**(1)**	(2)	**(1)**	(2)
Number of unissued authorised shares at end of year	**142**	143	**142**	143

The following resolutions pertain to the unissued ordinary shares under the control of the directors until the forthcoming annual general meeting:

1. **Control of authorised but unissued shares**
   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 61 of 1973, as amended, article 3.2 of the articles of association of the company and the JSE Listings Requirements. The issuing of shares granted under this authority will be at their discretion until the next annual general meeting of the company authorised but unissued shares for such purposes as they may determine, after setting aside so many shares as may be required, subject to article 3.2 of the articles of association of the company, to be allotted and issued by the company pursuant to the company's approved employee share incentive schemes.

20. SHARE CAPITAL (continued)

2. General authority to issue shares for cash

The directors of the company be and they are hereby authorised, by way of a general authority, to issue the authorised but unissued shares in the capital of the company for cash, as and when they in their discretion deem fit, subject to article 3.2 of the articles of association of the company, the Companies Act, No 61 of 1973, as amended and the JSE Listings Requirements, when applicable and the following limitation, namely that:

- 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;
- the number of shares issued for cash shall not in the aggregate in the current financial year exceed 10% of the company's issued share capital of ordinary shares. For purposes of determining the securities comprising the 10% number in any one year, account must be take of the dilution effect, in the year of options/convertible securities, by including the number of any equity securities which may be issued in future arising out of the issue of such options/convertible securities. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year (or to be issued arising from options or convertible securities issued), provided that any ordinary shares to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (which has had final terms announced) may be included as though they were shares in issue at the date of application;
- this authority is valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date that this authority is given;
- a paid press announcement giving full details, including the impact on the net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares in issue prior to the issue; and
- the maximum discount permitted at which equity securities may be issued is 10% of the weighted average traded price on the JSE of those shares over the 30-business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities.

This ordinary resolution is required, under the JSE Listings Requirements, to be passed by achieving a 75% majority of the votes cast in favour of such resolution by all members present or represented by proxy and entitled to vote, at the annual general meeting.

3. General authority to repurchase shares

Subject to compliance with the JSE Listings Requirements, the Companies Act, No 61 of 1973, as amended, and article 36 of the articles of association of the company, be and are hereby authorised at their discretion to procure that the company or subsidiaries of the company acquire by repurchase on the JSE ordinary shares issued by the company provided that:

- the number of ordinary shares acquired in any one financial year shall not exceed 20% 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 shall lapse on the earlier of the date of the next annual general meeting of the company or 15 months after the date on which this resolutions is passed; and
- the price paid per ordinary share may not be greater than 10% above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date on which a purchase is made.

20. SHARE CAPITAL (continued)

3. General authority to repurchase shares (continued)

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 procure 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 the present time the directors have no specific intention with regard to the utilisation of this authority which will only be used if the circumstances are appropriate. The directors, after considering the effect of a repurchase of up to 20% of the company's issued ordinary shares, are of the opinion that if such repurchase is implemented:

- the group and company and its subsidiaries ("the group") will be able to pay its debts in the ordinary course of business for a period of 12 months after the date of this notice;
- recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements, the assets of the company and the group will exceed the liabilities of the company and the group for a period of 12 months after the date of this notice;
- the ordinary capital and reserves of the company and the group will be adequate for the purposes of the business of the company and the group for a period of 12 months after the date of this notice;
- the working capital of the company and the group will be adequate for the purposes of the business of the company and the group for a period of 12 months after the date of this notice;
- 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 has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be made;
- the company at any point in time, only appoints one agent to effect any repurchase(s) on its behalf; and the company undertaking that it will not enter the market to repurchase the company's securities until the company's sponsor has provided written confirmation to the JSE regarding the adequacy of the company's working capital in accordance with Schedule 25 of the JSE Listings Requirements.

The above authorities are valid until the next annual general meeting.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2010

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
21. INTEREST-BEARING BORROWINGS				
Non-current borrowings				
Summary of loans by financial year of redemption				
2010		407		362
2011	**716**	827	**417**	617
2012	**856**	723	**617**	617
2013	**1 865**	1 886	**1 701**	1 701
2014	**296**	304	**200**	200
2015	**285**	264	**200**	
2016 onwards	**342**	343		200
Total non-current borrowings (refer annexure 1)	**4 360**	4 754	**3 135**	3 697
Current portion included in current liabilities	**(716)**	(407)	**(417)**	(362)
Total	**3 644**	4 347	**2 718**	3 335
Details of interest rates payable on borrowings are shown in annexure 1.				
Included in the above interest-bearing borrowings are obligations relating to finance leases (refer note 11). Details are:				
Minimum lease payments:				
– less than one year	**66**	63		
– more than one year and less than five years	**262**	256		
– more than five years	**3 230**	3 302		
Total	**3 558**	3 621		
Less: Future finance charges	**3 290**	3 361		
Present value of lease liabilities	**268**	260		
Representing lease liabilities:				
– current	**5**	5		
– non-current (more than one year and less than five years)	**10**	13		
– non-current (more than five years)	**253**	242		
Total	**268**	260		

Exxaro entered into numerous operating and finance lease arrangements. All major lease arrangements are renewable if there is mutual agreement between the parties to the arrangements with some contracts specifying extension periods. Arrangements containing escalation clauses are usually based on CPI or PPI indexes. None of the lease arrangements contain restrictive clauses that are unusual to the particular type of lease.

There were no defaults or breaches in terms of interest-bearing borrowings during both reporting periods.

22. PROVISIONS

GROUP

	Environmental rehabilitation Rm	Decommissioning Rm	Restructuring Rm	Post-retirement medical obligation Rm	Post-retirement defined benefit obligation Rm	Cash-settled share-based payment Rm	Total Rm
2010							
At beginning of year	**1 323**	**442**	**30**	**77**	**3**	**5**	**1 880**
Charge to operating expenses	**28**	**8**		**9**	**2**		**47**
Additional provision	**31**	**8**		**9**	**2**		**50**
Unused amounts reversed	**(3)**						**(3)**
Interest adjustment (refer note 5)	**134**	**56**	**6**	**3**			**199**
Provisions capitalised to property, plant and equipment		**120**					**120**
Utilised during year	**(14)**		**(6)**			**(1)**	**(21)**
Exchange differences	**1**	**1**					**2**
Reclassification to non-current assets held for sale	**(1)**						**(1)**
At end of year	**1 471**	**627**	**30**	**89**	**5**	**4**	**2 226**
Current portion included in current liabilities	**(27)**		**(6)**				**(33)**
Total non-current provisions	**1 444**	**627**	**24**	**89**	**5**	**4**	**2 193**
2009							
At beginning of year	1 274	395	27	68		3	1 767
Charge to operating expenses	12	(3)		7	3	4	23
Additional provision	12	2		7	3	4	28
Unused amounts reversed		(5)					(5)
Interest adjustment (refer note 5)	16	8	8	2			34
Provisions capitalised to property, plant and equipment		39					39
Increase in joint venture	30						30
Utilised during year	(12)		(5)			(2)	(19)
Exchange differences	4	3					7
Reclassification to non-current assets held for sale	(1)						(1)
At end of year	1 323	442	30	77	3	5	1 880
Current portion included in current liabilities	(21)		(6)				(27)
Total non-current provisions	1 302	442	24	77	3	5	1 853

	Environ-mental rehabili-tation Rm	Decom-mission-ing Rm	Restruc-turing Rm	Post-retirement medical obligation Rm	Post-retirement defined benefit obligation Rm	Cash-settled share-based payment Rm	Total Rm
22. PROVISIONS (continued)							
COMPANY							
2010							
At beginning of year	**23**					**5**	**28**
Charge to operating expenses	**(1)**						**(1)**
Additional provisions	**(1)**						**(1)**
Interest adjustment (refer note 5)	**1**						**1**
Utilised during the year						**(1)**	**(1)**
Total non-current provisions	**23**					**4**	**27**
2009							
At beginning of year	21					3	24
Charge to operating expenses						4	4
Additional provisions						4	4
Interest adjustment (refer note 5)	2						2
Utilised during year						(2)	(2)
Total non-current provisions	23					5	28

Environmental rehabilitation
Provision is made for environmental rehabilitation costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

Decommissioning
The decommissioning provision relates to decommissioning of property, plant and equipment where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

Funding of environmental and decommissioning rehabilitation
Contributions towards the cost of the mine closure are also made to the Exxaro Environmental Rehabilitation Fund and the balance of the fund amounted to R539 million (2009: R429 million) at year-end.

Of this amount, R521 million (2009: R422 million) is included in financial assets and R18 million (2009: R7 million) in trade and other receivables of the group. Cash flows will take place when the mines are rehabilitated.

Restructuring
The liability includes accruals for plant and facility closures, including the dismantling costs thereof, and employee termination costs in terms of the announced restructuring plans for the Hlobane and Durnacol mines. Provision is made on a piecemeal basis only for those restructuring obligations supported by a formally approved plan.

The restructuring for Durnacol mine will be completed within the next six years and for Hlobane mine in the next 16 years.

22. PROVISIONS (continued)

Post-retirement medical obligation

A post-employment healthcare benefit had been provided to a group of continuation and in-service members on the Witbank Coal Medical Aid Scheme and the BHP Billiton SA Medical Scheme. This benefit, which is no longer offered, applied to certain employees previously employed by Eyesizwe or Ingwe Coal and comprises a subsidy of contributions.

At Namakwa Sands a post-retirement medical obligation remains. The post-retirement liability is of a defined benefit nature, and consists of an implicit promise to pay a portion of members' post-retirement medical aid contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical aid upon the death of the primary member, either pre- or post-retirement. This benefit, which is no longer offered, applied to employees employed prior to 2001 by Namakwa Sands.

The obligations represents a present value amount, which is actuarially valued on an annual basis. Any surplus or deficit arising from the valuation is recognised in the income statement. The provision is expected to be utilised over the expected lives of the remaining participants of the scheme.

Post-retirement defined benefit obligation

Provision for severance benefits is made in accordance with Namibian law for the Namibian operations. As the severance benefits are only payable on retirement or the involuntary termination of service from the side of the employer, this is accounted for as a post-retirement service. The plan is a defined benefit obligation. The cost of providing these benefits is determined based on the projected unit credit method and actuarial valuations are performed at every reporting date. The defined benefit obligation presented in the statement of financial position represents the sum of the present value of the obligation less the fair value of plan assets plus/minus any balance of unrecognised actuarial gains or losses, minus any balance of unrecognised past service costs. The provision is expected to be utilised over the expected lives of the participants of scheme.

Cash-settled share-based payment

Exxaro offered a cash-settled share-based payment, based on the company's share price performance, to certain individuals who were under an embargo and not entitled to accept share scheme offers, due to their involvement in the empowerment transaction.

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
23. DEFERRED TAX				
The movement on the deferred tax account is as follows:				
At beginning of year	**366**	174	**(87)**	(104)
Foreign currency adjustment		5		
Increase in joint venture		26		
Share-based payments movements	**(42)**	(16)	**(21)**	(9)
Items charged directly to other components of equity	**115**	(126)		
Transferred to non-current assets held for sale	**1**	(2)		
Income statement charge (refer note 7)				
– current	**93**	297	**23**	4
– prior	**94**	8		22
At end of year	**627**	366	**(85)**	(87)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2010

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
23. DEFERRED TAX (continued)				
Comprising:				
Deferred tax liabilities				
– property, plant and equipment	**1 438**	1 113		
– bad debt reassessment	**(8)**	(46)		
– income received in advance	**(7)**			
– inventories	**13**	6		
– leave pay accrual	**(30)**	(31)		
– financial instruments	**20**			
– provisions	**36**	(6)		
– Exxaro Environmental Rehabilitation asset	**104**	86		
– decommissioning provision	**(11)**	(6)		
– share-based payments	**(19)**	(6)		
– hedge premium	**1**	2		
– restoration provision	**(187)**	(95)		
– prepayments	**14**	7		
– unrealised profits	**(5)**	(25)		
– assessed losses	**(6)**	(4)		
	1 353	995		
Deferred tax assets				
– provisions	**(96)**	(88)	**(2)**	(2)
– property, plant and equipment	**292**	137	**6**	
– Exxaro Environmental Rehabilitation asset	**33**	22	**4**	4
– decommissioning provision	**(11)**	(9)		
– financial instruments	**(157)**	(126)		
– share-based payments	**(42)**	(17)	**(35)**	(13)
– hedge premium	**(1)**	(1)		(1)
– unrealised foreign exchange profit/(loss)	**145**	98		
– restoration provision	**(113)**	(109)	**(7)**	(6)
– inventories	**(3)**	(3)		
– bad debt reassessment	**(1)**	(1)		
– lease liability	**(75)**	(72)		
– leave pay accrual	**(13)**	(13)	**(6)**	(5)
– prepayments	**20**	14		
– tax losses carried forward	**(1 241)**	(1 017)	**(45)**	(64)
– derecognition of deferred tax assets	**833**	822		
– foreign tax losses carried forward	**(296)**	(266)		
	(726)	(629)	**(85)**	(87)
	627	366	**(85)**	(87)

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
23. DEFERRED TAX (continued)				
Calculated tax losses				
– Tax losses available for set off against future South African taxable income	**4 454**	3 646	**161**	229
– Tax losses available for set off against future foreign taxable income	**1 082**	950		
The total deferred tax assets raised with regard to assessed losses amount to R706 million (2009: R465 million), and is mainly attributable to the Exxaro sands businesses. The total deferred tax assets not raised amount to R907 million (2009: R877 million).				
24. TRADE AND OTHER PAYABLES				
Trade payables	**1 085**	932	**39**	24
Other payables	**898**	775	**54**	61
Non-financial instrument payables	**835**	532	**155**	115
Leave pay accrual	**229**	226	**21**	20
Indebtedness to subsidiaries (refer note 15)			**97**	105
Derivative financial instruments (refer note 27.1)	**10**	45		34
	3 057	2 510	**366**	359
Included in non-current assets classified as held for sale (refer note 19)	**14**	12		
	3 071	2 522	**366**	359
25. NOTES TO THE CASH FLOW STATEMENT				
25.1 Cash generated by/(utilised in) operations				
Net operating profit/(loss)	**2 636**	304	**(247)**	(3 311)
Adjusted for non-cash movements				
– depreciation and amortisation	**1 380**	1 136	**50**	34
– impairment charges of non-current assets	**4**	1 435	**48**	
– impairment charges and write-offs of trade and other receivables	**45**	217	**10**	3 273
– provisions	**47**	23	**(1)**	3
– foreign exchange revaluations and fair value adjustments	**(93)**	2	**3**	7
– reconditionable spares usage	**6**	4		
– net (profit)/loss on disposal or scrapping of property, plant and equipment	**(32)**	84		
– share-based payment expenses	**80**	83	**26**	30
Cash inflows from operations	**4 073**	3 288	**(111)**	36
Working capital movements				
– increase in inventories	**(11)**	(643)		
– (increase)/decrease in trade and other receivables	**(478)**	(612)	**84**	(365)
– increase/(decrease) in trade and other payables	**543**	103	**4**	(457)
– utilisation of provisions (refer note 22)	**(21)**	(19)	**(1)**	(2)
Cash generated by/(utilised in) operations	**4 106**	2 117	**(24)**	(788)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2010

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
25. NOTES TO THE CASH FLOW STATEMENT (continued)				
25.2 Net financing costs				
Net financing costs	**(455)**	(415)	**(232)**	(339)
Financing costs not involving cash flow (refer note 22)	**199**	34	**1**	2
	(256)	(381)	**(231)**	(337)
25.3 Normal tax paid				
Amounts (unpaid)/receivable at beginning of year		(433)	**13**	(10)
Amounts charged to the income statements	**(478)**	(461)	**(13)**	24
Arising on translation of foreign entities	**1**	2		
Non-current assets classified as held for sale	**5**			
Amounts unpaid/(receivable) at end of year	**42**			(14)
	(430)	(892)		
25.4 Dividends paid				
Dividends declared and paid	**(1 056)**	(1 050)	**(1 073)**	(1 066)
25.5 Investments to maintain operations				
Replacement of property, plant and equipment	**(1 109)**	(960)	**(68)**	(88)
Reconditional spares	**(46)**	(32)		
	(1 155)	(992)	**(68)**	(88)
25.6 Investments to expand operations				
Expansion and new technology	**(1 522)**	(990)		
	(1 522)	(990)		
25.7 Investment in other non-current assets				
Increase in associates, joint ventures		(1 082)		
Decrease/(Increase) in investments in subsidiaries			**606**	(795)
Increase in non-current financial assets	**(149)**	(8)		
	(149)	(1 090)	**606**	(795)
Increase in investment in joint venture				
During July 2009, the group invested R1 082 million in Mafube Coal Mining (Pty) Limited, its joint venture with Anglo South Africa Capital (Pty) Limited, which is included in the coal segment results.				
The increase consists of the following:				
Property, plant and equipment		1 156		
Non-current financial assets		3		
Inventories		36		
Trade and other receivables		49		
Deferred tax		(26)		
Provisions		(30)		
Trade and other payables		(106)		
		1 082		
25.8 Income from equity-accounted investments				
Income from equity-accounted investments as per income statement	**3 717**	1 898		
Dividends received from equity-accounted investments	**1 815**	1 752		
Non-cash flow income from equity-accounted investments	**(3 717)**	(1 898)		
	1 815	1 752		

