To achieve our strategic target of becoming a US$20-billion company by 2020, we have set milestones to mark our progress: we need to be a global, diversified company with top-quartile returns; we will embrace the spirit of the mining charter in full by being an employer of choice and an agent for change in South Africa; we are structured for operational excellence, aiming to reduce our carbon footprint, improve on the safety and empowerment of our people, while being sustainable and relevant in the future.

exxaro

POWERING POSSIBILITY

INTEGRATED ANNUAL REPORT 2011

GROUP IN BRIEF

HIGHLIGHTS

- Lost-time injury frequency rate (LTIFR) down 20% to 0,20
- Mpower scheme testimony to meaningful employee empowerment, distributing over R1 billion to 9 694 beneficiaries
- Revenue increased by 24% to R21,3 billion
- Net operating profit up 53% to R4 billion, excluding the impact of impairment reversals and charges
- Headline earnings per share up 40% to 2 098 cents per share
- Final dividend of 500 cents per share; total dividend of 800 cents per share for 2011

LOWLIGHTS

- Regrettably, three fatalities
- Cessation of zinc production at the Zincor refinery

PROFILE 2.2

Exxaro is a South Africa-based mining group, listed on the JSE Limited, 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 R37 billion and a market capitalisation of R60 billion (US$7 billion).

Exxaro has a diverse and world-class commodity portfolio in coal, mineral sands, base metals and ferroalloys, and growing exposure to iron ore through its interest in Sishen Iron Ore Company and acquisition of African Iron.

As the second-largest South African coal producer with capacity of 47 million tonnes per annum and the third-largest global producer of mineral sands, Exxaro provides a unique listed investment opportunity into these commodities.

Values

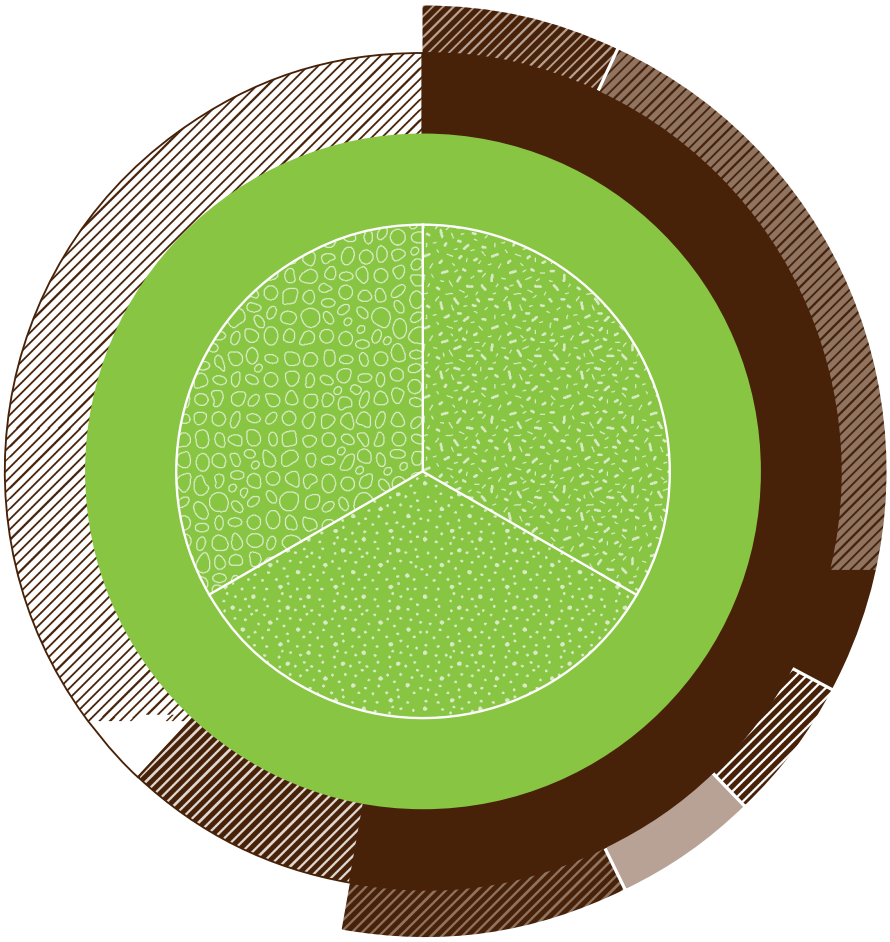
- Empowered to grow and contribute – developing and deploying our knowledge and ingenuity to achieve our vision. We focus on people, create freedom to innovate and collaborate, respect individuality, have fun and rise to challenges.
- Teamwork – we succeed together through a climate of respect and equality.
- 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.

ABOUT THIS REPORT 3.5

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

The full sustainability report (Exxaro annual review 2011) is available on our website at www.exxaro.com or on CD on request. Electronic copies are supplied to shareholders who have selected that option by email or through our website. This report is only available in English.

We use GRI G3 standards to guide our reporting process and facilitate comparability. We have again rated our 2011 integrated and sustainability reports as B+ in terms of GRI. Through our evolving reporting process, we aim to move beyond a compliance approach towards a more challenging dialogue with our stakeholders that builds trust and adds value to our strategy for the benefit of all, with the aim of further informing our strategy and enhancing our relations with stakeholders.



FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements which are not historical facts. Any statement that expresses or implies Exxaro's intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. Forward-looking statements involve inherent risks, uncertainties and assumptions, including, without limitation, risks related to the timing or ultimate completion of any proposed transactions; and the possibility that benefits may not materialise as expected. If such risks or uncertainties materialise or such assumptions prove incorrect, actual results could differ materially from those expressed or implied by such forward-looking statements and assumptions. The forward-looking statements in this report are made as of the date of this report, and Exxaro expressly disclaims any obligation to update or correct these statements due to events occurring after issuing this report.

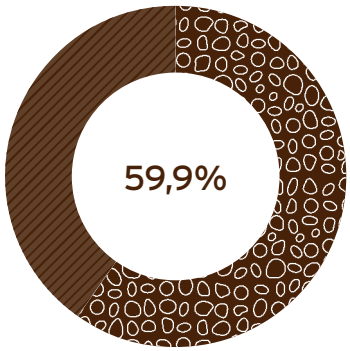
The financial information on which the forward-looking statements are based have not been audited nor reported on by the group's independent external auditors.

COAL

Eight managed coal mines produce 42,2Mtpa of power station, steam and coking coal as well as char. 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.

REVENUE



2011

R12 763 million

	OPERATIONS	REGIONAL LOCATION	OWNERSHIP[1]
1	Grootegeluk mine	Limpopo	Exxaro Coal Proprietary Limited
2	Leeuwpan mine	Mpumalanga	Exxaro Coal Proprietary Limited
3	Tshikondeni mine	Limpopo	Exxaro Coal Proprietary Limited
4	Mafube coal	Mpumalanga	Exxaro Coal Proprietary Limited
5	Mafube joint venture (JV)[2]	Mpumalanga	Joint venture of Exxaro Coal Mpumalanga Proprietary Limited (50%)
6	Inyanda mine	Mpumalanga	Exxaro Coal Proprietary Limited
7	Exxaro reductants	Limpopo	Exxaro Coal Proprietary Limited
8	Arnot mine	Mpumalanga	Exxaro Coal Mpumalanga Proprietary Limited
9	Matla mine	Mpumalanga	Exxaro Coal Mpumalanga Proprietary Limited
10	New Clydesdale mine	Mpumalanga	Exxaro Coal Mpumalanga Proprietary Limited
11	North Block Complex	Mpumalanga	Exxaro Coal Mpumalanga Proprietary Limited

1 Division of stated company unless otherwise specified.
2 Sales tonnages reflect the group's interest in the relevant subsidiary, joint venture or associate.
3 Export sales denote sales in any country other than South Africa.

CONTRIBUTING TO SUSTAINABLE COAL SUPPLY FROM THE WATERBERG

LOGISTICS

Exxaro fully supports Transnet's initiative to develop and expand the rail network in South and southern Africa.

However, given the significant demands on other sections of the rail network, it is vital that Transnet prioritises its planned expansions, and ensures these are supported by detailed business cases so that financial closure can be achieved as soon as possible.

Just as critical, if not more so, is a commitment from the government to provide adequate water supply into the Waterberg region.

A joint initiative between national and provincial government, Eskom and coal producers is currently examining various options to deliver water to the region. Financial commitments from Eskom and the coal producers, hopefully underpinned by the government, will be required to secure funding for this costly infrastructural investment.

The successful future development of the Waterberg depends on coal being supplied to the export market, Eskom, independent power producers and certain domestic markets.

To ensure adequate financial returns from projects in the geologically challenged Waterberg region, coal producers need to finely balance their production and coal qualities, with the returns on exports allowing for cost-effective production of power station coal; the so-called multi-product mines.

Eskom is already planning to source significant volumes of coal

PRODUCTS	PRODUCTION FOR YEAR ENDED 31 DECEMBER			SALES FOR YEAR ENDED 31 DECEMBER 2011	
	2011 000 TONNES	2010 000 TONNES	2009 000 TONNES	000 TONNES	% EXPORT[3]
Power station coal (Eskom)	**14 909**	14 294	15 324	**14 668**	
Semi-soft coking coal	**1 862**	2 419	2 020	**1 442**	**35**
Steam coal	**1 460**	1 441	1 207	**1 834**	**1**
Power station coal (Eskom)	**2 151**	1 688	1 247	**2 311**	
Steam coal	**1 879**	1 408	1 259	**1 741**	**21**
Coking coal (ArcelorMittal South Africa Limited)	**299**	285	268	**325**	
Steam coal				**1 501**	**100**
Power station coal (Eskom)	**766**	1 020	683	**620**	
Steam coal	**1 371**	1 327	816		
Steam coal	**1 918**	1 779	1 843	**1 994**	**84**
Char	**142**	114	38	**129**	
Power station coal (Eskom)	**2 291**	4 173	5 213	**2 291**	
Power station coal (Eskom)	**10 150**	12 288	11 273	**10 152**	
Power station coal (Eskom)				**50**	
Steam coal	**628**	850	822	**675**	**100**
Power station coal (Eskom)	**2 265**	2 674	2 822	**2 209**	
Steam coal	**81**	697	691	**56**	

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 Incorporated.

Exxaro is one of the world's largest suppliers of titanium dioxide feedstock and zircon. Collectively, the group's mineral sands operations produced 330kt of slag, 195kt of zircon, 110kt of synthetic rutile and 76kt of pigment in 2011.

	OPERATIONS	REGIONAL LOCATION	OWNERSHIP[1]
12	KZN Sands	KwaZulu-Natal	Subsidiary of Exxaro Resources Ltd and division of Exxaro TSA Sands Proprietary Limited and Exxaro Sands Proprietary Limited
13	Namakwa Sands	Western Cape	Exxaro TSA Sands Proprietary Limited
14	Australia Sands[2]	Australia	Subsidiary of Exxaro Resources Limited which owns 50% in the Tiwest joint venture

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3 Export sales denote sales in any country other than South Africa.

NEW TRONOX TRANSACTION

On 26 September 2011, Exxaro and Tronox Incorporated announced that New Tronox will acquire Exxaro's mineral sands operations, which include Exxaro's 50% interest in the Tiwest joint venture with Tronox in Western Australia, along with 74% of Exxaro's KZN Sands and 74% of Namakwa Sands operations in South Africa, in exchange for a 38,5% shareholding in New Tronox. The long-term partnership is expected to enhance production capabil... and implement techni... iencies in the integrated process, creating a truly global, vertically integrated titanium dioxide pigment producer. This is expected to result in a strong platform for future growth, uniquely positioned to capitalise on favourable market dynamics and to serve the needs of the ever-growing pigment and zircon customer base across the ... The transaction is ex... to close in the secon... ter of 2012 following New ...onox shareholder and regulatory approvals.

PRODUCTS	PRODUCTION FOR YEAR ENDED 31 DECEMBER 2011 000 TONNES	2010 000 TONNES	2009 000 TONNES	SALES FOR YEAR ENDED 31 DECEMBER 2011 000 TONNES	% EXPORT[3]
Ilmenite	**168**	236	368		
Zircon	**28**	33	36	**25**	**84**
Rutile	**17**	17	20	**15**	**96**
Pig iron	**51**	71	108	**63**	**80**
Scrap iron	**7**	12	15	**3**	
Chloride slag	**129**	113	104	**125**	**100**
Sulphate slag	**22**	29	24	**27**	**100**
Ilmenite	**377**	251	244		
Zircon	**135**	128	116	**120**	**99**
Rutile	**31**	28	26	**33**	**100**
Pig iron	**109**	82	73	**107**	**86**
Scrap iron	**1**			**1**	
Chloride slag	**152**	119	97	**149**	**100**
Sulphate slag	**27**	23	20	**23**	**100**
Ilmenite	**226**	231	207	**15**	**100**
Zircon	**32**	35	33	**28**	**100**
Rutile	**19**	18	16	**18**	**100**
Synthetic rutile	**110**	90	109	**37**	**100**
Leucoxene	**10**	13	14	**8**	**99**
Pigment	**76**	57	53	**71**	**100**

*

EXPANSION STRATEGY

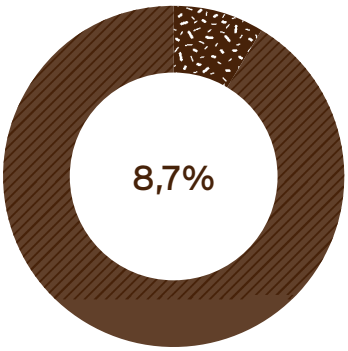
Last year, we announced that the new R2,45 billion Fairbreeze mine would go ahead at our KZN Sands operation after being postponed by the global economic crisis. Fairbreeze, south of Mtunzini, will replace feedstock production from Hillendale mine which is expected to end full production in 2012.

The new mine will preserve over 1 000 permanent and contractor positions at KZN Sands, and about 1 000 indirect jobs. Fairbreeze will generate some R300 million in salaries per year, and procure around R530 million worth of services and products, with more than half spent with BEE companies – important revenue for the region.

BASE METALS

The Rosh Pinah zinc/lead mine in southern Namibia and Zincor 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 2011, Rosh Pinah and Zincor produced 89kt of zinc concentrate, and 73kt of zinc metal respectively. In line with Exxaro's strategy to divest from its zinc assets, Exxaro announced the pending sale of Rosh Pinah subject to customary terms and conditions in December 2011, and production of zinc ceased at Zincor in December 2011.

REVENUE



2011

R1 846 million

	OPERATIONS	REGIONAL LOCATION	OWNERSHIP[1]
15	Zincor refinery	Gauteng	Exxaro Base Metals Proprietary Limited
16	Rosh Pinah mine	Namibia	Subsidiary of Exxaro Base Metals (Namibia) Proprietary Limited (50,04%)
17	Chifeng refinery[2]	China	Associate (22%)
18	Black Mountain Mining Proprietary Limited[2]	Northern Cape	Associate (26%)
19	FerroAlloys	Gauteng	Subsidiary of Exxaro Resources Limited

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IMPROVING EXXARO'S PORTFOLIO

In 2011 Exxaro announced the pending sale of its entire 50,04% shareholding in Rosh Pinah Zinc Corporation, to a subsidiary of Glencore. Glencore (a global commodities company based in Switzerland) has also concluded an agreement with certain other shareholders of Rosh Pinah to acquire a further 30,04%. PE Minerals, Jaguar and the Rosh Pinah Employee Empowerment Participation Scheme Trust will hold the remaining 19,92%. Although only announced in December, the sale has been pending for some time, following Exxaro's 2009 decision to divest its zinc assets to focus on its larger core assets in the coal and mineral sands industry. This, and the decision to cease production at Zincor, was made in the context of difficult conditions in the zinc market, including its cyclical nature and low margins, the significant impact of the exchange rate and higher electricity prices.

Operation at the Zincor refinery in Springs, Gauteng, officially ended on 31 December 2011, some five months after Exxaro announced its in-principle decision to permanently cease production. The cessation of production occurred following an intensive 60-day consultation period with labour unions, as well as concerted efforts to assist the 796 affected employees with fair retrenchment packages, training courses to acquire new skills, and special consideration for vacancies in the group.

Exxaro's remaining portfolio of zinc assets now includes a 26% interest in Black Mountain, which owns the Black Mountain zinc and lead mine and the Gamsberg zinc project; as well as an effective 22% interest in the Chifeng zinc smelter in China. The sale of Exxaro's shareholding in Chifeng is ongoing.

PRODUCTS	PRODUCTION FOR YEAR ENDED 31 DECEMBER 2011 000 TONNES	2010 000 TONNES	2009 000 TONNES	SALES FOR YEAR ENDED 31 DECEMBER 2011 000 TONNES	% EXPORT[3]
Zinc metal	**73**	90	87	**86**	
Sulphuric acid	**122**	144	142	**112**	
Zinc concentrate	**89**	101	94	**94**	**20**
Lead concentrate	**16**	19	20	**18**	**100**
Zinc metal	**28**	30	29	**28**	**100**
Sulphuric acid	**47**	51	90	**51**	**100**
Zinc concentrate	**19**	19	14	**20**	
Lead concentrate	**20**	18	18	**19**	**100**
Atomised ferrosilicon	**6**	6	5	**6**	

FERROUS

Exxaro holds 19,98% of Sishen Iron Ore Company Proprietary Limited. The company's three mines produce some 8,2Mtpa of lumpy and fine iron ore. Sishen is one of the largest single open-pit mines in the world, known for its high grade and consistent product quality.

EQUITY INCOME

2011

R4 456 million

(58% of attributable earnings)

	OPERATIONS	REGIONAL LOCATION	OWNERSHIP[1]
20	Sishen and Kolomela mines[2]	Northern Cape	Sishen Iron Ore Company Proprietary Limited
21	Thabazimbi mine[2]	Limpopo	Sishen Iron Ore Company Proprietary Limited

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3 Export sales denote sales in any country other than South Africa.

Subsequent to 31 December 2011, Exxaro acquired over 99% of African Iron Limited.

African Iron was an Australia-listed and -domiciled iron ore development company working on the exploration and evaluation of the Mayoko and Ngoubou-Ngoubou projects in the Republic of Congo in central West Africa. African Iron's projects are located in the Niari Prefecture, some 300km north-east of Pointe-Noire on the Atlantic Ocean. African Iron's key asset is its 92% interest in the Mayoko iron ore project.

The Mayoko project currently has a Jorc-compliant mineral resource of 121Mt of iron ore, consisting of a hematite cap of direct shipping ore (DSO) at 55% Fe and beneficiable DSO ore at 41% Fe. The Mayoko project represents a near-term development opportunity in an emerging iron ore province in central West Africa with an existing underutilised, heavy haulage mineral railway passing within 2km of the main prospect and terminating at the port of Pointe-Noire. African Iron's second iron ore opportunity is its 85% interest in the 944km² Ngoubou authority to prospect, contiguous with Mayoko.

DIVERSIFYING EXXARO'S PORTFOLIO

The successful acquisition of a controlling interest in African Iron is consistent with Exxaro's strategy of expanding into the iron ore sector. We believe the fundamentals of iron ore are positive in the medium to long term and we have inhouse expertise and experience in mining bulk commodities. Exxaro has been actively pursuing opportunities to increase its exposure in iron ore and we believe this operation in the Republic of Congo, an iron ore development frontier, provides an attractive platform for further growth in the commodity.

		5 020			4 984	85
		3 045			3 450	92
		64			147	
		116			125	

PERFORMANCE

GRI K

PERFORMANCE TARGETS

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

		TARGET		ACTUAL				
		2012	2011	2011	2010	2009	2008	2007
FINANCIAL TARGETS[1]								
Return on equity (ROE) – attributable earnings (%)		>25	**>25**	36	34	19	30	15
Net operating margin (%)		>20	**>20**	19	15	12	18	14
Return on capital employed (ROCE) (%)		>28	**>28**	43	38	25	36	23
EBITDA interest cover (times)		>4	**>4**	18	9	7	14	10
NON-FINANCIAL TARGETS								
Safety – fatalities	✓	0	**0**	3	2	3	5	5
– lost-time injury frequency rate (per 200 000 hours worked)	✓	0,15	**0,21**	0,20	0,25	0,33	0,39	0,36
Safety, health and environmental certification (number)[2]		17	**17**	16	14	13	9	9
Employment equity – management (%)[3]		40	**40**	41,3	50	48	42	36
Functional literacy (%) (2014: 100)[4]		100	**100**	82	79	70		
HIV/Aids voluntary testing and counselling (%) (long-term target 95%)		85	**75**	82	70	58	64	30
Human resources development (% spend of payroll)		5	**5**	5,7	3,8	5,0	5,2	6,5
Learnerships[5]		400	**340**	397	379	691	678	408
Procurement from HDSA companies (%) (2014: 56)	✓	50	**50**	59	50	45	39	35
Community development (% of net profit after tax)[6]		>1,0	**>1,0**	1,4	2,5	1,8		
Energy efficiency (%)[7]		6,2	**3**	3,8				
BBBEE rating – level		4 (2013 – 3)		5				
HDSA ownership 2014 (%)		26		52	52	52	56	56

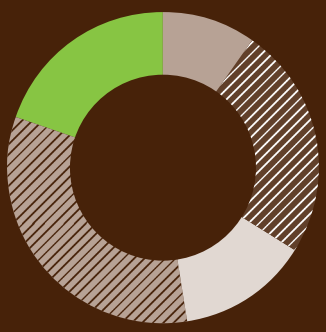
1 *Actual financial ratios disclosed exclude the impact of impairments.*
2 *Final operation under construction.*
3 *Employment equity target is based on compliance with the mining charter.*
4 *Below NQF level 1.*
5 *Learnerships include all disciplines, eg mining, engineering and plant. Average number in the system.*
6 *Funds expended by business units for implementation of social and labour plan projects.*
7 *Total cumulative target is 10% reduction from 2009 baseline by end 2012. Target for 2012 is 6,2%.*

✓ *Assured*

PERFORMANCE TARGETS

These performance targets are reviewed at least annually as part of the strategic review and adjusted where required.

MPOWER BENEFIT TO EMPLOYEES



In 2011, Exxaro employees received a pre-tax distribution of R1 billion.

- 2007 dividend: R8 million
- 2008 dividend: R20 million
- 2009 dividend: R11 million
- 2010 dividend: R27 million
- 2011 dividend: R16 million

KEY RATIOS

UNAUDITED	AT 31 DECEMBER 2011 Rm	2010 Rm
Ratios		
Profitability and asset management[1]		
Return on net assets (%)	**42**	42
Return on ordinary shareholders' equity		
– Attributable earnings (%)	**36**	34
– Headline earnings (%)	**36**	34
Return on invested capital (%)	**34**	31
Return on capital employed (%)	**43**	38
Operating margin (%)	**19**	15
Solvency and liquidity		
Net financing cost cover (times) – EBIT	**14**	6
Net financing cost cover (times) – EBITDA	**18**	9
Current ratio (times)	**1**	2
Net (cash)/debt to equity (%)[2]	**(1)**	13
Net (cash)/debt to earnings before interest, tax, depreciation and amortisation (times)	**(0,1)**	0,6
Number of years to repay interest-bearing debt	**1**	1

1 To achieve comparability, the impact of the R869 million impairment reversal of the KZN Sands property, plant and equipment and the R516 million impairment of the Zincor property, plant and equipment in 2011 have been excluded.
2 Ratio calculated excluding contingent liabilities of R1,198 million. If included, ratio would be 4% in 2011.

CREATING WEALTH

The value-added statement 67 shows the wealth the group has created through mining, beneficiation, trading and investing operations. Exxaro generates and creates value for many stakeholders as follows:

- Exxaro's biggest asset: employees receive salaries/wages, bonuses and shares through a number of employee share schemes
- Governments of countries where Exxaro has operations receive taxes and royalty payments
- Communities in which we operate benefit through employment opportunities
- Suppliers and contractors are supported by procuring consumables, services and capital goods
- Shareholders receive a fair return on their investment through dividends and growth on the share price
- Exxaro has a number of corporate social investment initiatives
- To ensure sustainability and expansion, continuous and substantial reinvestment into the group is necessary.

The statement summarises total cash wealth created and how it was disbursed among the group's stakeholders, leaving a retained amount to be reinvested in replacing assets and developing operations.

THE CHALLENGE: INTEGRATING SUSTAINABILITY INTO CORPORATE DECISION-MAKING

	RISK	ISSUE	RESPONSE	PAGE
1	Maintain social licence to operate	Approval and implementation of local economic development projects and donations as per social and labour plans	Socio-economic funds to implement projects and donations totalled 1,4% of net profit after tax of managed operations in 2011. Total spending on	

MATERIAL ISSUES CONTINUED

	RISK	ISSUE	RESPONSE	PAGE
5	Climate change	**Climate change and greenhouse gases** Affects each operation differently depending on geographical location	Risks and related opportunities integrated into a climate change position statement and related response strategy elevated into Exxaro's business strategy Mitigation and adaptation strategies being examined in a pilot study at Grootegeluk. This will be rolled out to other sites in 2012 Sponsoring university chairs to conduct research on how best businesses can adapt Exxaro's steady progress in addressing climate change recognised in its Carbon Disclosure Project (CDP) 2011 performance	27 18 46
		Water security and risk of flooding Some Mpumalanga operations have too much water which, if not managed, would severely affect production. Conversely, Lephalale in Limpopo (Grootegeluk mine) has too little water	Studies are under way to mitigate the risk of excess water. Resources have been budgeted to develop viable plans to treat used water To mitigate risk of insufficient water, the Department of Water Affairs is building a pipeline from Mokolo Dam to Lephalale	
6	Acid mine drainage	Fresh water contamination	Monitoring, recycling, re-use and water treatment through technological advancements	27
7	Cost and availability of electricity	**Rising energy costs and efficiency** Electricity costs have risen from R358 million in 2007 to R962 million in 2011	Exxaro committed to reducing electricity use by 10% and reducing emissions by 2012. We are on track to meet these targets	27
8	Critical skills attraction and retention	Initiatives to address literacy and numeracy, ensure continuous focus on training and developing artisans, skills and leadership development, and removing development barriers	• Trade tests • 111 adult basic education and training (ABET) learners in 2011 ✓ • 397 artisan learners at various stages of qualification 5,7% of total salaries and wages spent on human resources development. Our own technical training centres train artisans at a cost of R32 million per annum. Considerable investment in schools to ensure quality of learners	25
9	Geographical concentration of asset base	Risk mitigation required through diversified commodities and geographical footprint	Judicious pursuit of a diversified, yet complementary, set of commodities across the globe	16, 30
10	Resource nationalism	Any encumbrance in resources albeit through ownership constraints, taxation or other regulation	Influence decision-making through participation in recognised forums	18
11	Maintaining empowerment status	Mining charter target of at least 26% black ownership by 2014	Largest black-owned, managed and controlled company on the JSE with 52,66% black ownership. Aiming to improve level 5 for BBBEE status to level 3 by 2013	1
12	Currency and commodity price volatility	Exxaro is subject to the vagaries of currency and commodity price fluctuations	Continuous improvement and cost control to remain profitable despite macro-economic and price volatility	34
13	Cost competitiveness of Exxaro's commodities	Cost control is often the only manageable variable to protect margins		
14	Fraud and corruption – external	To reduce the impact of fraud on the group's resources and ensure measures are in place to serve as a deterrent to perpetrating fraud	Zero-tolerance approach to fraud. Effective anonymous reporting hot line in place for several years. Managed by an ethics committee with access to experienced forensic team	51
15	Fraud and corruption – internal		Zero-tolerance code of ethics with compliance monitored by ethics committee. Includes conflict-of-interest declarations and decisions	51

OVERVIEW

RISK MANAGEMENT K 4

MANAGEMENT APPROACH

In 2011 Exxaro implemented a revised risk management process to ensure alignment with all regulatory frameworks, standardise risk management practices across all functions and disciplines in the group, and to achieve integrated enterprise risk management governance by co-ordinating and integrating all associated activities.