	GROUP 2010 Rm	GROUP 2009 Rm	COMPANY 2010 Rm	COMPANY 2009 Rm
25. NOTES TO THE CASH FLOW STATEMENT (continued)				
25.9 Income from investments				
Income from investments as per income statement	**2**	2	**3 205**	6 731
Non-cash flow dividends in specie received from subsidiary			**(1 000)**	(4 600)
	2	2	**2 205**	2 131
25.10 Foreign currency translation reserve				
At beginning of year	**(802)**	(964)		3
Closing balance	**716**	802	**2**	
Movement	**(86)**	(162)	**2**	3
Unrealised losses/(profits) in relation to foreign transactions	**(8)**	(48)		(3)
Revaluation of non-current loans	**(43)**	(172)	**2**	4
Arising on translation of foreign entities:	**108**	294	**(2)**	(3)
– inventories	**10**	20		
– trade and other receivables	**17**	30		
– financial assets	**1**			
– trade and other payables	**3**	8		
– utilisation of provision	**3**	5		
– taxation paid	**(1)**	1		
– property, plant and equipment acquired	**(32)**	(43)		
– intangible assets	**(1)**	(2)		
– investments acquired	**12**	30		
– non-current loans	**99**	123	**(2)**	(3)
– current loans	**(2)**			
– non-controlling interests loans	**(1)**	(1)		
– share capital		123		
	(29)	(88)	**2**	1
25.11 Translation of foreign cash and cash equivalents				
Translation differences on cash and cash equivalents	**14**	67		

	2010 Before-tax amount Rm	2010 Tax Rm	2010 Net-of-tax amount Rm	2009 Before-tax amount Rm	2009 Tax Rm	2009 Net-of-tax amount Rm
26. OTHER COMPREHENSIVE INCOME (RESTATED)						
GROUP						
Exchange differences on translating foreign operations	**(9)**	**(38)**	**(47)**	(35)	(62)	(97)
Share of other comprehensive income of associates	**40**		**40**	(34)	15	(19)
Financial instruments fair value gains/(losses) recognised in equity on cash flow hedges:	**227**	**(77)**	**150**	(474)	189	(285)
	258	**(115)**	**143**	(543)	142	(401)
COMPANY						
Exchange differences on translating foreign operations	**2**		**2**	3		3
	2		**2**	3		3

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2010

27. FINANCIAL INSTRUMENTS

27.1 Carrying amounts and fair value amounts of financial instruments

The tables below set out the group's and company's classification of each class of financial assets and liabilities, as well as their fair values.

	At fair value through profit or loss	
	Held for trading Rm	Designated Rm
GROUP		
2010		
ASSETS		
Non-current assets		
Property, plant and equipment		
Biological assets		
Intangible assets		
Investments in associates and joint ventures		
Deferred tax		
Financial assets, consisting of:		529
– Exxaro Environmental Rehabilitation Trust asset		522
– Richards Bay Coal Terminal (RBCT)		
– Ndzalama Game Reserve		7
– Long-term receivables		
Total non-current assets		529
Current assets		
Inventories		
Trade and other receivables		
Current tax receivable		
Derivative financial instruments	192	
Cash and cash equivalents		
Total current assets	192	
Non-current assets classified as held for sale		21
Total assets	192	550
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		
Other components of equity		
Retained earnings		
Equity attributable to equity holders of the parent		
Non-controlling interest		
Total equity		
Non-current liabilities		
Interest-bearing borrowings		136
Non-current provisions		
Deferred tax		
Total financial non-current liabilities		136
Current liabilities		
Trade and other payables		
Derivative financial instruments	10	
Interest-bearing borrowings		28
Current tax payable		
Current provisions		
Total current liabilities	10	28
Non-current liabilities classified as held for sale		
Total liabilities	10	164

Held-to-maturity investments at amortised cost Rm	Loans and receivables at amortised cost Rm	Available-for-sale financial assets at fair value Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm	Maximum exposure of carrying amount to credit risk Rm
				13 305	13 305		
				46	46		
				75	75		
				3 880	3 880		
				726	726		
	477	369			1 375	1 375	1 375
					522	522	522
		369			369	369	369
					7	7	7
	477				477	477	477
	477	369		18 032	19 407		
				3 120	3 120		
	2 712			848	3 560	2 712	
				105	105		
					192	192	192
	2 140				2 140	2 140	2 140
	4 852			4 073	9 117		
	22			43	85	42	42
	5 351	369		22 148	28 609		
				2 170	2 170		
				2 321	2 321		
				12 946	12 946		
				17 437	17 437		
				(23)	(23)		
				17 414	17 414		
			3 307	201	3 644	3 443	
				2 193	2 193		
				1 353	1 353		
			3 307	3 747	7 190		
			1 983	1 064	3 047	1 983	
					10	10	
			622	66	716	650	
				147	147		
				33	33		
			2 605	1 310	3 953		
			14	38	52	14	
			5 926	22 509	28 609		

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for the year ended 31 December 2010

27. FINANCIAL INSTRUMENTS (continued)

27.1 Carrying amounts and fair value amounts of financial instruments (continued)

	At fair value through profit or loss	
	Held for trading Rm	Designated Rm
GROUP		
2009		
ASSETS		
Non-current assets		
Property, plant and equipment		
Biological assets		
Intangible assets		
Investments in associates and joint ventures		
Deferred tax		
Financial assets, consisting of:		429
– Exxaro Environmental Rehabilitation Trust asset		422
– Richards Bay Coal Terminal (RBCT)		
– Ndzalama Game Reserve		7
– Long-term receivables		
Total non-current assets		429
Current assets		
Inventories		
Trade and other receivables		
Current tax receivables		
Derivative financial instruments	51	
Cash and cash equivalents		
Total current assets	51	
Non-current assets classified as held for sale		17
Total assets	51	446
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		
Other components of equity		
Retained earnings		
Equity attributable to equity holders of the parent		
Non-controlling interest		
Total equity		
Non-current liabilities		
Interest-bearing borrowings		153
Non-current provisions		
Derivative financial instruments	75	
Deferred tax		
Total non-current liabilities	75	153
Current liabilities		
Trade and other payables		
Derivative financial instruments	45	
Interest-bearing borrowings		28
Current tax payable		
Current provisions		
Total current liabilities	45	28
Non-current liabilities classified as held for sale		
Total liabilities	120	181

As disclosed in the table above, financial liabilities with a carrying amount and fair value of R163 million (2009: R181 million) have been designated at fair value through profit or loss.

The carrying amount of the financial liabilities designated at fair value through profit or loss at 31 December 2010 was the same as the contractual amount at maturity date for the year ended 31 December 2009.

Held-to-maturity investments at amortised cost Rm	Loans and receivables at amortised cost Rm	Available-for-sale financial assets at fair value Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm	Maximum exposure of carrying amount to credit risk Rm
				11 869	11 869		
				41	41		
				87	87		
				1 966	1 966		
				629	629		
	420	368			1 217	1 217	1 217
					422	422	422
		368			368	368	368
					7	7	7
	420				420	420	420
	420	368		14 592	15 809		
				3 133	3 133		
	2 649			421	3 070	2 649	2 649
				57	57		
					51	51	51
	1 023				1 023	1 023	1 023
	3 673			3 611	7 334		
	23			47	86	40	40
	4 116	368		18 250	23 229		
				2 141	2 141		
				2 046	2 046		
				8 721	8 721		
				12 908	12 908		
				1	1		
				12 909	12 909		
			3 983	211	4 347	4 136	
				1 853	1 853		
					75	75	
				995	995		
			3 983	3 059	7 270		
			2 373	92	2 465	2 373	
					45	45	
			330	49	407	358	
				57	57		
				27	27		
			2 703	225	3 001		
			12	37	49	12	
			6 698	16 230	23 229		

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27. FINANCIAL INSTRUMENTS (continued)

27.1 Carrying amounts and fair value amounts of financial instruments (continued)

	At fair value through profit or loss	
	Held for trading Rm	Designated Rm
COMPANY		
2010		
ASSETS		
Non-current assets		
Property, plant and equipment		
Intangible assets		
Investments in subsidiaries		
Deferred tax		
Financial assets, consisting of:		
– Exxaro Environmental Rehabilitation Trust asset		**12**
Total non-current assets		**12**
Current assets		
Trade and other receivables		
Cash and cash equivalents		
Total current assets		
Non-current assets classified as held for sale		
Total assets		**12**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		
Other components of equity		
Retained earnings		
Equity attributable to equity holders of the parent		
Total equity		
Non-current liabilities		
Interest-bearing borrowings		
Non-current provisions		
Total financial non-current liabilities		
Current liabilities		
Trade and other payables		
Interest-bearing borrowings		
Total current liabilities		
Total equity and liabilities		

Held-to-maturity investments at amortised cost Rm	Loans and receivables at amortised cost Rm	Available-for-sale financial assets at fair value Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm	Maximum exposure of carrying amount to credit risk Rm
				266	266		
				1	1		
	2 726			3 291	6 017	2 726	2 726
				85	85		
					12	12	12
	2 726			3 643	6 381		
	8 052			2	8 054	8 052	8 052
	1 229				1 229	1 229	1 229
	9 281			2	9 283		
				10	10		
	12 007			3 655	15 674		
				2 347	2 347		
				1 143	1 143		
				8 656	8 656		
				12 146	12 146		
				12 146	12 146		
			2 718		2 718	2 718	
				27	27		
			2 718	27	2 745		
			190	176	366	190	
			417		417	417	
			607	176	783		
			3 325	12 349	15 674		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2010

27. FINANCIAL INSTRUMENTS (continued)

27.1 Carrying amounts and fair value amounts of financial instruments (continued)

	At fair value through profit or loss	
	Held for trading Rm	Designated Rm
COMPANY		
2009		
ASSETS		
Non-current assets		
Property, plant and equipment		
Intangible assets		
Investments in subsidiaries		
Deferred tax		
Financial assets, consisting of:		
– Exxaro Environmental Rehabilitation Trust asset		11
Total non-current assets		11
Current assets		
Trade and other receivables		
Current tax receivable		
Derivative financial instruments	34	
Cash and cash equivalents		
Total current assets	34	
Non-current assets classified as held for sale		
Total assets	34	11
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		
Other components of equity		
Retained earnings		
Total equity		
Non-current liabilities		
Interest-bearing borrowings		
Non-current provisions		
Total financial non-current liabilities		
Current liabilities		
Trade and other payables		
Derivative financial instruments	34	
Interest-bearing borrowings		
Total current liabilities	34	
Total liabilities	34	

Held-to-maturity investments at amortised cost Rm	Loans and receivables at amortised cost Rm	Available-for-sale financial assets at fair value Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm	Maximum exposure of carrying amount to credit risk Rm
				240	240		
				10	10		
	3 346			3 322	6 668	3 346	3 346
				87	87		
					11	11	11
	3 346			3 659	7 016		
	7 056				7 056	7 056	7 056
				14	14		
					34	34	34
	343				343	343	343
	7 399			14	7 447		
				18	18		
	10 745			3 691	14 481		
				2 318	2 318		
				1 041	1 041		
				7 038	7 038		
				10 397	10 397		
			3 335		3 335	3 335	
				28	28		
			3 335	28	3 363		
			190	135	325	190	
					34	34	
			362		362	362	
			552	135	721		
			3 887	10 560	14 481		

27. FINANCIAL INSTRUMENTS (continued)

27.1 Carrying amounts and fair value amounts of financial instruments (continued)

As disclosed in the table above, there were no financial liabilities designated at fair value through profit or loss as at 31 December 2010 for the company.

The Exxaro Environmental Rehabilitation Trust Fund (EERF) was created and complies with the requirements of both the Minerals and Petroleum Resources activities.

The EERF receives, holds and invests funds contributed by the Exxaro group of companies for the rehabilitation or management of negative environmental impacts associated with mining and exploration activities. The EERF receives, holds and invests funds contributed by the Exxaro mining operations, which contributions are aimed at providing for sufficient funds at date of estimated closure of mining activities to address the rehabilitation and environmental impacts.

The trustees of the fund are appointed by Exxaro and consist of sufficiently qualified Exxaro employees capable of fulfilling their fiduciary duties.

The funds are invested by Exxaro's in-house treasury department with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and real growth.

Funds accumulated for a specific mine or exploration project can only be utilised for the rehabilitation and environmental impacts of that specific mine or project.

If a mine or exploration project withdraws from the fund for whatever valid reason, the funds accumulated for such mine or exploration project are transferred to a similar fund approved by the Commissioner of South African Revenue Services. The fund cannot be closed down without the permission of the Commissioner of the South African Revenue Services. R106 million (2009: R67 million) of the investments designated at fair value through profit or loss and the EERF are equity investments listed on the JSE Limited.

Included in the long-term receivables is an amount of R449 million (2009: R420 million) recoverable from Eskom in respect of the rehabilitation and environmental expenditure of the Matla and Arnot mines at the end-of-life of these mines. The corresponding anticipated liability is disclosed as part of non-current provisions (refer note 22).

A 2% increase in the JSE industry average at reporting date would have increased equity by R0,7 million (2009: Rnil) after tax; an equal change in the opposite direction would have decreased equity by R0,7 million (2009: Rnil). The impact on profit or loss would have been an increase or decrease of R0,7 million (2009: Rnil) after tax. The analysis has been performed on the same basis for 2009.

There were no allowances for impairments on long-term receivables or investments in equity instruments at cost during the period under review.

Fair values

Fair value hierarchy level

Financial assets and liabilities at fair value have been categorised in the following hierarchy structure:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – Inputs other than quoted prices included in level 1 that are either directly or indirectly observable for the asset/liability.

Level 3 – Inputs for the asset/liability that are not based on observable market data (unobservable inputs).

27. FINANCIAL INSTRUMENTS (continued)

27.1 Carrying amounts and fair value amounts of financial instruments (continued)

	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
GROUP				
2010				
Financial assets held for trading at fair value through profit or loss	**192**		**192**	
– Current derivative financial instruments	**192**		**192**	
Financial assets designated as at fair value through profit or loss	**549**	**542**		**7**
– Exxaro Environmental Rehabilitation Trust	**542**	**542**		
– Ndzalama Game Reserve	**7**			**7**
Available-for-sale financial assets	**369**			**369**
– Richards Bay Coal Terminal	**369**			**369**
Financial liabilities held for trading at fair value through profit or loss	**10**		**10**	
– Current derivative financial instruments	**10**		**10**	
Financial liabilities designated as at fair value through profit or loss	**164**		**164**	
– Non-current interest-bearing borrowings	**136**		**136**	
– Current interest-bearing borrowings	**28**		**28**	
Total	**1 284**	**542**	**366**	**376**

Reconciliation of level 3 hierarchy	**Ndzalama Game Reserve Rm**	**Richards Bay Coal Terminal Rm**
Opening balance	**7**	**368**
Movement during the year		
Purchases		**36**
Settlements		**(35)**
Closing balance	**7**	**369**

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for the year ended 31 December 2010

27. FINANCIAL INSTRUMENTS (continued)

27.1 Carrying amounts and fair value amounts of financial instruments (continued)

	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
COMPANY				
2010				
Financial assets designated as at fair value through profit or loss				
– Exxaro Environmental Rehabilitation Trust	**11**	**11**		
GROUP				
2009				
Financial assets held for trading at fair value through profit or loss	51		51	
– Current derivative financial instruments	51		51	
Financial assets designated as at fair value through profit or loss	429	422		7
– Exxaro Environmental Rehabilitation Trust	422	422		
– Ndzalama Game Reserve	7			7
Available-for-sale financial assets	368			368
– Richards Bay Coal Terminal	368			368
Financial liabilities held for trading at fair value through profit or loss	120		120	
– Non-current derivatives	75		75	
– Current derivatives	45		45	
Financial liabilities designated as at fair value through profit or loss	181		181	
– Non-current interest-bearing borrowings	153		153	
– Current interest-bearing borrowings	28		28	
Total	1 149	422	352	375

Reconciliation of level 3 hierarchy	Ndzalama Game Reserve Rm	Richards Bay Coal Terminal Rm	Igoda Rm	Mafube Rm
Opening balance	6	351	25	5
Movement during the year				
Total gains or losses for the period recognised in profit or loss	1			
Purchases		50		
Sales			(25)	
Transfers out of level 3		(33)		(5)
Closing balance	7	368		

27. FINANCIAL INSTRUMENTS (continued)

27.1 Carrying amounts and fair value amounts of financial instruments (continued)

	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
COMPANY				
2009				
Financial assets held for trading at fair value through profit or loss				
– Current derivative financial instruments	34			
Financial assets designated as at fair value through profit or loss				
– Exxaro Environmental Rehabilitation Trust	11	11		

At 31 December 2010 the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to the short-term maturities of these assets and liabilities.

Of the financial assets and liabilities as at 31 December 2010 and 2009, the interest-bearing borrowings had their fair values determined based on published price quotation in active market. The borrowings' net present value (NPV) is calculated using the nominal annual compounding annually (NACA) rate.

No financial assets and liabilities had their fair value determined using valuation techniques during the year ended 31 December 2010 or 2009.

For the financial year ended 31 December 2010, the investment in Richards Bay Coal Terminal (RBCT) had no active market available. RBCT is the largest single export coal terminal in the world and is situated in Richards Bay. It is a 24-hour operation shipment/export. Exxaro acquired 8 662 shares (1,20% stake) in RBCT through the merger of the former Eyesizwe (Pty) Limited and Kumba Resources Limited which was valued at R2 million on 1 November 2006. Additional 10 000 shares were acquired in RBCT on 30 June 2008 for R213 million. These shares were purchased at a price of US$30 million. The 10 000 ordinary shares entitle Exxaro to a 1,39% shareholding in RBCT. The 10 000 shares also entitle Exxaro to 1Mt of export allocation. All the shareholders in RBCT acquire equity instruments in order to obtain the right to export coal. The South Dunes Coal Terminal (SDCT) also holds an investment in RBCT, of which Exxaro Coal (a 100% subsidiary of Exxaro Resources Limited) holds 33% in SDCT, with the effective value of R186 million at 31 December 2010 (2009: R186 million). All this coupled with minor wharfage expenses, results in the overall investment in RBCT with a carrying value of R400 million (2009: R401 million). The fair value could not be measured reliably because RBCT shares do not form part of an active market as there are no other shares available in South Africa. Willing buyers and sellers cannot be found at any time (restricted to a select few) of the same nature (homogenous) and prices are not available to the public. Although one could attach a certain set of market influences that significantly affect the value of such shares, the volatility of e.g. freight rates would cause the valuation to vary significantly.

The fair value of the financial instruments at initial recognition was determined to be the transaction price. Upon initial recognition no differences existed as a result of the fair value upon initial recognition differing to the value of the financial instrument determined using a valuation technique.

Subsequent to initial recognition, as the fair value of the investment in RBCT could not be measured reliably, the investment has been carried at cost. The carrying value of the investment in RBCT is R400 million (2009: R401 million).

It is not anticipated that the RBCT investments will be disposed of in the near future as the group has no intention to dispose of it.

27.2 Reclassification of financial assets

No reclassification of financial assets occurred during the period.

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for the year ended 31 December 2010

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
27. FINANCIAL INSTRUMENTS (continued)				
27.3 Statement of changes in equity				
Included in the statement of "other comprehensive income non-owner related movements" are the following pre-tax adjustments relating to financial instruments:				
– Effective portion of change in fair value of cash flow hedge	**310**	(256)		

The above amounts are all included in the hedging reserve.

27.4 Risk management

27.4.1 Financial risk management

The group's corporate treasury function (other than Exxaro Australia Sands (Pty) Limited which operates on a decentralised basis but within the approved group policies), provides financial risk management services to the business, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk, and price risk), credit risk and liquidity risk.

The group's objectives, policies and processes for measuring and managing these risks are detailed below. The group's management of capital is detailed in the report of the directors.

The group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of derivative financial instruments is governed by the group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis and results are reported to the board audit committee.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The group enters into financial instruments to manage and reduce the possible adverse impact on earnings and cash flows of changes in interest rates, foreign currency exchange rates and commodity prices. Compliance with policies and exposure limits is reviewed by the internal auditors annually, with the results being reported to the audit committee.

27.4.2 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 27.4.2.1 below), commodity prices (see 27.5.2.2 below) and interest rates (see 27.4.2.3 below). The group enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign currency risks and commodity price risks, including:

- forward foreign exchange contracts (FECs) and currency options to hedge the exchange rate risk arising on the export of coal, base metal and mineral sands products as well as imported capital expenditure;
- forward interest rate contracts to manage interest rate risk;
- interest rate swaps to manage the risk of rising interest rates;
- forward exchange contracts to hedge the commodity prices arising on the export of zinc and lead.

27. FINANCIAL INSTRUMENTS (continued)

27.4 Risk management (continued)

27.4.2 Market risk management (continued)

27.4.2.1 Foreign currency risk management

The group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The currency in which transactions are entered into is mainly denominated in US dollars (USD), euro, and Australian dollars (AUD). Exchange rate exposures are managed within approved policy parameters utilising FECs, currency options and currency swap agreements.

The group maintains a fully covered exchange rate position in respect of foreign currency borrowings and imported capital equipment resulting in these exposures being fully converted to rand. Trade-related import exposures are managed through the use of economic hedges arising from export revenue as well as through FECs. Trade-related export exposures are hedged using FECs and options with specific focus on short-term receivables.

Uncovered foreign debtors at 31 December 2010 amount to US$114 million (2009: US$142 million), whereas uncovered cash and cash equivalents amount to US$44 million (2009: US$40 million). All capital imports were fully hedged. There were no imports which were not fully hedged during both 2009 and 2009. Monetary items have been translated at the closing rate at the last day of the reporting period US$1:R6,60 (2009: US$1:R7,40).

The FECs which are used to hedge foreign currency exposure mostly have a maturity of less than one year from the reporting date. When necessary, FECs are rolled over at maturity.

Pre-tax unrealised exchange losses amounting to Rnil (2009: Rnil) arising from the revaluation of Exxaro Australia Sands Pty Limited foreign currency loans for which an economic hedge exists through specific future export sales revenue, are recognised in equity as hedge accounting has been applied.

The following significant exchange rates applied for both group and company during the year:

	Average spot rate	Average achieved rate	Closing spot rate
2010			
USD	**7,30**	**7,72**	**6,63**
Euro	**9,68**	**9,94**	**8,83**
Australian dollar	**6,71**	**6,80**	**6,75**
2009			
USD	8,38	8,39	7,40
Euro	11,81	12,25	10,64
Australian dollar	6,75	6,58	6,64

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27. FINANCIAL INSTRUMENTS (continued)

27.4 Risk management (continued)

27.4.2 Market risk management (continued)

27.4.2.1 Foreign currency risk management

Foreign currency

Material FECs and currency options, which relate to specific balance sheet items, that do not form part of a hedging relationship or for which hedge accounting was not applied at 31 December 2010 and 31 December 2009, are summarised as follows:

	Market-related value Rm	Foreign amount million	Contract value Rm	Recognised fair value profits/(losses) Rm
GROUP				
2010				
Exports				
United States dollar – FECs	**676**	**101**	**726**	**50**
2009				
Exports				
United States dollar – FECs	164	22	175	11

Cash flow hedges – foreign currency risk

The group has entered into certain forward exchange contracts, which relate to specific foreign commitments not yet due and export earnings for which the proceeds are not yet receivable. Details of the contracts at 31 December 2010 and 31 December 2009 were as follows:

	Market-related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
GROUP				
2010				
Imports				
United States Dollar – FECs				
Less than three months	**10**	**1**	**10**	
Three months	**1**	**1**	**1**	
Total	**11**	**2**	**11**	
Euro – FECs				
Less than three months	**10**	**1**	**10**	
Six months	**6**	**1**	**7**	
One year	**23**	**2**	**28**	**(5)**
Total	**39**	**4**	**45**	**(5)**
Exports				
United States dollar – FECs				
Less than three months	**179**	**27**	**214**	**(35)**
Three months	**106**	**16**	**126**	**(20)**
Six months	**60**	**9**	**64**	**(4)**
United States dollar – Note holders' loan				
One year	**30**	**5**	**30**	
> three years	**407**	**61**	**518**	**(111)**
Total	**782**	**118**	**952**	**(170)**

Note: In respect of an US$83 million (2009: US$60 million) loan liability of Exxaro Australia Sands Pty Limited, an economic hedge exists between US$ revenue and US$ borrowings. Accordingly, future sales proceeds to be applied to the repayment of US$ borrowings are recorded at the historical exchange rate effective at the date of loan draw down.

27. FINANCIAL INSTRUMENTS (continued)

27.4 Risk management (continued)

27.4.2 Market risk management (continued)

27.4.2.1 Foreign currency risk management (continued)

Cash flow hedges – foreign currency risk (continued)

With respect to the above-mentioned cash flow hedges, the future expected cash flows are represented below:

	2011 Rm	2012 Rm	>2012 Rm	Total Rm
Expected future cash flows				
– United States dollar – FECs	404			404
– United States Dollar – Note holders' loan		30	407	437
Expected gain/(loss) in profit or loss (at maturity)				
– United States dollar – FECs	(59)			(59)
– Euro – FECs	(6)			(6)
– United States dollar – Note holders' loan	(111)		(111)	(222)

	Market-related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
GROUP				
2009				
Imports				
United States dollar – FECs				
Less than three months	12	3	10	1
Six months	2		3	
Total	14	3	13	1
Euro – FECs				
Less than three months	11	1	10	1
Three months	2		2	
Total	13	1	12	1
Exports				
United States dollar – Note holders' loan				
Less than three months	133	18	135	(2)
One year	12	2	12	
> three years	432	58	432	
Total	577	78	579	(2)

Note: In respect of an US$60 million (2008: US$60 million) loan liability of Exxaro Australia Sands Pty Limited, an economic hedge exists between US$ revenue and US$ borrowings. Accordingly, future sales proceeds to be applied to the repayment of US$ borrowings are recorded at the historical exchange rate effective at the date of loan draw down.

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for the year ended 31 December 2010

27. FINANCIAL INSTRUMENTS (continued)

27.4 Risk management (continued)

27.4.2 Market risk management (continued)

27.4.2.1 Foreign currency risk management (continued)

Cash flow hedges – foreign currency risk (continued)

With respect to the above-mentioned cash flow hedges, the future expected cash flows are represented below:

	2010 Rm	2011 Rm	>2011 Rm	Total Rm
Expected future cash flows				
– United States dollar – FECs	135			135
– Euro – FECs	12			12
– United States dollar – Note holders' loan		12	432	444
Expected gain/(loss) in profit or loss (at maturity)				
– United States dollar – FECs	(2)			(2)
– Euro – FECs	1			1

	Market-related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
COMPANY				
2010				
Imports				
Euro – FECs				
Less than three months	**1**		**1**	
Total	**1**		**1**	

With respect to the above-mentioned cash flow hedges, the future expected cash flows are represented below:

	2011 Rm	2012 Rm	>2011 Rm	Total Rm
Expected future cash flows				
Euro – FECs		1		1

	Market-related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
COMPANY				
2009				
Imports				
– United States dollar – FECs				
Less than three months	1		1	
Total	1		1	

27. FINANCIAL INSTRUMENTS (continued)

27.4 Risk management (continued)

27.4.2 Market risk management (continued)

27.4.2.1 Foreign currency risk management (continued)

Cash flow hedges – foreign currency risk (continued)

With respect to the above-mentioned cash flow hedges, the future expected cash flows are represented below:

	2010 Rm	2011 Rm	>2011 Rm	Total Rm
Expected future cash flows				
– United States dollar – FECs		1		1

Foreign currency sensitivity

The following table includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% increase in foreign currency rates and details the group and company sensitivity thereto. Foreign currency denominated monetary items such as cash balances, trade receivables, trade payables and loans have been included in the analysis. A positive number represents a gain whilst a negative number represents a loss.

For exports (US$), an increase in the exchange rate of the rand (ZAR) against the dollar (US$) (e.g. FEC taken out on exports at R7,94:US$1, with actual rate coming out at R8,73:US$1) represents a weakening of the rand against the US dollar, which results in a loss incurred of R0,79. The opposite applies for a decrease in the exchange rate.

	Profit or loss		**Equity**	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
GROUP				
United States dollar	**179**	167	**(29)**	(28)
Euro	**45**			
COMPANY				
United States dollar	**3**	17		

For imports (euro), an increase in the exchange rate of the rand (ZAR) against the Euro (e.g. FEC taken out on exports at R10,00:€1, with actual rate coming out at R11,00:€1) represents a weakening of the rand against the euro, which results in a gain incurred of R1,00. The opposite applies for a decrease in the exchange rate. The opposite applies for a decrease in the exchange rate.

A 10% decrease in the rand against each foreign exchange rate would have an equal but opposite effect on the above, on the basis that all other variables remain constant.

27. FINANCIAL INSTRUMENTS (continued)

27.4 Risk management (continued)

27.4.2 Market risk management (continued)

27.4.2.2 Commodity risk management

The group entered into commodity derivatives to hedge certain of its export product exposures, in terms of lead and zinc prices. Cash flow price hedges for coal at year-end are insignificant due to limited hedged exports and fixed price agreements.

During 2010 , the ineffective portion of the cash flow hedges reported in profit/(loss), amounted to R5 million (2009: Rnil). The current price hedges on lead and zinc will mature in December 2011.

As of 31 December 2010 the net fair value of commodity derivatives reflected a R55 million loss (2009: R87 million). The potential loss in fair value for such commodity hedging derivatives from a hypothetical adverse 10% move against Exxaro's position in commodity prices would be approximately R13 million (2009: R13 million).

Prices for future purchases and sales of goods and services are generally established on normal commercial terms through agents or direct with suppliers and customers. Price hedging is undertaken on a limited scale for future zinc sales at Rosh Pinah Zinc Corporation (Pty) Limited and Exxaro Base Metals (Pty) Limited to secure operating margins and reduce cash flow volatility. Price hedging is also undertaken for future lead sales at Rosh Pinah.

The potential profit or loss in accounting for changes in fair value for such commodity hedging derivatives assuming an adverse 10% move in commodity prices is demonstrated below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009.

	Profit or loss		Equity	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Lead			**(2)**	(2)
Zinc			**(11)**	(11)

A 10% positive move against the above commodity prices at 31 December would have had the equal but opposite effect on the above derivatives to the amounts shown above, on the basis that all other variables remain constant.

Cash flow hedges – commodity risk

The forward hedged position at balance sheet date is shown below:

	Tons	Market-related value Rm	Foreign currency million	Contract value Rm	Recog-nised fair value in equity Rm
2010					
Recognised transactions					
Lead					
Price	**5 500**	**92**	**11**	**72**	**(21)**
Currency		**74**	**11**	**105**	**31**
Zinc					
Price	**26 700**	**438**	**55**	**365**	**(73)**
Currency		**281**	**41**	**399**	**118**
Attributable to:					
– tax					**21**
– non-controlling interests					**10**
		885	**118**	**941**	**86**

The above-mentioned hedges mature in 2011, which year the future expected cash flows are expected.

27. FINANCIAL INSTRUMENTS (continued)

27.4 Risk management (continued)

27.4.2 Market risk management (continued)

27.4.2.2 Commodity risk management (continued)

Cash flow hedges – commodity risk (continued)

	Tons	Market-related value Rm	Foreign currency million	Contract value Rm	Recog-nised fair value in equity Rm
2009					
Recognised transactions					
Lead	10 675	138	20	186	(48)
Currency		158	20	186	28
Zinc					
Price	53 100	1 237	114	1 056	(181)
Currency		1 070	85	1 185	115
Attributable to:					
– tax					(18)
– non-controlling interests					(9)
		2 603	239	2 613	(113)

With respect to the above-mentioned hedges, the future expected cash flows are represented below:

	2010	2011	2012	2013	Total
Expected future cash inflows					
Lead	162	210			372
Zinc	917	931			1 848

27.4.2.3 Interest rate risk management

The group is exposed to interest rate risk as it borrows and deposits funds at both fixed and floating interest rates on the money market. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings taking into account future interest rate expectations. The financial institutions chosen are subject to compliance with the relevant regulatory bodies.

The interest rate repricing profile is summarised below:

	1 – 6 months Rm	7 – 12 months Rm	Beyond 1 year Rm	Total borrowings Rm
AT 31 DECEMBER 2010				
Term borrowings (under the IFRS 7 scope)	**3 706**		**654**	**4 360**
% of total borrowings	**85**		**15**	**100**
AT 31 DECEMBER 2009				
Term borrowings (under the IFRS 7 scope)	3 790		704	4 494
% of total borrowings	85		15	100

27. FINANCIAL INSTRUMENTS (continued)

27.4 Risk management (continued)

27.4.2 Market risk management (continued)

27.4.2.3 *Interest rate risk management (continued)*

The group makes use of interest rate derivatives to hedge specific exposures in the interest rate repricing profile of existing borrowings. The value of borrowings hedged by interest rate derivatives, the instruments used and the respective rates applicable to these contracts are as follows:

	Borrowings hedged Rm	Floating interest payable %	Floating interest receivable %	Fixed interest payable %	Fixed interest receivable %	Recog-nised fair value gain/(loss) %
At 31 December 2009[1]						
Local						
Interest rate derivatives beyond one year:						
– Interest rate swaps	675		3 month Jibar	11,1		(13)

[1] *The interest rate swap ceased at the end of November 2010.*

The following table reflects the potential impact on earnings, given a movement in interest rates of 50 basis points:

	Increase of 50 basis points in interest rate		Decrease of 50 basis points in interest rate	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Profit/(loss)	**(18)**	(18)	**18**	18

27.4.3 Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements.