Only an integrated approach will assist each component of the business to understand and mitigate critical risks.

In 2012 we will further embed the new framework. This will include support through appropriate technological enablement.

Risk champions have been appointed at all operations and service functions to oversee entrenchment of the revised process. This includes ensuring risk owners continuously identify, assess, mitigate and manage risks within the existing and ever-changing risk profile of their operating environment. In addition, risk champions coordinate risk management forums at business units and service functions which, in turn, escalate risks against defined parameters to similar forums at a consolidated commodity and group level.

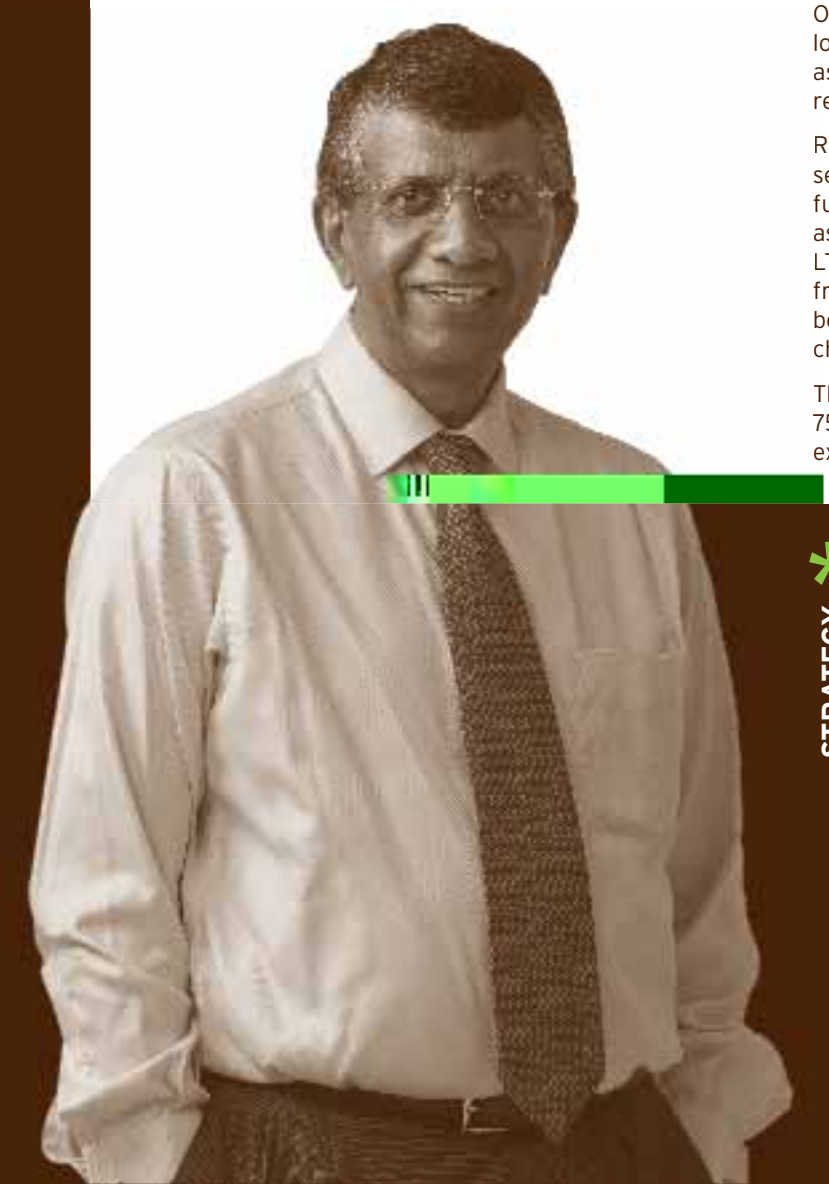
The risk manager is responsible for reporting to the audit committee of the board on the risk management process and its outcome. In 2012, this reporting will fall within the ambit of the sustainability, risk and compliance committee of the board while financial risks will continue to be reported to the audit committee.

Exxaro's independent internal auditors provided assurance to the board on the effectiveness of the risk management process.

The table on 13 to 14 summarises the top 15 strategic risks for the group and our responses. The risks have been benchmarked against global surveys and correlated with risks identified at business units, service functions, and at commodity business level. Refer to website for details, including an assessment of risks at an inherent and residual level and the rationale for ranking risks according to a residual risk gap.

CHAIRMAN'S STATEMENT

At the close of its first five years, Exxaro has convincingly demonstrated its sustainability in a global and changing mining industry. Record results for the 12 months to 31 December 2011 underscore the group's progress towards its strategic goals, commitment to exceeding compliance and communicating openly with stakeholders – reflected in numerous awards for the 2010 integrated annual report and top rankings in important external initiatives such as the Carbon Disclosure Project 47.



On behalf of the board of directors, I am pleased to report an encouraging improvement in our safety performance, despite three regrettable fatalities. For the first time, Exxaro has recorded a 24% increase in revenue of over R21,3 billion (2010: R17,2 billion) and attributable earnings of R7,65 billion.

During the review period, Exxaro also made solid progress towards becoming a diversified mining company by reducing its base metals business, announcing an international partnership to secure the future of its mineral sands operations and entering the iron ore market by acquiring African Iron Limited – mentioned under Strategy below and detailed in the growth reviews.

SUSTAINABILITY

Safety remains a significant item on the agenda of every board meeting and an intrinsic part of our culture and sustainable development philosophy. We take responsibility for ensuring that we learn from each and every safety incident, and implement the necessary measures to further entrench safe behaviour.

We have intensified our focus on safety, with very pleasing performances from some operations 23 and a group lost-time injury frequency rate (LTIFR) that has almost halved since 2008. In the past four years, we have invested significantly in equipment to monitor and detect ground movement as well as personal protective equipment. Our target is to be fatality free and reduce year-on-year lost-time injuries by 30%, using visible felt leadership as a key driver of safety excellence and aiming for zero repeat incidents.

Regrettably, we recorded three fatalities in the first seven months of 2011. In 2012, Exxaro will implement further initiatives to enhance the current safety and risk assessment and control effectiveness drive. The average LTIFR per 200 000 man-hours worked improved to 0,20 from 0,25 in 2010, a 20% improvement year on year and better than the group's target of 0,21. The board has set a challenging target of 0,15 for 2012 (28% improvement).

The 2011 HIV/Aids programme target for testing was 75%. This target was exceeded when 82% of employees, excluding contractors, underwent voluntary testing. The

STRATEGY

Exxaro's growth initiatives are focused on diversifying the business further with carbon, reductants, ferrous and energy products aligned with the group's approved commodity strategy.

During the year your board also approved a number of major growth projects 30.

Moving to specific commodities, Exxaro's strategic thrusts are summarised on 30.

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 18.

HIV prevalence rate is estimated at 12% of permanent

CHAIRMAN'S STATEMENT CONTINUED

of the scheme received a pre-tax distribution of R135 102. In addition to this distribution, Mpower has already paid R81,5 million in dividends to participants. Total dividends to our BEE shareholders over the past five years were R3,8 billion at the end of 2011.

In line with our corporate responsibility to redress imbalances of the past, Exxaro adheres to the principles of black economic empowerment in procuring goods and services and enterprise development, addressing BEE through professional appointments, social responsibility programmes, skills development programmes, enterprise development and preferential procurement.

Exxaro also gives preference to historically disadvantaged candidates, while always ensuring this is done within a framework of sound business and procurement principles.

For 2012, Exxaro will concentrate on improving its broad-based black economic empowerment rating from the current level 5 to level 4 by year end, and level 3 by 2013. This will comply with both the letter and spirit of transformation legislation in South Africa, and is an appropriate focus for a group that does significant business with state utilities. As most of the required elements are in place, we anticipate achieving these targets on schedule.

CHANGES TO THE BOARD

Ms N Langeni resigned as non-executive director effective 18 January 2012. The board expressed its sincere appreciation for her contribution during her term of office. As a result of this resignation, Ms S Dakile-Hlongwane was appointed as non-executive director on 21 February 2012, as the Basadi Ba Kopane Investments Proprietary Limited nominated representative.

Marie Viljoen, company secretary of first Kumba Resources Limited and then Exxaro since August 2001, retired on 30 June 2011. The board expressed its sincere appreciation for her service during her term of office. The board of directors appointed Carina Wessels as group company secretary from 1 July 2011. Carina holds LLB and LLM degrees, is an admitted advocate of the High Court of South Africa, and a fellow and senior vice-president of Chartered Secretaries Southern Africa.

CORPORATE GOVERNANCE

Matters of governance have become critical issues for shareholders around the globe.

We have put in place the highest standards of governance and we continue to review and amend these as required in light of new and proposed governance, legislation and recommendations in South Africa.

Exxaro remains committed to going beyond mere compliance through excellent corporate governance practices and through operating at the highest level of integrity. The structure of the board reflects this and several committees are in place to provide appropriate checks and balances and to ensure best-practice governance throughout the company; these include the audit committee, sustainability, risk and compliance committee, remuneration and nomination committee and, the most recent addition, the social and ethics committee. Exxaro also subscribes to governance requirements set out in the King reports and adheres to those set out the Companies Act, No 71 of 2008, as amended.

Each director brings independent character and judgement to the role. Board and committee meetings are characterised by robust, constructive debate, based on high-quality reporting from management, and the board keeps its performance and core governance principles under regular review. I am most grateful to my board colleagues, not only for maintaining these principles but for their wise oversight of the business and ongoing guidance and support.

During the year, the group implemented recommendations from the external expert's analysis of its board and committee practices. We also conducted detailed evaluations of the effectiveness of the board and committees of Exxaro. I am pleased to report that these

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 was followed by Inyanda, Matla and New Clydesdale in 2011 In 2012, three more business units will implement this initiative
Exxaro chair in earth science at University of Pretoria	Encourage research and dialogue	Support initiated until 2013
University of Pretoria community-based project module	Compulsory community module for 2nd year engineering students	Student support of community projects run by business units
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
Exxaro chair in business and biodiversity at University of Pretoria	Research, advocacy and training on biodiversity issues	Support until 2015
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 R2 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
People development initiative	Bridging year to prepare students for tertiary education in mining-related studies	Annual funding of over R2 million

evaluations confirmed Exxaro's adherence to sound corporate governance practices.

CONVERSION OF MINING RIGHTS

All Exxaro's old-order mining licences have been converted to mining rights. The converted mining rights for Grootegeluk and Gravelotte were executed in the second half of 2011. The Department of Mineral Resources has confirmed the granting of converted mining rights for Tshikondeni, Matla, Strathrae, Arnot and Glisa. These rights still need to be scheduled for execution by the department. Exxaro consults continuously with the different regional offices of the Department of Mineral Resources to expedite the execution process.

BROADER 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
- National Energy Regulator of South Africa
- Energy Intensive Users Group
- 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
- SANBI (national body for biodiversity)
- Significant support for advocacy and research in critical areas such as climate change, 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.

Exxaro's commitments to external initiatives are summarised on 18.

APPRECIATION

I express my grateful appreciation to the Exxaro management and executive committee and all Exxaro employees for their contribution during an exciting albeit a difficult year. We must also pay tribute to our management for the numerous awards and accolades Exxaro has received for its integrated annual report, sustainability practices and reporting.

I extend a personal note of thanks to each of the non-executive directors for their invaluable commitment, support, contribution, guidance and encouragement throughout the past year.

On your behalf, I thank the Exxaro team, led by our chief executive officer, Sipho Nkosi, for another year of strong performance. I also thank you, our shareholders, for your continued support.

I am confident Exxaro will prosper in the year ahead and that it will continue to make an important contribution to our country's earnings, wealth, growth and development.

OUTLOOK FOR 2012

The macro-economic review and commodity review on the following pages set out Exxaro's outlook for developments in these arenas.

Dr Len Konar
Chairman

27 March 2012

REFINING OUR OPERATING MODEL FOR SUSTAINABILITY

We have spent two years developing a more appropriate operating model – moving from legacy structures and merger issues to a streamlined and focused group.

The Siyaya (Zulu for moving forward) programme involved restructuring Exxaro into an efficient, competitive and sustainable group, addressing three key aspects of our business:

- Return on capital employed
- Sustainability
- Operational excellence.

Operational structures and processes have been optimised, and a culture of continuous improvement is being entrenched against set financial and non-financial targets. A demand-driven service model and regional collaboration will help create a stronger platform for a sustainable business.

In addition, we examined the roles and responsibilities of functional areas within the group. The result is a corporate office that sets operational and financial targets, and drives standardisation, compliance, risk management and governance. Shared services have been redesigned to offer improved support to the group's operations and growth aspirations within a specific cost target.

MACRO-ECONOMIC REVIEW

In 2011, major headwinds meant the global economic rebound of 2010 could not be sustained. Modest GDP (gross domestic product) growth of 3,0% was sharply lower than the 4,3% in 2010.

Advanced economies recorded anaemic growth in 2011, expanding by only 1,4% or half the pace of the previous year. Economic growth in emerging economies moderated in 2011, expanding by 6,2% against 7,2% in 2010. China and India recorded GDP growth of 9,2% and 6,8%, respectively, compared to 10,5% and 9,6% in 2010.

The distribution of world economic growth will remain uneven for some years. While economic expansion in emerging and developing economies is expected to be robust, albeit slower, advanced economies are projected to be below trend rates. In general, world economic growth is anticipated to decline moderately to 2,7% in 2012.

In China, an important market for Exxaro, economic expansion is expected to decelerate further to 8,1% in 2012. Aggregate growth in emerging markets is projected at 5,3% in 2012.

High debt levels in advanced economies are a major risk to the global economy's current fragile recovery. Contrary to consensus views of a soft landing, a possible hard landing in China would have a significant global impact, especially on commodity-exporting countries such as South Africa. The ever-present risk of a spike in oil prices will have a widespread negative impact on economic growth. Geopolitical risks in the Middle East, including Iran, could precipitate such a spike.

South Africa's GDP growth improved marginally from 2,9% in 2010 to 3,1% in 2011, spurred primarily by increased consumption, fixed investment and exports. High consumer debt levels should depress consumption growth in 2012, and weaker external markets will affect export growth. However, fixed investment is expected to be stronger in 2012. Together, these factors point to softer economic growth in 2012, projected at 2,9%. This is significantly below potential and the economy remains bedevilled by high wage costs, electricity shortages and above-inflation increases in tariffs, infrastructure bottlenecks, a relatively strong currency, skills shortages and uncertainty on future macro policies.

Reflecting increases mainly in labour costs and food and administered prices, South Africa's average annual consumer price index increased to 5,0% in 2011, after 4,3% in 2010. Expectations are that the inflation rate in 2012 will average 5,8%.

The rand strengthened from an average of 7,32 in 2010 to 7,25 in 2011. In 2012 the rand is expected to remain relatively strong at an average rate of 7,50 to the dollar, assuming debt problems in Europe are resolved. A strong rand will continue to put pressure on the earnings and competitiveness of exporters.

In 2011, the US dollar weakened by 1%-11% against the currencies of major commodity-exporting countries, reflecting accommodative monetary policy in the USA and investment flows into emerging markets. A weaker dollar resulted in actual commodity price increases in local currency units being lower than price rises achieved in dollar terms. It also put pressure on dollar-denominated cash costs of companies operating in these countries. The strengthening trend of the Chinese yuan against the US dollar continued, lowering the cost of commodity imports into China. In 2012, the dollar is expected to strengthen against the currencies of most major commodity-producing countries due to the debt crisis in Europe reducing investment flows to countries perceived as more risky, economically and politically.

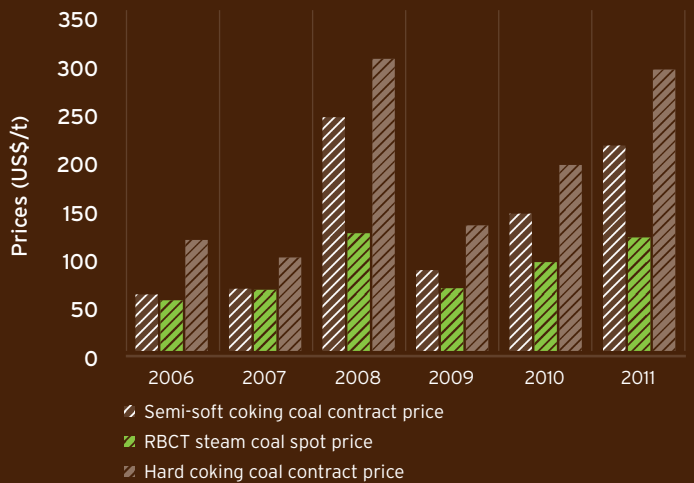
COMMODITY REVIEW

In 2011, China continued to dominate robust global demand growth for mineral commodities. However, India is also making its influence felt, particularly with steam and coking coal imports. However, commodity demand expansion slowed towards the end of 2011 as credit conditions tightened in emerging economies. China continues to consume over 30% of world demand for almost all major mineral commodities.

In 2011, commodity market conditions remained favourable and average prices for most mineral commodities improved from 2010:

- The London Metal Exchange (LME) weighted base metals index rose by 13% in 2011
- Average steel and stainless steel prices were higher by 13% and 9%, respectively

NOMINAL HISTORICAL COAL PRICES



NOMINAL HISTORICAL CONTRACT IRON ORE PRICES

- Average Brent crude oil price rose 41%
- Global crude steel production rose by 6,8% in 2011 to 1 527Mt (8,9% in China, 7,1% in the USA and 4,6% in Europe). Growth is expected to continue in 2012, at around 6%, primarily driven by emerging economies
- The coking coal market remained structurally tight in 2011, because lower import requirements from Japan, India and China were balanced by lower exports from Australia. The average coking coal price in 2011 was US$289/t, 51% higher than 2010, but reached a more sustainable level of about US$230/t by year end. The average price in 2012 is expected to range between US$210/t and US$230/t
- The average Richards Bay spot steam coal price for 2011 was US$116,53/t, 28% higher than 2010. Demand from India and China saw imports rising by over 20% in these countries. Exports from Indonesia increased by over 10%. Exports from Australia recovered from weather-induced disruptions to end marginally higher than 2010. The average price for 2012, barring any supply disruptions, is expected to be lower than 2011, but still above US$100/t
- The monthly Chinese spot price for fine iron ore (62% Fe) averaged US$172/t in 2011, some 15% higher than 2010. Australian contract fine ore fob (free on board) prices rose 46% to US$161,3/t and lump ore by 38% to US$182,2/t
- Seaborne iron ore demand rose about 6% (mainly China) and supply by some 5% (mainly Australia). Overall, the seaborne market remained undersupplied. Both supply and demand are expected to grow by about 5% in 2012, with China leading demand growth and major supply expansions coming from Australia and Brazil. The average 2012 Australian fine iron ore price is expected to fall by 7%-14%, to US$140-150/t
- The average LME cash zinc price was US$2 191/t, some 2% above 2010. Zinc demand grew by about 7% in 2011. In 2012, refined zinc production is expected to expand by about 5% and demand by 6%, again primarily driven by China and other emerging economies. An average zinc price of some US$2 100/t is forecast for 2012. Realised zinc treatment charges should be similar to the US$217/t achieved in 2011
- Titanium dioxide feedstock producers were in an unusual position, moving from price takers to price makers given depleted inventories and tight supply/demand conditions, as well as capped legacy contracts starting to unwind. Average prices for chloride slag, synthetic rutile and bulk rutile increased by around 7%, 38% and 43%, respectively, in 2011. Capped contracts for chloride slag continued to moderate price increases. Due to rising feedstock prices, titanium dioxide pigment producers realised annual average price increases of about 38% in 2011. Given constrained supply in the first half of 2011 and healthy demand growth from China, average zircon prices almost doubled in 2011 but demand declined significantly in the fourth quarter. Tight market conditions in the titanium dioxide feedstock market are expected to continue in 2012 and prices to improve again. Zircon prices are expected to move sideways in the first part of 2012, with later price developments primarily depending on the Chinese housing market.

Mining costs rose significantly in 2011 due to strong commodity demand from emerging economies and deficient productive infrastructure. Higher energy, steel and other commodity prices, as well as services costs, added to price pressures, as did stronger producer currencies. These increases, along with generally lower grades and expensive infrastructure requirements, have significantly increased long-term incentive prices required to bring new projects on stream. Cost pressures are expected to persist in 2012.

Global bulk freight rates remained volatile in 2011, with the Baltic Dry Index ending the year some 6% lower than at the beginning. This trend extended into 2012. With more ships due for delivery in 2012, freight rates are expected to remain subdued.

According to the Metals Economics Group, estimated worldwide non-ferrous exploration spending surged by 50% to a record US$18,2 billion in 2011, following a similar increase in 2010. The major driver was persistently high commodity prices and greater access to financing for junior explorers. However, early-stage exploration, as opposed to late-stage and mine-site activities, was at a historical low, proportionally. In time, this will result in a scarcity of new development projects. Exploration expenditure is expected to continue rising in 2012, but at a lower rate.

NOMINAL HISTORICAL TiO_2 PIGMENT, FEEDSTOCK AND ZIRCON PRICES (US$/t)

CEO'S REVIEW

In November 2011, Exxaro celebrated its fifth year, and we believe with just cause. In those first five years – and through tumultuous economic conditions – we made many things count. We prioritised diversity, collaboration, consistency and partnership. We pursued innovation with passion and integrity. We pledged responsibility, foresight and renewal. We placed the highest value on adapting our vision for the future and preserving our country's heritage. But, above all, we have done it with people in mind: our people who enable us to conduct business; our customers who recognise the care we put into meeting their needs; our shareholders and our other stakeholders who back us with their confidence. In the next five years, people will count even more and we look forward to the key role that all our stakeholders will play in the ongoing success of our company.

There has also been much change in the last five years, with more to come as we adapt to our new operating model and structures. While this restructuring has been necessary, it has caused anxiety among our people, particularly as Exxaro has performed so well since inception in 2006.

The rationale behind our restructuring is growth: we want to grow from a 70-billion rand company in 2011 to a 20-billion dollar (R145 billion) company in the next eight years. That requires triple-digit growth over the period. To achieve this, we must be flexible in the face of changing global economic and environmental conditions. Equally, as we grow, we must expect change as a group and as individuals.

Economic and technological developments in future may require refocusing on different areas of the business, or creating new businesses altogether. We are encouraging our people to view the future as an opportunity to develop their skills so that they will be ready for Exxaro's next evolution. As Exxaro grows and competes with global peers, so more career opportunities will open up, both in South Africa and internationally.

Being a US$20-billion company means Exxaro will be able to create substantial additional wealth, not only for our investors and other shareholders, but for all stakeholders and the South African economy.

SALIENT FEATURES

Financial performance

Exxaro has marked its fifth year with record results. Group consolidated revenue rose 24% to R21,3 billion, reflecting higher selling prices across our commodities, while group consolidated net operating profit, excluding impairments, rose 53% to R4 billion. Headline earnings were up 41% to R7,3 billion or 2 098 cents per share, from comparable 2010 earnings of R5,2 billion or 1 495 cents per share. Importantly, net debt of R2,2 billion in 2010 has reversed to net cash of R263 million at 31 December 2011.

The final declared dividend of 500 cents per share took the full-year dividend to 800 cents per share, a record for Exxaro and a five-year compound annual growth rate of 50%.

Non-financial performance

Detailed reports on our performance in the areas of safety, health, environment, our people, procurement and community appear on our website.

APPROACH TO SUSTAINABILITY

SAFETY

HIGHLIGHTS

- Successful safety netting programme at Arnot reduces fall-of-ground risks
- LTIFR down 20% and marginally below target for 2011.

LOWLIGHT

- Regrettably, three fatalities in the reporting period

The key generic risks facing our group range from limited hazard awareness to varied safety competency and non-adherence to corporate safety standards. Collectively, these may result in Exxaro being perceived as an unsafe business – which poses material risk to our sustainability.

Bi-annual CEO 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. With the support of government, Chamber of Mines and Exxaro's recognised unions, this focus on safety is producing tangible benefits. By year end, six sites had worked for 12 months without a lost-time injury and the group LTIFR had improved further.

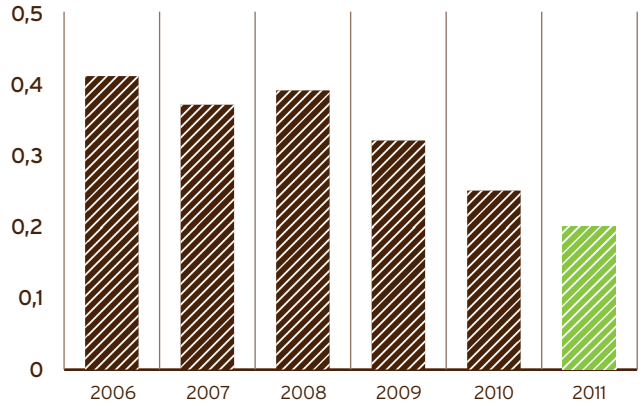
To maintain our OHSAS 18001 certifications, Exxaro committed R60 million over five years (2009 – 2013) to achieve safety targets:

TARGET	ACTUAL
• Zero fatalities in the longer term and a 12-month fatality-free period in the short term	Actual performance for 2011: three fatalities
• 0,21 lost-time injury frequency rate for 2011; annual improvement of 30%	Actual for 2011: 0,20

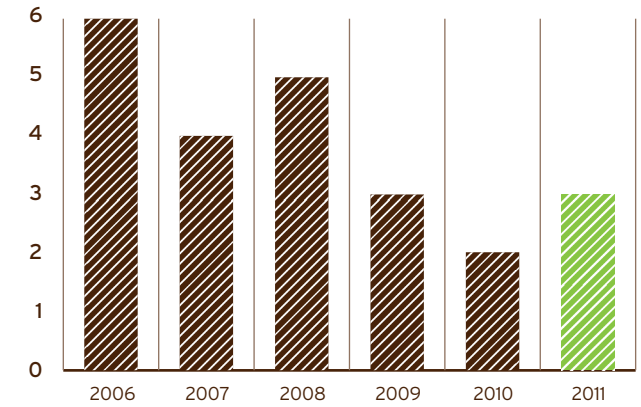
During the reporting period, no fines or sanctions for non-compliance with safety and health laws and regulations were imposed on any Exxaro operation.

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.

LOST-TIME INJURY FREQUENCY RATE



FATALITIES



ISO/OHSAS certification

All 16 operational business units now have international health and safety accreditation (OHSAS 18001) and environmental accreditation (ISO 14001). Certification is under way for the Grootegeluk Medupi expansion project, which is still under construction.