The group manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised borrowing facilities are maintained. The group aims to cover at least its net debt requirements through long-term borrowing facilities.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment if a payment under the guarantee has become probable.

Financial guarantees are included within other liabilities.

27. FINANCIAL INSTRUMENTS (continued)

27.4 Risk management (continued)

27.4.3 Liquidity risk management (continued)

Borrowing capacity is determined by the directors in terms of the articles of association, from time to time:

	GROUP 2010 Rm	GROUP 2009 Rm
Amount approved	**21 850**	16 136
Total borrowings	**4 360**	4 754
Unutilised borrowing capacity	**17 490**	11 382

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2010 and 2009 financial years.

Standard payment terms for the majority of trade payables is the end of the month following the month in which the goods are received or services are performed. A number of trade payables do however have shorter contracted payment periods.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timeous matching of orders placed with goods received notes or services acceptances and invoices.

Maturity profile of financial instruments

The following table details the group's contractual maturities of financial liabilities:

			Maturity			
	Carrying amount Rm	Contractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	More than 5 years Rm
GROUP						
2010						
Financial assets						
Exxaro Environmental Rehabilitation Trust asset	**542**	**542**		**113**	**62**	**367**
Richards Bay Coal Terminal (RBCT)	**369**	**369**		**31**	**61**	**277**
Ndzalama Game Reserve	**7**	**7**				**7**
Derivative financial instruments	**192**	**192**	**192**			
Long-term receivables	**477**	**477**		**19**	**10**	**448**
Trade and other receivables	**2 734**	**2 734**	**2 734**			
Cash and cash equivalents	**2 140**	**2 140**	**2 140**			
	6 461	**6 461**	**5 066**	**163**	**133**	**1 099**
Percentage profile (%)	**100**	**100**	**78**	**3**	**2**	**17**
Financial liabilities						
Interest-bearing borrowings	**4 093**	**4 093**	**650**	**594**	**2 564**	**285**
Trade and other payables	**1 997**	**1 997**	**1 997**			
Derivative financial instruments	**10**	**10**	**10**			
	6 100	**6 100**	**2 657**	**594**	**2 564**	**285**
Percentage profile (%)	**100**	**100**	**44**	**10**	**42**	**5**
Derivative financial liabilities (Included in the above)						
Foreign exchange forward contracts used for hedging						
– Sell (rands inflow)	**726**					
Other forward exchange contracts						
– Buy (rands outflow)	**56**					

27. FINANCIAL INSTRUMENTS (continued)

27.4 Risk management (continued)

27.4.3 Liquidity risk management (continued)

Maturity profile of financial instruments (continued)

			Maturity			
	Carrying amount Rm	Contractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	More than 5 years Rm
GROUP						
2009						
Financial assets						
– Exxaro Environmental Rehabilitation Trust asset	439	439		11	108	320
– Richards Bay Coal Terminal (RBCT)	368	368		33	99	235
– Ndzalama Game Reserve	7	7			7	
– Long-term receivables	420	420				420
– Trade and other receivables	2 673	2 673	2 673			
– Derivative financial instruments	51	51	51			
– Cash and cash equivalents	1 023	1 023	1 023			
	4 981	4 981	3 747	44	214	975
Percentage profile (%)	100	100	75	1	4	20
Financial liabilities						
Interest-bearing borrowings	4 494	4 494	407	742	3 345	
Trade and other payables	2 385	2 385	2 385			
Derivative financial instruments	120	120	45	75		
	6 999	6 999	2 837	817	3 345	
Percentage profile (%)	100	100	40	12	48	
Derivative financial liabilities (Included in the above)						
Foreign exchange forward contracts used for hedging						
– Sell	175					
Other forward exchange contracts						
– Buy	24					

27. FINANCIAL INSTRUMENTS (continued)

27.4 Risk management (continued)

27.4.3 Liquidity risk management (continued)

Maturity profile of financial instruments (continued)

			Maturity		
	Carrying amount Rm	Contractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm
COMPANY					
2010					
Financial assets					
Exxaro Environmental Rehabilitation Trust asset	**12**	**12**			**12**
Trade and other receivables	**10 778**	**10 778**	**10 778**		
Cash and cash equivalents	**1 229**	**1 229**	**1 229**		
	12 019	**12 019**	**12 007**		**12**
Percentage profile (%)	**100**	**100**	**99**		
Financial liabilities					
Interest-bearing borrowings	**3 135**	**3 135**	**417**	**617**	**2 101**
Trade and other payables	**190**	**190**	**190**		
	3 325	**3 325**	**607**	**617**	**2 101**
Percentage profile (%)	**100**	**100**	**18**	**19**	**63**
Derivative financial liabilities (Included in the above)					
Foreign exchange forward contracts used for hedging					
– Buy	**1**				

27. FINANCIAL INSTRUMENTS (continued)

27.4 Risk management (continued)

27.4.3 Liquidity risk management (continued)

Maturity profile of financial instruments (continued)

			Maturity		
	Carrying amount Rm	Contractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm
COMPANY					
2009					
Financial assets					
Exxaro Environmental Rehabilitation Trust asset	11	11			11
Trade and other receivables	10 402	10 402	10 402		
Derivative financial instruments	34	34	34		
Intercompany loan debits					
Cash and cash equivalents	343	343	343		
	10 790	10 790	10 779		11
Percentage profile (%)	100	100	100		
Financial liabilities					
Interest-bearing borrowings	3 697	3 697	362	619	2 716
Trade and other payables	301	301	301		
Derivative financial instruments	32	32	32		
	4 030	4 030	695	619	2 716
Percentage profile (%)	100	100	17	16	67
Derivative financial liabilities (Included in the above)					
Foreign exchange forward contracts used for hedging					
– Buy	1				

27. FINANCIAL INSTRUMENTS (continued)

27.4 Risk management (continued)

27.4.4 Credit risk management

Credit risk relates to potential default by counterparties on cash and cash equivalents, investments, trade receivables and hedged positions. The group limits its counterparty exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The group exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board annually.

Trade receivables consist of a number of customers with whom Exxaro has long-standing relationships. A high portion of term supply arrangements exists with such clients resulting in limited credit exposure which exposure, where dictated by customer credit worthiness or country risk assessment, is further mitigated through a combination of confirmed letters of credit and credit risk insurance.

Exxaro establishes an allowance for non-recoverability or impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have historical data of payment statistics for similar financial assets.

At the reporting date, the amount of change in the fair value of financial liabilities designated at fair value through profit or loss, attributable to credit risk is as follows:

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Cumulative	**(2)**	(2)		
Current financial year		(8)		

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. None of the financial instruments below was held as collateral for any security provided.

The maximum exposure to credit risk at both reporting dates was equal to the carrying value of financial assets for both group and company.

Detail of the trade receivables credit risk exposure:

	GROUP	
	2010 %	2009 %
By industry		
Manufacturing (including structural metal and steel)	**24**	25
Public utilities	**31**	32
Other	**45**	43
	100	100
By geographical area		
South Africa	**50**	41
Asia	**9**	9
Europe	**20**	21
USA	**20**	15
Other	**1**	14
	100	100

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for the year ended 31 December 2010

27. FINANCIAL INSTRUMENTS (continued)

27.4 Risk management (continued)

27.4.4 Credit risk management (continued)

Exposure to credit risk (continued)

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Financial guarantees are contracts that require the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Guarantee provided by banks to secure financing				
The carrying amount of the financial assets at reporting date was:				
Neither past due nor impaired	**6 457**	4 978	**12 019**	10 791
– trade and other receivables	**2 729**	2 670	**10 779**	10 402
– other financial assets	**1 375**	1 217	**11**	12
– derivative financial instruments	**192**	51	**–**	34
– non-current assets held for sale	**21**	17		
– cash and cash equivalents	**2 140**	1 023	**1 229**	343
Past due or impaired				
– trade and other receivables	**45**	234	**3 293**	3 289
Total financial assets	**6 502**	5 212	**15 312**	14 080

The group strives to enter into sales contracts with clients which stipulate the required payment terms. It is expected of each customer that these payment terms are adhered to. Where trade receivables balances become past due, the normal recovery procedures are followed to recover the debt, where applicable new payment terms may be arranged to ensure that the debt is fully recovered. Therefore the credit quality of the above assets deemed to be neither past due nor impaired is considered to be within industry norm.

There were no financial assets with renegotiated terms during the 2010 or 2009 reporting periods.

27. FINANCIAL INSTRUMENTS (continued)

27.4 Risk management (continued)

27.4.4 Credit risk management (continued)

Exposure to credit risk (continued)

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Trade and other receivables age analysis				
Past due but not impaired				
One – 30 days overdue		1		
61 – 90 days overdue	**5**	1		
Total carrying amount of financial instruments past due but not impaired	**5**	2		
Past due and impaired	**40**	233	**3 293**	3 289
Total carrying amount of financial instruments past due and impaired	**40**	233	**3 293**	3 289
Total carrying amount of financial instruments past due or impaired	**45**	235	**3 293**	3 289

Before the financial instruments can be impaired, they are evaluated for the possibility of any recovery as well as the length of time at which the debt has been long outstanding.

No collateral was held by the Exxaro group as security and other enhancement over the financial assets during the years ended 31 December 2010 or 2009.

Loans and receivables designated at fair value through profit or loss

The group had no loans and receivables designated as at fair value through profit or loss during the period.

Collateral

The group may require collateral in respect of the credit risk on derivative transactions with a third party. The amount of credit risk is the positive fair value of the contract. Collateral may be in the form of cash or in the form of a lien over a debtor's assets, entitling the group to make a claim for current and future liabilities.

The group is also exposed to a situation where a third party may require collateral with respect to the transaction with that third party.

27. FINANCIAL INSTRUMENTS (continued)

27.4 Risk management (continued)

27.4.4 Credit risk management (continued)

The carrying value of financial assets that may be repledged or resold by counterparties are as follows:

Collateral (continued)

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Trade and other receivables	**44**	41		
Cash and cash equivalents	**61**	45		
	105	86		

These transactions are conducted under terms that are usual and customary to standard lending and borrowing activities.

No financial assets were repledged during the year under review for collateral purposes.

Guarantees

The group did not during the period obtain financial or non-financial assets by taking possession of collateral it holds as security or calling on guarantees.

There were no guarantees provided by banks to secure financing during the financial years ended 31 December 2010 or 2009. For all other guarantees, refer to note 31 on contingent liabilities.

27.4.5 Other price risks

The group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The group does not actively trade these investments.

28. RELATED PARTY TRANSACTIONS

During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions occurred under terms that are not more or less favourable than those arranged with third parties.

Associates and joint ventures

Details of investments in associates and joint ventures are disclosed in note 14 and annexure 2 whilst income is disclosed in note 14. There were no finance costs or expenses in respect of bad debts or doubtful debts incurred with regard to the joint ventures or the associates during the financial years ended 31 December 2010 or 2009.

	2010		2009	
	Joint ventures Rm	**Associates Rm**	Joint ventures Rm	Associates Rm
Items of income and expense incurred during the year are as follows:				
– Group sales of goods	**24**	**53**	10	48
– Group purchases of goods and services	**582**	**344**	311	164
The outstanding balances at year-end are as follows:				
– included in trade and other receivables (refer note 18)	**7**	**3**	38	1
– included in trade and other payables (refer note 24)	**89**	**10**	79	28
– included in cash and cash equivalents	**224**		223	
– included in financial assets	**156**		162	

During both years under review, there was no provision raised for doubtful debts related to the outstanding balances above.

28. RELATED PARTY TRANSACTIONS (continued)

Subsidiaries

Details of income from, and investments in subsidiaries are disclosed in notes 6 and 15 respectively, as well as in annexure 3.

Corporate service fee from subsidiaries

The following significant service level commitment fees and corporate service fees were received by Exxaro Resources Limited for essential services rendered:

	2010 Rm	2009 Rm
Exxaro Coal (Pty) Limited	**764**	708
Exxaro Base Metals (Pty) Limited	**143**	139
Exxaro Sands (Pty) Limited	**152**	152

Special purpose entities

The group has an interest in the following special purpose entities which are consolidated unless otherwise indicated:

Entity	Nature of business
Exxaro Environmental Rehabilitation Fund	Trust fund for mine closure
Exxaro Employee Empowerment Participation Scheme Trust	Employee share incentive trust
Exxaro Foundation	Local social economic development[1]
Exxaro Chairman's Fund	Local social economic development[1]
Exxaro People Development Initiative	Local social economic development – bridging classes[1]
Kumba Resources Management Share Trust	Management share incentive trust
Mafube Coal Mining (Pty) Limited	Trust fund for mine closure

[1] *Non-profit organisations.*

Directors

Details relating to directors' emoluments and shareholdings (including options) in the company are disclosed in the Directors' remuneration report.

Senior employees

Details relating to option and share transactions are disclosed in note 30.

Key management personnel

For Exxaro Resources Limited other than the executive and non-executive directors, no other key management personnel were identified. Refer to page 192 for details on directors' remuneration.

For the group, for 2010 and 2009, the executive committee has been identified as being key management personnel.

	2010 Rm	2009 Rm
Short-term employee benefits	**35**	34
Share-based payments – related expense	**21**	7
Total compensation paid to key management personnel	**56**	41

Shareholders

The principal shareholders of the company at 31 December 2010 are detailed in the "Analysis of Shareholders" schedule on page 168 of the annual report.

Contingent liabilities

Details are disclosed in note 31.

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for the year ended 31 December 2010

29. OPERATING SEGMENTS

Information regarding the group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

Analysis of the group's profit or losses and assets and liabilities by reportable segment:

	Coal					
	Tied operations		Commercial operations		KZN Sands	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
Segment profit or loss						
Segment revenue						
Total revenue	**2 952**	2 681	**7 563**	7 050	**1 288**	705
Inter-segmental						
External	**2 952**	2 681	**7 563**	7 050	**1 288**	705
Segment net operating profit/(loss)	**186**	75	**2 504**	1 830	**(66)**	(1 447)
Interest income (external)	**2**	2	**44**	67	**4**	3
Interest expense			**22**	31	**70**	50
Interest adjustment on non-current provisions (refer note 22)	**32**	(60)	**121**	61	**8**	(7)
Depreciation and amortisation of intangible assets	**39**	42	**569**	467	**249**	171
Impairment charge and reversals						1 435
Income tax expense/(income)	**135**	(42)	**556**	478	**3**	358
Other non-cash flow items not disclosed above	**18**	22	**21**	185	**(44)**	29
Cash inflow from operations	**243**	139	**3 094**	2 482	**150**	188
Cash generated by operations	**206**	177	**2 999**	1 943	**251**	(311)
Income/(loss) from equity accounted investments						
Capital expenditure			**1 740**	924	**52**	87
Segment assets and liabilities						
Deferred tax assets			**48**	22	**100**	179
Investments in associates (equity accounted)						
External assets (excluding deferred tax and investments in equity accounted associates and joint ventures)	**1 333**	623	**9 792**	8 566	**2 741**	1 943
Total assets	**1 333**	623	**9 840**	8 588	**2 841**	2 122
Liabilities (external)	**629**	816	**2 487**	1 606	**533**	426
Deferred tax liabilities	**121**	60	**1 135**	899		
Current tax payable	**16**	5	**132**	20		
Total liabilities	**766**	881	**3 754**	2 525	**533**	426
Additions in non-current assets[1]			**1 741**	2 006	**52**	87

[1] *Excluding financial instruments, deferred tax, post-employment benefit assets and rights under insurance contracts.*

The group relies on two of its major customers for its revenue from the tied coal operations, commercial coal operations, base metals Zincor and "Other" reportable segments. The group has revenues from two external customers which account for at least 10% or more individually to the group's revenues (15% and 28% (2009:15% and 31%)). The total amount of revenue from these two customers was R2 538 million and R4 754 million respectively (2009: R2 249 million and R4 643 million respectively).