MANAGEMENT APPROACH TO SUSTAINABILITY

Historically, sustainability has been defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Exxaro is further refining the broad framework of sustainability, taking into account its cross-functional nature which spans safety, health and environment, employee aspects (skills, training, etc), social aspects (trust, cooperation, communities, relationships, etc), technology, innovation and financial aspects.

Our aim is to obtain the most value from sustainability for all our stakeholders and to incorporate sustainability thinking throughout the organisation – from developing our business strategy to how we work and use our assets.

At a fundamental level, sustainability means balancing three overarching aspects of the business – economic, environmental and social – and integrating the requirements of each aspect into the group's planning, decision-making and operations to ensure our long-term viability.

In line with the World Business Council for Sustainable Development and other global benchmarks, sustainability is a critical thread woven through our broader strategy and the different areas of our business

- Eco-efficiency = reduced costs and optimal investment strategies
- Quality management = better risk management, greater responsiveness in volatile markets, more motivated and committed staff
- 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.

CEO'S REVIEW CONTINUED

HEALTH

HIGHLIGHTS

- Management standards approved:
  - Reporting
  - Medical surveillance
  - Tuberculosis management
  - Hazardous chemical substances

- Management standards developed:
  - Return to work
  - Disability management
  - Sick note management
  - Fatigue management guideline
  - Pregnancy and breastfeeding guideline
  - Substance abuse policy

Implementation of these guidelines and policies will contribute to better managing employee health.

Targets

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

Occupational diseases

In 2011, Exxaro reported 135 occupational diseases (2010: 89): this is an early indicator of the possible occupational disease burden. These were occupational TB (51); NIHL (46); pneumoconiosis (31); dermatitis (2); chronic obstructive airway disease (2); asbestosis (1) and asthma (2). Tracking this data indicates potential compensable cases and provides an opportunity to reinforce preventive programmes, summarised below.

- There has been a marginal increase in reporting and monitoring early cases of NIHL. The MOSH hearing protection devices (HPD) selection tool has been provided to all operations
- An initial assessment of the TB control programme was done in 2011 to assess the adequacy of facilities for medical surveillance, TB detection and treatment as well as compensation of occupational TB. This will be conducted at three more business units in 2012.

HIV/Aids

The prevalence of HIV/Aids across Exxaro is currently estimated at under 13%, compared to 25% across the industry. Exxaro will strive to maintain the prevalence of HIV/Aids below the industry norm. At the end of 2011, we had met our target of a 75% testing rate for HIV, reflecting the impact of extensive campaigns to inform and counsel employees ahead of testing. Our target for 2012 is to have 85% of our employees participate in voluntary counselling and testing. In addition, 258 peer educators and 153 community peer educators had been trained.

EMPLOYMENT EQUITY la13

	MALE				FEMALE				FOREIGN		
	A	C	I	W	A	C	I	W	M	F	*TOTAL
Top management	2		1	3							6
Senior management	11	2	5	69	3		1	6	1		97
Professional, specialists and middle management	214	35	37	484	70	13	22	129	6		1 004
Skilled technical, academically qualified and junior management	1 290	210	52	1 188	231	58	22	333	11	1	3 384
Semi-skilled and discretionary decision-making	3 456	448	10	269	337	70	10	50	65		4 650
Unskilled and defined decision-making	828	1		26	141	2		4	3		1 002
Total permanent	5 801	696	105	2 039	782	143	55	522	86	1	10 143
Temporary employees	21		2	9	12	4		18			
Total	5 822	696	107	2 048	794	147	55	540			10 209

A – African, I – Indian, C – Coloured, W – White. *Excludes international employees and local nationals in Australia* * *Total exclude foreigners but include fix term employees*

PEOPLE

HIGHLIGHTS

- Mpower: In December 2011, employees shared in the capital appreciation of the Exxaro share price when this scheme was unwound after the stipulated five-year period, and 9 694 employees each received a pre-tax contribution of over R135 000 in a R1 billion payout, after appropriate training on managing these funds

- Exxaro enrolled 1 000 jobless youth on various bursary programmes, skills programmes, learnerships and internships in 2011.

Exxaro employs 10 513 people (78% in the bargaining unit and the balance in the management and specialised category).

Our employment equity statistics show that Exxaro exceeds mining charter targets at a consolidated level for 2011. The average employee turnover rate in 2011 was 11% (2010: 6%), primarily because of death, resignation, dismissals and disability. Over 80% of our workforce is literate and during the review period we spent R4,4 million on adult basic education and training.

Training and development is an ongoing priority. We focus on empowering all staff with the knowledge and skills they need to develop personally and help us grow the company for the benefit of all. In 2011, 10 850 Exxaro employees completed relevant development training. Our policy is to invest an appropriate amount of total payroll each year on human resource development. In 2011, this was 5,7% or an investment of R225 million (2010: 3,8% or R140 million). This includes once-off training costs during Siyaya and the Zincor retrenchments.

During the year, we continued our broader focus on skills development, enrolling 175 new engineering learners, eight mining learners, 14 operator learners, and 19 plant learners for the Grootegeluk Medupi expansion project.

Our bridging programme granted 30 bursaries in 2011 to school-leavers from Exxaro communities interested in technical disciplines, and we supported 103 bursars studying at South African universities. In addition, 88 graduates are participating in our professionals-in-training programme to gain practical experience.

Almost 75% of our employees are represented by affiliated unions, primarily National Union of Mineworkers and Solidarity. We strive to maintain sound relations with our unions, although we did record a strike lasting one week at our Mpumalanga coal operations during the year. Two-year wage agreements were concluded with our major unions for most coal operations.

Exxaro is on track to meet 2014 mining charter requirements on housing. At year end, only 15 employees still resided in hostels.

PROCUREMENT

Exxaro's industry is characterised by long and complex

CEO'S REVIEW CONTINUED

ENVIRONMENT

HIGHLIGHTS

- Integrated biodiversity, waste and air programme initiated in second half
- Exxaro among top performers in Carbon Disclosure Project and JSE Socially Responsible Investment index

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

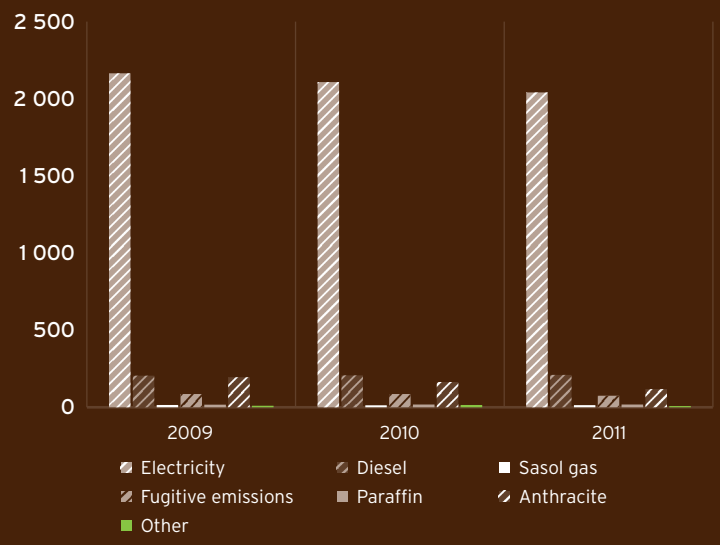
- Air quality management, water quality management, water security and surface disturbance
- Cost of, and provision for, environmental liabilities
- Lead time for securing environmental authorisations
- Increasing statutory and non-statutory environmental requirements.

In the second half of the year, Exxaro launched an integrated biodiversity, waste and air programme – building on progress to date and aiming for measurable targets within specified timeframes.

OBJECTIVES	CRITICAL SUCCESS FACTORS	KEY OUTPUTS	
		WHAT	WHEN
Biodiversity			
• Create competitive advantage for Exxaro through innovative biodiversity management • Ensure continued business operations through compliance to legislation and non-statutory best-practice	Integrate biodiversity into all mining planning, processes and operations	• Biodiversity strategy and programme framework • Compile baseline reports, action plans for all business • Performance reviews	December 2012 December 2012 June 2013
Hazardous waste management			
• Sustainable waste management that is a competitive advantage for Exxaro	• Capacity and capability • Reporting tools • Enviro-legal framework • Specific training • Operational guidelines	• Policy statement and management standards • Baseline waste assessment • Project implementation plan	December 2012 December 2012 June 2013
Air quality management			
• Fully-compliant, sustainable air quality management system that is managed and controlled by trained specialists at business units	Integrated air quality management planning in core operational processes	• Baseline air quality assessments • Optimise air quality monitoring programme	Third quarter 2012 Third quarter 2012
• Ensure Exxaro's air quality framework enables business growth		• Develop air quality management plans • Performance review	First quarter 2013 Third quarter 2013

GHG EMISSIONS YEARLY COMPARISON (Kt CO_2e)

GHG EMISSIONS – BY ENERGY TYPE (Kt CO_2e)



Water management

To date, 14 (2010: ten) integrated water use licence applications have been approved, with eight expecting approval.

During the year, we defined focus areas and established task teams to reach our goal of a 5% reduction in potable water use by 2012 from a 2010 baseline. With accurate water accounting now in place, this target will be expanded into all water use in our operations, aiming to reduce use and increase re-use and recycling of process water. Intensity targets based on production to minimise losses and waste through efficient use and care is a future focus area.

Exxaro also submitted its second report to the CDP Water Disclosure. This voluntary, but detailed, participation on water-related data will provide valuable insight into the water strategies of many of the largest companies in the world.

Climate change

An independent physical climate-risk assessment of Exxaro's operations in southern Africa two years ago highlighted key risks from climate change include floods, droughts, heat, disrupted transport infrastructure and increased vulnerability of local communities and workforces.

These risks, and related opportunities, were integrated into a climate change position statement that requires an internal and external approach to achieving our goal of being a clean (carbon-neutral) company. In the short term, our goal is to improve energy efficiency and reduce carbon emissions each by 10% by the end of 2012. We are well on track.

As part of this strategy, we have established a stand-alone energy company in joint venture to feed the national grid and third-party customers. Cennergi will focus on greener power production to contribute to lowering carbon emissions and position South Africa as proactively driving sustainability. Subsequent to year end, Cennergi submitted bids for five wind and solar energy tenders put out by the state, totalling some 316MW of power.

Energy management

Exxaro's data management and reporting continues to mature. In 2011, for the first time, we report on scope 3 emissions. Total CO_2e emissions for the year were 2 484kt, a decrease of 4,3% on 2010.

For 2011, actual electricity consumed was 1 975GWh, 3,4% lower than 2010 (2 046GWh) and 15,2% lower than the reduced Eskom 2011 baseline (2 330GWh). 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.

Mine rehabilitation and closure

Exxaro, as a world-class minerals producer, acknowledges its moral and legal obligation to ensure responsible and sound environmental management performance, from cradle to grave, for all its operations.

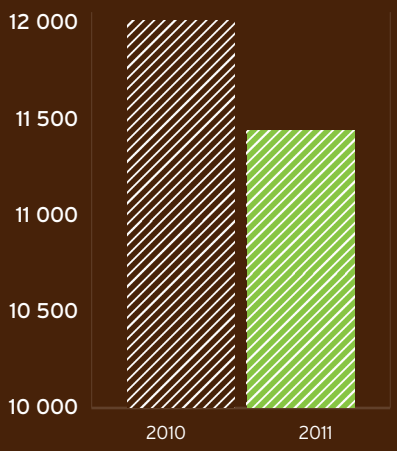
Since four of our current operations are within six years of closure, during the review period we established a forum to develop clear policy and standards on mine closure requirements. The forum will also expose operational management to experts in mine closure aspects and become a platform to exchange lessons learned between business units.

Exxaro contributed roughly R61,7 million to ongoing rehabilitation in 2011 and had R606,6 million in its trust fund at 31 December 2011 for mine-closure activities (2010: R68 million and R538,7 million respectively). In addition, the group had R525,6 million in bank guarantees in place. Updating these provisions annually highlights potential rehabilitation alternatives that could decrease the closure liabilities of mines in the long term.

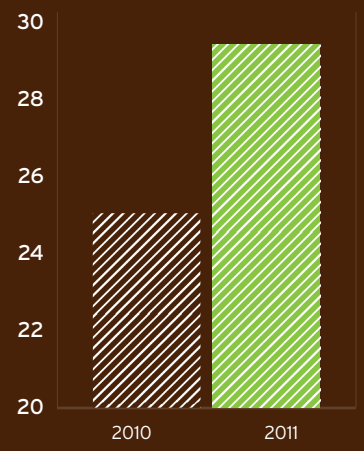
Environmental performance

Detailed consumption tables are on our website. In this report, we disclose movements in key inputs year on year.

TOTAL ENERGY USE (GJ)



WATER USE (million m³)



CEO'S REVIEW CONTINUED

COMMUNITIES

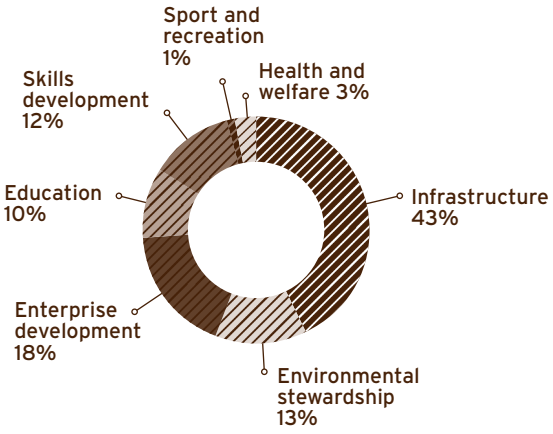
Exxaro's sustainable development activities, including socio-economic initiatives and donations, are focused on areas that are relevant and strategic to South Africa's socio-economic development. Accordingly, we are currently focusing on:

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

All our social and labour plans have been approved by the Department of Mineral Resources, and are being implemented against set targets.

Our five-year socio-economic development projects focus on enterprise development, infrastructure development and poverty alleviation as requested by the Department of Mineral Resources (DMR).

In 2011, Exxaro allocated R52 million to socio-economic development projects. Actual funding for projects currently under way, corporate projects and other initiatives totals R42,3 million (2010: R38,6 million).



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 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 R11,7 million in 2011 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. Other Exxaro local economic development projects are detailed on our website.

SECTORAL CHALLENGES

South Africa's mining industry has been identified by the national planning committee as a key driver of economic growth and job creation in the immediate to short term. Given that southern Africa's mineral deposits are mostly located significant distances inland, effective and efficient bulk rail logistics, and associated port operations, are an integral element of this national strategy.

There is strong global competition from other mineral-rich countries in the supply of coal. It is, therefore, imperative that South Africa demonstrates its commitment to security of supply to its global customers. This requires ensuring that we proactively align production/delivery capacity with global economic demand curves, while ensuring sufficient energy security for South Africa.

In 2010, Transnet Freight Rail (TFR) led the industry to understand that if specific capacity and operational bottlenecks are addressed, the current coal line could possibly convey a total of 115Mtpa, comprising 100Mtpa of export coal and 15Mtpa of general freight.

Recent announcements by government and Transnet/TFR on various logistical infrastructural projects are very encouraging. Of particular interest to Exxaro are the announcements made on the development of the Waterberg rail system. The future development of the Waterberg depends on coal being supplied to the export market, state power utility Eskom, independent power producers and certain domestic markets. Exxaro supports any initiative by Transnet/TFR to develop and expand the rail network in South and southern Africa.

Just as critical is government's commitment to provide adequate water supply into the Waterberg region. A joint initiative with national and provincial government, Eskom and coal producers are examining various systems to deliver water to the region.

Exxaro is willing to be a partner and use its skills to help the country rebuild its rail infrastructure – it makes business sense for the group as much as for the country. We need to work like other countries and take stock of the resources we have in the ground and then develop the best plan to get those resources out and transport them to different markets.

ADDRESSING COMMON ISSUES

At the Mining Indaba in February 2012, the annual International Council on Mining and Metals CEO session examined the industry's common sustainability challenges. Chief executives from three leading resource companies discussed the complex range of sustainability issues they face from an environmental, social and economic perspective, and identified the top three issues their organisations will face in Africa over the next 20 years.

In summary, the most pressing sustainability issues are resource nationalisation and community development. Others included climate change and logistics (particularly in view of the environmental and economic benefits of moving from road to rail transportation), safety, artisanal and small-scale mining, energy costs and ensuring the security of energy supply to the industry.

As an industry, we face common challenges, and Exxaro's material issues are detailed on 13. What differs though is the level of response. We believe that a coordinated effort – by government, industry and stakeholders – is the only way to ensure a meaningful improvement in the mining industry's contribution to the economy of this country and the welfare of its citizens.

The issue of nationalising mines has received extensive media coverage in the past year, albeit mostly as part of another political agenda. We continue to participate

constructively in this debate with stakeholders, through our membership of the Chamber of Mines as well as directly. This issue, with its potentially significant impact on the national economy and the livelihoods of hundreds of thousands of South Africans, requires proper research to determine its true impact. Following the ANC announcement in late 2011 that it will set up a task team to investigate nationalisation, we look forward to an informed debate on the issue.

From 2007 to date, Exxaro has invested almost R223 million in social economic development. Given our steady progress, this is not currently a material issue for Exxaro. Through 55 different sustainable projects, which are unfolding over a five-year period, our social and labour plans are helping to create over 670 jobs, benefiting as many people in local communities as we have in our total workforce. In 2011, this spending equated to 1,8% of our net profit after tax, well ahead of the mining charter target of 1%.

Exxaro's business growth has always been intertwined with

GROWTH 1.1 1.2

Exxaro's overall strategy remains unchanged and is focused on an evolutionary journey towards being a major sustainable diversified mining company with a global footprint encompassing significant investments in carbon, reductants, mineral sands, ferrous and energy 2 to 9.

Different published global risk surveys continue to emphasise a number of risks facing the mining industry, all of which include risks directly related to the pursuit of commodity growth strategies. These risks include capital allocation, capital project execution, infrastructure access and skills shortages, all of which serve as a reminder to be judicious in the pursuit of a project pipeline even if aligned with an approved growth strategy. Exxaro's own strategic risk register supports these risk sentiments.

It is against this backdrop and acute awareness of inherent risk that Exxaro embarks on its growth journey. Capital management remains a disciplined environment within a defined governance process to ensure that project approvals will enhance shareholder value in a globally competitive environment.

2011 has been a defining year for Exxaro as a number of its pursuits for improved global commodity diversification have progressed significantly. Most notably, these include the acquisition of an iron ore investment and the announcement of a consolidatory transaction for its mineral sands interests.

Exxaro's strategic thrusts per commodity are summarised on 33, including the anticipated timelines.

COAL

Grootegeluk Medupi expansion project (GMEP)

Construction on GMEP, to supply Eskom with 14,6Mtpa of coal for the Medupi power station, is on track to deliver first coal in May 2012 and is expected to be completed within budget. Overall project progress has increased to 72% completion. The total project spend to date is R4,4 billion with total capital expenditure for the project still forecast at R9,5 billion. Total funds committed to date are around R6,5 billion.

Thabametsi

The Thabametsi development project, as a supplier of coal to a base-load independent power producer (IPP), is expected to reach first coal production by 2016/17, depending on the Waterberg IPP and water supply development schedule.

Mafutha

Exxaro entered into 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 (Project Mafutha). The detailed prefeasibility study for Project Mafutha has now been completed. Based on the findings of the prefeasibility study, global environmental risks, and in the absence of a commercially viable carbon emission solution which is realistically not anticipated before 2020, the decision has been taken not to proceed with Project Mafutha at this stage.

Waterberg infrastructure development

Exxaro continues to engage with the relevant stakeholders to conclude implementation plans for an integrated infrastructure solution for the Waterberg coalfields which will include the supply of water, rail, road, and housing requirements.

Sintel char and market coke

Studies on the phase 2 expansion of the Sintel char plant to produce an additional 140ktpa of char as well as a bankable feasibility study to produce market coke from semi-soft coking coal at Grootegeluk, continue to progress. The studies are still expected to be completed in the second half of 2012.

Belfast

Exxaro's application for a mining right for the Belfast project has been accepted by the Department of Mineral Resources. The bankable feasibility study is expected to be completed by the second half of 2012. Specialist studies, as required by the national environmental and national water acts, were submitted to the relevant authorities in the fourth quarter of 2011. Start-up and first production is expected in 2014.

Moranbah South

A concept study completed on the Moranbah South project indicated high potential for a dual long-wall mine to produce 10–12Mtpa of premium hard coking coal. The prefeasibility study started in 2011 and is expected to be complete in the second quarter of 2012 after which a bankable feasibility study will start.

MINERAL SANDS

New Tronox

On 26 September 2011, Exxaro and Tronox Incorporated announced that New Tronox will acquire Exxaro's mineral sands operations, which include Exxaro's 50% interest in the Tiwest joint venture with Tronox in Western Australia, along with 74% of the Exxaro KZN Sands and Namakwa Sands operations in South Africa, in exchange for a 38,5% shareholding in New Tronox. The long-term partnership is expected to enhance production capabilities and implement technical efficiencies in the integrated process, creating a truly global, vertically integrated titanium dioxide pigment producer. This is expected to result in a strong platform for future growth, uniquely positioned to capitalise on favourable market dynamics and to serve the needs of the ever-growing pigment and zircon customer base across the globe. The transaction is expected to close in the second quarter of 2012 following New Tronox shareholder and regulatory approvals.

Fairbreeze

Exxaro awaits the customary regulatory and environmental approvals for the Fairbreeze project before construction can begin. These approvals were not obtained in the second half of 2011, as expected. Detailed design was however completed in the second half of 2011. The departments of agriculture, environmental affairs and rural development require additional information from Fairbreeze's basic assessment report on air quality, traffic and agricultural studies, as well as rehabilitation reports. This report, with the requested information, was sent on 9 February 2012 to interested and affected parties for review by 9 March 2012; Exxaro also awaits the decision from the relevant authorities by the end of June 2012.

Commissioning is now only expected in the first half of 2014.

ENERGY

Exxaro continues to explore opportunities in energy markets, focusing on cleaner energy initiatives.

In March 2012, Exxaro announced it had agreed with Tata Power of India to form an energy joint venture, Cennergi. The objective is to develop and operate cleaner energy and renewable energy projects, such as wind and solar initiatives.

Cennergi will be jointly controlled by Exxaro and Tata (50/50), and based in South Africa with an initial focus on developing the business in that country, Namibia and Botswana.

Renewable energy initiatives

Cennergi has submitted five renewable energy projects in terms of the South African government's drive to procure 3 725MW of renewable energy electricity from the private sector. These projects were submitted in the second window of submission through the Department of Energy's request for qualification and proposals for new generation capacity under the independent power producer (IPP) procurement programme issued on 3 August 2011. The submissions entail two solar projects and three wind projects.

Co-generation

The board of directors approved the outcome of the bankable feasibility study for a 14MW co-generation plant at Namakwa Sands in the third quarter of 2011. Construction of the power plant is expected to start in the second quarter of 2012, with commercial operation planned for the fourth quarter of 2012. The clean development mechanism registration of this project is under way.

The prefeasibility study for the 60MW co-generation plant at Grootegeluk mine is in the final stages and is now expected to be completed in the first half of 2012.

Waterberg IPP

Facilitation for the development of a 600MW coal-fired base-load power station in the Waterberg is under way. Non-binding term sheets for the offtake of 1 150MW of electricity have been signed between Exxaro and industrial offtakers. Four base-load IPPs have been selected, with the preferred bidder expected to be selected in the first half of 2012. The prefeasibility study of the project will continue during 2012 and a bankable feasibility study is planned conditional on the creation, formalisation and establishment of an appropriate enabling environment in which such a development can proceed.

Coal-bed methane development

A clearer indication of the potential for economic gas flow by evaluating opportunities for underground coal gasification in both South Africa and Botswana is now only expected in the first half of 2012.

GROWTH CONTINUED

FERROUS

Alloystream™

Alloystream's large-scale demonstration facility to commercialise the technology for beneficiating manganese ore into high-carbon ferromanganese alloy together with Assmang Limited is expected to be commissioned in the first quarter of 2012. The ferromanganese furnace (Project Letaba) demonstration facility was completed in the fourth quarter of 2011.

Iron ore

Subsequent to the reporting date of 31 December 2011 and further to the unsuccessful off-market takeover bid for Australian junior miner Territory Resources, Exxaro, through its wholly-owned subsidiary Exxaro Australia Iron Investments Proprietary Ltd, launched an off-market takeover bid for African Iron Limited. This offer initially remained open for acceptances until 14 February 2012. On that date, Exxaro obtained a shareholding of 66,6% in African Iron Limited, with the offer automatically extended by a further 14 days until 28 February 2012, in line with the Australian stock exchange takeover rules. On 28 February, Exxaro had obtained a 99,4% shareholding in this entity.

African Iron Limited is an Australian domiciled iron ore development company working on the exploration and evaluation of the Mayoko iron ore and Ngoubou-Ngoubou projects, located approximately 300km north-east of Pointe-Noire in the Republic of Congo in central West Africa. It owns a 92% interest in the Mayoko iron ore project which currently has a Joint Ore Reserves Committee (JORC) code compliant mineral resource of 121 million tonnes of iron ore. The Mayoko iron ore project represents a near-term development opportunity in an emerging iron ore province in central West Africa with an existing underutilised, heavy haulage mineral railway passing within 2km of the main prospect. African Iron's second opportunity is its 85% interest in the 944km^2 Ngoubou authority to prospect, which is contiguous with Mayoko. African Iron Limited's assets provide an excellent match to Exxaro's stated objective of gaining operational exposure in iron ore and represent a reasonably sized opportunity, which will allow Exxaro to leverage its bulk commodity and iron ore expertise.

PROJECT PIPELINE

CONCEPT SCREENING

Iron ore: Mayoko phase 1
SCOPE
2Mtpa
ESTIMATED CAPEX
TBD
ESTIMATED START-UP
2014

Mayoko phase 2
SCOPE
10Mtpa
ESTIMATED CAPEX
TBD
ESTIMATED START-UP
2016

COMPLETED BUSINESS CASE

PREFEASIBILITY

Moranbah South (Australia 50%)
SCOPE
12Mtpa
ESTIMATED CAPEX
TBD
ESTIMATED START-UP
2016

Dry mine replacement (Australia 100%)
SCOPE
100–200ktpa
ESTIMATED CAPEX
TBD
ESTIMATED START-UP
2013

Market coke phase 1&2
SCOPE
1Mtpa
ESTIMATED CAPEX
TBD
ESTIMATED START-UP
2015

Thabametsi phase 2
SCOPE
6–17Mtpa
ESTIMATED CAPEX
TBD
ESTIMATED START-UP
2016

INVESTMENT DECISION

FEASIBILITY

Belfast/Paardeplaats
SCOPE
3–5Mtpa
ESTIMATED CAPEX
TBD
ESTIMATED START-UP
2014

Clean energy: wind
SCOPE
40–280MW
ESTIMATED CAPEX
TBD
ESTIMATED START-UP
2015

Clean energy: solar
SCOPE
10–40MW
ESTIMATED CAPEX
TBD
ESTIMATED START-UP
2014

Char phase 2
SCOPE
140–280ktpa
ESTIMATED CAPEX
TBD
ESTIMATED START-UP
2013

Market coke co-gen
SCOPE
80-100MW
ESTIMATED CAPEX
TBD
ESTIMATED START-UP
2016

Thabametsi phase 1
SCOPE
6Mtpa
ESTIMATED CAPEX
TBD
ESTIMATED START-UP
2016

IMPLEMENTATION

CONSTRUCTION

GMEP
SCOPE
14,6Mtpa
ESTIMATED CAPEX
R9,5 billion
ESTIMATED START-UP
2012

Fairbreeze mine
SCOPE
300ktpa
ESTIMATED CAPEX
R2,4 billion
ESTIMATED START-UP
2014

Co-generation Namakwa Sands
SCOPE
14MW
ESTIMATED CAPEX
TBD
ESTIMATED START-UP
2013

Alloystream: Demonstration furnace (Lethaba)
ESTIMATED CAPEX
R80 million
ESTIMATED START-UP
2012

Cennergi
50:50 joint venture implemented with Tata Power
ESTIMATED START-UP
2014

- Coal
- Clean energy
- Mineral sands
- Ferrous

FINANCIAL AND OPERATIONAL REVIEW

2011 has been characterised by record financial performance, further embedding Exxaro's sound financial structure and, in turn, enabling significant progress towards realising the group's strategic growth initiatives.

Exxaro benefited handsomely from strong international prices and demand for its coal and mineral sands commodities, albeit partially offset by the negative impact of a stronger local and Australian currency to the US dollar. Local coal sales volumes were lower primarily from operations tied to Eskom while the decision to cease zinc production at the Zincor refinery invariably resulted in lower volumes and operating losses in our base metals business.

The group's statement of financial position and key financial metrics remain healthy and provide a solid platform for our growth aspirations. Exxaro reported record earnings since its creation in November 2006, declared a record dividend to shareholders, and ended the financial year without any net debt.

The group's audited financial results and unaudited physical information for the years ended 31 December 2011 and 2010 are not comparable due to the R869 million partial impairment reversal of the carrying value of property, plant and equipment at KZN Sands, which was initially accounted for in the year ended 31 December 2009, and a R516 million impairment of the carrying value of property, plant and equipment at the Zincor refinery. To be meaningful, comparable supplementary financial results are disclosed in this review by excluding the impairments recorded.

EXCHANGE RATES

An average exchange rate of R7,28 (spot average of R7,22) to the US dollar (US$) was realised for the year ended 31 December 2011 compared to R7,72 (spot average of R7,30) for the prior period. Unrealised foreign currency losses on revaluing monetary items denominated in a foreign currency were recorded based on the relative strength of the local and Australian currency to the US$ at 31 December 2011. The relative strength of the Australian dollar (AU$) also continued to impact negatively on the financial results of the mineral sands business in that country. An average rate of US$0,99 cents (spot average of US$1,03 cents) to the AU$ was realised compared with US$0,87 cents (spot average of US$0,92 cents) in 2010.

REVENUE

Group consolidated revenue increased by 24% to R21,3 billion due to higher selling prices across Exxaro's commodities, despite lower total coal sales and the adverse impact of stronger local and Australian currencies.

SHARE PRICE PERFORMANCE

Although the general economy is still finding its way out of the effects of the 2008/09 recession, Exxaro's share price continued to outperform both the JSE Resources 10 Index and the JSE All Share Index throughout the year ended 31 December 2011.

Coal revenue increased 21%, mainly due to higher export sales at higher prices despite lower volumes at Eskom-tied mines as well as lower other domestic sales volumes.

Mineral sands revenue rose 42% to R6,6 billion with lower sales volumes recorded at higher prices.

Base metals revenue increased marginally by 3% as a 1% higher average realised zinc price of US$2 191 per tonne partially offset lower zinc metal sales volumes.

Other revenue has reduced from 2010 due to the sale of Glen Douglas with effect from 1 January 2011.

NET OPERATING INCOME

Comparable group consolidated net operating profit was R1 392 million or 53% higher at R4 028 million after excluding the R869 million partial reversal of the impairment of the carrying value of property, plant and equipment at KZN Sands accounted for in 2009, as well as the R516 million impairment of the carrying value of property, plant and equipment at Zincor refinery.

The coal business reported a 24% increase in net operating profit to R3 339 million at an operating margin of 26% as higher selling prices and stronger international demand were only partially negated by lower local demand. The weaker domestic performance partially reflected lower demand from ArcelorMittal South Africa Limited (AMSA) as well as lower sales volumes from operations tied to Eskom. Despite lower sales volumes from tied mines, these operations recorded a 66% increase in net operating profit to R309 million, after the group revised the way it applies discount rates on the calculation and recovery of rehabilitation costs, which contributed R132 million to this number. The net impact of the revised calculation results in additional rehabilitation costs recoverable from Eskom.

Higher recorded mineral sands revenue translated into an improved consolidated net operating profit of R1 809 million, even after excluding the partial impairment reversal of property, plant and equipment at KZN Sands of R869 million. Sales volumes at Namakwa Sands and Australia Sands increased on the back of higher demand. KZN Sands' sales were lower due to furnace unavailability (furnace 1 down for four months in 2011 and furnace 2 down for eight months in 2011).

The stronger AU$ against the US$ has been partially mitigated by hedging US$ receivables of the Australian operation, with realised foreign exchange gains of R90 million in 2011.

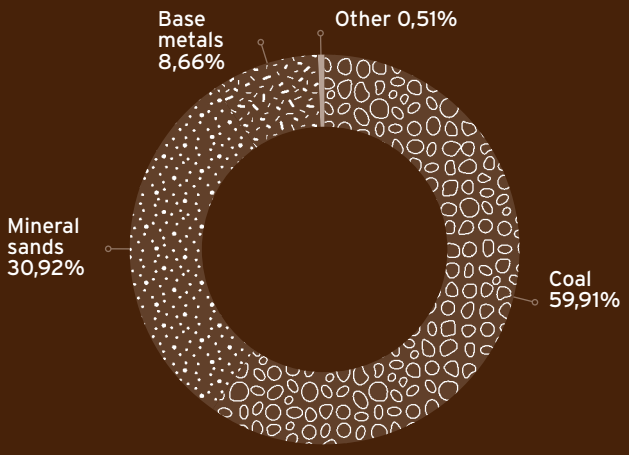
Similar to 2009 and 2010, only KZN Sands reported a loss in 2011.

Despite marginally higher revenue recorded by base metals, a net operating loss of R629 million (excluding impairment of the carrying amount of property, plant and equipment at Zincor refinery) was reported. This was mainly due to the announced decision to cease zinc production, resulting in an under-recovery of fixed expenses. Continued above-inflation increases in electricity and maintenance expenses again affected the base metals results.

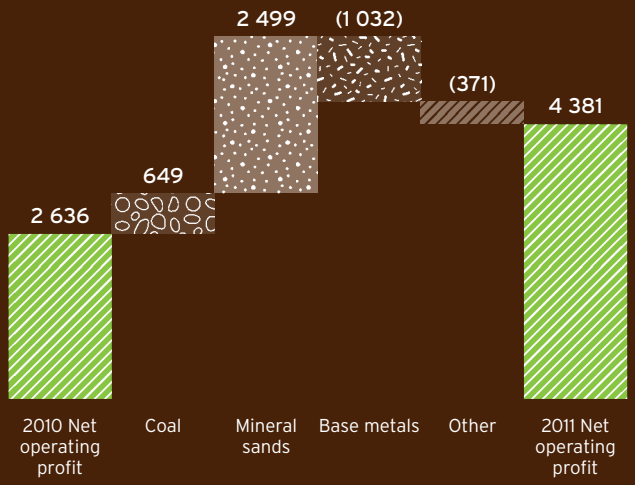
Rosh Pinah's operating results were also lower, based on lower zinc concentrate production and sales.

Other net expenditure increased primarily from non-recurring costs associated with implementing Exxaro's new operating model and associated technology enablement, as well as other project-related costs.

REVENUE COMPOSITION 2011



ACTUAL NET OPERATING PROFIT: 2010 vs 2011



FINANCIAL AND OPERATIONAL REVIEW CONTINUED

COMPARABLE UNAUDITED SEGMENTAL RESULTS

Rm	YEAR ENDED 31 DECEMBER 2011	2010
REVENUE		
Coal	**12 763**	10 515
Tied operations	**3 140**	2 952
Commercial operations	**9 623**	7 563
Mineral sands	**6 587**	4 640
KZN Sands	**1 196**	1 288
Namakwa Sands	**2 904**	1 801
Australia Sands	**2 487**	1 551
Base metals	**1 846**	1 787
Rosh Pinah	**698**	674
Zincor	**1 550**	1 598
Inter-segmental	**(402)**	(485)
Other	**109**	213
Total external revenue	**21 305**	17 155
NET OPERATING PROFIT		
Coal	**3 339**	2 690
Tied operations	**309**	186
Commercial operations	**3 030**	2 504
Mineral sands	**1 809**	179
KZN Sands[1]	**(116)**	(66)
Namakwa Sands	**987**	107
Australia Sands	**938**	138
Base metals	**(629)**	(113)
Rosh Pinah	**102**	143
Zincor[2]	**(723)**	(171)
Other	**(8)**	(85)
Other	**(491)**	(120)
Total	**4 028**	2 636

1 Excludes a partial impairment reversal of R869 million of the carrying value of property, plant and equipment at KZN Sands initially accounted for in 2009.
2 Excludes an impairment of R516 million of the carrying value of property, plant and equipment at Zincor refinery.

OPERATIONAL PERFORMANCE

Physical performance translated as production and sales volumes is provided from 2 to 9.

COMPARABLE EARNINGS

Rm	YEAR ENDED 31 DECEMBER 2011	2010
Comparable net operating profit excluding impairment recordals	**4 028**	2 636
Income from investments	**9**	2
Net financing cost	**(291)**	(455)
Income from equity accounted investments – net of tax	**4 668**	3 717
Taxation	**(1 110)**	(665)
Non-controlling interest	**(4)**	(27)
Comparable attributable earnings excluding impairment recordals	**7 300**	5 208
Adjustments net of taxation impact	**2**	(22)
Headline earnings	**7 302**	5 186
Weighted average number of shares	**348**	347
Comparable attributable earnings (cents per share)	**2 098**	1 501
Headline earnings per share (cents per share)	**2 098**	1 495

Comparable attributable earnings, including Exxaro's equity accounted investments in associates, were R7 300 million or 2 098 cents per share, up 40% from 1 501 cents per share in 2010.

Headline earnings, which exclude the impact of the impairment and partial impairment reversal, were R7 302 million or 2 098 cents per share. This represents a 41% increase on comparable 2010 earnings of R5 186 million or 1 495 cents per share.

INCOME FROM EQUITY ACCOUNTED INVESTMENTS – NET OF TAX

Rm	YEAR ENDED 31 DECEMBER 2011	2010
Sishen Iron Ore Company Proprietary Ltd (SIOC) – 19,98%	**4 456**	3 623
Chifeng – 22%	**2**	8
Black Mountain – 26%	**210**	86
Total	**4 668**	3 717

The results of SIOC are fully reported by Kumba Iron Ore Limited in its financial results to 31 December 2011.

SINCE CREATING EXXARO IN NOVEMBER 2006, THE FOLLOWING DIVIDENDS HAVE BEEN DECLARED:

PERIOD ENDED	DIVIDEND (CPS)	Rm	Rm INCL STC[1]	DATE DECLARED	DATE PAID/PAYABLE
30 June 2007	60	211	211	15 August 2007	10 September 2007
31 December 2007	100	353	353	20 February 2008	17 March 2008
30 June 2008	175	620	620	13 August 2008	22 September 2008
31 December 2008	200	710	710	23 February 2009	30 March 2009
30 June 2009	100	356	356	19 August 2009	28 September 2009
31 December 2009	100	357	357	24 February 2010	19 April 2010
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
30 June 2011	300	1 076	1 076	16 August 2011	26 September 2011
31 December 2011	500	1 771	1 771	21 February 2012	2 April 2012

1 No STC (secondary tax on companies) is payable due to the use of STC credits arising from dividend receipts from SIOC. The STC dispensation will be replaced by a new dividends tax with effect from 1 April 2012.

Exxaro's 26% share in Black Mountain, acquired in the last quarter of 2008, contributed R210 million to equity accounted income and includes a R80 million reversal of a previous impairment of the investment.

CASH FLOW

Rm	YEAR ENDED 31 DECEMBER 2011	2010
Net cash retained from operations	**6 503**	4 106
Net financing cost, taxation and dividends	**(2 719)**	(1 742)
Cash used in investing activities		
New capacity	**(3 301)**	(1 522)
Sustaining and environmental capital	**(1 625)**	(1 155)
Acquisition of investments and operations	**(325)**	(149)
Dividends received	**3 525**	1 817
Proceeds on sale of non-core assets and investments	**496**	60
Other	**(82)**	(29)
Cash inflow	**2 472**	1 386
Share issue	**15**	29
Other movements in net debt	**(4)**	96
Decrease in net debt	**2 483**	1 511

Cash retained from operations was R6 503 million for the group. This was primarily used to fund net financing charges of R94 million, taxation payments of R502 million, dividend payments of R2 123 million, and capital expenditure of R4 926 million (of which R3 301 million was invested in new capacity and R1 625 million applied to sustaining and environmental capital). Around R3 070 million of the expansion capacity expenditure was for the Grootegeluk mine expansion project (GMEP) for Medupi power station. After the receipt of R3 525 million in dividends, primarily from SIOC, the group had a net cash inflow of R2 472 million for the year. The final dividend for 2011 will amount to a further cash outflow of some R1 771 million, offset by dividend inflow from SIOC of around R1 958 million.

Net debt of R2 220 million at 31 December 2010 has inverted to a net cash position of R263 million at 31 December 2011.

DEBT STRUCTURE AND FINANCIAL COVENANTS

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

	COVENANTS	RATIO 2011	2010
Net debt to equity[1] (%)	<80	**3**	**13**
EBITDA interest cover (times)	>4	**56**	**9**
Net debt to EBITDA cover (times)	<2	**0,08**	**0,55**
Net profit after tax to distribution (times)	>2	**3,61**	**4,95**

1 Refer definitions.

The group's debt structure at 31 December 2011 is:

Rm	FACILITIES DRAWN	UNDRAWN	DEBT MATURITY PROFILE	
Total interest-bearing borrowings	3 902	4 500	1 149	2012
Corporate	3 209		1 912	2013
GMEP*		4 500	327	2014
Australia Sands	693		315	2015
			199	After 2015
Cash and cash equivalents	(4 165)			
Net cash	(263)		3 902	
Short-term facilities		1 300		

** Grootegeluk mine expansion project to supply Eskom's Medupi power station.*

ACKNOWLEDGEMENTS

I remain indebted to the very competent Exxaro finance teams throughout the group for their continued commitment, dedication, and valuable contributions.

Wim de Klerk
Finance Director

27 March 2012

CAPITAL EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER

Rm	2013 ESTIMATE	2012 ESTIMATE	2011 ACTUAL	2010 ACTUAL
Sustaining and environmental	3 994	3 800	**1 625**	1 155
– Coal	2 243	2 223	**600**	516
– Mineral sands	1 665	1 259	**621**	398
– Base metals			**109**	169
– Other	86	318	**295**	72
Expansion	4 702	7 130	**3 301**	1 522
– Coal	1 725	416	**185**	307
– Mineral sands	67	239	**44**	294
– Iron ore	1 592	2 102		
– Energy	312	308		
– Other	115	350	**2**	3
GMEP	891	3 715	**3 070**	918
Total	8 696	10 930	**4 926**	2 677

Post 2014, sustaining capital expenditure is expected to be below R2 billion per annum.

COMMENT

Exxaro's tenure over its mineral assets as listed in the tables was audited and is confirmed with the following consideration: the Department of Mineral Resources (DMR) has provided written confirmation that the old-order mining licence for all Exxaro's mines has been converted to a mining right, but the mining rights of Tshikondeni, Matla, Strathrae, Arnot and Glisa still need to be scheduled for execution by the DMR. Conflicting applications over Exxaro's existing mining and prospecting rights have become a constant hindrance, and are being addressed through the right channels. These do not present a real risk, but become a legal burden that cannot be ignored. A greater challenge arises from the lack of transparency between the DMR and Department of Energy, which results in exploration rights for natural gas being granted over existing coal rights without prior consultation. This matter is being addressed. Exxaro submitted a mining right application for the Belfast block during 2011.

Exxaro recognises the importance of its mineral assets to the wellbeing of the company. The optimisation of mineral assets beyond what is currently referred to as mineral resource management is being driven as a priority. As noted in the 2010 integrated annual report, changes in the resources market, increased awareness around the protection of the natural environment, and changing legislation and statutory requirements demand a change in the exploitation strategy and execution of mining and prospecting operations. It has become essential to involve all functions to optimise every link in the value/action chain.

This comprehensive objective to optimise Exxaro's natural resources, of which the mineral resource is the most strategic but not the only important part, can only be achieved through holistic integration of all relevant components. These include elements such as geoscience, metallurgy, mining, product quality, marketing, environment, safety, society, legal and statutory and profitability. Inherently every mineral deposit is a finite mineralised body. Once mining starts, the size of the mineralised body is constantly depleted until, in the extreme case, nothing is left. The term sustainable mining, often used at public forums, is therefore inherently flawed. The idea is that communities must be transformed during the life of mine to create other sustainable industries and businesses; these ventures, especially in rural areas, mostly depend on the wealth continuously created by the mine. Once this source of wealth stops, the business ventures cannot survive. Accountable mining is more appropriate to describe the holistic approach noted above. Company sustainability and growth can only be achieved by accountable mining operations, replacing depleted mineral assets and adding new mineral assets.

The drive to grow and diversify Exxaro's mineral asset base has been one of the focus areas in 2011 and it will continue during 2012. In this regard, policies and governance in the mineral asset environment will be reviewed and changed where necessary to facilitate the principle of accountable mining practices and to improve assurance and legal and statutory compliance. Good mineral deposits have proved excellent long-term investment assets throughout economic cycles over the previous four decades and represent the fundamental value of a mining company. It is therefore critical for Exxaro and its investors to have a high level of confidence in its mineral assets and the assurance that these resources and reserves will deliver the expected value. The envisaged policies and governance will be designed to achieve this goal, while the drive to add additional quality mineral assets will continue.

As part of the accountable mining campaign, the level of confidence in the mineral resource at each mine is being reviewed. The status of the mineral resource is measured against the objective to assure management that the mineral resource and eventual reserve will be able to deliver the predicted value. Additional prospecting programmes are being planned to suit the assurance need at each mine. Similarly, growth projects are being evaluated using an inhouse tool, the mineral asset review process, to determine the increase/decrease of value in each project as well as where it fits in the growth pipeline. Based on results, recommendations will be made to the growth department on the future and prospecting programme for each project.

In conclusion, and as reflected in the company's mineral resources and reserves value statement: Exxaro's mineral resources and reserves represent the company's fundamental value to be treated with responsibility and respect. Accountable mineral asset management is focused on achieving this goal through teamwork by people who are empowered to grow and participate and are committed to excellence and honest responsibility.

2009

- First CEO Summit – focused on sustainability
- Leadership programme launched
- Char plant opened – downstream beneficiation

2010

- Safe Day flag campaign launched – lost-time injuries drop 15%
- Detailed closure plans in action at Durnacol and Hlobane
- Grootegeluk Medupi Expansion Project – construction begins

2011

- Exiting base metals as part of portfolio optimisation and group restructuring
- Mineral sands business to be merged into international group
- Record performance marks Exxaro's fifth year

GOVERNANCE REVIEW

EXECUTIVE COMMITTEE

** Prescribed officers in terms of the Companies Act 71 of 2008, as amended*

SA Nkosi – Sipho (57)

Chief executive officer (executive director)

BCom (Hons)(Econ), MBA (University Mass, USA), Diploma in marketing management, Advanced management leadership programme

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

WA de Klerk – Wim (48)

Finance director (executive director)

BCom (Hons), Acc, CTA CA(SA), Executive management programme (Darden), Strategic marketing diploma (Harvard)

Experience: 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.

PT Arran – Trevor (44)

Executive general manager: sands and base metals

BSc (Hons)(Econ Geo), Advanced management programme (UP/GIBS), BEP, diploma project management

Experience: 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.

MDM Mgojo – Mxolisi (51)

Executive general manager: coal

BSc (Hons) Energy Studies, MBA (Henley), Advanced management programme (Wharton)

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

M Piater – Retha (57)

Executive general manager: human resources

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

Experience: Retha has 26 years of human resources experience across the various business units and commodities, specifically in the area of remuneration.

PE Venter – Ernst (55)

Executive general manager: business growth

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

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

WH van Niekerk – Willem (52)

Executive general manager: corporate services

BSc (Hons), MSc, PhD (Met Eng) (University of Pretoria), BCom (Unisa), MBA (Henley Management College, London), TEP executive programme (Darden)

Experience: Willem started his career as a metallurgist at Iscor, Vanderbijlpark in 1985. After periods at Research and Development and Iscor Heavy Minerals, he was appointed general manager corporate technology (2001). In 2003 he became general manager at Zincor and then headed Exxaro Australia Sands. In 2008 he returned to South Africa to manage business development and marketing for the mineral sands unit, after which he was appointed to his current position where he is responsible for technology, information management, logistics and supply chain management.

M Veti – Mongezi (48)

General manager: safety and sustainable development

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

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

CH Wessels – Carina (34)

Group company secretary

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

Experience: Carina is an admitted advocate of the High Court of South Africa, and a fellow and senior vice-president of Chartered Secretaries Southern Africa. She will become president of this body in May 2012. Carina spent nine years with De Beers in various operational and head office positions, including human resources, business improvement and corporate secretariat, as well as a period with Investec as corporate secretariat legal advisor.

DIRECTORATE

SA Nkosi – Sipho (57)

Chief executive officer (executive director) 42

WA de Klerk – Wim (48)

Finance director (executive director) 42

CI Griffith – Chris (47)

Non-executive director, member of Remco*

BEng (Mining)(Hons), PrEng

Experience: Chris was appointed executive director and chief executive officer of Kumba Iron Ore in 2008. He is chairman of Sishen Iron Ore Company, director of Kumba International Trading SA and a member of the Anglo American plc executive committee. Prior to his appointment at Kumba, he headed joint ventures for Anglo Platinum. Chris is registered as a professional engineer with the Engineering Council of South Africa, and is a member of the South African Institute for Mining and Metallurgy and the Association of Mine Managers.

JJ Geldenhuys – Jurie (69)

Independent director, chairman of SRC committee*, member of Remco* and social and ethics committee

BSc (Eng)(Elec), BSc (Eng)(Min), MBA (Stanford), PrEng

Experience: From 1965 to 1980, Jurie held production and managerial positions on the gold, platinum and copper zinc mines of the Anglovaal Group. From 1981 until retirement, he served in technical and executive capacities involving gold, base metals, coal, ferrous metals and industrial minerals. He retired as managing director of Avgold Limited in 2000 and served the group in a consulting capacity until 2002. He has served on the boards of Anglovaal Limited, Avmin Limited, Freegold Consolidated Mines Limited, Hartebeestfontein Gold Mining Company Limited, Lorraine Gold Mines Limited, Eastern Transvaal Gold Mines Limited, Iscor Limited and Sallies Limited. He served as the Chamber of Mines' president (1993–1994) and on the chamber's executive council, gold producers' committee and various other chamber-related board committees. He also served on the Atomic Energy Council and National Water Advisory Council. He is currently non-executive director and chairman of Astral Foods Limited (chairing the human resources and remuneration committee and nomination committee).

S Dakile-Hlongwane – Salukazi (61)
– appointed with effect from 21 February 2012

Non-executive director

BA (Economics and Statistics), MA (Development Economics)

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

U Khumalo – Ufikile (46)

Non-executive director

BSc (Eng), MSc (Eng)(UCT), MAP (Wits), Senior executive development programme (Harvard), Advanced management programme (Insead)

Experience: Ufikile served with Sasol and Eskom as senior engineer and with Bevcan as manufacturing manager before joining the Industrial Development Corporation (IDC). He held several positions at the IDC since 1999, including head: international finance; executive vice-president: industrial sectors and executive vice-president: projects. He is currently the 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. He has served as a non-executive director of many companies including JSE-listed Digicore Holdings.

Dr D Konar – Len (58)

Independent director, chairman of the board and nomination committee

BCom, CA(SA), MAS, DCom

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

VZ Mntambo – Zwelibanzi (54)

Non-executive director, member of Remco*

BJuris, LLB (University of North West), LLM (Yale)

Experience: Zwelibanzi is executive chairman of Xalam Performance. He was previously senior lecturer at the University of Natal; executive director of IMSSA; director-general of Gauteng Province and chairman of the Commission for Conciliation, Mediation and Arbitration. He is chairman of Metrobus Pty Limited and Mainstreet 333 Pty Limited. He is a director of SA Tourism Pty Limited and a trustee of the Paleo-Anthropological Scientific Trust.

RP Mohring – Rick (65)

Independent director, chairman of Remco*, member of audit committee*, member of SRC committee* and member of social and ethics committee

BSc (Eng)(Mining), MDP, PrEng

Experience: From 1972 to 1998, Rick held production, managerial and executive positions in the gold and coal divisions of the Rand Mines and Billiton groups. From 1998 until 2000, he was chief executive officer of NewCoal, a black empowerment initiative set up by Anglo Coal and Ingwe Coal Corporation. Eyesizwe Coal, the largest BEE coal company in South Africa, was formed in November 2000 through this process. From 2000 until 2003, Rick was deputy chief executive officer of Eyesizwe Coal. As such, he was responsible for the operational control of mines producing 25Mtpa of coal, new business development, technical services and health and safety. After 37 years in the mining industry, Rick retired from Eyesizwe Coal in December 2003 and set up a private consulting company, Mohring Mining Consulting.

NL Sowazi – Nkunku (48)

Non-executive director, member of audit committee*

BA, MA (UCLA)

Experience: Nkunku is co-chairman of Kagiso Tiso Holdings (KTH), a leading South African investment holding company with significant interests in the media, financial services and resources sectors. KTH was formed in July 2011 by the merger of two leading black-owned investment firms (Kagiso Trust Investments and Tiso Group, of which he was executive chairman and co-founder). He is currently a director of the JSE-listed Aveng Ltd, Actom (Pty) Ltd and Litha Healthcare Holdings. He is chairman of Idwala Industrial Holdings (Pty) Limited, Eris Property Group (formerly RMB Properties), The Home Loan Guarantee Company and The Financial Markets Trust.

J van Rooyen – Jeff (62)

Independent director, chairman of audit committee* and chairman of the social and ethics committee

BCom, BCompt (hons), CA(SA)

Experience: Jeff is a director of various companies in the Uranus Group, non-executive director of MTN Group Limited, Pick n Pay Stores Limited and Pick n Pay Holdings Limited. He is chairman of the Financial Reporting Standards Council (FRSC), a trustee of the International Accounting Standards (IFRS) Foundation and member of the University of Pretoria's faculty of economic and management sciences' oversight board. He was a partner at Deloitte and Touché, chairman of the Public Accountants' and Auditors' Board, CEO of the Financial Services Board and advisor 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.

D Zihlangu – Rain (45)

Non-executive director, member of SRC committee*

BSc (Min Eng) (Wits), MDP (SBL, Unisa), MBA (WBS, Wits)

Experience: Rain 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. Rain was chief executive officer of Alexkor Limited from 2002 until 2005. From 2006, he has been a non-executive director of the South African National Oil and Gas Company (PetroSA), chairs its human capital committee and serves on its business strategy committee. He also serves on the board of Sentula Mining.