	Mineral sands				Base metals						Other		Total	
	Namakwa Sands		Australia Sands		Rosh Pinah		Zincor		Other base metals					
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
	1 801	1 334	**1 551**	1 469	**674**	566	**1 113**	1 016			**213**	188	**17 155**	15 009
					(485)	(397)	**485**	397						
	1 801	1 334	**1 551**	1 469	**189**	169	**1 598**	1 413			**213**	188	**17 155**	15 009
	107	(110)	**138**	(2)	**143**	105	**(171)**	(47)	**(85)**	(66)	**(120)**	(34)	**2 636**	304
	2	3	**3**	4	**4**	5	**5**	1			**71**	60	**135**	145
			43	48	**1**	7		1			**255**	389	**391**	526
	3	(3)	**9**	10	**(1)**	12	**25**	18		(1)	**2**	4	**199**	34
	166	147	**186**	161	**52**	55	**58**	53	**5**	1	**56**	39	**1 380**	1 136
									26		**(22)**		**4**	1 435
	(30)	(71)	**(24)**		**43**	22	**(62)**	(9)	**3**	(7)	**41**	37	**665**	766
	(13)	66	**31**	23	**19**	43	**(2)**	5			**23**	40	**53**	413
	307	103	**298**	182	**216**	203	**(115)**	11	**(58)**	(65)	**(62)**	45	**4 073**	3 288
	667	(87)	**109**	260	**167**	188	**(191)**	(35)	**(58)**	(70)	**(44)**	52	**4 106**	2 117
									93	136	**3 624**	1 762	**3 717**	1 898
	217	182	**424**	557	**76**	69	**96**	69		1	**72**	93	**2 677**	1 982
	55	58	**(15)**	(82)			**136**	83	**60**	38	**342**	331	**726**	629
									369	292	**3 511**	1 674	**3 880**	1 966
	3 273	3 415	**3 021**	3 453	**620**	473	**1 208**	1 110	**40**	65	**1 975**	986	**24 003**	20 634
	3 328	3 473	**3 006**	3 371	**620**	473	**1 344**	1 193	**469**	395	**5 828**	2 991	**28 609**	23 229
	369	299	**1 355**	1 229	**161**	183	**574**	563	**6**	41	**3 581**	4 105	**9 695**	9 268
					87	64				(39)	**10**	11	**1 353**	995
					1			16	**1**	4	**(3)**	12	**147**	57
	369	299	**1 355**	1 229	**249**	247	**574**	579	**7**	6	**3 588**	4 128	**11 195**	10 320
	217	182	**424**	557	**76**	69	**96**	69		1	**129**	119	**2 735**	3 090

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for the year ended 31 December 2010

29. OPERATING SEGMENTS (continued)

Information about geographical areas

	External revenue		Carrying amount of non-current assets[1]	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
Sourced from country of domicile				
– South Africa	**9 908**	9 279	**14 454**	12 532
Sourced from foreign countries				
– Rest of Africa	**2**	4	**308**	335
– Europe	**4 046**	3 445		
– Asia	**1 151**	886	**78**	55
– Australia	**1 000**	31	**2 499**	1 079
– Other	**1 048**	1 364		
Total segment	**17 155**	15 009	**17 339**	14 001

[1] *Excluding financial instruments, deferred tax, post-employment benefit assets and rights under insurance contracts.*

No asymmetrical (irregular) allocations to reportable segments occurred during the periods under review. There were no material changes in total assets disclosed from the last annual financial statements.

Total segment revenue, which excludes value added tax, represents the gross value of goods invoiced. Export revenue is recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred. The group uses the basis of significant marketing regions to allocate external revenues to the individual countries.

Total segment revenue further includes operating revenues directly and reasonably allocable to the segments. These sales are made on a commercial basis.

Segment net operating profit equals segment revenue less segment expenses and includes impairment charges and goodwill amortisation. Segment expenses represent direct or reasonably allocable operating expenses on a segment basis.

Segment assets and liabilities include directly and reasonably allocable operating assets and liabilities. This information is not regularly provided to the chief decision maker.

There were no differences in the way segment profit or loss is measured in comparison to the previous annual period or between the reportable segments' profits or losses and the group's profit or loss.

30. EMPLOYEE BENEFITS

Retirement funds

Independent funds provide retirement and other benefits for all permanent employees, retired employees, and their dependants. At the end of the financial year, the main defined contribution retirement funds to which Exxaro was a participating employer, were as follows:

- Exxaro Selector Pension Fund and Exxaro Selector Provident Fund;
- Iscor Employees' Provident Fund;
- Mine Workers Provident Fund;
- Namakwa Sands Employees Provident Fund; and
- Sentinel Mining Industry Retirement Fund.

In compliance with the Pension Funds Act after the unbundling of Kumba Iron Ore Limited, Sishen Iron Ore Company employees were transferred to the newly created Kumba Iron Ore Selector Pension and Provident Fund after all regulatory approvals had been obtained.

Members generally pay a contribution of 7%, with the employer's contribution of 10% in general to the above funds, being expensed as incurred.

All funds registered in the Republic of South Africa are governed by the South African Pension Funds Act of 1956 (the Act).

Defined contribution funds

Membership of each fund at 31 December 2010 and 31 December 2009 and employer contributions to each fund were as follows:

	Working members[1] 2010 Number	Working members[1] 2009 Number	**Employer contri-butions 2010 Rm**	Employer contri-butions 2009 Rm
GROUP				
Exxaro Selector Funds	**2 473**	2 516	**75**	66
Iscor Employees' Provident Fund	**3 038**	3 625	**33**	37
Mine Workers Provident Fund	**986**	893	**14**	12
Namakwa Sands Employees Provident Fund	**1 840**	1 906	**13**	15
Sentinel Mining Industry Retirement Fund	**1 111**	1 177	**32**	31
Other funds	**992**	421	**18**	8
	10 440	10 538	**185**	169
COMPANY				
Exxaro Selector Funds	**643**	702	**27**	25
Iscor Employees' Provident Fund	**85**	131	**1**	1
Sentinel Mining Industry Retirement Fund	**42**	38	**3**	2
	770	871	**31**	28

[1] *Working members who are contributing members to an accredited retirement fund.*

Due to the nature of these funds the accrued liabilities by definition equate to the total assets under control of these funds.

30. EMPLOYEE BENEFITS (continued)

Defined benefit funds

Exxaro previously disclosed its interest as a participating employer in the closed defined benefit funds namely the Mittal Steel South Africa Pension funds and Iscor Retirement Fund. Such interest was disclosed while final confirmation was awaited on either the approval by the Registrar of Pension Funds of the scheme for the apportionment of an existing surplus, or the permission to not submit a surplus apportionment scheme in terms of section 15B of the Act. Both such final confirmations were received in 2007.

The group has a defined benefit obligation for the provision of severance benefits to employees of the Rosh Pinah operation in accordance with Namibian law. As the severance benefits are only payable on retirement or the involuntary termination of services from the side of the employer, this is accounted for as a post-retirement service obligation. This plan is a defined benefit obligation. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2009 by Alexander Forbes. The present value of the defined obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2010 %	2009 %
Discount rate	**7,50**	7,50
Inflation rate	**4,00**	4,00
Salary increase rate	**5,50**	5,50

Amounts recognised in profit or loss in respect of the defined benefit plan were as follows:

	2010 Rm	2009 Rm
Current service cost	**1**	3
Interest on obligation	**1**	
	2	3
The expense for the year is included in the employee benefits expense in the income statement.		
Reconciliation of the opening and closing balances of the present value of the defined obligation:		
Defined benefit obligation at beginning of year	**3**	
Plus: Current service cost	**1**	3
Plus: Interest cost	**1**	
Defined benefit obligation at end of year	**5**	3

Refer note 22 for detail on liability.

Determination of estimated post-retirement expense for the next financial year:

	2011 Rm	2010 Rm
Current service cost	**1**	1
Interest cost	**1**	1
Expense	**2**	2

30. EMPLOYEE BENEFITS (continued)

Medical funds

The group and company contribute to defined benefit medical aid schemes for the benefit of permanent employees and their dependants who choose to belong to one of a number of employer accredited schemes. The contributions charged against income amounted to R92 million (2009: R75 million). Exxaro has a post-retirement medical obligation to a limited number of in-service and retired employees belonging to two medical schemes for which an actuarially determined liability has been raised. Exxaro Coal Mpumalanga's contribution to the post-retirement medical aid obligation for the year ended 31 December 2010 amounted to R2 million (2009: R1 million).

The post-retirement liability of Namakwa Sands is of a defined benefit nature, and consists of an implicit promise to pay a portion of members' post-retirement medical aid contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical aid on the death of the primary member, either pre- or post-retirement. This benefit, which is no longer offered, applied to employees employed prior to 2001 by Namakwa Sands.

The obligation represents a present value amount, which is actuarially valued on an annual basis. Any surplus or deficit arising from the valuation is recognised in the income statement. The provision is expected to be utilised over the expected lives of the participants of scheme.

Equity compensation benefits

The shareholders of Kumba Resources Limited (Kumba Resources) approved on 2 November 2006 an empowerment transaction which in essence entailed the unbundling of Kumba's Iron Ore business. Kumba Iron Ore Limited (Kumba Iron Ore) which listed on 20 November 2006, owned 74% of Sishen Iron Ore Company (Pty) Limited (Sishen Iron Ore) in December 2006. Kumba Resources was renamed Exxaro Resources Limited (Exxaro) on 27 November 2006.

As Sishen Iron Ore was a wholly owned subsidiary of Kumba Resources before the unbundling of Kumba Iron Ore, senior employees and directors of Sishen Iron Ore were eligible to participate in the Kumba Resources management share incentive plans.

In order to place, as far as possible, all participants in the Kumba Resources Management Share Option Scheme in the position they would have been in if they were shareholders of Kumba Resources at the time of the implementation of the empowerment transaction, the schemes continued in Exxaro and in Kumba Iron Ore, subject to certain amendments that were made to the Kumba Resources Management Share Option Plan.

Kumba Resources operated the Kumba Management Deferred Purchase Share Scheme and the Kumba Management Share Option Scheme for senior employees and executive directors of Kumba Resources.

The ***Kumba Management Deferred Purchase Share Scheme*** consisted of a combination of an option scheme, a purchase scheme and a deferred purchase scheme and governed to maturity the share scheme rights and obligations of employees which were in existence at the time of transfer of the employees from Iscor to Kumba Resources on unbundling of Kumba Resources effective July 2001.

Participants of the Exxaro and Kumba Iron Ore Management Deferred Purchase schemes who have been granted deferred purchase shares received an Exxaro share and a Kumba Iron Ore share for every deferred purchase share held under the original purchase agreement.

Shares and/or options held in terms of Kumba Management Deferred Purchase Share Scheme are released in five equal tranches commencing on the second anniversary of an offer date and expire on the ninth anniversary of an offer date.

The ***Kumba Management Share Option Scheme*** consists of the granting of options in respect of ordinary Kumba Resources shares, at market value, to eligible participants.

Options granted in terms of the Kumba Management Share Option Scheme can be exercised over five years commencing on the first anniversary of the offer date. If the options are accepted by participants, the vesting periods, unless decided otherwise by the directors, are as follows:

- 10% after first anniversary of offer date;
- additional 20% after second anniversary of offer date;
- additional 20% after third anniversary of offer date;
- additional 25% after fourth anniversary of offer date; and
- additional 25% after fifth anniversary of offer date.

The options not exercised lapse by the seventh anniversary of the offer date.

30. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

Participants of the Exxaro and Kumba Iron Ore Management Share Option schemes exchanged each of their Kumba Resources options for an Exxaro option and a Kumba Iron Ore option. The strike price of each Kumba Resources option was apportioned between the Exxaro option and the Kumba Iron Ore option with reference to the volume weighted average price (VWAP) at which Exxaro and Kumba Iron Ore traded for the first 22 days post the implementation of the empowerment transaction. The VWAP was calculated as 32,81% for Exxaro and 67,19% for Kumba Iron Ore.

The Exxaro employees' options in the Kumba Management Share Option schemes are released on the dates that the original options would have vested.

Their options relating to Kumba Iron Ore were released on the earlier of:
- the date that the original options would have vested; or
- 24 months from the date of unbundling (20 November 2006).

The Kumba Iron Ore options held by Exxaro employees were all exercised during 2010 before the official lapse date of 20 May 2010.

The same periods apply to Kumba Iron Ore employees' options in Exxaro.

According to the rules of the ***Long-term Incentive Plan (LTIP)*** executive directors and certain senior employees of Exxaro and its subsidiaries are awarded rights to a number of ordinary Exxaro shares. The vesting of the LTIP awards are conditional upon the achievement of group performance levels (established by the transformation, remuneration, human resources and nominations committee of the board) over a performance period of three years.

The extent to which the performance conditions are met governs the number of shares that vest. The performance conditions set for the initial grant were as follows:
- the total shareholder return (TSR) condition: the Exxaro TSR will be compared to the TSR of a peer group over the three-year performance period, averaged over a six-month period. The peer group comprises of at least 16 members.
- the return on capital employed (ROCE) condition: the ROCE measure is a return on capital employed measure with a number of relevant adjustments.

Targets are set by the committee based on existing ROCE performance in the base year of an LTIP award and planned ROCE performance in the final year of the LTIP performance period.

According to the ***Deferred Bonus Plan (DBP)*** rules, executive directors and certain senior employees of Kumba Resources and its subsidiaries have the opportunity to acquire shares (pledged shares) on the open market with 50% of the after-tax component of their annual short term incentives. After the pledged shares have been acquired, the shares are held by an escrow agent for the absolute benefit of the participant for a pledge period of three years.

A participant may at its election dispose of and withdraw the pledged shares from escrow at any stage. However, if the pledged shares are withdrawn from escrow, before the expiry of the pledge period, the participant forfeits the matching award.

The participant will qualify for a matching award at the end of the pledge period on condition that the participant is still employed and the pledged shares are still in escrow. The matching award entitles a participant to a number of shares equal in value to the pledged shares. Upon vesting, the pledged shares and the matching award are transferred and released to the participant and rank pari passu in all respects with the existing issued shares of Exxaro.

The company may settle the matching award by issuing new shares or alternatively, instruct any third party to acquire and deliver the shares to the participant.

The LTIP and DBP initiatives that existed in Kumba Resources Limited prior to the creation of Exxaro in November 2006 were collapsed and subsequently replaced by similar initiatives in Exxaro. The extent to which the conditions were satisfied up to the date of the unbundling, determined the number of shares deemed to vest for each participant.

30. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

After the collapse of Kumba Resources' LTIP and DBP schemes, Exxaro Resources awarded and will in future award rights in accordance to the rules of the new schemes.

As a result of restrictions related to the empowerment transaction of Kumba Resources, certain executives and senior managers who participated in the Kumba Resources Management Share Option Scheme were not able to receive certain grants of options which would normally have been made in the ordinary course of operations. The human resources and remuneration committee of Kumba Resources consequently awarded ***"phantom options"*** to the affected participants within the following framework:

- awards of "phantom options" were made, with the grant price, vesting dates, and lapse periods set to be the same as those of the options awardable;
- on exercise, the participants are paid (in cash) the difference between the market price (volume weighted average price on the day preceding exercise) and the grant price;
- all other rules and arrangements in respect of the amended Kumba Resources Management Share Option Scheme were replicated for the Kumba Resources Phantom Share Option Scheme;
- the Kumba Resources Phantom Share Option Scheme was replicated for Kumba Iron Ore; and
- Exxaro and Kumba Iron Ore entered into an agreement that facilitates the settlement of obligations towards participants of the phantom option schemes.

Accounting costs for Exxaro and Kumba Iron Ore phantom option schemes require recognition under IFRS 2 *Share-based Payment* using the treatment for cash-settled share-based payments. This treatment is more volatile than that of the conventional (equity-settled) scheme and the liability will require marking to market at each reporting period. Under the above scheme 33 250 shares are outstanding as 31 December 2010 (2009: 43 150).

Exxaro made the first annual grant in the ***share appreciation right scheme (SARS)*** to participants in 2007,as well as new appointments. Under the rules of the scheme, participants obtain the right to receive a number of Exxaro shares to the value of the difference between the exercise price and the grant (or offer) price.

The performance period's first review was on 1 March 2010. Rights vest if Exxaro's headline earnings per share (HEPS) increased by a minimum of consumer price index (CPI) plus 6% in the three years. In 2011 and 2012 the minimum increase in HEPS to achieve is CPI plus 8% and CPI plus 10% respectively.

The committee has the discretion to determine the settlement method, being shares or cash.

Exxaro also created an ***employee empowerment participation scheme (MPower)*** whereby certain employees are given the opportunity to share in the growth of the company. Employees are awarded share units which entitles them to dividends of Exxaro in the five-year period ending November 2011. By the end of the five-year period or capital appreciation period, the units that employee beneficiaries hold in the trust, will be sold. The capital distribution is the profit that is made on the share units after they are sold and the outstanding loan (used to buy the shares) to Exxaro is settled.

No further awards will be made in terms of the old (Kumba) share incentive plans. The awards already granted and still outstanding are being phased out. Only SARS, LTIPs, DBP and MPower schemes remain.

Exxaro will be limited to issuing a maximum of 30 million shares, which amounts to approximately 10% of the number of issued shares as at the date of the general meeting where approval was given. Notwithstanding the foregoing, Exxaro may on instruction of the Exxaro board and the transformation, remuneration, human resources and nomination committee, and as a fallback provision only, pay an Exxaro employee participating in the share incentive plans an equivalent amount in cash in lieu of any Exxaro shares. The maximum number of Exxaro shares to which any one eligible participant is entitled in total in respect of all schemes albeit by the way of an allotment and issue of Exxaro shares and/or the grant of options shall not exceed one percent of the shares then in issue in the share capital of Exxaro.

As at 31 December 2010 the maximum number of shares approved and allocated by shareholders for the purposes of the schemes, 30 million (2009: 30 million) represent 8,4% (2009: 8,4%) of the issued shares. Of the total of 30 million shares, 20,0 million (2009: 19,9 million) shares are available in the share scheme for future offers to participants, whilst 10,0 million (2009: 10,1 million) shares (2,8% of the issued shares) are allocated as options, LTIP, DBP, deferred purchase shares, or SARS to participants.