** The committees of the board were renamed and revised terms of reference approved effective 1 January 2012 – refer 50 and 55 to 57 for further details.*

REGULATORY COMPLIANCE AND GOVERNANCE

A JOURNEY BEYOND COMPLIANCE

DISCLOSURE ON MANAGEMENT APPROACH

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

As a responsible corporate citizen, we take decisions that not only enable our strategy or ensure profitability and performance, but also decisions that consider the risks to which we are exposed, the legitimate interests and expectations of our stakeholders and ones that are socially and environmentally responsible.

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

During 2011, we received a number of accolades for our responsible corporate citizenship, set out below. This integrated annual report contains further examples, including the quantum of dividends paid to our black-empowered shareholders over the past five years, the dividends and capital amount paid to participants of the Mpower scheme (mostly historically disadvantaged employees), the 670 jobs created by our social and labour plans over the past five years, translating into an indirect benefit to 11 400 people from local communities and the bursary and bridging school programmes, among others.

Our compliance and governance endeavours therefore remain aimed at ensuring and supporting our responsible corporate citizenship.

The overarching 2011 governance and compliance objectives centred around specific commitments made in 2010, implementation of the new Companies Act No 71 of 2008, as amended (the Companies Act), to adapt to the changing corporate landscape, as well as the revised corporate governance strategy approved by the board in July 2011, which focused on four key objectives for the medium term:

- Governance supporting and enabling company strategic objectives
- Regulatory and legislative performance: going beyond compliance
- Fully embracing the principles of King III
- Integrated governance assurance.

COMPLIANCE

In terms of its charter, the board is responsible for governing the legal compliance management processes of the group. The board is assisted by the audit committee (previously the audit, risk and compliance committee) which, inter alia, assesses legal and compliance risks that may have an impact on the consolidated financial statements. All remaining compliance risks are monitored by the sustainability, risk and compliance committee (previously the safety and sustainable development committee).

We manage our compliance risks through:

- Awareness training for employees and other affected stakeholders on high compliance risks identified from time to time, including changes in legislation
- Internal and external assurance and reporting on the level of compliance with regulatory requirements, which process will be fully integrated into the combined assurance framework during 2012
- Providing advice and formal legal opinions on current and envisaged actions and business processes.

AWARDS AND RECOGNITION 2.10

Chartered Secretaries Southern Africa/ JSE annual report awards 2011

Sappi award for best sustainability reporting, merit award in the top 40 category

Ernst & Young (E&Y) Excellence in Corporate Reporting 2011

Sixth place in top 10, from top 25 in 2010

Association of Certified Chartered Accountants (ACCA) of South Africa – endorsed by KPMG

Second place for best sustainability report in the mining industry in 2010

JSE Socially Responsible Investment index

One of 22 best performers out of 74 companies in the index (after 104 companies were evaluated)

Companies of the future 2011

Exxaro was among the top 20 companies for an engineering career in a survey covering over 38 000 students at South African universities.

Environmental Investment Organisation

Independent NPO that researches, promotes and implements investment systems to incentivise global corporate emissions reductions.

Exxaro placed 29th out of 300 international companies in the EIO's global 800 carbon ranking.

Some of the key activities to facilitate meeting our overarching objective of regulatory and legislative performance: going beyond compliance and progress are set out below.

ACTIVITY	PROGRESS AND NEXT STEPS
Implementation of the new Companies Act	The board is committed to full compliance with the act and significant effort was devoted to addressing the requirements: • Directors attended detailed training on their duties and responsibilities and are continuously briefed on new requirements when specific decisions need to be made. • All directors (including South African subsidiary companies) and prescribed officers formally declared under oath that they are not ineligible or disqualified from appointment as directors or prescribed officers. • 130 senior managers attended training on directors' and prescribed officers' duties and liabilities, and finance teams received training on new requirements for accounting records and financial statements. Training interventions and information sharing will continue during 2012. • A social and ethics committee was established effective 1 January 2012. • A general meeting was held on 29 November 2011 to approve the required special resolution to enable Exxaro to provide financial assistance to subsidiary companies. • Immediate steps were taken to comply with the revised schedule 10 of the Listings Requirements of the JSE, inter alia, by appointing a minimum of four directors to all subsidiary boards. • Negotiations are underway with the JSE in order to approve a new harmonised memorandum of incorporation. South African subsidiary companies' memorandums of incorporation will be submitted to the JSE in 2012, aiming to have all harmonised by December 2012.
Implementation of the mining charter	In 2011, we delivered a presentation to parliament on our consolidated progress towards compliance with the mining charter. This was very well received. In 2012, we will also report to the DMR per mining right.
Legal compliance register	A comprehensive legal compliance register, indicating all legislation and specific portions of legislation applicable to Exxaro's business was prepared in 2011. This register will be used as the basis for legislative compliance training, audits and reporting in future and is a significant step towards providing the board with integrated, accurate and detailed information to enable them to meet their obligation of ensuring Exxaro's compliance with all applicable laws.
Conducting compliance audits on the status of integrated water use licences in terms of the National Water Act	To date 14 individual and amalgamated integrated water use licence applications have been approved.

Corporate Research Foundation – Best Employers in South Africa 2011/12

Following its annual survey as part of its international human resources policy and practice benchmarking project, the CRF Institute conducts Best Employer awards in 14 countries across four continents (Europe, Asia, South America and Africa).

Exxaro was best employer in its industry (mining), 10th among companies with over 4 000 employees, and third in best empowered employers.

By participating in this benchmark process, Exxaro gains insight into how the best employers in the country add value for their employees. This helps Exxaro's HR leaders identify current strengths and opportunities to improve our own value proposition in the drive towards HR practices, initiatives and policies that increasingly mobilise talent in support of future business success.

Carbon Disclosure Project 2011

- Carbon disclosure leadership index: Exxaro received a platinum award for the third-highest score of 94% (against the winner and first mining company at 98%).
- Carbon performance score: Exxaro received a Gold Certificate of Recognition for inclusion in the A band of top performers (seven companies in total, with only two mining companies).

2011 SA Publication Forum Awards – Best Internal Newsletter

xxplore, Exxaro's quarterly newsletter, took first place and received certificates of excellence for writing, design and communication. xxplore was also a finalist in the best publication cover category and runner-up in the best corporate publication category.

REGULATORY COMPLIANCE AND GOVERNANCE

CONTINUED

ACTIVITY	PROGRESS AND NEXT STEPS
Training related to contract law and basic contractual management	Training was provided to the following business units: • Grootegeluk • Medupi • North Block Complex • Tshikondeni Training will be extended to the remaining business units in 2012.
Environmental law and liability training	Awareness training was provided at: • Arnot • Grootegeluk • Tshikondeni Awareness training will be ongoing in 2012.
Mine health and safety legal compliance and liability training	Awareness training in terms of the Mine Health and Safety Act was conducted at: • Arnot • New Clydesdale
Labour Relations Act amendments training	Training was conducted at Zincor
Consumer Protection Act	Training was conducted at Matla
A–Z of discipline in the workplace	Training of company representatives and chairpersons is standard training conducted at Business Units

STATUS OF CONVERTING MINING RIGHTS

To ensure sustainability, it is imperative that Exxaro secures mining rights for its existing mines and new mining opportunities. In 2011 conversion was granted by the Department of Mineral Resources (DMR) for the old-order mining rights held for Arnot and Glisa (North Block Complex) and that of Gravelotte was executed. Execution and registration of all granted conversions and obtaining new-order rights for Belfast and Glisa south have been prioritised for 2012.

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. Exxaro mines' compliance to mine works programmes, social and labour plans and environmental management programmes was audited by the DMR during 2011 on an ad hoc basis, with formal feedback pending.

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. The 2011 report was submitted in March 2012, as required.

COMPLIANCE

A compliance policy which sets out the integrated compliance processes in Exxaro, was adopted by the board in 2008. 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. A dedicated compliance function was established on 1 January 2012 and the related policy and processes will therefore undergo a significant review in 2012.

EXXARO MINERAL ASSET STATUS AS AT 31 DECEMBER 2011

Locations of Exxaro's mines are shown on 2 to 9.

In place *In process* *Not in place*

MINING OPERATION CONVERSIONS

COMMODITY	REGION	MINES	MINING* RIGHT GRANTED	MINING△ RIGHT EXECUTED	ACTION
Mineral sands	KZN	Hillendale	In place	In place	Awaiting registration at Mining Titles Office
		Fairbreeze A, B, C, D and Block P	In place	In place	Awaiting registration at Mining Titles Office
		Reserve 10 (Hillendale)	In place	In place	Awaiting registration at Mining Titles Office
	Limpopo	Gravelotte	In place	In place	Awaiting registration at Mining Titles Office
Coal		Grootegeluk	In place	In place	Awaiting registration at Mining Titles Office
		Tshikondeni	In place	In process	Awaiting execution date
	Mpumalanga	Leeuwpan	In place	In place	Complete
		Mafube	In place	In place	Cession confirmed
		Arnot	In place	In process	Execution expected in first quarter of 2012
		Glisa (North Block Complex)	In place	In process	Execution expected in first quarter of 2012
		Matla	In place	In process	Awaiting execution date
		Strathrae (North Block Complex)	In place	In process	Awaiting execution date

NEW MINING RIGHTS

COMMODITY	REGION	MINES	MINING* RIGHT GRANTED	MINING△ RIGHT EXECUTED	ACTION
Mineral sands	KZN	Fairbreeze C Ext	In place	In place	Mining commencement extension granted
		Braeburn (Hillendale)	In place	In place	Complete
		UVS and Braeburn Ext (Hillendale)	In place	In place	Complete
Coal	Limpopo	Goni (Tshikondeni)	In place	In place	Complete
	Mpumalanga	Inyanda	In place	In place	Complete
		Leeuwpan Ext	In place	In place	Complete
		Eerstelingsfontein	In place	In place	As a result of administrative constraints, mining cannot start yet
		New Clydesdale Colliery	In place	In place	DMR to approve amended layout plan for registration
		Belfast	Not in place	Not in place	Application submitted
		Glisa (south)	Not in place	Not in place	Application under way

* *Granted = an administrative right granted prior to acceptance of terms and conditions.*

△ *Executed = approval of the EMPR and commencement date.*

so2-4

ETHICS

Exxaro remains committed to the highest standards

CORPORATE GOVERNANCE CONTINUED

Key

No or minor adjustments required to conform with King III principles.

Specific gaps identified that 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	CURRENT STATUS AND NEXT STEPS	SELF-ASSESSMENT OF NEW STATUS
		As reported in 2010			
3	Audit committee		The role of the audit committee must be reassessed in light of its changed role, more specifically the: • Review of annual integrated reporting • Implementation of a combined assurance model • Approving disclosure of sustainability issues.	As per above, the audit committee terms of reference was reviewed and updated to address all Companies Act and King III requirements. The audit committee reviews the integrated annual report and receives assurance on material issues, including sustainability from the external auditors who conducted a specific review for the annual review 2011. In 2012, we will focus on improving and entrenching the combined assurance model. As reported on 55 and 56, all audit committee members meet Companies Act independence requirements, but only two of the three are regarded as independent in terms of the King III definition. Despite this, from a knowledge, skills and experience perspective, this director is best placed to effectively contribute to committee deliberations. A process is underway to source additional independent directors during 2012, which will enable us to review the committee's composition.	
4	Governance of risk		Current risk management framework should be more integrated and aligned to industry best-practice.	As indicated, an enterprise risk management framework has been established 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.	
5	Governance of information technology (IT)		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 acquisition and disposal of IT goods and services.	The board approved a management framework for information and communications technology (ICT) governance in November 2011, which will be entrenched and improved in 2012. The new integrated risk management framework includes management of all ICT risks. ICT acquisition and disposals fall within the same capital approval parameters as other projects and would thus, based on value, be elevated to the board. The board and/or audit committee will, however, focus more on ICT and ICT projects from 2012 onwards. Refer information management section for more detail.	
6	Compliance with laws, rules, codes and standards		Although Exxaro has adopted a compliance policy, associated processes have not been implemented.	As indicated, a detailed legal register has been implemented and will be used to ensure effective compliance monitoring, reporting and assurance to the board. A compliance manager has been appointed to ensure implementation of all initiatives. Although the structure and systems have been introduced, we acknowledge that significant effort will be required during 2012 to embed the principles. No material incidents of non-compliance occurred in 2011.	

CHAPTER	GOVERNANCE ELEMENT	STATUS	SUMMARY OF FINDINGS	CURRENT STATUS AND NEXT STEPS	SELF-ASSESSMENT OF NEW STATUS
7	Internal audit		Exxaro should integrate risk management and control in its business processes to create value.	See comments on chapter 4.	
8	Governing stakeholder relations		Current stakeholder relations policies need to be reviewed by the board. Integrated annual report should also disclose the nature and outcome of Exxaro's dealings with stakeholders.	During 2011 we continued with our stakeholder relations strategy, which involves: 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 in this report. In addition, a detailed brand and perception assessment with various stakeholders was initiated in 2011 and will be concluded in the first quarter of 2012.	

An independent review of our application of King III principles will again be conducted in 2012.

POLITICAL PARTY FUNDING S06

In December 2011 the board approved a policy on political party funding. Exxaro agrees with the Institute for Democracy in Africa's corporate guide to political donations, which states that: "a clear policy on political funding provides for certainty, consistency and reduces the suspicion that companies are funding parties for their own narrow and commercial self-interest."

Exxaro acknowledges that the primary purpose of political donations is to strengthen and consolidate democracy by ensuring that political parties are able to function effectively. Sustaining a number of political parties that reflect a variety of political views and opinions is necessary to consolidate democratic transformation in South Africa. We believe the principle of multiparty democracy set out in the founding provisions of the Constitution of the Republic of South Africa 1996 deserves support by corporate South Africa.

Funds can be allocated according to any of the rules indicated below.

OPTIONS	RULING PARTY	OPPOSITION A	OPPOSITION B	OPPOSITION C
1 Proportional	60%	20%	10%	10%
2 Pro-competition	30%	30%	20%	20%
3 50% government/50% opposition (equal)	50%	16,6%	16,6%	16,6%
4 50% government/50% opposition (proportional)	50%	30%	15%	5%
5 Government and official opposition only (proportional)	70%	30%		
6 Government and official opposition only (equal)	50%	50%		

Outside the scope of this policy, in 2011, Exxaro donated R3,5 million to the African National Congress for its centenary celebration.

BOARD

ROLE AND COMPOSITION

Dr Konar, with his extensive experience as chairman and non-executive director of many large listed companies, provides overall leadership to the board without limiting the principle of collective responsibility of board decisions. Dr Konar also chairs in-committee discussions at the 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 to the Exxaro board.

The chairman is re-elected annually after assessing his independence and performance. The board has re-elected Dr Konar for the ensuing year, subject to his re-election as a director at the 2012 annual general meeting.

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 the chairman regularly meets individually with senior management to share knowledge.

The board defines levels of authority in Exxaro, reserving specific powers for the board while delegating others to management. The collective responsibility of management vests in the chief executive officer, Mr Sipho Nkosi, who regularly 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 ensure the ongoing prosperity and sustainability of the group.

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.

The board selects and appoints the group 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 group company secretary. The board has an established procedure for directors to obtain independent professional advice at the group's cost. The group company secretary assists directors, board committees and their members in obtaining professional advice.

New directors are informed of their duties and responsibilities through extensive induction material, discussions and visits to material business units, and have access to key management members for information on

BOARD MEETINGS 2011	22 FEB	19 MAY	16 AUG	30 NOV
D Konar (chairman)	P	P	P	P
WA de Klerk	P	P	P	P
JJ Geldenhuys	P	P	P	P
CI Griffith	P	A	P	P
U Khumalo	A	P	T	P
N Langeni	A	A	P	P
VZ Mtambo	A	P	P	P
RP Mohring	P	P	P	P
SA Nkosi	P	P	P	P
NL Sowazi	P	P	P	P
J van Rooyen	P	P	T	P
D Zihlangu	P	P	P	P

P = present, A = apology, T = teleconference,

SPECIAL BOARD AND SUBCOMMITTEE MEETINGS 2011	27 JAN	22 JUN	3 AUG	10 AUG	22 SEP	28 SEP	15 DEC
D Konar (chairman)	A	P	P	P	P	P	P
WA de Klerk	P	A	P	A	P	P	P
JJ Geldenhuys	P	A	T	P	P	P	P
CI Griffith	P	P	A	A	A	A	N
U Khumalo	P	P	N	N	N	P	P
N Langeni	P	A	N	N	N	P	P
VZ Mtambo	P	P	P	P	P	A	P
RP Mohring	P	P	P	N	N	P	A
SA Nkosi	P	P	P	A	P	A	P
NL Sowazi	P	A	N	N	N	P	A
J van Rooyen	P	A	P	P	P	P	P
D Zihlangu	P	P	N	N	N	P	P

P = present, A = apology, T = teleconference, N = not required

Exxaro's operations. Visits to operational businesses for all directors are part of the annual board programme.

During 2011, the board visited the Grootegeluk Medupi expansion project due to its strategic importance.

A formal ongoing directors' development programme was instituted in 2008, giving members the opportunity to attend briefing sessions to ensure they are kept abreast of local and industry developments, risk management, financial reporting and corporate governance best-practice. In addition to formal sessions, directors receive group and industry news articles daily, as well as regular analyst reports. During the year, R1 million was spent on director development and support activities, information sharing and corporate governance initiatives.

An appraisal of the board was undertaken by the group company secretary in collaboration with the chairman at the end of 2011. Feedback sessions were held and an action plan prepared to address improvement initiatives.

The performance of the chief executive officer and finance director is also evaluated against their performance contracts. This is approved annually by the remuneration and nomination committee, in conjunction with the chairman of the board.

COMMITTEES OF THE BOARD

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

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 group company secretary.

This framework has been adopted by all wholly owned subsidiaries and is reviewed annually.

The board has four committees through which it operates:
- Audit committee (previously audit, risk and compliance committee)
- Sustainability, risk and compliance committee (previously safety and sustainable development committee)
- Remuneration and nomination committee (previously transformation, remuneration, human resources and nomination committee)
- Social and ethics committee (established on 1 January 2012).

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.

AUDIT COMMITTEE

Apart from the statutory duties of the audit committee as set out in the Companies Act, and the provisions of the Listings Requirements of the JSE and King III, the ambit of this committee has been expanded to include financial risk management, financial compliance and integrated reporting.

The committee met its responsibilities under the current terms of reference for the review period.

The committee assists the board in:
- Examining and reviewing the group's financial statements and reporting on interim and final results, the accompanying message to stakeholders and any other announcements on the company's results or other financial information to be made public
- Overseeing cooperation between internal and external auditors, and serving as a link between the board and these functions

AUDIT MEETINGS 2011	21 FEB	17 MAY	15 AUG	29 NOV
J van Rooyen (chairman)	T	P	P	P
RP Mohring	P	P	P	P
NL Sowazi	P	A	P	P

P = present, A = apology, T = teleconference

BOARD CONTINUED

- Overseeing the external audit function
- Approving the internal audit plan, fees and qualifications of the internal auditors
- Evaluating the qualification and independence of the external auditor
- Approving external audit fees
- Ensuring effective internal financial controls are in place
- Reviewing the integrity of financial risk control systems and policies
- Evaluating the scope and effectiveness of the internal audit function
- Evaluating the competency level of the finance director and finance function
- 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 directors, and two are independent as defined in King III. However, all three members are considered independent in terms of Companies Act requirements. The finance director and chief audit executive 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.

The committee determines and pre-approves the use of the external auditor for non-audit related services, guided by a formal policy that precludes the external auditor from providing services that would impair audit independence, as required by the Companies Act. This policy was reviewed and amended by the board in November 2011. Non-audit services rendered by the external auditors during the period comprised tax advisory services, tax compliance services, due-diligence reviews, accounting opinions and other advisory services. Fees for these services totalled R22 811 404.

The high increase in non-audit services rendered by the external auditors was mostly as a result of consulting work completed as part of the Tronox transaction, which had started and was approved prior to appointing PwC as external auditors.

PwC was also responsible for assuring selected sustainability issues in the annual review. The audit committee has considered the disclosure of sustainability issues in the integrated annual report and is satisfied with the contents.

REMUNERATION AND NOMINATION COMMITTEE

The purpose of this committee (Remco) is to:
- Make recommendations on remuneration policies and practices for the company's executive directors, senior management and employees
- Review compliance with all statutory and best-practice requirements on labour and industrial relations management in collaboration with the sustainability, risk and compliance committee.

Although this is a combined committee, a process is 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 the board comprises individuals equipped to fulfil their role as directors of the company, aligned with the policy detailing the procedures for appointments to the board
- Providing comments and suggestions on committee structures of the board, committee operations, member qualifications and member appointment
- Reviewing and recommending to the board its annual training programme.

More information appears in the remuneration report.

Although the board chairman is not a member of this committee, a separate agenda is set for nomination committee matters and the board chairman takes the chair.

SUSTAINABILITY, RISK AND COMPLIANCE (SRC) COMMITTEE

The purpose of the committee is to:
- Provide oversight on three important aspects influencing strategy and the long-term viability of the company, being sustainability, risk and compliance
- Oversee and coordinate all risk and compliance activities (although the audit committee remains accountable for financial risk and compliance)
- Review significant SRC incidents, performance indicators and compliance
- Report to the board on developments, trends or significant legislation on SRC matters relevant to Exxaro's operations, assets and employees
- Identify issues and elements arising from national and international protocols applicable to Exxaro's SRC matters
- Ensure the company reports annually through an integrated annual report on SRC issues affecting it.

The committee meets at least three times a year.

REMCO MEETINGS 2011	21 FEB	12 MAY	11 AUG	8 NOV
RP Mohring (chairman)	P	P	P	P
JJ Geldenhuys	P	P	P	P
CI Griffith	P	P	P	T
VZ Mntambo	P	A	P	P
D Konar (nomination committee chairman)	P	P	P	A

P = present, A = apology, T = teleconference

SRC MEETINGS 2011	3 MAR	12 MAY	8 NOV
JJ Geldenhuys (chairman)	P	P	P
N Langeni	P	P	P
RP Mohring	A	P	P
D Zihlangu	P	P	P

P = present, A = apology

SOCIAL AND ETHICS COMMITTEE

This body is constituted as a statutory committee for those duties assigned to it by the Companies Act and as a committee of the board for all other duties assigned by the board.

The purpose of the committee is to monitor the group's activities – taking account of relevant legislation, other legal requirements or prevailing codes of best-practice – with regard to:

- Social and economic development
- Good corporate citizenship
- The environment, health and public safety, including the impact of the group's activities and its products or services
- Consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws
- Labour and employment
- Ensuring the group's ethics are managed effectively.

The committee will meet at least twice per annum, with the first meeting convened on 27 March 2012.

MANAGEMENT COMMITTEES

EXECUTIVE COMMITTEE

The executive committee (Exco) is constituted to assist the chief executive officer (CEO) in managing the group. It assists the CEO in guiding and controlling the overall direction of the company and acts as a medium of communication and coordination between business units, corporate office, subsidiary companies and the board.

All Exco members are prescribed officers in terms of the Companies Act.

The duties of Exco include:

- Overseeing the financial, operational, safety, health and environmental performance of Exxaro
- Guiding Exxaro in its relations with shareholders and key stakeholders, including employees, regulators, interested and affected parties
- Developing group strategies for board approval
- Ensuring coordination between business units, services and corporate office
- 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.

The committee formally meets around nine times per annum and, informally, each week.

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.

The committee also approves smaller projects within its mandate.

The committee meets approximately nine times per annum.

BOARD CONTINUED

OFFSHORE REVIEW COMMITTEE

This committee assists the CEO and finance director in managing Exxaro's portfolio of offshore investments and interests. Its primary responsibilities include:

- Financial control and governance of Exxaro's offshore investments and multidisciplinary interests
- Efficient financial structuring
- Providing for funding of 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.

In November 2011, the board approved a detailed securities dealing and information policy.

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 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.

ACCESS TO INFORMATION

The board approved a revised access to information manual for the group in November 2011. All formal requests during 2011 were complied with. The manual is available on our website.

REMUNERATION REPORT

As indicated in the prior regulatory compliance and corporate governance review, PwC was engaged in 2009 to assess application of the King III principles from a remuneration perspective. While a number of actions were implemented in 2010 and 2011 to align with these remuneration requirements, achieving absolute application will be an ongoing exercise in coming years.

PHILOSOPHY

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

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

We follow a total remuneration approach. This includes guaranteed and variable components which play a critical role in attracting, motivating and retaining the high-performing and talented individuals required to build a sustainable business.

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 resources strategy, geared to support business strategies
- Be designed to motivate and reinforce superior performance
- Be designed to motivate and reinforce living the company 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

GOVERNANCE

The remuneration and nomination committee (Remco, previously the transformation, remuneration, human resources and nomination committee) sets and monitors non-executive and executive remuneration for the company. This committee is responsible for making recommendations to the board on remuneration policies and practices for the company's executive directors, non-executive directors, senior management and personnel.

The committee comprises four non-executive directors. The CEO, finance director (FD), executive general manager: human resources, and compensation and benefits advisers are invited to attend any meeting, but they do not have any voting rights. For full details on the committee, refer to the review on 56.

At the annual general meeting on 22 May 2012, shareholders will be requested to approve the remuneration policy as outlined in this report as a non-binding advisory vote and that the board of directors be authorised to undertake the necessary to implement the remuneration policy as summarised here. Resolutions for consideration are included in the notice of meeting on 208 to 215.

BENCHMARKING

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

The benchmarking used for median performance of the management 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 REPORT CONTINUED

POLICY

A total remuneration approach includes guaranteed and variable components, as noted, to attract, motivate and retain the calibre of individuals required to achieve Exxaro's objectives.

<table>
<tr><th colspan="6">EXXARO REMUNERATION: OVERVIEW</th></tr>
<tr><th colspan="2" rowspan="2">REMUNERATION ELEMENTS</th><th colspan="4">MANAGEMENT AND SPECIALIST CATEGORY EMPLOYEES</th><th>BARGAINING CATEGORY EMPLOYEES</th></tr>
<tr><th>EXECUTIVE MANAGEMENT F BAND</th><th>SENIOR MANAGEMENT E BAND</th><th>MIDDLE MANAGEMENT DU AND DM BAND</th><th>JUNIOR MANAGEMENT CU AND DL BAND</th><th>A–CM BAND</th></tr>
<tr><td rowspan="4">Guaranteed remuneration</td><td rowspan="2">Notional cost of employment or basic salary</td><td colspan="4">Annual adjustments based on:
• Performance
• External market
• Internal parity
• Affordability</td><td>Annual adjustments based on:
• Wage negotiations
• Mandate on affordability</td></tr>
<tr><td colspan="5">Benefits
• Retirement fund: employer and employee contributions
• Medical aid: employer and employee contributions
• Housing: company housing or allowances/subsidies applicable to specific business unit</td></tr>
<tr><td>Circumstantial remuneration</td><td colspan="5">• Job-specific
• Skills scarcity</td></tr>
<tr><td rowspan="6">Variable remuneration</td><td rowspan="3">Short-term incentives</td><td colspan="4">Special performance:
• Individual performance base</td><td>Not applicable</td></tr>
<tr><td colspan="5">• Business unit stretch budget achievement</td></tr>
<tr><td colspan="5">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="3">Long-term incentives</td><td colspan="4">Deferred bonus plan (EU and above)
• Share match</td><td>Not applicable</td></tr>
<tr><td colspan="4">Long-term incentive scheme (EM and above)
• Performance conditions</td><td>Not applicable</td></tr>
<tr><td colspan="4">Share appreciation right scheme
• Performance conditions</td><td>Not applicable</td></tr>
<tr><td colspan="4">Not applicable</td><td>Employee share option scheme
• Mpower scheme – 3% and five-year employee share option scheme (applicable during 2011, but terminated on 27 November 2011)
• At a general meeting to be held immediately after the annual general meeting on 22 May 2012, shareholders will be requested to approve the new scheme</td></tr>
</table>

GUARANTEED REMUNERATION

Management and specialist category

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

- Remuneration 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 comprising basic salary, housing allowance, employer contributions to retirement and medical funds. Annual adjustments are usually determined through wage negotiations where applicable.