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30. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

Details are as follows:

	2010 Million	2009 Million
Number of shares approved by shareholders	**30,0**	30,0
Options, LTIP, DBP, deferred purchase instruments and SARS held by Exxaro employees/participants	**(10,0)**	(9,8)
Options and deferred purchase instruments held by Kumba Iron Ore employees/participants		(0,3)
	20,0	19,9

At 31 December 2010 the company's loan from the Kumba Resources Management Share Trust amounted to R30 066 270 (2009: R39 539 138). The loan is interest free and has no fixed repayment terms. This amount is reflected as an inter company current loan in the company's accounts and eliminated at group level.

The market value of the shares available for utilisation at the end of the year amounted to R2 722 401 631 (2009: R2 078 809 095).

Details of the schemes and plans are:

	Options[1]			
	Exxaro employees		Kumba Iron Ore employees	
	December 2010 '000	December 2009 '000	December 2010 '000	December 2009 '000
Outstanding at beginning of year	**2 295**	3 554	**344**	1 272
Exercised	**(796)**	(1 067)	**(344)**	(928)
Lapsed/cancelled[2]	**(39)**	(192)		
Outstanding at end of year	**1 460**	2 295		344

[1] *No further grants are made under these schemes and plans that are being phased out have been replaced by the new share incentive schemes.*
[2] *Exercise price range for lapsed/cancelled options: R40,68 – R47,73 (2009: R12,16 – R47,73).*

	Deferred purchase[1]			
	Exxaro employees		Kumba Iron Ore employees	
	December 2010	December 2009	December 2010	December 2009
Outstanding at beginning of year	**200**	4 200	**400**	400
Exercised	**(200)**	(4 000)	**(400)**	
Outstanding at end of year		200		400

[1] *No further grants are made under these schemes and plans that are being phased out have been replaced by the new share incentive schemes.*

30. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

	Deferred Bonus Plan		Long-term Incentive Plan[1]	
	December 2010 '000	December 2009 '000	**December 2010 '000**	December 2009 '000
Outstanding at beginning of year	**67**	18	**1 550**	906
Issued	**31**	55	**427**	772
Exercised	**(2)**	(1)	**(414)**	(21)
Lapsed/cancelled		(5)	**(39)**	(107)
Outstanding at end of year	**96**	67	**1 524**	1 550

	Phantom scheme		SARS	
	December 2010 '000	December 2009 '000	**December 2010 '000**	December 2009 '000
Outstanding at beginning of year	**43**	74	**5 851**	3 097
Issued			**1 804**	3 194
Exercised	**(10)**	(31)	**(394)**	(8)
Lapsed/cancelled			**(323)**	(432)
Outstanding at end of year	**33**	43	**6 938**	5 851

[1] *There is no amount payable by participants on vesting. They will be awarded rights to ordinary shares in the company.*

Details of issues during the period are as follows:

	Deferred Bonus Plan		Long-term Incentive Plan	
	December 2010	December 2009	**December 2010**	December 2009
Expiry date	**2013**	2012/2013	**2013**	2012/2013
Exercise price (share price range) (R)	**120,50 – 128,14**	65,58 – 91,08	**120,39 – 126,77**	69,06 – 85,00
Total proceeds if options are exercised at reporting period/ deferred purchase shares at reporting date paid (R million)	**0,3**	4,0	**54,1**	53,4

	SARS	
	December 2010	December 2009
Expiry date	**2016/2017**	2016
Exercise price per share (share price range) (R)	**88,72 – 129,77**	62,83 – 112,35
Total proceeds if rights are immediately exercised (R million)	**228,0**	221,8

30. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

Details of options/deferred purchase shares exercised during the year are as follows:

	Options		Long-term Incentive Plan	
	December 2010	December 2009	**December 2010**	December 2009
Exercise price per share (share price range) (R)				
– Exxaro employees in Exxaro (post-unbundling)	**106,03 – 140,09**	61,40 – 104,50	**113,50 – 131,90**	76,50 – 77,30
– Exxaro employees in Kumba Iron Ore (post-unbundling)	**305,00 – 379,00**	140,00 – 306,17		
– Kumba Iron Ore employees in Exxaro (post-unbundling)	**103,00 – 133,30**	63,16 – 78,00		
Total proceeds if shares are issued (R million)	**436,9**	541,6	**37,1**	1,6

	Deferred Bonus Plan		Deferred Purchase	
	December 2010	December 2009	**December 2010**	December 2009
Exercise price per share (share price range) (R)	**117,48 – 117,80**	77,32	**109,5**	65,75 – 66,50
Total proceeds if shares are issued (R million)				0,3

	Phantom scheme[1]		SARS	
	December 2010	December 2009	**December 2010**	December 2009
Exercise price per share (share price range) (R)	**76,00**	76,00 – 91,28	**105,90 – 138,80**	67,83 – 92,00
Total proceeds if shares are issued (R million)			**20,7**	0,2

[1] *The phantom option awards are classified as cash-settled since no shares will be issued when exercised.*

30. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

Terms of the options and deferred purchase shares outstanding at 31 December 2010 are as follows:

Share options held by Exxaro employees in Exxaro:

	Options		Long-term Incentive Plan	
Expiry date	Exercise price R	Outstanding '000	Exercise price R	Outstanding '000
2011	12,90 – 13,62	203	85,00 – 112,45	408
2012	18,38 – 32,84	483	63,45 – 69,06	696
2013	33,47 – 47,73	774	120,39 – 126,77	420
Total		1 460		1 524
Total proceeds if shares are issued (R million)		44,0		145,3

	Deferred Bonus Plan	
Expiry date	**Exercise price R**	**Outstanding '000**
2011	89,60 – 111,88	14
2012	65,58 – 91,08	51
2013	120,50 – 128,14	31
Total		96
Total proceeds if shares are issued (R million)		2,5

	SARS		Phantom scheme	
Expiry date[1]	Exercise price R	Outstanding '000	Exercise price R	Outstanding '000
2011	60,60 – 112,35	6		
2012	112,35	2	19,62 – 32,84	33
2014	59,42 – 104,99	765		
2015	62,83 – 155,69	1 565		
2016	63,45 – 92,51	2 860		
2017	110,91 – 131,47	1 740		
Total		6 938		33
Total proceeds if shares are issued (R million)		633,5		

[1] *Exxaro made the first annual grant in the share appreciation rights scheme (SARS) to participants in 2007. The lapse date is regarded as the seventh anniversary of the grant. No issues were made during the unbundling year of 2006.*

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30. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

Terms of the options and deferred purchase shares outstanding at 31 December 2009 are as follows:

Share options held by Exxaro employees in Exxaro:

	Options		Long-term Incentive Plan	
Expiry date	Exercise price R	Outstanding '000	Exercise price R	Outstanding
2010	7,32 – 11,59	71	60,60 – 102,14	424
2011	19,90 – 19,62	437	69,06 – 112,35	415
2012	13,72 – 32,84	717	63,45 – 67,07	711
2013	33,47 – 47,73	1 070		
Total		2 295		1 550
Total proceeds if shares are issued (R million)		64,8		94,8

	Deferred Bonus Plan		Deferred purchase	
Expiry date	Exercise price R	Outstanding '000	Exercise price R	Outstanding
2010	86,45	2	18,36	200
2011	89,60 – 111,88	14		
2012	65,58 – 91,08	51		
Total		67		200
Total proceeds if shares are issued (R million)		5,2		

	SARS		Phantom scheme	
Expiry date	Exercise price R	Outstanding '000	Exercise price R	Outstanding '000
2010			19,62	10
2012			19,62	33
2014	59,42 – 104,99	1 179		
2015	62,83 – 155,69	1 723		
2016	63,45 – 92,51	2 949		
Total		5 851		43
Total proceeds if shares are issued (R million)		457,6		

30. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

Share options held by Exxaro employees in Kumba Iron Ore:

	Options	
Expiry date	Exercise price R	Outstanding '000
2010	15,38 – 97,74	1 018
Total		1 018
Total proceeds if shares are issued (R million)		49,9

Share options held by Kumba Iron Ore employees in Exxaro:

	Options		Deferred purchase	
Expiry date	**Exercise price R**	**Outstanding '000**	**Exercise price R**	**Outstanding**
2010	6,91 – 47,73	344	21,06	400
Total		344		400
Total proceeds if shares are issued (R million)		9,0		

The exercise prices of the options held by Exxaro employees in Exxaro and Kumba Iron Ore respectively at 31 December 2008 and 31 December 2009, have been recalculated with reference to the VWAP split of 32,81% for Exxaro and 67,19% for Kumba Iron Ore. The last date for exercising these options was 20 May 2010.

Details of options vested but not sold during the year are as follows:

	Options	
	December 2010	December 2009
Exxaro employees in Exxaro (post-unbundling)		
Number of shares	**1 129 010**	1 346 500
Exercise price (share price range) (R)	**12,90 – 47,73**	7,34 – 47,73
Exxaro employees in Kumba Iron Ore (post-unbundling)		
Number of shares		1 018 210
Exercise price (share price range) (R)		15,38 – 97,74
Kumba Iron Ore employees in Exxaro (post-unbundling)		
Number of shares		343 890
Exercise price (share price range) (R)		6,91 – 47,73

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30. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

	Options '000	Long-term Incentive Plan '000	Deferred Bonus Plan '000	Deferred purchase '000	SARS '000	Total '000
Exxaro shares/options only						
Number of shares vesting at beginning of year	2 639	1 550	67		5 851	10 107
– Exxaro employees in Exxaro	2 295	1 550	67		5 851	9 763
– Kumba Iron Ore employees in Exxaro	344					344
Net change during the year	(1 179)	(26)	29		1 087	(89)
Number of shares vesting at end of year	1 460	1 524	96		6 938	10 018
– Exxaro employees in Exxaro	1 460	1 524	96		6 938	10 018

Directors' interests in shares

For details refer to the report of the directors' remuneration.

Fair value of equity-settled share-based payment transactions with employees

The group applies IFRS 2 to grants of shares, share options or other equity instruments that are granted.

In determining the fair value of services received as consideration for equity instruments, measurement is referenced to the fair value of the equity instruments granted.

The group applied the transitional provisions of IFRS 2 and applied the principles to grants that were granted after 7 November 2002.

Kumba Resources listed on 26 November 2001 and the volatility of its share price since then has been used to determine the calculations.

The changes to the schemes brought about by the empowerment transaction were treated as a modification. The services received were measured at the grant date fair value of the original equity instruments granted. Any incremental increase in the fair value of the equity instruments granted is recognised over the revised vesting period.

The fair value of the options issued under the Management Share Option Scheme was determined immediately before and after the modification using the Black-Scholes option pricing model.

The weighted average incremental fair value granted per option at the original strike price as a result of the modification amounted to R12,55 whilst the incremental fair value for a repriced option amounted to R14,93.

30. EMPLOYEE BENEFITS (continued)

Fair value of equity-settled share-based payment transactions with employees (continued)

	2010		2009	
	Exxaro	**Kumba Iron Ore**	Exxaro	Kumba Iron Ore
The Black-Scholes methodology is used to calculate the fair value of options granted to employees.				
The inputs to the model are as follows:				
Share price (R)	**49,00**	**110,00**	49,00	110,00
Weighted average exercise price range – original strike price (R)	**34,76**	**71,18**	34,76	71,18
Weighted average exercise price range – repriced strike price (R)	**13,12**	**26,86**	13,12	26,86
Annualised expected volatility (%)	**37,90**	**37,90**	37,90	37,90
Option life (years) (weighted average)	**3,11**	**3,08**	3,11	3,08
Dividend yield (%)	**4**	**4**	4	4
Risk-free interest rate (%) (weighted average)	**8,26**	**8,26**	8,26	8,26
Expected employee attrition (%)	**4,0**	**4,0**	10,0	10,0

The Black-Scholes methodology is used to calculate the fair value of share appreciation rights (SARs) granted to employees.

The inputs to the model as at 31 December 2010 are as follows:

	SARs vesting in three years	SARs vesting in four years	SARs vesting in five years
Share price (R)	**126,84**	**126,84**	**126,84**
Weighted average exercise price range	**126,77**	**126,77**	**126,77**
Annualised expected volatility (%)	**45,13**	**44,14**	**43,15**
Option life (years) (weighted average)	**5,00**	**5,50**	**6,00**
Dividend yield (%)	**4,52**	**4,66**	**4,72**
Risk-free interest rate (%) (weighted average)	**8,01**	**7,85**	**7,77**
Expected employee attrition (%)	**4,0**	**4,0**	**4,0**
The inputs to the model as at 31 December 2009 were as follows:			
Share price (R)	74,20	74,20	74,20
Weighted average exercise price range	67,70	67,70	67,70
Annualised expected volatility (%)	44,20	43,19	42,19
Option life (years) (weighted average)	5,00	5,50	6,00
Dividend yield (%)	8,52	8,68	8,96
Risk-free interest rate (weighted average) (%)	8,58	8,65	8,72
Expected employee attrition (%)	10,0	10,0	10,0

The Monte Carlo valuation methodology is used to calculate the fair value of long-term incentive plan, deferred bonus plan and MPower grants to employees.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2010

30. EMPLOYEE BENEFITS (continued)

Fair value of equity-settled share-based payment transactions with employees (continued)

The inputs to the LTIP model are as follows:

Date of grant	1/4/2010	1/4/2009	1/4/2008	28/2/2007
Share price at grant date (R)	126,84	74,20	110,35	61,24
Risk-free rate (%)	7,53	7,85	8,88	7,70
Dividend yield (%)	3,89	6,39	2,81	4,08
Expected volatility (%)	N/A	N/A	N/A	36,80
Time to vesting	Three years from date of grant	Three years from date of grant	Three years from date of grant	Three years from date of grant
Expected employee attrition (%)	2,90	2,90	2,90	2,90

The inputs to the DBP model are as follows:

Year of grant	2010	2009	2008	2007
Average share price at grant date(s) (R)	92,38	77,06	111,88	61,24
Risk-free rate (%)	7,44	7,49	8,88	7,70
Dividend yield (%)	3,96	6,66	2,77	4,08
Expected volatility (%)	N/A	N/A	N/A	36,80
Time to vesting	Three years from date of grant	Three years from date of grant	Three years from date of grant	Three years from date of grant
Expected employee attrition (%)	5,00	5,00	5,00	5,00

The inputs to the MPower model are as follows:

Date of grant	1/31/2007
Share price at grant date (R)	71,00
Risk-free rate (%)	8,20
Dividend yield (%)	3,00
Expected volatility (%)	37,00
Vest date	28/11/2011
Vesting probability (%)	100

The inputs to the phantom scheme model are as follows:

Date of grant	1/12/05 – 22/4/05
Share price(s) at grant date(s) (R)	19,62 – 32,84
Risk-free rate (%)	6,5
Dividend yield (%)	4,7
Expected volatility (%)	38,00
Time to vesting	Mainly over five years in tranches

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
31. CONTINGENT ASSETS AND LIABILITIES				
Contingent assets				
Surrender fee on prospect rights, exploration rights and mining rights.	**63**	59		
An outstanding insurance claim for the Furnace 2 incident at Exxaro TSA Sands (Pty) Limited for which settlement was received in the first half of 2010.		99		
Contingent liabilities				
Contingent liabilities at balance sheet date, not otherwise provided for in these annual financial statements, arising from:				
– guarantees in the normal course of business from which it is anticipated that no material liabilities will arise:	**707**	562	**1**	
– other[1]	**300**	155	**151**	48
[1]Includes the group's share of contingent liabilities of associates and joint ventures of R117 million (2009: R61 million). The increase in 2010 and 2009 is mainly attributable to guarantees to the Department of Mineral and Resources (DMR) in respect of environmental liabilities on immediate closure of mining operations.				
The timing and occurrence of any possible outflows are uncertain.				
32. COMMITMENTS				
Capital commitments at 31 December 2010				
Capital expenditure contracted for plant and equipment	**6 475**	3 550	**67**	97
Capital expenditure authorised for plant and equipment but not contracted	**2 490**	1 420	**173**	78
The above includes the group's share of capital commitments of associates and joint ventures.	**556**	565		
Capital expenditure will be financed from available cash resources, funds generated from operations and available borrowing capacity.				
Capital expenditure contracted relating to captive mines Tshikondeni, Arnot and Matla, which will be financed by ArcelorMittal SA Limited and Eskom respectively.	**1**	18		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2010

	GROUP		COMPANY	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
32. COMMITMENTS (continued)				
A trust known as New Africa Mining Fund (the Fund) was established during 2003 to make portfolio investments in junior mining projects within South Africa and elsewhere on the continent of Africa. Exxaro, as an investor participant to the Fund, has committed to contribute R20 million towards the Fund. The Fund manager can draw down this balance or any portion as and when required, by serving a 10-day notice to Exxaro. The commitment period commenced on 1 March 2003 and expired on 28 February 2009. Since then, up until 28 February 2013 no new investments in new funds may be undertaken by the Fund, however, Exxaro may still be required to invest funds into established investments limited to the initial R20 million commitment.				
Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases are as follows:				
– less than one year	**57**	44	**7**	8
– more than one year and less than five years	**67**	42	**5**	7
– more than five years	**8**	6		
Total	**132**	92	**12**	15
Operating sublease receivable				
Non-cancellable operating lease rentals are receivable as follows:				
– less than one year	**2**	1		
– more than one year and less than five years	**4**	3	**1**	
Total	**6**	4	**1**	