BENEFITS

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

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 this fund are reflected in note 31 of the annual financial statements.

Employees belong to one of the following retirement funds:

FUND DESCRIPTION	EMPLOYEE % CONTRIBUTION RANGE	EMPLOYER % CONTRIBUTION RANGE	TOTAL % CONTRIBUTION RANGE
Sentinel Funds	7,50 – 13,20	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
Exxaro Selector Funds (non-package and notional cost of employment)	7,00 – 7,50	10,00 – 15,00	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	7,50	9,00 – 15,00	16,50 – 22,50
Zincor: Selector Umbrella Fund	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 (note 31) merely recognises past practice with no new entrants allowed.

Contributions to medical funds that are charged against income are reflected in note 32 of the annual financial statements.

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 (ringfenced)				Umvuzo
Employee contributions	50%	50%	100%*	50%	40%
Employer contributions	50%	50%	0%	50%	60% to a max of R2 049 per month

** Employer contributions included in package*

Exxaro does not provide any post-retirement medical benefits. The post-retirement benefit obligation disclosed in the annual financial statements (note 32) merely recognises past practice that was discontinued with the creation of Exxaro in November 2006.

Contributions to medical funds, charged against income, are also reflected in note 32.

REMUNERATION REPORT CONTINUED

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 business improvement incentive
  - Group improvement incentive.

Individual performance reward

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

The three-tier performance incentive

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

The second and third tiers are profit based and 30% of gains above budget are shared with employees.

First tier

The first tier is a line-of-sight incentive based on achieving 100% of the business unit's net operating profit target and is currently equal to 8,33% of annual gross remuneration for all full-time employees of every business unit, commodity, services and corporate office department.

Second tier

The second tier is based on exceeding budgeted consolidated net operating profit target by an improvement percentage at commodity business unit level.

Third tier

The third tier is based on exceeding 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 under the following approved schemes:

- Exxaro share appreciation right scheme (SAR)
- Exxaro long-term incentive scheme (LTIP)
- Deferred bonus plan (DBP).

The table below summarises Exxaro's long-term incentives.

EXXARO SHARE APPRECIATION RIGHT SCHEME

These are rights to receive Exxaro shares equal to the value of the difference between the exercise price and grant price.

Vesting of share appreciation rights is subject to a HEPS performance condition, over a three-year performance period, set by Remco. If the performance condition is met, the share appreciation rights vest and participants have to exercise their right within seven years from date of original offer.

LONG-TERM INCENTIVES

PLAN	ELIGIBILITY (EMPLOYEE PATERSON BAND)	DATE IMPLEMENTED	RIGHT SHARES ON 31 DEC 2010	MAXIMUM AWARD PER INDIVIDUAL	PERFOR-MANCE CONDITION	VESTING PERIOD	GRANTS DURING 2011	TOTAL GRANTS SINCE INCEPTION TO 31 DEC 2011
Share appreciation rights	DM – FU Employee Paterson band	01/03/2007	6 937 922	229 902	HEPS* performance condition	3 years	1 541 920	7 347 556
Long-term incentive plan	EM – FU Employee Paterson band	01/03/2007	5 230 789	151 388	50% TSR** 50% ROCE*** performance condition	3 years	377 338	1 478 880
Deferred bonus plan	EU – FU Employee Paterson band	31/08/2007	96 374	19 776	Reached short-term incentive goal	3 years	26 575	108 500

* *Headline earnings per share* ** *Total shareholder return* *** *Return on capital employed*

TOTAL RIGHTS GRANTED AND CANCELLED: 31 DECEMBER 2010 TO 31 DECEMBER 2011

SHARE INCENTIVE SCHEME	NUMBER OF RIGHTS/ SHARES NOT YET EXERCISED ON 31 DECEMBER 2010	OFFERED 2011	CANCELLED 2011	NUMBER OF RIGHTS/ SHARES NOT YET EXERCISED ON 31 DECEMBER 2011
Share appreciation right scheme	6 937 921	1 541 920	321 556	7 347 566

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 of the conditional share award vesting after the performance period depends on the extent to which the performance conditions, total shareholder return and return on capital employed as determined by Remco 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 that do not vest at the end of the performance period will lapse.

TOTAL AWARDS GRANTED AND CANCELLED: 31 DECEMBER 2010 TO 31 DECEMBER 2011

SHARE INCENTIVE SCHEME	NUMBER OF RIGHTS/ SHARES NOT YET EXERCISED ON 31 DECEMBER 2010	OFFERED 2011	CANCELLED 2011	NUMBER OF RIGHTS/ SHARES NOT YET EXERCISED ON 31 DECEMBER 2011
Long-term incentive plan	1 523 789	377 338	6 207	1 478 880

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 payments to acquire shares (pledged shares) in Exxaro.

Participants who own pledged shares are entitled to a dividend but not voting rights.

If the pledged shares are held for the pledge period of three years and the participants remain employed by the company for that period, then the company will provide a matching award of free shares (matching shares).

TOTAL AWARDS GRANTED AND CANCELLED: 31 DECEMBER 2010 TO 31 DECEMBER 2011

SHARE INCENTIVE SCHEME	NUMBER OF RIGHTS/ SHARES NOT YET EXERCISED ON 31 DECEMBER 2010	OFFERED 2010	CANCELLED 2010	NUMBER OF RIGHTS/ SHARES NOT YET EXERCISED ON 31 DECEMBER 2011
Deferred bonus plan	96 374	26 575		108 500

Details of transactions by participants have been excluded.

MPOWER (EXXARO EMPLOYEE SHARE OPTION SCHEME)

The Mpower (ESOP) Trust initially (in November 2006) purchased 10 618 974 (some 3%) of Exxaro's share capital. These shares were unitised before offers were made to qualifying employees. Only employees in Paterson DL and below qualified to participate. The scheme was implemented for a five-year period and ended its term on 27 November 2011, after which it was terminated. On 23 December 2011, capital appreciation proceeds were paid to 9 694 participants. An individual who participated since inception of the scheme until it was terminated received R135 000 before deductions for tax and realisation costs.

Some 662 'good leaver' beneficiaries can submit their claims for payment until 27 November 2012. The total capital appreciation value that would have been paid out to all beneficiaries on final conclusion would be R1 044 594 568.65.

In addition, Mpower paid a total of R81,5 million, representing some R9 210 per beneficiary, in dividends over the period 2006 to 2011.

At a general meeting to be held after the annual general meeting on 22 May 2012, shareholders will be requested to approve the new scheme, which has been distributed with the integrated report, as a separate circular dated 16 April 2012.

REMUNERATION OF: EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS AND SENIOR MANAGERS

DIRECTORS

Information on the remuneration of executive directors and non-executive directors appears in the directors' report on 74 to 109.

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. Within Exxaro, these individuals are also prescribed officers, as defined in the Companies Act, No 71 of 2008, as amended and hence full disclosure of the remuneration of all prescribed officers appears in the directors' report on 74 to 109.

RP Mohring
Chairman
Remuneration committee

27 March 2012

MINING CHARTER SCORECARD

2011 Report for the broad-based socio-economic empowerment charter for Exxaro Resources

	ELEMENT	DESCRIPTION	MEASURE	COMPLIANCE TARGET 2011	ACTUAL 2011
1	Reporting	Has the company reported the level of compliance with the charter for the calendar year	Documentary proof of receipt from the department	March 2012	Report submitted March 2012
2	Ownership	Minimum target for effective HDSA ownership	Meaningful economic participation Full shareholder rights	15% 15%	52,66% 52,66%
3	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	25%	Accommodation: • Exxaro provides accommodation to 30% of its employees • Number of people sharing hostel rooms – 15 • Number of employees accommodated in single quarters (one person per room) – 1 202
		Conversion and upgrading of hostels into family units	Percentage conversion of hostels into family units	25%	Family quarters: • 755 employees stay in family quarters/ flats Housing allowance: Bargaining unit employees receive either a housing allowance or a living-out allowance for accommodation. These allowances differ by job grading and are annually revised through collective bargaining. Non-bargaining unit employees receive an all-inclusive remuneration package.
4	Procurement and enterprise development	Procurement spent on BEE entity	Capital goods Services Consumable goods	10% 40% 15%	45% 42% 43%
		Multinational suppliers contribution to the social fund	Annual spend on procurement from multinational suppliers	0,5%	0,35%
5	Employment equity	Diversification of the workplace to reflect the country's demographics to attain competitiveness	Top management (board) Senior management (Exco) Middle management Junior management Core skills	25% 25% 35% 40% 20%	40% 30% 52% 65% 25%
6	Human resources development	Development of requisite skills, including support for South African 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)	3,5%	5,7%
7	Mine community development	Conduct ethnographic community consultative and collaborative processes to delineate community needs analysis	Implement approved community projects	Implementation of projects will serve to enhance relationships among stakeholders and encourage communities to support projects	Continual engagement with all stakeholders (ie authorities, interested and affected parties) ensures a collaborative approach in implementing Exxaro community projects. The establishment of a formal ethnographic consultative and collaborative socio-economic development forum at each business unit will be finalised before end November 2012. The total spend on socio-economic development during 2011 was 1,77% of net profit after tax.

	ELEMENT	DESCRIPTION	MEASURE	COMPLIANCE TARGET 2011	ACTUAL 2011
8	Sustainable development and growth	Improvement of the industry's environmental management	Implement approved EMPs	Annual progress achieved against approved EMPs	Programmes are in place to achieve the compliance target by 2014
		Improvement of the industry's mine health and safety performance	Implementation of the tripartite action plan on health and safety	Annual progress achieved against commitments in the tripartite action plan on health and safety	In terms of implementing the tripartite action plan, Exxaro has developmental plans for 70% of the actions. These plans will ensure continuous improvement in safety, health, transforming our culture, training, adopting leading practices and supporting related research.
		Utilisation of South African based research facilities for analysis of samples across the mining value	Percentage of samples in South African facilities	25%	Exxaro has a research and development department and commissioned researched was 100% South Africa-based during 2011. Exxaro funds four tertiary chairs as part of its research-support initiatives: • Exxaro chair in global change and sustainability at University of Witwatersrand (Wits). • Exxaro chair in business and climate change at University of South Africa (Unisa). • Exxaro chair in biodiversity and business at University of Pretoria. • Exxaro chair in energy efficiency at University of Pretoria.
9	Beneficiation	Contribution of a mining company towards beneficiation (this measure is effective from 2012)	Additional production volume contributory to local value addition beyond the baseline	The beneficiation strategy and its modalities of implementation outline the beneficiation requirements per commodity extracted in South Africa	Exxaro is in the business of mining and beneficiating minerals and products such as coal and zinc are sold as final products and used in other processes. These products cannot be further beneficiated. Other products such as mineral sands are technically complex processes and thus long-term projects. Exxaro does not benefit from incentives in the mining charter for beneficiation as a group cannot offset ownership with beneficiation initiatives. Exxaro is black-owned and a founder member of SAMMRI which is an industry and government academic institution. The partnership with SAMMRI is to conduct medium- to long-term research on beneficiation to develop value-adding technologies and internal skills (HDSA) in South Africa. A coal downstream project is our market coke initiative, where we are investigating the production of market coke as a reductant for the chrome industry. Our coal beneficiation target for 2014 is 0,5%. The first full production year for Exxaro char plant was 2008. Grootegeluk beneficiates its coal in the char plant and the product is sold locally to ferrochrome smelters as 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 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 medium to long term and ongoing.

KEY SUSTAINABILITY PERFORMANCE INDICATORS

These indicators have been assured. Please refer to the detailed annual review 2011, available online, for the full scope against which the PwC assurance report is provided.

	UNIT	2011	LEVEL OF ASSURANCE
Safety			
Fatalities	Number	3	Reasonable
Lost-time injuries	Number	26 48 (incl. contractors)	Reasonable
LTIFR	Rate	0,21 0,20 (incl contractors)	Reasonable
Occupational health			
New accepted cases of pneumoconiosis	Number	2	Limited
New accepted cases of occupational TB	Number	19	Limited
New accepted cases of NIHL	Number	13	Limited
Energy			
Total diesel used	GJ	2 830 978	Reasonable
Total Sasol gas used	GJ	276 347	Reasonable
Total electricity used	GJ	7 133 903	Reasonable
Greenhouse gases			
Indirect CO_2 emissions (Scope 2)	Tons	2 041 095	Reasonable
Direct CO_2 emissions (Scope 1)	Tons	443 126	Limited
Environmental compliance			
Status of integrated water use licences	Approved Pending	14 approved 5 approved during 2011 8 pending approval	Reasonable
Level 2 and 3 incidences	Level 2 Level 3	28 – Level 2 0 – Level 3	Limited
Amendments made to approved EMPRs		There are approved EMPs in place at each mining licensed area in the Exxaro group. In the review period, no amendments were made to these existing reports.	Reasonable
Water			
Total water use	m^3	29 292 490	Limited
Dust			
Fallout rate	mg/m^2/Day Fallout Rates Coal Sands & Base Metals	Coal – 393 Sands & Base Metals – 585	Limited
Exceedances of industrial limit	Months	Coal average months – 1 Coal worst performer – 3 Sands & Base Metals – average months – 4 Sands & Base Metals worst performer – 4	Limited
Exceedances of residential limit	Months	Coal average months – 5 Coal worst performer – 8 Sands & Base Metals – average months – 10 Sands & Base Metals worst performer – 11	Limited
Land rehabilitation			
Land disturbances versus land rehabilitation	Ha	Land disturbed – 11 785 Ha Land rehabilitated – 3 046 Ha	Limited
Waste			
Hazardous waste generated	Tons	99 435	Limited
Radioactive waste (NNR)	Number	No breaches reported	Limited
Mining charter			
Employment equity	%	41,3	Reasonable
Procurement from HDSA suppliers (Rand value and % spend of total procurement value)	Number %	R4,9 billion 59%	Reasonable
Socio-economic spend as per SLP (Rands)	Number	R42,3 million	Reasonable
% hostels converted into family units	%	0	Limited
Education and training			
Number of employees enrolled for ABET training	Number	111	Reasonable
Training spend in terms of the workplace skills plan (Rands)	Number	R225 million	Limited
Global Reporting Initiative			
Self-declaration of application level	Level	B+	Limited

GROUP CASH VALUE ADDED STATEMENTS

for the year ended 31 December 2011 (unaudited)

The cash 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, share-based payments 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.
- Shareholders receive a fair return on their investment through dividends and growth on the share price.
- Exxaro has corporate social investment initiatives which benefit surrounding communities.
- To ensure sustainability and expansion continuous and substantial reinvestment into the group is necessary.

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.

Year ended 31 December	2011 Rm	2010 Rm
Direct economic value generated		
Revenue from sale of products and services	**22 293**	16 524
Revenue from sale of assets	**547**	60
Income from investments and interest received	**3 524**	1 817
Operating costs (including royalties)[1]	**(15 377)**	(10 081)
Economic value generated	**10 987**	8 320
Economic value distributed		
Employee wages and benefits[2]	**4 464**	4 056
Direct taxes to governments[3]	**501**	430
Interest paid and loan cost	**86**	391
Cash dividend paid	**2 122**	1 056
Community investments (including donations)[4]	**42**	23
Economic value distributed	**7 215**	5 956
Economic value retained in the group to maintain and develop operations	**3 772**	2 364
Total economic value distributed or retained	**10 987**	8 320

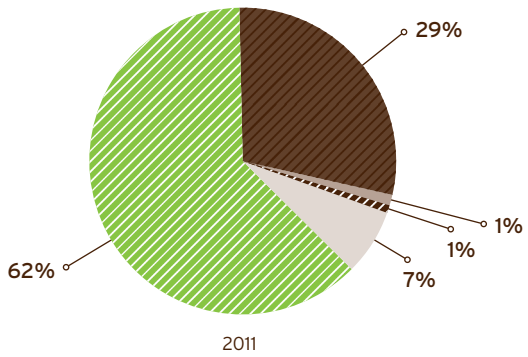
1 Payments to suppliers, non-strategic investments, royalties, and facilitation payments.
2 Total monetary outflows for employees.
3 Direct taxes to governments: gross taxes, excluding deferred tax.
4 Voluntary contributions and investment of funds in the broader community. Excludes legal and commercial activities such as rehabilitation costs required by law.

1	**Taxation contribution**		
	Direct taxes	**501**	430
	Value added taxes levied on purchases of goods and services	**2 683**	2 010
	Gross contributions	**3 184**	2 440
2	**Additional amounts collected by the group on behalf of government**		
	Value added tax and other duties charged on turnover	**2 707**	2 091
	Employees' tax deducted from remuneration paid	**1 197**	1 016
	Unemployment Insurance Fund	**24**	30
	Withholding tax	**1**	4
		3 929	3 141
3	**Levies paid to government**		
	Rates and taxes paid to local authorities	**36**	28
	Royalties paid to government	**190**	115
	Workers' Compensation Fund	**8**	10
	Unemployment Insurance Fund	**24**	30
	Skills Development Levy	**30**	30
		288	213

Year ended 31 December	2011 Rm	2010 Rm
4 Direct taxes per country		
Republic of South Africa	**441**	392
Namibia	**49**	34
Netherlands	**10**	3
Australia[1]		
	500	429
5 Community investments per country/region		
RSA: Gauteng and corporate projects	**14**	7
RSA: KwaZulu-Natal		2
RSA: Limpopo	**11**	7
RSA: Mpumalanga	**14**	4
RSA: Western Cape	**2**	3
Namibia	**1**	
	42	23

1 No taxes were paid due to the tax losses carried forward from previous years.

VALUE ADDED



68%

- Payments to providers of capital
- Direct taxes to governments
- Employee wages and benefits
- Cash dividends
- Community investments (including donations)

The group statutory 2011 financial statements have been expressed in US dollars for information purposes. The selected group financial data includes continued and discontinued operations.

The average US dollar/rand of US$1: R7,22 (2010: US$1: R7,30) has been used to translate the statement of comprehensive income and statement of cash flows, while the statement of financial position has been translated at the closing rate on the last day of the reporting period of US$1: R8,18 (2010: US$1: R6,63).

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 assets.

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.

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 cost.

HEADLINE EARNINGS YIELD
Headline earnings per ordinary share divided by the closing share price on the JSE Limited.

INVESTED CAPITAL
Total equity, interest-bearing debt, non-current provisions and net deferred tax less cash and cash equivalents.

NET ASSETS
Total assets less current and non-current liabilities less non-controlling interests which equates to equity of owners of the parent.

NET DEBT TO EQUITY RATIO
Interest-bearing debt less cash and cash equivalents as percentage of total equity.

NET EQUITY PER ORDINARY SHARE
Equity attributable to owners of the parent divided by the number of ordinary shares in issue at year end.

NUMBER OF YEARS TO REPAY INTEREST-BEARING DEBT
Interest-bearing debt divided by cash flow from operating activities before dividends paid.

OPERATING MARGIN
Net operating profit as a percentage of revenue.

OPERATING PROFIT PER EMPLOYEE
Net operating profit divided by the average number of employees during the year.

RETURN ON CAPITAL EMPLOYED
Net operating profit plus income from non-equity accounted investments plus income from investments in associates as a percentage of average capital employed.

RETURN ON ORDINARY SHAREHOLDERS' EQUITY
- **Attributable earnings**
  Attributable earnings attributable to owners of the parent as a percentage of average equity attributable to owners of the parent.
- **Headline earnings**
  Headline earnings attributable to owners of the parent as a percentage of average equity attributable to owners of the parent.

RETURN ON INVESTED CAPITAL
Net operating profit plus income from non-equity accounted investments plus income from investments in associates as a percentage of the average invested capital.

RETURN ON NET ASSETS
Net operating profit plus income from non-equity accounted investments plus income from investments in associates as a percentage of the average net assets.

REVENUE PER EMPLOYEE
Revenue divided by the average number of employees during the year.

TOTAL ASSET TURNOVER
Revenue divided by average total assets.

WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE
The number of shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period in which they have participated in the income of the group.

In the case of shares issued pursuant to a share capitalisation award in lieu of dividends, the participation of such shares is deemed to be from the date of issue.

These financial statements for the year ended 31 December 2011 have been prepared under the supervision of WA de Klerk (CA)SA, South African Institute of Chartered Accountants (SAICA) registration number 00133273.

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 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 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 2012. 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 21 February 2012 and are signed on its behalf by:

SA Nkosi
Chief Executive Officer

WA de Klerk
Finance Director

21 February 2012

The independent external auditors have audited the annual financial statements of the company and group and their unmodified report appears on 73.

CERTIFICATE BY GROUP COMPANY SECRETARY

In terms of section 88(e) of the Companies Act No 71 of 2008, as amended, I, CH Wessels, in my capacity as group company secretary, confirm that for the year ended 31 December 2011, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Act and that all such returns and notices are true, correct and up to date.

CH Wessels
Group Company Secretary

21 February 2012

REPORT OF THE INDEPENDENT AUDITOR ON THE ANNUAL FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF EXXARO RESOURCES LIMITED

We have audited the consolidated annual financial statements and annual financial statements of Exxaro Resources Limited, which comprise the consolidated and separate statements of financial position as at 31 December 2011, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, and the directors' report set out on pages 74 to 207.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of 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 misstatements, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 consolidated and separate financial position of Exxaro Resources Limited as at 31 December 2011, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.

Director: TD Shango
Registered Auditor

Johannesburg

23 February 2012

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 2011.

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 19,98% interest in Sishen Iron Ore Company Proprietary Limited which extracts and processes iron ore.

CORPORATE GOVERNANCE

The board of Exxaro endorses the principles contained in the King Report on Governance for South Africa 2009 (King III Report). Full details on how these principles were applied in Exxaro and the actions undertaken to achieve full application are set out in the Corporate Governance Review on 50 to 53.

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, 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 report on 2 to 9 as well as in the financial and operational reviews on 34 to 37. These reports are unaudited.

CAPITAL MANAGEMENT

As a diversified mining group, Exxaro is exposed to the cyclical price movements associated with its suite of commodities. The group's policy is therefore to ensure that it maintains a robust capital structure with strong financial metrics underpinned by adequate borrowing facilities to withstand a significant downturn in commodity cycles. Growth opportunities, debt levels and dividend distributions to shareholders are considered against this backdrop.

The board of directors is ultimately responsible to monitor debt levels, return on capital, total shareholder return as well as compliance with contractually agreed loan covenants. For the year under review the following key metrics were achieved:

	2011	2010
Net (cash)debt/equity ratio (%)	(1)	13
Net financing cost cover – EBITDA (times)	18	9
Return on capital employed (%) (refer definitions on 70)	45	38

The capital base consists of total shareholders' equity as disclosed, as well as interest bearing borrowings. As a new generation empowerment company with a 52,66% BEE shareholding as at 31 December 2011, Exxaro is constrained from issuing equity, and its memorandum of incorporation accordingly incorporates 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.

PROPERTY, PLANT AND EQUIPMENT

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 buy-back plan.

On 30 November 2011, the company repurchased and delisted 4 474 572 of the company's own shares at the par value of one cent each (total consideration: R44 745,72) from the Exxaro Employee Empowerment Participation Scheme in terms of article 39 of the company's memorandum of incorporation and in accordance with section 48 of the Companies Act No 71 of 2008, as amended (Companies Act) and the Listings Requirements of the JSE Limited. The directors had applied the solvency and liquidity test and were satisfied that the company would satisfy the test immediately after completion of the repurchase.

During the year, the group complied with all its contractually-agreed loan covenants.

There were no significant 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 economic downturns.

Neither the company nor any of its subsidiaries are subject to externally imposed regulatory capital requirements.

Capital expenditure for the period amounted to R4 926 million (2010: R2 677 million).

SHAREHOLDERS' RESOLUTIONS

At the tenth annual general meeting of shareholders, held on 19 May 2011, the following resolutions were passed:

- approval of financial statements;
- re-election of directors;
- ratification and approval of non-executive directors' fees for 2011;
- appointment of audit committee members;
- approval of remuneration policy;
- appointment of independent auditors and auditors' fees;
- renewal of the authority that unissued shares be placed under the control of the directors;

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORATE AND SHAREHOLDINGS

The names of the directors in office at the date of this report are set out on 44 and 45.

Ms N Langeni resigned as non-executive director effective 18 January 2012. The board expressed its sincere appreciation for her contribution during her term of office. As a result, Ms S Dakile-Hlongwane was appointed as non-executive director of the board on 21 February 2012, as the Basadi Ba Kopane Investments Proprietary Limited nominated representative.

Ms S Dakile-Hlongwane is required to retire in terms of article 15.2 of the memorandum of incorporation of the company, and being eligible, offers herself for re-election at the forthcoming annual general meeting.

The following directors are also required to retire by rotation in terms of article 16.1 of the memorandum of incorporation of the company, and being eligible for re-election, offer themselves for re-election at the forthcoming annual general meeting:

- Mr U Khumalo;
- Dr D Konar; and
- Mr RP Mohring.

GROUP COMPANY SECRETARY

Ms MS Viljoen retired as company secretary of the company on 30 June 2011. The board expressed its sincere appreciation for her service during her term of office. Ms CH Wessels was appointed as group company secretary on 1 July 2011.

The group company secretary is CH Wessels. The group company secretary's registered address is:

Roger Dyason Road,
Pretoria West,
0183
South Africa

PO Box 9229
Pretoria,
0001
South Africa

AUDIT COMMITTEE

The audit committee (previously 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:

- Companies Act;
- Listings Requirements of the JSE Limited; and
- King III report.

The committee had nominated PricewaterhouseCoopers Incorporated (PwC) as external auditor for the 2011 financial year, which appointment was approved at the annual general meeting of shareholders held on 19 May 2011. Refer to the governance review on 46 to 53 for further details on the composition, role, purpose and principal functions of the audit committee.

At the board meeting held on 21 February 2012, Mr J van Rooyen was re-elected as chairman of the audit committee for the following year, subject to his re-election as an audit committee member by shareholders at the annual general meeting.

INDEPENDENT AUDITORS

PwC was appointed as independent auditors on 19 May 2011 in accordance with section 90 of the Companies Act. At the audit committee meeting held on 16 February 2012, PwC was re-nominated as independent auditors for the 2012 financial year.

NON-AUDIT SERVICES

Exxaro has an approved board policy to regulate the use of non-audit services by the group's independent auditors, which policy was reviewed and re-approved in November 2011. 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, PwC were engaged for tax advisory, enterprise risk management, merger and acquisition, due diligence reviews and non-financial assurance for purposes of the 2012 annual integrated report. The fees applicable to these services totalled R22,8 million. Refer to governance review for details.

CHANGE IN ACCOUNTING POLICIES

The accounting policies applied during the year ended 31 December 2011 are consistent, in all material respect, with those applied in the annual financial statements for the year ended 31 December 2010.

No changes in accounting policies were effected during the year ended 31 December 2011.

BORROWING POWERS

Borrowing capacity is determined by the directors in terms of the Memorandum of Incorporation, from time to time:

	GROUP	
	2011	2010
	Rm	Rm
Amount approved	**29 510**	21 850
Total borrowings	**(3 902)**	(4 360)
Unutilised borrowing capacity	**25 608**	17 490

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2011 and 2010 financial years.

GOING CONCERN

The directors believe that 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 192 to 196 of this report.

ANNUAL GENERAL MEETING

The eleventh annual general meeting of shareholders of Exxaro will be held at the Corporate Office, Roger Dyason Road, Pretoria West, South Africa, at 10:00 on Tuesday, 22 May 2012. Refer to 208 to 215 of these annual financial statements for further details of the ordinary and special business for consideration at this meeting.

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

The 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 remuneration and nomination committee (previously Tremco) and meets the requirements of the Companies Act.

REMUNERATION POLICY

The remuneration and nomination committee (Remco) has a clearly defined mandate from the board aimed at:

- ensuring that the company's chairman, directors, senior executives and employees are fairly rewarded for their individual contributions to the company's overall performance; and
- ensuring that the company's remuneration strategies and packages, including the incentive schemes, are related to performance, are suitably competitive and give due regard to the interests of the shareholders and the financial and commercial health of the company.

DIRECTORS' SERVICE CONTRACTS

All executive directors' normal contracts are subject to six calendar months' notice. Non-executive directors are not bound by service contracts.

There are no restraints of trade associated with the contracts of executive directors.

RELATED PARTY TRANSACTIONS

Details of the group's related party transactions are set out on 184 and 185 of this report.

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

SUMMARY OF REMUNERATION RECEIVED OR RECEIVABLE

Year ended 31 December 2011	Basic salary R	Fees for services R	Performance bonuses[1] R
EXECUTIVE DIRECTORS			
SA Nkosi	5 653 180		3 424 467
WA de Klerk	3 527 231		1 943 798
	9 180 411		5 368 265
Less: gains on share scheme			
Add: share-based payment expense			
Total remuneration paid by Exxaro			
NON-EXECUTIVE DIRECTORS			
JJ Geldenhuys		489 120	
CI Griffith		330 200	
U Khumalo[3]		236 130	
Dr D Konar *(chairman)*		849 347	
N Langeni		311 797	
VZ Mntambo		324 297	
RP Mohring		567 580	
NL Sowazi[3]		331 590	
J van Rooyen		460 300	
D Zihlangu		311 797	
Total remuneration paid by Exxaro		4 212 158	
PRESCRIBED OFFICERS			
PT Arran	2 944 806		1 664 321
MDM Mgojo	3 061 375		1 600 575
M Piater	2 460 818		1 267 868
WH van Niekerk	3 018 432		1 793 080
PE Venter	2 799 181		1 739 462
M Veti	1 911 358		971 499
MS Viljoen[4]	939 012		335 823
C H Wessels[5]	674 029		418 044
	17 809 011		9 790 672
Less: gains on share scheme			
Add: share-based payment expense			
Total remuneration paid by Exxaro			

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 Fees paid to the respective employer and not the individual.
4 Retired effective 31 August 2011 (as company secretary effective 30 June 2011).
5 Appointed effective 1 June 2011 (as group company secretary effective 1 July 2011).

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

	Benefits and allowances[2]	Retirement fund contributions	Gains on management share option scheme	Other	Total
	R	R	R	R	R
	80 692	526 376	7 372 141	7 669	17 064 525
	195 796	303 286	7 614 078	5 352	13 589 541
	276 488	829 662	14 986 219	13 021	30 654 066
					(14 986 218)
					11 267 550
					26 935 398
	25 961				515 081
					330 200
					236 130
	8 715				858 062
	5 721				317 518
					324 297
	16 825				584 405
					331 590
					460 300
					311 797
	57 222				4 269 380
	45 000	223 788	1 552 934	4 832	6 435 681
	75 350	250 471	2 757 243	4 840	7 749 854
	118 208	232 592	2 699 785	7 642	6 786 913
	145 642	283 919	4 293 509	4 906	9 539 488
	215 411	252 831	8 459 835	4 500	13 471 220
	76 185	182 611	1 213 700	3 638	4 358 991
	9 750	65 932	691 213	1 919	2 043 649
	317 255	54 785		1 653	1 465 766
	1 002 801	1 546 929	21 668 219	33 930	51 851 562
					(21 668 219)
					13 048 438
					43 231 781

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

SUMMARY OF REMUNERATION RECEIVED OR RECEIVABLE (CONTINUED)

Year ended 31 December 2010	Basic salary R	Fees for services R	Performance bonuses[1] R
EXECUTIVE DIRECTORS			
SA Nkosi	5 233 180		3 150 335
WA de Klerk	2 879 349		1 633 632
	8 112 529		4 783 967
Less: gains on share scheme			
Add: share-based payment expense			
Total remuneration paid by Exxaro			
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	
PRESCRIBED OFFICERS			
PT Arran	2 349 475		1 236 338
MDM Mgojo	2 496 795		1 130 777
M Piater	2 010 100		902 492
WH van Niekerk	2 417 547		1 314 644
PE Venter	2 604 005		1 313 261
MS Viljoen	1 130 293		413 758
	13 008 215		6 311 270
Less: gains on share scheme			
Add: share-based payment expense			
Total remuneration paid by Exxaro			

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.

Benefits and allowances[2]	Retirement fund contributions	Gains on management share option scheme	Other	Total
R	R	R	R	R
97 403	458 341	4 457 001	6 005	13 402 265
225 137	274 397	2 231 251	3 488	7 247 254
322 540	732 738	6 688 252	9 493	20 649 519
				(6 688 252)
				9 890 618
				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
226 995	194 258	1 163 621	4 392	5 175 079
99 140	220 459	2 115 183	4 439	6 066 793
92 012	202 400	1 141 580	3 905	4 352 489
114 962	238 219	929 108	4 392	5 018 872
186 620	231 589	2 207 363	4 654	6 547 492
60 495	95 281	993 862	2 842	2 696 531
780 224	1 182 206	8 550 717	24 624	29 857 256
				(8 550 717)
				11 015 180
				32 321 719

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

At 31 December 2011	Direct	Indirect
Directors' beneficial interest in Exxaro shares		
DIRECTOR		
SA Nkosi	19 776	9 837 655
WA de Klerk	33 695	
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		
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		

At 31 December 2010	Direct	Indirect
Directors' beneficial interest in Exxaro shares		
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		
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		

There has been no change to the interest of directors in share capital since 31 December 2011 to the date of this report.

On 31 December 2011 Mr SA Nkosi held 2,8% (2010: 2,7%), Mr VZ Mntambo held 1,6% (2010: 1,5%), Mr NL Sowazi held 0,9% (2010: 0,8%) and Mr D Zihlangu held 0,8% (2010: 0,8%) directly or indirectly in the share capital of the company.

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

DIRECTORS' AND PRESCRIBED OFFICERS' SHARE OPTIONS AND RESTRICTED SHARE AWARDS

The following options and rights in shares in the company were exercised or are outstanding in favour of directors of the company under the company's share option schemes:

Management share option scheme

	Options held at 31 December 2011	Exercise price	Exercisable period	Proceeds if exercisable at 31 December 2011
Year ended 31 December 2011		R		R
EXECUTIVE DIRECTOR				
WA de Klerk				
	8 750	19,62	22/04/2012	1 470 000
	8 750			1 470 000

1 Based on a share price of R168,00 which prevailed on 31 December 2011.

Pre-tax gain if exercisable at 31 December 2011[1] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
	3 230	13,62	155,00	456 657	08/03/2011
	5 445	12,90	155,00	773 735	08/03/2011
	3 726	12,90	155,01	529 502	08/03/2011
	134	12,90	155,02	19 044	08/03/2011
	1 120	12,90	154,70	158 816	08/03/2011
	631	12,90	154,72	89 488	08/03/2011
	24	12,90	154,86	3 407	08/03/2011
	1 202	12,90	154,87	170 648	08/03/2011
	1 083	12,90	154,88	153 764	08/03/2011
	800	12,90	155,20	113 840	08/03/2011
	1 099	12,90	155,22	156 410	08/03/2011
	1 318	12,90	155,23	187 591	08/03/2011
	2 365	12,90	155,07	336 232	08/03/2011
	412	12,90	155,29	58 665	08/03/2011
	360	12,90	155,41	51 304	08/03/2011
	3 437	12,90	155,60	490 460	08/03/2011
	462	12,90	155,62	65 937	08/03/2011
	148	12,90	155,63	21 124	08/03/2011
	385	12,90	155,77	55 005	08/03/2011
	315	12,90	155,84	45 026	08/03/2011
	1 281	12,90	156,00	183 311	08/03/2011
	299	12,90	156,01	42 790	08/03/2011
	904	12,90	156,02	129 380	08/03/2011
	265	12,90	156,13	37 956	08/03/2011
	731	12,90	156,19	104 745	08/03/2011
	832	12,90	156,22	119 242	08/03/2011
	352	12,90	156,23	50 452	08/03/2011
1 298 325					
1 298 325	32 360			4 604 531	

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

Directors' and prescribed officers' share options and restricted share awards (continued)

Management share option scheme (continued)

Year ended 31 December 2011	Options held at 31 December 2011	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2011 R
PRESCRIBED OFFICER				
M Piater				
	4 510	**19,62**	**22/04/2011**	**757 680**
	4 510			**757 680**
WH van Niekerk				
	6 460	**19,62**	**22/04/2011**	**1 085 280**
	6 460			**1 085 280**
PE Venter				

1 Based on a share price of R168,00 which prevailed on 31 December 2011.

Pre-tax gain if exercisable at 31 December 2011[1] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
	193	12,90	144,01	25 304	16/03/2011
	3 766	12,90	144,00	493 723	16/03/2011
	500	12,90	144,02	65 560	16/03/2011
	3 081	12,90	143,80	403 303	16/03/2011
669 194					
669 194	7 540			987 890	
	5 693	12,90	155,10	809 545	07/03/2011
	12 657	12,90	155,60	1 806 154	07/03/2011
	1 091	12,90	156,00	156 122	07/03/2011
	179	12,90	156,01	25 617	07/03/2011
958 535					
958 535	19 620			2 797 438	
	1 393	12,90	149,88	190 813	28/02/2011
	318	12,90	149,89	43 563	28/02/2011
	4 129	12,90	149,95	565 879	28/02/2011
	400	12,90	149,95	54 820	28/02/2011
	1 722	19,62	169,25	257 663	05/04/2011
	2 000	19,62	169,31	299 380	05/04/2011
	1 207	19,62	170,00	181 509	05/04/2011
	341	19,62	170,01	51 283	05/04/2011
	1 866	19,62	169,50	279 676	05/04/2011
	101	19,62	169,99	15 187	05/04/2011
	493	19,62	170,08	74 177	05/04/2011
	866	19,62	170,50	130 662	05/04/2011
	674	19,62	170,51	101 700	05/04/2011
	15 510			2 246 312	

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

Directors' and prescribed officers' share options and restricted share awards (continued)

Management share option scheme (continued)

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
PRESCRIBED OFFICER				
M Piater	7 540	12,90	16/03/2011	1 027 250
	4 510	19,62	22/04/2012	614 442
	12 050			1 641 692
WH van Niekerk	19 620	12,90	16/03/2011	2 673 029
	6 460	19,62	22/04/2012	880 110
	26 080			3 553 139
PE Venter	6 240	12,90	16/03/2011	850 138
	9 270	19,62	22/04/2012	1 262 945
	15 510			2 113 083

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]	Options exercised during the year	Exercise price	Sale price/ market price	Pre-tax gain	Date exercised
R		R	R	R	
396 063					
3 592 894					
1 020 425					
5 009 382					
929 984					
525 956					
1 455 940					
2 419 931					
753 365					
3 173 296					
769 642					
1 081 067					
1 850 709					

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

Directors' and prescribed officers' share options and restricted share awards (continued)

Management share appreciation right scheme

Year ended 31 December 2011	Rights held at 31 December 2011	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2011 R
EXECUTIVE DIRECTOR				
SA Nkosi	38 680	60,60	01/03/2014	6 498 240
	41 780	112,35	01/04/2015	7 019 040
	67 430	67,07	01/04/2016	11 328 240
	45 474	126,77	01/04/2017	7 639 632
	36 538	163,95	01/04/2018	6 138 384
	229 902			38 623 536
WA de Klerk	19 330	60,60	01/03/2014	3 247 440
	16 410	112,35	01/04/2015	2 756 880
	37 760	67,07	01/04/2016	6 343 680
	21 478	126,77	01/04/2017	3 608 304
	18 268	163,95	01/04/2018	3 069 024
	113 246			19 025 328
PRESCRIBED OFFICER				
PT Arran	10 190	60,60	01/03/2014	1 711 920
	9 470	112,35	01/04/2015	1 590 960
	15 200	67,07	01/04/2016	2 553 600
	16 358	126,77	01/04/2017	2 748 144
	14 084	163,95	01/04/2018	2 366 112
	65 302			10 970 736
MDM Mgojo	18 340	60,60	01/03/2014	3 081 120
	15 720	112,35	01/04/2015	2 640 960
	27 530	67,07	01/04/2016	4 625 040
	16 358	126,77	01/04/2017	2 748 144
	14 084	163,95	01/04/2018	2 366 112
	92 032			15 461 376
M Piater	9 840	60,60	01/03/2014	1 653 120
	9 420	112,35	01/04/2015	1 582 560
	16 330	67,07	01/04/2016	2 743 440
	9 380	126,77	01/04/2017	1 575 840
	8 542	163,95	01/04/2018	1 435 056
	53 512			8 990 016

1 Based on a share price of R168,00 which prevailed on 31 December 2011.

4 154 232
2 325 057
6 805 710
1 874 893
147 979
15 307 871
2 076 042
913 217
3 811 117
885 538
73 985
7 759 899
1 094 406
527 006
1 534 136
674 440
57 040
3 887 028
1 969 716
874 818
2 778 603
674 440
57 040
6 354 617
1 056 816
524 223
1 648 187
386 737
34 595
3 650 558

Pre-tax gain if exercisable at 31 December 2011[1] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
857 052					
500 294					
1 421 094					
1 274 465					
674 440					
57 040					
4 784 385					
	19 330	**60,60**	**172,27**	**2 158 581**	**06/04/2011**
	18 110	**112,35**	**172.27**	**1 085 151**	**06/04/2011**
3 082 402					
716 412					
57 121					
3 855 935	**37 440**			**3 243 732**	
762 540					
390 663					
1 169 779					
314 338					
24 980					
2 662 300					
11 891					

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					

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

Directors' and prescribed officers' share options and restricted share awards (continued)

Management share appreciation right scheme (continued)

Year ended 31 December 2010	Rights held at 31 December 2010	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2010 R
PRESCRIBED OFFICER				
PT Arran	10 190	60,60	01/03/2014	1 388 286
	9 470	112,35	01/04/2015	1 290 193
	15 200	67,07	01/04/2016	2 070 848
	16 358	126,77	01/04/2017	2 228 614
	51 218			6 977 941
MDM Mgojo	18 340	60,60	01/03/2014	2 498 642
	15 720	112,35	01/04/2015	2 141 693
	27 530	67,07	01/04/2016	3 750 687
	16 358	126,77	01/04/2017	2 228 614
	77 948			10 619 636
M Piater	9 840	60,60	01/03/2014	1 340 602
	9 420	112,35	01/04/2015	1 283 381
	16 330	67,07	01/04/2016	2 224 799
	9 380	126,77	01/04/2017	1 277 931
	44 970			6 126 713
WH van Niekerk	7 980	60,60	01/03/2014	1 087 195
	8 990	112,35	01/04/2015	1 224 798
	14 080	67,07	01/04/2016	1 918 259
	12 190	63,45	04/05/2016	1 660 766
	16 358	126,77	01/04/2017	2 228 614
	59 598			8 119 632
PE Venter	19 330	60,60	01/03/2014	2 633 519
	18 110	112,35	01/04/2015	2 467 306
	30 540	67,07	01/04/2016	4 160 770
	17 376	126,77	01/04/2017	2 367 306
	85 356			11 628 901
MS Viljoen				
	4 210	112,35	01/04/2015	573 570
	7 110	67,07	01/04/2016	968 666
	3 898	126,77	01/04/2017	531 064
	15 218			2 073 300

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]	Options exercised during the year	Exercise price	Sale price/ market price	Pre-tax gain	Date exercised
R		R	R	R	
770 772					
226 238					
1 051 384					
154 910					
2 203 304					
1 387 238					
375 551					
1 904 250					
154 910					
3 821 949					
744 298					
225 044					
1 129 546					
88 829					
2 187 717					
603 607					
214 771					
973 914					
887 310					
154 910					
2 834 512					
1 462 121					
432 648					
2 112 452					
164 551					
4 171 772					
	5 330	60,60	132,81	384 879	22/10/2010
100 577					
491 799					
36 914					
629 290	5 330			384 879	

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

Directors' and prescribed officers' share options and restricted share awards (continued)

Management share scheme – long term incentive plan

Year ended 31 December 2011	Rights held at 31 December 2011	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2011 R
EXECUTIVE DIRECTOR				
SA Nkosi				
	67 438		01/04/2012	11 329 584
	47 412		01/04/2013	7 965 216
	36 538		01/04/2014	6 138 384
	151 388			25 433 184
WA de Klerk				
	37 764		01/04/2012	6 344 352
	21 478		01/04/2013	3 608 304
	18 268		01/04/2014	3 069 024
	77 510			13 021 680
PRESCRIBED OFFICER				
PT Arran				
	15 202		01/04/2012	2 553 936
	16 358		01/04/2013	2 748 144
	14 084		01/04/2014	2 366 112
	45 644			7 668 192
MDM Mgojo				
	27 536		01/04/2012	4 626 048
	16 358		01/04/2013	2 748 144
	14 084		01/04/2014	2 366 112
	57 978			9 740 304
M Piater				
	16 340		01/04/2012	2 745 120
	9 380		01/04/2013	1 575 840
	8 542		01/04/2014	1 435 056
	34 262			5 756 016
WH van Niekerk				
	14 090		01/04/2012	2 367 120
	12 112		04/05/2012	2 034 816
	16 358		01/04/2013	2 748 144
	14 084		01/04/2014	2 366 112
	56 644			9 516 192
PE Venter				
	30 550		01/04/2012	5 132 400
	17 376		01/04/2013	2 919 168
	14 104		01/04/2014	2 369 472
	62 030			10 421 040
M Veti				
	11 596		01/04/2012	1 948 128
	7 624		01/04/2013	1 280 832
	6 168		01/04/2014	1 036 224
	25 388			4 265 184
MS Viljoen[2]				
CH Wessels[3]	2 936		01/04/2014	493 248

1 Based on a share price of R168,00 which prevailed on 31 December 2011.
2 Retired effective 31 August 2011.
3 Appointed effective 1 June 2011.

Pre-tax gain if exercisable at 31 December 2011[1]	Options exercised during the year	Exercise price	Sale price/ market price	Pre-tax gain	Date exercised
R		R	R	R	
	41 782		163,95	6 850 159	07/04/2011
11 329 584					
7 965 216					
6 138 384					
25 433 184	41 782			6 850 159	
	16 418		163,95	2 691 731	01/04/2011
6 344 352					
3 608 304					
3 069 024					
13 021 680	16 418			2 691 731	
	9 472		163,95	1 552 934	08/04/2011
2 553 936					
2 748 144					
2 366 112					
7 668 192	9 472			1 552 934	
	15 724		163,95	2 577 950	06/04/2011
4 626 048					
2 748 144					
2 366 112					
9 740 304	15 724			2 577 950	
	9 422		163,95	1 544 737	08/04/2011
2 745 120					
1 575 840					
1 435 056					
5 756 016	9 422			1 544 737	
	8 994		163,95	1 474 566	08/04/2011
2 367 120					
2 034 816					
2 748 144					
2 366 112					
9 516 192	8 994			1 474 566	
	18 114		163,95	2 969 790	06/04/2011
5 132 400					
2 919 168					
2 369 472					
10 421 040	18 114			2 969 790	
	7 022		163,95	1 151 257	08/04/2011
1 948 128					
1 280 832					
1 036 224					
4 265 184	7 022			1 151 257	
	4 216		163,95	691 213	05/04/2011
493 248					

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

Directors' and prescribed officers' share options and restricted share awards (continued)

Management share scheme – long term incentive plan (continued)

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
PRESCRIBED OFFICER				
PT Arran				
	9 472		01/04/2011	1 290 465
	15 202		01/04/2012	2 071 120
	16 358		01/04/2013	2 228 614
	41 032			5 590 199
MDM Mgojo				
	15 724		01/04/2011	2 142 238
	27 536		01/04/2012	3 751 505
	16 358		01/04/2013	2 228 614
	59 618			8 122 357

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
	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	
	10 192		114,17	1 163 621	08/03/2010
1 290 465					
2 071 120					
2 228 614					
5 590 199	10 192			1 163 621	
	18 346		114,17	2 094 563	08/03/2010
2 142 238					
3 751 505					
2 228 614					
8 122 357	18 346			2 094 563	

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

Directors' and prescribed officers' share options and restricted share awards (continued)

Management share scheme – long term incentive plan (continued)

Year ended 31 December 2010	Rights held at 31 December 2010	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2010 R
PRESCRIBED OFFICER				
M Piater				
	9 422		01/04/2011	1 283 653
	16 340		01/04/2012	2 226 162
	9 380		01/04/2013	1 277 931
	35 142			4 787 746
WH van Niekerk				
	8 994		01/04/2011	1 225 343
	14 090		01/04/2012	1 919 622
	12 112		04/05/2012	1 650 139
	16 358		01/04/2013	2 228 614
	51 554			7 023 718
PE Venter				
	18 114		01/04/2011	2 467 851
	30 550		01/04/2012	4 162 132
	17 376		01/04/2013	2 367 306
	66 040			8 997 289
MS Viljoen				
	4 216		01/04/2011	574 388
	7 116		01/04/2012	969 484
	3 898		01/04/2013	531 064
	15 230			2 074 936

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]	Options exercised during the year	Exercise price	Sale price/ market price	Pre-tax gain	Date exercised
R		R	R	R	
	9 844		114,17	1 123 889	05/03/2010
1 283 653					
2 226 162					
1 277 931					
4 787 746	9 844			1 123 889	
	7 982		114,17	911 305	02/03/2010
1 225 343					
1 919 622					
1 650 139					
2 228 614					
7 023 718	7 982			911 305	
	19 334		114,17	2 207 363	02/03/2010
2 467 851					
4 162 132					
2 367 306					
8 997 289	19 334			2 207 363	
	5 334		114,17	608 983	03/03/2010
574 388					
969 484					
531 064					
2 074 936	5 334			608 983	

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

Directors' and prescribed officers' share options and restricted share awards (continued)

Management share scheme – deferred bonus plan

Year ended 31 December 2011	Rights held at 31 December 2011	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2011 R
EXECUTIVE DIRECTOR				
SA Nkosi				
	2 315		02/03/2012	388 920
	6 620		31/03/2012	1 112 160
	466		31/08/2012	78 288
	1 433		01/03/2013	240 744
	3 527		31/03/2013	592 536
	420		31/08/2013	70 560
	1 492		28/02/2014	250 656
	2 934		31/03/2014	492 912
	569		11/11/2014	95 592
	19 776			3 322 368
WA de Klerk				
	1 644		02/03/2012	276 192
	3 000		31/03/2012	504 000
	326		31/08/2012	54 768
	1 003		01/03/2013	168 504
	2 083		31/03/2013	349 944
	262		31/08/2013	44 016
	932		28/02/2014	156 576
	1 542		31/03/2014	259 056
	355		11/11/2014	59 640
	11 147			1 872 696

1 Based on a share price of R168,00 which prevailed on 31 December 2011.

Pre-tax gain if exercisable at 31 December 2011[1] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
	718		147	105 553	04/03/2011
	2 573		147	378 257	04/03/2011
	213		179	38 172	16/11/2011
388 920					
1 112 160					
78 288					
240 744					
592 536					
70 560					
250 656					
492 912					
95 592					
3 322 368	3 504			521 982	
	542		147,01	79 679	08/03/2011
	1 398		147,01	205 520	08/03/2011
	182		179,21	32 616	16/11/2011
276 192					
504 000					
54 768					
168 504					
349 944					
44 016					
156 576					
259 056					
59 640					
1 872 696	2 122			317 815	

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

Directors' and prescribed officers' share options and restricted share awards (continued)

Management share scheme – deferred bonus plan (continued)

Year ended 31 December 2011	Rights held at 31 December 2011	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2011 R
PRESCRIBED OFFICER				
PT Arran	247		31/08/2012	41 496
MDM Mgojo				
	645		02/03/2012	108 360
	2 586		31/03/2012	434 448
	247		31/08/2012	41 496
	832		01/03/2013	139 776
	1 530		31/03/2013	257 040
	223		31/08/2013	37 464
	600		28/02/2014	100 800
	1 186		31/03/2014	199 248
	252		11/11/2014	42 336
	8 101			1 360 968
M Piater				
	947		02/03/2012	159 096
	1 690		31/03/2012	283 920
	223		31/08/2012	37 464
	688		01/03/2013	115 584
	1 058		31/03/2013	177 744
	181		31/08/2013	30 408
	644		28/02/2014	108 192
	794		31/03/2014	133 392
	250		11/11/2014	42 000
	6 475			1 087 800
WH van Niekerk				
	1 301		02/03/2012	218 568
	1 615		31/03/2012	271 320
	247		31/08/2012	41 496
	761		01/03/2013	127 848
	1 357		31/03/2013	227 976
	223		31/08/2013	37 464
	794		28/02/2014	133 392
	1 319		31/03/2014	221 592
	304		11/11/2014	51 072
	7 921			1 330 728
PE Venter	908		01/03/2013	152 544
M Veti				
	766		02/03/2012	128 688
	1 262		31/03/2012	212 016
	144		31/03/2012	24 192
	498		01/03/2013	83 664
	675		31/03/2013	113 400
	147		31/08/2013	24 696
	510		28/02/2014	85 680
	637		31/03/2014	107 016
	197		11/11/2014	33 096
	4 836			812 448

1 Based on a share price of R168,00 which prevailed on 31 December 2011.

Pre-tax gain if exercisable at 31 December 2011[1] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
41 496					
	1 194		147,01	175 530	02/03/2011
	21		179,21	3 763	21/11/2011
108 360					
434 448					
41 496					
139 776					
257 040					
37 464					
100 800					
199 248					
42 336					
1 360 968	1 215			179 293	
	1 031		147,01	151 567	08/03/2011
	87		179,21	15 591	21/11/2011
159 096					
283 920					
37 464					
115 584					
177 744					
30 408					
108 192					
133 392					
42 000					
1 087 800	1 118			167 158	
	120		179,21	21 505	21/11/2011
218 568					
271 320					
41 496					
127 848					
227 976					
37 464					
133 392					
221 592					
51 072					
1 330 728	120			21 505	
152 544					
	287		147,01	42 192	08/03/2012
	113		179,21	20 251	21/11/2011
128 688					
212 016					
24 192					
83 664					
113 400					
24 696					
85 680					
107 016					
33 096					
812 448	400			62 443	