ANNEXURE 1
NON-CURRENT INTEREST-BEARING BORROWINGS

	Final repayment date	Rate of interest per year (payable half-yearly) 2010 Fixed %	2010 Floating %	Rate of interest per year (payable half-yearly) 2009 Fixed %	2009 Floating %	GROUP 2010 Rm	GROUP 2009 Rm	COMPANY 2010 Rm	COMPANY 2009 Rm
LOCAL									
Unsecured loans									
	2011		**6,810**		10,540		6		
	2013		**6,810**		8,510	**150**	150	**150**	150
	2013		**6,810**		8,510	**342**	415	**342**	415
	2013		**6,810**		8,510	**405**	540	**405**	540
	2013		**6,910**		8,610	**675**	675	**675**	675
	2013		**6,810**		8,510	**75**	100	**75**	100
	2013		**6,910**		8,610	**125**	125	**125**	125
	2013		**6,810**		8,510	**135**	180	**135**	180
	2013		**6,910**		8,610	**224**	224	**224**	224
	2013		**6,810**		8,510	**36**	48	**36**	48
	2013		**6,910**		8,610	**60**	60	**60**	60
	2013		**6,810**		8,510	**108**	180	**108**	180
	2015		**7,610**		7,610	**800**	1 000	**800**	1 000
	2016		**8,110**		9,120	**167**	181		
	2016		**9,350**		10,540	**6**			
						3 308	3 884	**3 135**	3 697
Secured loans									
	2011	**12,130**		12,130	[1]	**1**	2		
	2011	**17,490**		17,490	[2]	**1**	1		
	2012	**11,420**		11,420	[3]	**1**	1		
	2013	**13,540**		13,540	[4]	**6**	8		
	2025	**8,330**		8,330	[5]	**23**	24		
	2026	**10,710**		10,710	[6]	**12**	12		
	2031	**22,200**		22,200	[7]	**87**	86		
	2032	**32,930**		32,930	[8]	**137**	126		
						268	260		

ANNEXURE 1 CONTINUED

NON-CURRENT INTEREST-BEARING BORROWINGS

	Final repayment date	Rate of interest per year (payable half-yearly) 2010 Fixed %	Floating %	Rate of interest per year (payable half-yearly) 2009 Fixed %	Floating %	GROUP 2010 Rm	2009 Rm	COMPANY 2010 Rm	2009 Rm
FOREIGN									
Unsecured loans (US$)									
	2011		**8,050**		5,620[9]	**236**	166		
	2016	**6,640**		6,640	[10]	**387**	444		
						623	610		
FOREIGN SECURED LOANS (US$)	2012		**3,790**		[11]	**161**			
Total non-current interest-bearing borrowings (refer note 21)						**4 360**	4 754	**3 135**	3 697

Finance leases recognised due to IFRIC 4 *(Determining whether an Agreement contains a Lease)*

1 *Finance lease agreement between Exxaro Sands (Pty) Limited and Mhlathuze Water in respect of a plant with a book value of Rnil (2009: R1 million).*
2 *Finance lease agreement between FerroAlloys (Pty) Limited and African Oxygen Limited (Afrox) in respect of machinery and equipment with a book value of Rnil (2009: Rnil).*
3 *Finance lease agreement between Exxaro Sands (Pty) Limited and Eskom in respect of buildings with a book value of Rnil (2009: R1 million).*
4 *Finance lease agreement between Exxaro TSA Sands (Pty) Limited and Air Products in respect of a plant with a book value of R3 million (2009: R4 million).*
5 *Finance lease agreement between Exxaro TSA Sands (Pty) Limited and Mhlathuze Water in respect of a plant with a book value of R13 million (2009: R20 million).*
6 *Finance lease agreement between Exxaro TSA Sands (Pty) Limited and Eskom in respect of buildings with a book value of R9 million (2009: R13 million).*
7 *Finance lease agreement between Exxaro Sands (Pty) Limited and Kusasa Bulk Terminals (Phase 1) in respect of a plant with a book value of R28 million (2009: R43 million).*
8 *Finance lease agreement between Exxaro Sands (Pty) Limited and Kusasa Bulk Terminals (Phase 2) in respect of a plant with a book value of R31 million (2009: R47 million).*
9 *A syndicated loan facility of US$45 million (variable interest rate), of which US$34 million was drawn on 31 December 2010 (US$21 million 31 December 2009).*
10 *US$60 million senior notes (fixed interest rate) issued by Ticor Finance (A.C.T.) Pty Limited, an entity controlled by Exxaro Australia Sands (Pty) Limited.*
11 *A trade receivable facility from Investec Limited that is secured for the outstanding amount of US$24,250,000, against pigment receivables for that amount.*

ANNEXURE 2

INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS

	Nature of business[1]	Country of incor-poration[2]	Number of shares held	Percentage holding		Group carrying amount		Company carrying amount		Year-end other than 31 Dec
				2010 %	2009 %	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm	
ASSOCIATED COMPANIES										
Unlisted										
Black Mountain Mining (Pty) Limited	A	RSA	260	**26,00**	26,00	**242**	155			
Chifeng Kumba Hongye Zinc Corporation Limited	A & M	CH	58 520 000	**38,00**	38,00	**92**	102			
Chifeng NFC Kumba Hongye Zinc Corporation Limited	A & M	CH	42 500 000	**25,00**	25,00	**35**	35			
Sishen Iron Ore Company (Pty) Limited	A	RSA	240 000 000	**20,00**	20,00	**3 511**	1 673			
Total associated companies (refer note 14)						**3 880**	1 965			
JOINT VENTURES										
Incorporated										
Unlisted										
Mafube Coal Mining (Pty) Limited	A	RSA	50	**50,00**	50,00					
RoshSkor Township (Pty) Limited	C	NAM	50	**50,00**	50,00					30 June
South Dunes Coal Terminal Co. (Pty) Limited	A	RSA	1 333	**33,33**	33,33					
Thakweneng Mineral Resources (Pty) Limited	E	RSA	1	**50,00**	50,00		1			
Rosh Pinah Health Care (Pty) Limited	C	NAM	31	**31,00**	31,00					
Total joint ventures investments (refer note 14)							1			
Unincorporated										
Moranbah Coal Project	A			**50,00**	50,00					
Tiwest	A			**50,00**	50,00					
INVESTMENT COMPANIES										
Unlisted										
Richards Bay Coal Terminal[3]						**369**	368			
Other						**7**	7			
Total other investments (refer note 16)						**376**	375			
TOTAL INVESTMENTS						**4 256**	2 341			
The investments are valued at balance sheet date. Listed shares are valued at market value and unlisted shares at directors' value.										
Unlisted investments in associates – directors' valuation						**20 782**	14 165			
Unlisted other investments – directors' valuation						**407**	408			

Where the above entities' financial year-ends are not co-terminous with that of the company, financial information has been obtained from published information or management accounts as appropriate.

[1] *A – Mining, C – Service, E – Exploration, M – Manufacturing.*
[2] *RSA – Republic of South Africa, CH – People's Republic of China, NAM – Namibia*
[3] *Included in the directors' valuation of 2010 is an amount of R31 million (2009: R33 million) in respect of RBCT, which is classified as part of other debtors.*

ANNEXURE 2 CONTINUED
INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS

The group's effective share of balance sheet, income statement and cash flow items in respect of associated companies and joint ventures is as follows:

	Associated companies		Joint ventures	
	2010 Rm	2009 Rm	**2010 Rm**	2009 Rm
INCOME STATEMENTS				
Revenue	**8 614**	5 419	**2 147**	1 484
Operating expenses	**(3 473)**	(2 687)	**(1 835)**	(1 500)
NET OPERATING PROFIT/(LOSS)	**5 141**	2 732	**312**	(16)
Net financing costs	**(34)**	(49)	**(101)**	(5)
PROFIT/(LOSS) BEFORE TAX	**5 107**	2 683	**211**	(21)
Income tax expense	**(1 390)**	(785)	**(33)**	
PROFIT/(LOSS) FOR THE YEAR	**3 717**	1 898	**178**	(21)
Profit/(loss) for the year attributable to owners of the parent	**3 717**	1 898	**178**	(21)
STATEMENT OF FINANCIAL POSITION				
Non-current assets	**3 718**	2 714	**3 873**	3 591
Current assets	**2 462**	1 302	**1 801**	1 506
TOTAL ASSETS	**6 180**	4 016	**5 674**	5 097
Equity and liabilities				
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**3 670**	1 759	**2 942**	2 913
Non-current liabilities				
Interest-bearing borrowings	**856**	990	**320**	165
Non-current provisions	**201**	126	**261**	249
Deferred tax and other	**557**	521	**496**	64
Current liabilities				
Interest-bearing borrowings	**94**	112	**63**	28
Other	**802**	508	**1 592**	1 678
TOTAL EQUITY AND LIABILITIES	**6 180**	4 016	**5 674**	5 097
STATEMENT OF CASH FLOWS				
Net cash flows from operating activities	**1 829**	159	**110**	216
Net cash flows from investing activities	**(974)**	(835)	**(456)**	(567)
Net cash flows from financing activities	**(121)**	(2)	**322**	275
Foreign currency translations	**37**	29		
Net increase/(decrease) in cash and cash equivalents	**771**	(649)	**(24)**	(76)

ANNEXURE 3

INVESTMENTS IN SUBSIDIARIES[1]

	Country of incorporation[2]	Nature of business[3]	Issued capital-unlisted ordinary shares	Interest of company			
				Investment in shares		Indebtedness	
			R	**2010 R**	2009 R	**2010 Rm**	2009 Rm
DIRECT INVESTMENTS							
AlloyStream (Pty) Limited	RSA	M	1	**1**	1		
AlloyStream Holdings (Pty) Limited	RSA	H	1	**746 163**	746 163	**17**	16
Clipeus Investment Holdings (Pty) Limited	RSA	H	1	**1**	1		
Colonna Properties (Pty) Limited	RSA	B	200	**2 518 966**	2 518 966	**2**	2
Cullinan Refractories Limited	RSA	A	1 000	**1 000**	1 000		
Exxaro Base Metals and Industrial Minerals Holdings (Pty) Limited	RSA	H	1	**1**	1		
Exxaro Base Metals (Pty) Limited	RSA	M	5 500 000	**247 712 500**	247 712 500	**768**	375
Exxaro Chairman's Fund	RSA	T					
Exxaro Coal (Pty) Limited	RSA	A	1	**1 000**	1 000	**4 936**	4 787
Exxaro Coal Botswana Holding (Pty) Limited[4]	Bot	H	200		32 742 723		
Exxaro Employee Empowerment Participation Scheme Trust	RSA	T					
Exxaro Environmental Rehabilitation Fund	RSA	T					
Exxaro Esmore Cooperatief U.A[5]	NE	J					
Exxaro FerroAlloys (Pty) Limited	RSA	M	1	**1**	1	**(32)**	(22)
Exxaro Foundation	RSA	T					
Exxaro Holdings (Pty) Limited	RSA	H	566 827	**459 517 297**	459 517 297	**52**	28
Exxaro Holdings Sands (Pty) Limited	RSA	H	40 000	**1 869 951 859**	1 869 951 859		
Exxaro Insurance Company Limited	RSA	I	50	**5 000 000**	5 000 000	**1**	
Exxaro On-Site (Pty) Limited	RSA	C	1	**1**	1		
Exxaro People Development Initiative	RSA	E					
Exxaro Properties (Groenkloof) (Pty) Limited	RSA	B	1	**1**	1		
Exxaro TSA Sands (Pty) Limited	RSA	M	510	**510**	510	**3 531**	3 651
Exxaro Sands (Pty) Limited	RSA	A	200	**6 003 355**	6 003 355	**150**	250
Ferroland Grondtrust (Pty) Limited	RSA	D	2	**2**	2	**22**	10
Glen Douglas Dolomite (Pty) Limited[6]	RSA	A	10 000				
Kumba Resources Management Share Trust	RSA	T				**(30)**	(40)
Rocsi Holdings (Pty) Limited	RSA	H	647 044 943	**653 722 945**	653 722 945	**488**	308
Skyprops 112 (Pty) Limited	RSA	H	100	**44 389 208**	44 389 208	**20**	20

ANNEXURE 3 CONTINUED

INVESTMENTS IN SUBSIDIARIES[1]

	Country of incor-poration[2]	Nature of business[3]	Issued capital-unlisted ordinary shares	Interest of company			
				Investment in shares		Indebtedness	
			R	**2010 R**	2009 R	**2010 Rm**	2009 Rm
INDIRECT INVESTMENTS							
Coastal Coal (Pty) Limited	RSA	A	5 000			**(35)**	(42)
Exxaro Australia Pty Limited	AUS	A & P	11				(1)
Exxaro Australia Sands Pty Limited	AUS	C	2 038 299 354			**1**	3
Exxaro Base Metals (Namibia) (Pty) Limited	NAM	H	100			**241**	262
Exxaro Base Metals China Limited	HK	H	1 354				
Exxaro Base Metals International BV	NE	P	119 209				
Exxaro Coal Botswana (Pty) Limited (75%)	Bot	P	200				
Exxaro Coal Mpumalanga (Pty) Limited	RSA	A	100 000			**494**	616
Exxaro Coke (Pty) Limited	RSA	M	1				
Exxaro Esmore Cooperatief U.A	NE	J					
Exxaro Finance Ireland	IRL	F	893 656 391				
Exxaro Holdings (Australia) Pty Limited	AUS	H	5				
Exxaro International BV	NE	H	662 037			**1**	1
Exxaro International Coal Trading BV	NE	C	172 866				
Exxaro International Trading BV	NE	C	172 866				
Exxaro Investments (Australia) Pty Limited	AUS	H	5				
Exxaro Maden Arama ve Madencilik Limited. Sti.	TUR	P	32 512				
Exxaro Madencilik Sanayi Ve Ticaret Anonim Sirketi (76%)	TUR	P	6 436 530				
Exxaro Mineral Sands BV	NE	P	134 973				
Exxaro Reductants (Pty) Limited	RSA	M	1			**3**	4
Exxaro Sands Holdings BV	NE	H	169 999				
Ferrowest (Pty) Limited (95%)	RSA	B	136 500 000				
Inyanda Coal (Pty) Limited	RSA	A	1 000				
Magnetic Minerals Pty Limited[6]	AUS	A	31 740 964				
Omacor Sac	PERU	G	10				
Oreco Leasing Limited	MAU	F	1				
Pigment Holdings Pty Limited	AUS	C	10				
Rosh Pinah Mine Holdings (Pty) Limited	NAM	H	1 000				
Rosh Pinah Zinc Corporation (Pty) Limited (50,0264%)	NAM	A	2 280			**18**	25
Senbar Holdings Pty Limited	AUS	C	10				
Synthetic Rutile Holdings Pty Limited	AUS	C	10				
The Vryheid (Natal) Railway Coal and Iron Company Limited	RSA	A	3 675				
Ticor Energy Pty Limited[6]	AUS	F	10				
Ticor Finance (A.C.T.) Pty Limited	AUS	F	10				
Ticor Resources Pty Limited	AUS	H	8 111 062				
Tific Pty Limited	AUS	H	10				
TiO2 Corporation NL	AUS	H	85 101 240				
Yalgoo Minerals Pty Limited	AUS	A	48 216 010				
TOTAL INVESTMENTS IN SUBSIDIARIES (refer note 15)				**3 289 564 811**	3 322 307 534	**10 648**	10 253

[1] At 100% holding except where otherwise indicated
[2] RSA – Republic of South Africa, AUS – Australia, NAM – Namibia, HK – Hong Kong, IRL – Ireland, MAU – Mauritius, NE – Netherlands, Bot – Botswana, TUR – Turkey
[3] A – Mining, B – Property, C – Service, D – Land management, E – Section 21 company, F – Finance, G – Dormant, H – Holdings, I – Insurance, J – Cooperative, M – Manufacturing, P – Exploration, T – Trust
[4] A wholly owned subsidiary of Exxaro Coal (Pty) Limited in 2008 – transferred to Exxaro Resources Limited in 2009.
[5] Cooperative in Rotterdam, Netherlands with the following members: Exxaro Resources Limited and Exxaro Holdings (Pty) Limited.
[6] Reclassified during 2008 as non-current asset classified as held for sale. This investment was sold with effective date 1 January 2011.

INVESTMENTS IN SUBSIDIARIES

TERMS AND CONDITIONS OF INDEBTEDNESS TO AND FROM SUBSIDIARIES

	Final repayment date	Rate of interest per year (payable half-yearly)[1] 2010 Floating %	2009 Floating %	2010 Rm	2009 Rm
	2013	**6,810**	8,510	**150**	150
	2013	**6,810**	8,510	**178**	342
	2013	**6,810**	8,510	**270**	405
	2013	**6,910**	8,610	**675**	675
	2013	**6,810**	8,510	**75**	100
	2013	**6,910**	8,610	**100**	100
	2013	**6,810**	8,510	**90**	134
	2013	**6,910**	8,610	**224**	224
	2013	**6,810**	8,510	**24**	36
	2013	**6,910**	8,610	**60**	60
	2013	**6,810**	8,610	**80**	120
	2015	**7,610**	7,610	**800**	1 000
Total unsecured non-current loans				**2 726**	3 346
Interest-bearing current loans payable/(receivable)[2]				**1 369**	509
Current portion of non-current loans				**421**	330
Non-interest-bearing current loans				**6 132**	6 068
Current loans				**7 922**	6 907
Total				**10 648**	10 253

[1] *There were no indebtedness to and from subsidiaries with fixed rate of interest per year.*
[2] *Interest charged at average overnight money market rates.*

NOTICE OF 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 tenth annual general meeting of members of Exxaro will be held at the corporate office, Roger Dyason Road, Pretoria West, South Africa, at 09:00 on Thursday, 19 May 2011 to consider, and if deemed fit, pass with or without modification, the following resolutions:

1. **ORDINARY RESOLUTION NUMBER 1: APPROVAL OF FINANCIAL STATEMENTS**
   To receive and adopt the annual financial statements of the group for the period ended 31 December 2010, including the directors' and independent auditors' reports thereon.

2. **ORDINARY RESOLUTION NUMBER 2: RE-ELECTION OF DIRECTOR**
   To re-elect by separate resolution VZ Mntambo who offers himself for re-election;

3. **ORDINARY RESOLUTION NUMBER 3: RE-ELECTION OF DIRECTOR**
   To re-elect by separate resolution NL Sowazi who offers himself for re-election;

4. **ORDINARY RESOLUTION NUMBER 4: RE-ELECTION OF DIRECTOR**
   To re-elect by separate resolution J van Rooyen who offers himself for re-election; and

5. **ORDINARY RESOLUTION NUMBER 5: RE-ELECTION OF DIRECTOR**
   To re-elect by separate resolution D Zihlangu who offers himself for re-election

   as directors of the company, who retire by rotation in terms of article 16.1 of the company's articles of association. A brief résumé for each director standing for re-election appears on page 308 of this annual report.

6. **ORDINARY RESOLUTION NUMBER 6: NON-EXECUTIVE DIRECTORS' FEES**
   6.1 To ratify the remuneration of non-executive directors for the period 1 January 2010 to 31 December 2010 (refer to page 190 of the annual report).
   6.2 To approve the remuneration of non-executive directors for the period 1 January 2011 to 31 December 2011.

	Current	Proposed
Chairman	R433 600	R650 000
Director	R200 120	R216 130
Audit committee chairman	R184 880	R199 670
Audit committee member	R97 650	R105 460
Board committee chairman	R143 220	R154 680
Board committee member	R68 340	R73 810

7. **ORDINARY RESOLUTION NUMBER 7: APPOINTMENT OF AUDIT, RISK AND COMPLIANCE COMMITTEE MEMBERS**
   "Resolved that the members of the audit, risk and compliance committee, be and are hereby appointed in accordance with the recommendations of King III. The membership as proposed by the board of directors is J van Rooyen (chairman), RP Mohring and NL Sowazi."

8. **ORDINARY RESOLUTION NUMBER 8: APPROVAL OF REMUNERATION POLICY**
"Resolved to approve, through a non-binding advisory note, the company's remuneration policy and its implementation, as set out in the Remuneration Report, which appears on page 160 of the annual report."

9. **ORDINARY RESOLUTION NUMBER 9: APPOINTMENT OF INDEPENDENT AUDITORS**
To appoint PricewaterhouseCoopers (PwC), with the designated audit partner being Mr D Shango, as independent auditors of the company for the ensuing year.

10. **ORDINARY RESOLUTION NUMBER 10: AUDITORS' FEES**
To authorise the directors to determine the auditors' remuneration for the period ended 31 December 2010.

11. **ORDINARY RESOLUTION NUMBER 11: 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 61 of 1973, (as amended), or the Companies Act, No 71 of 2008, should it become effective prior to the annual general meeting, article 3.2 of the articles of association of the company and the JSE Listings Requirements. The issuing of shares granted under this authority will be at their discretion until the next annual general meeting of the company, after setting aside so many shares as may be required, to be allotted and issued by the company pursuant to the company's approved employee share incentive schemes."

12. **ORDINARY RESOLUTION NUMBER 12: 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 article 3.2 of the articles of association of the company, the Companies Act, No 61 of 1973, (as amended), or the Companies Act No 71 of 2008, should it become effective prior to the annual general meeting, and the JSE Listings Requirements, when applicable and with the following limitation, namely that:
- 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 shall not in the aggregate in the current financial year exceed 10% (ten per cent) of the company's issued share capital of ordinary shares (for purposes of determining the securities comprising the 10% number in any one year, account must be taken of the dilution effect, in the year of options/convertible securities, by including the number of any equity securities which may be issued in future arising out of the issue of such options/convertible securities). The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year (or to be issued arising from options or convertible securities issued), provided that any ordinary shares to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (which has had final terms announced) may be included as though they were shares in issue at the date of application;
- this authority is valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;
- 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 per cent) or more of the number of shares in issue prior to the issue; and
- the maximum discount permitted at which equity securities may be issued is 10% (ten per cent) 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.

This ordinary resolution is required, under the JSE Listings Requirements, to be passed by achieving a 75% (seventy five per cent) majority of the votes cast in favour of such resolution by all members present or represented by proxy and entitled to vote, at the annual general meeting."

13. **ORDINARY RESOLUTION NUMBER 13: AUTHORISE DIRECTORS AND/OR THE COMPANY SECRETARY**
To authorise any one director and/or the Company Secretary or equivalent, to do all such things and sign all such documents as are deemed necessary to implement the resolutions set out in the notice convening the annual general meeting at which these resolutions will be considered.

14. **SPECIAL RESOLUTION NUMBER 1: GENERAL AUTHORITY TO REPURCHASE SHARES**

"Resolved that, subject to compliance with the JSE Listings Requirements, the Companies Act (Act 61 of 1973), as amended, or the Companies Act, No 71 of 2008 ("the New Companies Act") should it become effective prior to the annual general meeting, and article 36 of the articles of association of the company, the directors be and are hereby authorised at their discretion to procure 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 shall not exceed 20% (twenty per cent) 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 shall 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;
- in respect of share repurchases to be undertaken after the introduction of the New Companies Act, (i) the board of directors pass a resolution that they have authorised the repurchase, (ii) that the company pass the solvency and liquidity test and (iii) that since the solvency and liquidity test was done there have been no material changes to the financial position of the group;
- in the event that the New Companies Act has become effective and the company's articles does not require this resolution to be proposed and adopted as a special resolution, it be adopted as an ordinary resolution, provided that it is supported by at least 75% (seventy five per cent) majority of the votes cast in favour of such resolution by all members present or represented by proxy and entitled to vote, at the annual general meeting; and
- the price paid per ordinary share may not be greater than 10% (ten per cent) above the weighted average of the market value of the ordinary shares for the 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 procure 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 on the utilisation of this authority which will only be used if circumstances are appropriate. The directors undertake that, to the extent it is still required by the JSE Listings Requirements and the New Companies Act, they will not implement the repurchase as contemplated in this special resolution while this general authority is valid, subject to the following limitations, namely that:

- the company and the group will be able to pay its debts in the ordinary course of business for a period of 12 (twelve) months after such repurchase;
- recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements, the assets of the company and the group will exceed the liabilities of the company and the group for a period of 12 (twelve) months after such repurchase;
- the ordinary capital and reserves of the company and the group will be adequate for the purposes of the business of the company and the group for a period of 12 (twelve) months after such repurchase;
- the working capital of the company and the group will be adequate for the purposes of the business of the company and the group for a period of 12 (twelve) months after such repurchase;
- 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 per cent) of the initial number of the relevant class of securities, and for each 3% (three per cent) 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; and
- the company undertaking that it will not enter the market to repurchase its own securities until the company's sponsor has provided written confirmation to the JSE regarding the adequacy of the company's working capital in accordance with schedule 25 of the JSE Listings Requirements."

15. 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 1.

LITIGATION STATEMENT

Other than disclosed or accounted for in these annual financial statements, the directors of the company, whose names are given on page 142 of these annual financial statements, are not aware of any legal or arbitration proceedings, pending or threatened against the group, which may have or have had a material effect on the group's financial position in the 12 months preceding the date of this notice of annual general meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on page 142 of these financial statements, collectively and individually accept full responsibility for the accuracy of the information given in this special resolution, and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statements false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this resolution and additional disclosure in terms of paragraph 11.26 of the JSE Listings Requirements pertaining thereto contain all information required by law and the JSE Listings Requirements.

MATERIAL CHANGES

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

The following further disclosures required in terms of the JSE Listings Requirements are set out in accordance with the reference pages in these annual financial statements of which this notice forms part:

- Directors and management – refer to pages 140 to 143 of this report;
- Major shareholders of the company – refer to page 168 of this report;
- Directors' interest in the company's shares – refer page 194 of this report;
- Share capital of the company – refer page 168 of this report.

In terms of schedule 14 of the JSE Listings Requirements, equity securities held by a share trust or a scheme will not have their votes at a general meeting or annual general meeting taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

By order of the board

MS Viljoen
Company Secretary

Pretoria
15 March 2011

SHORT BIOGRAPHIES OF EXXARO DIRECTORS SEEKING RE-ELECTION

Name: VZ Mntambo – Zwelibanzi (53)
Designation: Non-executive director
Academic qualifications: BJuris, LLB (UNW), LLM (Yale)
Experience: Zwelibanzi is executive chairman of ASG Business Solutions. He was previously senior lecturer at the University of Natal; executive director of IMSSA; director-general of Gauteng Province and chairman of the Commission for Conciliation, Mediation and Arbitration. He is chairman of Metrobus (Pty) Limited, Mainstreet 333 (Pty) Limited, director of SA Tourism (Pty) Limited and Aveng Limited.

Name: NL Sowazi – Nkululeko (47)
Designation: Non-executive director
Academic qualifications: BA; MA (UCLA)
Experience: Nkululeko is founding executive chairman of the Tiso Group, a black-controlled investment holding company with interests in natural resources, infrastructure and industrial services. Nkululeko was previously executive deputy chairman of JSE-listed banking group, African Bank Investments Limited (ABIL) and managing director of the Mortgage Indemnity Fund (Pty) Limited. He is chairman of Idwala Industrial Holdings, the Home Loan Guarantee Company, the Financial Markets Trust, and serves on the boards of Aveng Limited, Alstom South Africa, Trident Steel, Emira Property Fund and African Explosives Limited.

Name: J van Rooyen – Jeff (61)
Designation: Non-executive director
Academic qualifications: BCom (SA); BCompt (hons) (SA); CA(SA)
Experience: Director of various companies in the Uranus Group. Non-executive director of MTN Group Limited and Pick n Pay Stores Limited. Trustee of the International Accounting Standards Committee Foundation and member of the University of Pretoria's faculty of economic and management sciences oversight board. Former partner in Deloitte and Touche, former chairman of Public Accountants and Auditors Board, former CEO of Financial Services Board and former adviser to the late Ms Stella Sigcau, Minister of Public Enterprises. Jeff is a founder member and former president of the Association for the Advancement of Black Accountants of South Africa.

Name: D Zihlangu – Rain (44)
Designation: Non-executive director
Academic qualifications: BSc (min eng) (Wits); MDP (SBL, Unisa); MBA (WBS, Wits)
Experience: Dalikhaya is chief executive officer of Eyabantu Capital Consortium. Between 1989 and 1994 he was a stoper/developer and shift boss at Vaal Reefs Gold Mining Company. From 1995 until 2002, he was a shift boss, mine overseer, operations manager and mine manager at Impala Platinum Limited. Dalikhaya was chief executive officer of Alexkor Limited from 2002 until 2005. From 2006, Dalikhaya has been a non-executive director of the South African National Oil and Gas Company (PetroSA). He is chairman of PetroSA's human capital committee and serves on its business strategy committee.

FORM OF PROXY

POWERING POSSIBILITY

EXXARO RESOURCES LIMITED
(Incorporated in the Republic of South Africa)
(Registration No 2000/011076/06)
JSE share code: EXX
ISIN: ZAE 000084992
ADR code: EXXAY
("Exxaro" or "the company")

TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH "OWN NAME" REGISTRATION ONLY

For completion by registered members of Exxaro unable to attend the annual general meeting of the company to be held at 09:00 on Thursday, 19 May 2011, at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, South Africa or at any adjournment of that meeting.

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

I/We

of (address)

being the holder/s of shares in the company, do hereby appoint:

1. or, failing him/her

2. or, failing him/her

the chairman of the annual general meeting, as my/our proxy to attend, speak and, on a poll, vote on my/our behalf at the annual general meeting of members to be held at 09:00 on Thursday, 19 May 2011 at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, Gauteng or at any adjournment 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 business			
1. Resolution to adopt the 2010 audited group financial statements			
2. Resolution to re-elect VZ Mntambo as director required to retire by rotation in terms of article 16.1 of the articles of association			
3. Resolution to re-elect NL Sowazi as director required to retire by rotation in terms of article 16.1 of the articles of association			
4. Resolution to re-elect J van Rooyen as director required to retire by rotation in terms of article 16.1 of the articles of association			
5. Resolution to re-elect D Zihlangu as director required to retire by rotation in terms of article 16.1 of the articles of association			
6. Resolution to ratify/approve non-executive directors' fees			
6.1 Ratification of the remuneration of non-executive directors for the period 1 January 2010 to 31 December 2010			
6.2 Approval the remuneration of non-executive directors for the period 1 January 2011 to 31 December 2011			
7. Resolution to appoint audit, risk and compliance committee members			
8. Resolution to approve, through a non-binding advisory note, the company's remuneration policy and its implementation, as set out in the Remuneration Report			
9. Resolution to appoint PricewaterhouseCoopers (PwC) as independent auditors of the company and to note D Shango as the designated audit partner			
10. Resolution to authorise the auditors' fees for the period ended 31 December 2010			
11. Resolution to authorise directors to allot and issue unissued ordinary shares			
12. Resolution to authorise directors to issue shares for cash			
13. Resolution to authorise directors and/or the Company Secretary to implement the resolutions set out in the notice convening the annual general meeting			
Special business			
1. Special resolution to authorise directors to repurchase company shares			

Please indicate with an "X" in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain as he/she sees fit.

Signed at this day of 2011

Signature

Assisted by me, where applicable (name and signature)

Please read the notes on the reverse side hereof.

NOTES TO THE FORM OF PROXY

1. A form of proxy is only to be completed by those ordinary shareholders who are:
1.1 holding ordinary shares in certificated form; or
1.2 recorded on sub-register electronic form in 'own name'.

2. If you have already dematerialised your ordinary shares through a central securities depository participant (CSDP) or broker and wish to attend the annual general meeting, you must request your CSDP or broker to provide you with a letter of representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between yourself and your CSDP or broker.

3. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space. The person whose name stands first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act to the exclusion of those whose names follow.

4. On a show of hands, a member of the company present in person or by proxy will have one vote, irrespective of the number of shares he/she holds or represents, provided that a proxy shall, irrespective of the number of members he/she represents, have only one vote. On a poll, a member 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.

5. A member's instructions to the proxy must be indicated by inserting the relevant numbers of votes exercisable by the member 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 member's exercisable votes. A member or the proxy is not obliged to use all the votes exercisable by the member or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the member or by the proxy.

6. Forms of proxy must be lodged at or posted to Computershare Investor Services (Pty) Limited, to be received not later than 48 hours before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays).

   For shareholders on the South African register:
   Computershare Investor Services (Pty) 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 depository 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 Depository Receipt Facility (ADR)
   Bank of New York
   101 Barclay Street
   New York, NY 10286
   www.adrbny.com
   shareowners@bankofny.com
   Tel: +(00-1) 888 815 5133

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

8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.

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

10. Notwithstanding the aforegoing, the chairman of the annual general meeting may waive any formalities that would otherwise be a prerequisite for a valid proxy.

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

ADMINISTRATION

Secretary and registered office
MS Viljoen
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
Deloitte & Touche
Private Bag X6
Gallo Manor
2052

Commercial bankers
Absa Bank Limited

Corporate law advisers
CLS Consulting Services (Pty) Limited

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

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

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

SHAREHOLDERS' DIARY

FINANCIAL YEAR-END	31 December
ANNUAL GENERAL MEETING	May
REPORTS AND ACCOUNTS	**Published**
Announcement of annual results	February
Annual Report	March
Interim report for the half-year ending 30 June	August
DISTRIBUTION	
Final dividend declaration	February
Payment	March/April
Interim dividend declaration	August
Payment	September/October

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BASTION GRAPHICS

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POWERING POSSIBILITY