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

Directors' and prescribed officers' share options and restricted share awards (continued)

Management share scheme – deferred bonus plan (continued)

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]	Options exercised during the year	Exercise price	Sale price/ market price	Pre-tax gain	Date exercised
R		R	R	R	
	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' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

Directors' and prescribed officers' share options and restricted share awards (continued)

Management share scheme – deferred bonus plan (continued)

Year ended 31 December 2010	Rights held at 31 December 2010	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2010 R
PRESCRIBED OFFICER				
PT Arran	247		31/08/2012	33 651
MDM Mgojo				
	1 194		28/02/2011	162 671
	21		01/09/2011	2 861
	645		02/03/2012	87 875
	2 586		31/03/2012	352 317
	247		31/08/2012	33 651
	832		01/03/2013	113 352
	1 530		31/03/2013	208 447
	223		31/08/2013	30 382
	7 278			991 556
M Piater				
	1 031		28/02/2011	140 463
	87		01/09/2011	11 853
	947		02/03/2012	129 019
	1 690		31/03/2012	230 246
	223		31/08/2012	30 382
	688		01/03/2013	93 733
	1 058		31/03/2013	144 142
	181		31/08/2013	24 659
	5 905			804 497
WH van Niekerk				
	120		01/09/2011	16 349
	1 301		02/03/2012	177 248
	1 615		31/03/2012	220 028
	247		31/08/2012	33 651
	761		01/03/2013	103 679
	1 357		31/03/2013	184 878
	223		31/03/2013	30 382
	5 624			766 215
PE Venter	908		31/03/2013	123 706

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]	Options exercised during the year	Exercise price	Sale price/ market price	Pre-tax gain	Date exercised
R		R	R	R	
33 651					
	183		112,68	20 620	08/09/2010
162 671					
2 861					
87 875					
352 317					
33 651					
113 352					
208 447					
30 382					
991 556	183			20 620	
	157		112,68	17 691	08/09/2010
140 463					
11 853					
129 019					
230 246					
30 382					
93 733					
144 142					
24 659					
804 497	157			17 691	
	158		112,68	17 803	08/09/2010
16 349					
177 248					
220 028					
33 651					
103 679					
184 878					
30 382					
766 215	158			17 803	
123 706					

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December

	Notes	GROUP 2011 Rm	GROUP 2010 Rm	COMPANY 2011 Rm	COMPANY 2010 Rm
Revenue	2	**12 471**	10 116	**1 141**	1 048
Operating expenses	3	**(9 663)**	(7 628)	**(1 524)**	(1 295)
NET OPERATING PROFIT/(LOSS)		**2 808**	2 488	**(383)**	(247)
Interest income	5	**159**	116	**101**	64
Interest expense	5	**(590)**	(432)	**(223)**	(295)
Income from investments	6	**4**	2	**3 829**	3 205
Income from equity-accounted investments		**4 668**	3 717		
PROFIT BEFORE TAX		**7 049**	5 891	**3 324**	2 727
Income tax expense	7	**(986)**	(732)	**(5)**	(36)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**6 063**	5 159	**3 319**	2 691
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	8	**1 594**	76		
PROFIT FOR THE YEAR		**7 657**	5 235	**3 319**	2 691
Profit attributable to:					
Owners of the parent		**7 653**	5 208	**3 319**	2 691
– continuing operations		**6 073**	5 167	**3 319**	2 691
– discontinued operations		**1 580**	41		
Non-controlling interests		**4**	27		
– continuing operations		**(10)**	(8)		
– discontinued operations		**14**	35		
Profit for the year		**7 657**	5 235	**3 319**	2 691
Other comprehensive income net of tax:					
Exchange differences on translating foreign operations		**800**	(44)	**(4)**	2
Cash flow hedges		**(40)**	204		
Share of comp7 235					

STATEMENTS OF FINANCIAL POSITION

at 31 December

	Notes	GROUP 2011 Rm	GROUP 2010 Rm	COMPANY 2011 Rm	COMPANY 2010 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	12	**10 695**	13 305	**508**	266
Biological assets	13	**66**	46		
Intangible assets	14	**128**	75	**43**	1
Investments in associates	15	**4 764**	3 880		
Investments in subsidiaries	16			**3 272**	6 017
Deferred tax	25	**228**	726	**115**	85
Financial assets	17	**1 538**	1 375	**14**	12
Total non-current assets		**17 419**	19 407	**3 952**	6 381
Current assets					
Inventories	18	**589**	3 120		
Trade and other receivables	19	**2 763**	3 752	**9 247**	8 054
Current tax receivable		**105**	105		
Cash and cash equivalents		**1 065**	2 140	**29**	1 229
Total current assets		**4 522**	9 117	**9 276**	9 283
Non-current assets classified as held-for-sale	20	**14 979**	85	**3 676**	10
TOTAL ASSETS		**36 920**	28 609	**16 904**	15 674
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21	**2 359**	2 170	**2 362**	2 347
Other components of equity		**3 202**	2 321	**1 214**	1 143
Retained earnings		**18 027**	12 946	**9 825**	8 656
Equity attributable to owners of the parent		**23 588**	17 437	**13 401**	12 146
Non-controlling interests		**20**	(23)		
Total equity		**23 608**	17 414	**13 401**	12 146
Non-current liabilities					
Interest-bearing borrowings	22	**2 202**	3 644	**2 101**	2 718
Non-current provisions	23	**2 166**	2 097	**29**	27
Post-retirement employee obligations	24	**133**	96		
Deferred tax	25	**1 845**	1 353		
Total non-current liabilities		**6 346**	7 190	**2 130**	2 745
Current liabilities					
Trade and other payables	26	**3 334**	3 057	**537**	366
Interest-bearing borrowings	22	**866**	716	**836**	417
Current tax payable		**50**	147		
Current provisions	23	**151**	33		
Total current liabilities		**4 401**	3 953	**1 373**	783
Non-current liabilities classified as held-for-sale	20	**2 565**	52		
TOTAL EQUITY AND LIABILITIES		**36 920**	28 609	**16 904**	15 674

	Notes	GROUP 2011 Rm	GROUP 2010 Rm	COMPANY 2011 Rm	COMPANY 2010 Rm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated by/(utilised in) operations	27.1	**6 503**	4 106	**(1 461)**	(24)

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

		Other components of equity							
	Share capital Rm	Foreign currency translations Rm	Financial instruments revaluation Rm	Equity-settled Rm	Other reserves Rm	Retained income Rm	Attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
BALANCE AT 1 JANUARY 2010	2 141	802	3	1 241		8 721	12 908	1	12 909
Profit for the year						5 208	5 208	27	5 235
Other comprehensive income		(43)	203				160	(57)	103
Share of comprehensive income of associates		(43)	10			73	40		40
Issue of share capital[1]	29						29		29
Share-based payments movements				148			148		148
Non-controlling interests additional contributions								6	6
Dividends paid[2]						(1 056)	(1 056)		(1 056)
BALANCE AT 31 DECEMBER 2010	**2 170**	**716**	**216**	**1 389**		**12 946**	**17 437**	**(23)**	**17 414**
Profit for the year						**7 653**	**7 653**	**4**	**7 657**
Other comprehensive income		**800**	**(40)**				**760**	**35**	**795**
Share of comprehensive income of associates		**72**	**20**		**9**	**(355)**	**(254)**		**(254)**
Issue of share capital[1]	**15**						**15**		**15**
Manpower vesting issue of shares	**174**						**174**		**174**
Share-based payments movement				**23**			**23**	**2**	**25**
Non-controlling interests additional contributions								**8**	**8**
Dividends paid[2]						**(2 217)**	**(2 217)**	**(6)**	**(2 223)**
Transfer to distributable reserve[3]		**(3)**					**(3)**		**(3)**
BALANCE AT 31 DECEMBER 2011	**2 359**	**1 585**	**196**	**1 412**	**9**	**18 027**	**23 588**	**20**	**23 608**
Final dividend paid per share (cents) in respect of the 2010 financial year	**300**								
Dividend paid per share (cents) in respect of the 2011 interim period	**300**								
Final dividend payable per share (cents) in respect of 2011 financial year	**500**								

1 Issued to the Kumba Resources Management Share Trust due to options exercised.
2 The Secondary Tax on Companies (STC) on these dividends amount to Rnil after taking into account STC credits (2010: nil).
3 Realised foreign currency translation reserve on sale of foreign subsidiary.

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.

Other reserves
Other reserves include other reserves from associates.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

		Other components of equity			
	Share capital Rm	Foreign currency translations Rm	Equity-settled Rm	Retained income Rm	Total equity Rm
BALANCE AT 1 JANUARY 2010	2 318		1 041	7 038	10 397
Total comprehensive income		2		2 691	2 693
Share-based payments movements			100		100
Cash dividends paid[1]				(1 073)	(1 073)
Issue of share capital[2]	29				29
BALANCE AT 31 DECEMBER 2010	**2 347**	**2**	**1 141**	**8 656**	**12 146**
Total comprehensive income		**(4)**		**3 319**	**3 315**
Share-based payments movements			**75**		**75**
Cash dividends paid[1]				**(2 150)**	**(2 150)**
Issue of share capital[2]	**15**				**15**
BALANCE AT 31 DECEMBER 2011	**2 362**	**(2)**	**1 216**	**9 825**	**13 401**
Dividend paid per share (cents) in respect of the 2010 financial year	**300**				
Dividend paid per share (cents) in respect of the 2011 interim period	**300**				
Final dividend payable per share (cents) in respect of 2011 financial year	**500**				

1 The STC on these dividends amount to Rnil after taking into account STC credits (2010: R nil).
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 2011

1. ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of Exxaro Resources Limited have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation to fair value of biological assets, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss.

The preparation of financial statements is in conformity with IFRS which requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed at the end of note 1.

Adoption of new and revised standards and interpretations

During 2011 the following accounting pronouncements became effective:

- *Amendment to IFRS 7 Financial Instruments: Disclosures* – this amendment clarifies certain of the disclosures relating to credit risk.
- *Amendment to IAS 1 Presentation of Financial Statements* – this amendment clarifies disclosures required for each component of equity.
- *Amendment to IAS 34 Interim Financial Reporting* – this amendment provides further information on the significant events and transactions requiring discussion in interim financial reports.
- *Amendment to IAS 24 Related Party Disclosures* – this amendment clarifies and simplifies the definition of a related party.
- *Amendment to IFRS 7 Financial Instruments: Disclosures* – This amendment provides additional disclosure requirements with respect to transfers of financial assets. This amendment is effective 1 July 2011.

These pronouncements had no material impact on the accounting of transactions or the disclosure thereof.

The effective date of each amendment is included in the list of the new and revised standards and interpretation list below.

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 2011 and 2010.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- *IFRS 9 Financial Instruments* – this standard is part of the IASBs project to replace *IAS 39 Financial instruments: Recognition and Measurements*. It addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The standard is effective 1 January 2013.
- *IFRS 10 Consolidated financial statements* – this standard clarifies the concept of control which is the determining factor in whether an entity should be included within the consolidated financial statements. Additional guidance is provided to assist in determining control where this is difficult to assess. The standard is effective 1 January 2013.
- *IFRS 11 Joint arrangements* – this standard provides guidance on the assessment of joint arrangements (as either joint ventures or joint arrangements) and the required accounting for these arrangements. The standard is effective 1 January 2013.
- *IFRS 12 Disclosures of interests in other entities* – this standard describes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is effective 1 January 2013.
- *IAS 27 (revised 2011) Separate financial statements* – this updated standard includes the provisions on separate financial statements which remain after the control provisions of IAS 27 have been included in the new IFRS 10. The standard is effective 1 January 2013.
- *IAS 28 (revised 2011) Associates and joint ventures* – this updated standard requires equity accounting for investments in associates and joint ventures. The standard is effective 1 January 2013.

Exxaro Resources Limited will early adopt the new suite of consolidation standards on 1 January 2012. The major impact of the early adoption on the group will be that certain joint ventures will no longer be proportionately consolidated, but equity accounted. No other issued standards will be adopted early.

- *Amendment to IAS 12 Income taxes* – this amendment introduces a rebuttable presumption that deferred tax assets or liabilities arising on investment property measured at fair value should be recognised based on recovery by sale. The amendment is effective on 1 January 2012.
- *Amendment to IAS 19 Employee Benefits* – this amendment will require immediate recognition of all actuarial gains and losses in other comprehensive income. The amendments are effective on 1 January 2013.
- *IFRS 13 Fair value measurement* – this standard provides a precise definition of fair value and represents a single source of fair value measurement and disclosure requirements for use across IFRS. The standard is effective on 1 January 2013.
- *IFRIC 20* – Stripping cost *in the production phase of a surface mine* – applies to all types of natural resources that are extracted using a surface mining process. The standard is effective 1 January 2013.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

Adoption of new and revised standards and interpretations (continued)

The directors believe that none of the other new or revised standards and interpretations will have an effect other than enhanced disclosure.

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.

Subsidiaries

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.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

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. Transaction cost on acquisition of these investments are capitalised.

Business combinations

The acquisition method is applied to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired subsidiary and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired subsidiary on an acquisition– by -acquisition basis at fair value.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS39 either in profit and loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, and the amount of any non-controllable interest, and the fair value of any previously held interest, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised as a bargain purchase in profit and loss.

Investments in associates and joint ventures

The company carries its investments in associates and joint ventures at cost less accumulated impairment losses.

Associates

An associate is an entity over which the group has the ability to exercise significant influence, but which it does not control.

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 cumulative post acquisition movements in profits and other comprehensive income are adjusted against the carrying amount of the investment. 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.

Where associates' 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. ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

Joint ventures

A joint venture is an entity jointly controlled by the group and one or more other ventures in terms of a contractual arrangement requiring unanimous consent for strategic financial and operating decisions. It may involve a corporation, partnership or other entity in which the group has an interest.

Investments in 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. For associates, unrealised profits and losses are eliminated to the extent of the groups interest in the associate. For joint ventures, only the portion of the unrealised profits and losses that is attributable to the interest of the other ventures is recognised.

Property, plant and equipment

Land and extensions under construction are stated at cost and are not depreciated. Buildings, including certain non-mining residential buildings and all other items of property, plant and equipment are reflected at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged on a systematic basis over the estimated useful lives of the assets after taking into account the estimated residual value of the assets. Useful life is either the period of time over which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of the asset.

Moulds and refractory furnace relines are depreciated based on the usage thereof.

Items of property, plant and equipment are capitalised in components where components have a different useful life to the main item of property, plant and equipment to which the component can be logically assigned.

The estimated useful lives of assets and their residual values, are re-assessed periodically with any changes in such accounting estimates being adjusted in the financial year of re-assessment and applied prospectively.

The estimated useful lives of items of property, plant and equipment are:

2011	Coal	Mineral Sands
Buildings and infrastructure (including residential buildings)	**1 - 25 years**	**3 - 40 years**
Mineral properties (over life of mine)	**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 - 6 years**	**3 - 10 years**
Development costs	**1 - 15 years**	**10 - 20 years**
Refractory relines	**10 years**	**4 - 6 years**
Site preparation, mining development and exploration	**1 - 25 years**	**3 - 29 years**

2011	Base Metals	Industrial Minerals	Other
Buildings and infrastructure (including residential buildings)	**2 - 47 years**	**10 - 20 years**	**20 - 25 years**
Mineral properties (over life of mine)	**n/a**	**n/a**	**n/a**
Fixed plant and equipment	**2 - 50 years**	**5 - 15 years**	**5 years**
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	**2 - 15 years**	**5 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**	**n/a**	**n/a**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

2010	Coal	Mineral Sands
Buildings and infrastructure (including residential buildings)	1 - 25 years	3 - 40 years
Mineral properties (over life of mine)	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

2010	Base Metals	Industrial Minerals	Other
Buildings and infrastructure (including residential buildings)	2 - 47 years	10 - 25 years	20 - 25 years
Mineral properties (over life of mine)	n/a	n/a	n/a
Fixed plant and equipment	2 - 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
Site preparation, mining development and exploration	7 - 25 years	20 years	n/a

Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are taken to profit and 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.

Gains and losses on the disposal of property, plant and equipment are taken to profit and loss.

Leased assets

Where the group is the lessee

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.

Where the group is the lessor

Portions of fixed property and leased property is leased or subleased out under operating leases. The fixed property is included in property, plant and equipment in the statement of financial position. Rental income in respect of operating leases with a fixed escalation clause is recognised on a straight-line basis over the lease term. All other rental income is recognised as it becomes due.

1. ACCOUNTING POLICIES (continued)

Leased assets (continued)

Contingent rent

The portion of the lease payments or receipts that is not fixed in amount but based on the future amount of a factor that changes other than with the passage of time, is classified as contingent rent.

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 and 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.

Livestock are measured at fair value less estimated point-of-sale costs, fair value being determined based on 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, licenses and franchises are 25 years.

The carrying amounts are reviewed at each financial year-end to determine whether there is any indication of impairment.

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.

Research, development and exploration costs

Research, development and exploration costs are recognised as an expense in the statement of comprehensive income as incurred. When development cost 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 compared with its recoverable amounts at each financial year-end to determine whether there is any 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 fair value less costs to sell and the value in use.

In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation and amortisation) 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 time frame 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 and 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 and 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 and loss.

All of the group's financial instruments designated as at fair value through profit and 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 and loss are measured at fair value with changes in fair value recognised in profit and 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 and 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 and loss.

Financial instruments not at fair value through profit and 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 are measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment or uncollectibility.

- **Loans and borrowings**
  Loans and borrowings are measured at amortised cost using the effective interest rate method.

- **Payables**
  Trade and other payables are reported at amortised cost, namely original debt less principal repayments and any amortisation using the effective interest rate method.

- **Investment in equity instruments**
  The fair value of investments is based on quoted bid prices for listed securities or valuations derived from discounted cash flow models for unlisted securities. Equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment. When equity instruments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit and loss as gains and losses from investment securities.

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Exchange rates used

The average US dollar to South African rand conversion rate, where applicable, of US$1: R7,22 (2010: US$1: R7,30) has been used to translate the statements of comprehensive income and cash flows while the statement of financial position has been translated at the closing rate at the last day of the reporting period of US$1: R8,18 (2010: US$1: R6,63).

Revenue recognition

Revenue, which excludes value added tax, represents the gross value of goods invoiced.

Export revenues are recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Revenue arising from services and royalties is recognised on the accrual basis in accordance with the substance of the relevant agreements.

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 statement of comprehensive income 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 statement of financial position 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 statement of comprehensive income, 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 and loss as incurred.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

Provisions (continued)

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 23.

Unwinding of discount due to passage of time is included as an element of borrowing costs in arriving at profit and loss for the year end. The movements from one reporting period to the next, due to change in the estimate of provision are accounted for in the statement of comprehensive income as well as the statement of financial position. Changes in the cost of estimate for the land rehabilitation due to inflation and change in the life of mine other than the one year lapsed is included in the statement of comprehensive income as borrowing costs. Change in the rehabilitation cost estimate due to scope change is included in the statement of comprehensive income as cost of sales.

Employee benefits

Post-employment obligations

Defined contribution plan

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 statement of comprehensive income in the year to which it relates.

The group does not provide guarantees in respect of returns in the defined contribution funds.

Defined benefit obligations

Provision for severance benefits is made in accordance with Namibian law for the Rosh Pinah 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 and 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 and 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.

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 liability is determined using actuarial assumptions. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in profit and loss.

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.

1. ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Equity compensation benefits (continued)

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 statement of comprehensive income 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 and 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) is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Segment reporting

Exxaro is a mining group of companies focusing on extracting and processing a range of minerals and metals including coal, mineral sands, base metals, and selected industrial minerals. Exxaro also holds a 19,98% 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 and deposits held on call, 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 30);
- in applying IFRS 5 *Non-current Assets Held-for-Sale* and *Discontinued Operations*, management has made judgements as to which non-current assets and discontinued operations fall within the scope of the standard and had to be reclassified and measured in terms of IFRS 5;
- in applying IFRS 2 *Share-based 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 32);
- 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; and
- in applying IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, management has made certain judgements in respect of estimates for determining the present obligation of environmental and decommissioning provisions.

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:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

Judgements made by management (continued)

Going concern

Management considers key financial metrics and loan covenant compliance in its approved medium term budgets, together with its existing term facilities, to conclude that the going concern assumption used in the compiling of its annual financial statements, is relevant.

Share-based payments

For share-based payments, estimates are made in determining the fair value of equity instruments granted. The assumptions are used in the valuation models and include assumptions regarding future dividend yield, risk-free rate, expected employee attrition rate, expected share volatility and expected option life. Refer note 32.

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 24.

Other provisions

For other provisions, estimates are made of legal or constructive obligations resulting in the raising of provisions, and the expected date of probable outflow of economic benefits to assess whether the provision should be discounted. Refer note 23.

Impairments and impairment reversals

Exxaro reviews the carrying amount of its property, plant and equipment at least at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

The recoverable amounts of cash generating units are generally determined based on fair value less cost to sell calculations. These calculations require the use of estimates.

Should management's estimate of the future not reflect actual events, further impairments may be identified.

Factors affecting the estimates include:

- changes to estimates of mineral resources and ore reserves;
- economical recovery of resources;
- the grade of the ore reserves may vary significantly from time to time;
- review of strategy;
- unforeseen operational issues at operations.
- differences between actual commodity prices and commodity price assumptions;
- changes in the discount rates and foreign exchange rates; and
- changes in capital, operating mining, processing and reclamation costs.

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 33.

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 25.

Useful life and residual values

The depreciable amount of assets are allocated on a systematic basis over their useful lives. In determining the depreciable amount management makes certain assumptions in respect to 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 make 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.

		GROUP		COMPANY	
		2011	2010	**2011**	2010
		Rm	Rm	**Rm**	Rm
2.	**REVENUE**				
	Sale of goods	**21 305**	17 127		
	Services		28	**1 141**	1 048
		21 305	17 155	**1 141**	1 048
	Revenue from continuing operations	**12 471**	10 116	**1 141**	1 048
	Revenue from discontinuing operations	**8 834**	7 039		
3.	**OPERATING EXPENSES**				
	Cost by type				
	Raw materials and consumables	**4 301**	3 470	**92**	30
	Staff costs				
	- salaries and wages	**3 935**	3 702	**616**	566
	- share-based payments	**165**	145	**78**	67
	- termination benefits	**114**	6	**20**	
	- pension and medical costs	**302**	282	**39**	36
	Loss/(profit) from sale of investments	**3**		**(24)**	
	General charges	**3 177**	2 277	**774**	479
	Royalties	**141**	114		
	Railage and transport	**1 426**	1 109	**3**	2
	Repairs and maintenance	**2 029**	1 808	**4**	4
	Impairment (reversals)/charges of non-current assets (refer note 4)	**(353)**	4	**278**	48
	Impairment (reversals)/charges and write-offs of trade and other receivables	**(226)**	45	**(422)**	10
	Energy	**1 192**	946	**8**	7
	Depreciation of property, plant and equipment (refer note 12)	**1 184**	1 367	**48**	41
	Amortisation of intangible assets (refer note 14)	**19**	13	**16**	9
	Movement in inventories	**(278)**	(631)		
	Development expenditure capitalised	**(192)**	(125)	**(6)**	(4)
	Sublease rentals received	**(15)**	(13)		
		16 924	14 519	**1 524**	1 295
	Operating expenses from continuing operations	**9 663**	7 628	**1 524**	1 295
	Operating expenses from discontinued operations	**7 261**	6 891		
	Cost by function				
	Costs of goods sold/services rendered	**16 284**	13 539	**1 692**	1 237
	Selling and distribution costs	**1 231**	944		
	Sublease rentals received	**(15)**	(13)		
	Impairment (reversals)/charges of non-current assets (refer note 4)	**(353)**	4	**278**	48
	Impairment (reversals)/charges, write-offs of trade and other receivables	**(226)**	45	**(422)**	10
	Loss/(profit) from sale of investments	**3**		**(24)**	
		16 924	14 519	**1 524**	1 295
	Operating expenses from continuing operations	**9 663**	7 628	**1 524**	1 295
	Operating expenses from discontinued operations	**7 261**	6 891		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

		AGGREGATE			
		GROUP		COMPANY	
		2011 Rm	2010 Rm	2011 Rm	2010 Rm
3.	**OPERATING EXPENSES (continued)**				
	The above costs are stated after including:				
	Auditors' remuneration				
	– audit fees	**15**	16	**4**	5
	– other services	**23**	1	**21**	
	Consultancy fees	**428**	224	**309**	148
	Contingent rentals paid	**14**	13		
	Contingent rentals received	**(79)**	(58)		
	Currency exchange differences				
	– net realised (profits)/losses on currency exchange differences	**(538)**	125	**(1)**	4
	– net unrealised (profits)/losses on currency exchange differences	**(15)**	30	**(6)**	2
	Depreciation and amortisation (refer note 12)				
	– buildings	**14**	16		
	– mineral properties	**162**	185		
	– residential buildings	**5**	6		
	– buildings and infrastructure	**102**	151		
	– machinery, plant and equipment	**837**	916	**48**	41
	– leased assets under finance lease	**9**	44		
	– site preparation, mining development, exploration and rehabilitation	**49**	49		
	– extensions under construction	**6**			
	– amortisation of intangible assets	**19**	13	**16**	9
	Directors' emoluments (refer to the Directors' and prescribed officers' remuneration report, 77 to 109)				
	Executive directors				
	– remuneration received by directors of the company			**22**	19
	– bonuses and cash incentives			**5**	5
	Non-executive directors				
	– remuneration received by directors of the company			**4**	3

FROM CONTINUING OPERATIONS				FROM DISCONTINUED OPERATIONS			
GROUP		COMPANY		GROUP		COMPANY	
2011 Rm	2010 Rm	**2011 Rm**	2010 Rm	**2011 Rm**	2010 Rm	**2011 Rm**	2010 Rm
10	11	**4**	5	**5**	5		
22	1	**21**		**1**			
405	198	**309**	148	**23**	26		
				14	13		
(79)	(58)						
(177)	30	**(1)**	4	**(361)**	95		
20	(6)	**(6)**	2	**(35)**	36		
	(1)			**14**	17		
140	145			**22**	40		
3	3			**2**	3		
68	65			**34**	86		
466	411	**48**	41	**371**	505		
	1			**9**	43		
35	30			**14**	19		
6							
16	10	**16**	9	**3**	3		
		22	19				
		5	5				
		4	3				

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

		AGGREGATE			
		GROUP		COMPANY	
		2011 Rm	2010 Rm	2011 Rm	2010 Rm
3.	**OPERATING EXPENSES (continued)**				
	Employee related restructuring cost	**113**	6	**20**	
	Exploration expenditure	**130**	60		
	Fair value (gains)/losses on financial assets at fair value through profit and loss:				
	– designated upon initial recognition	**(14)**	(13)		
	– held-for-trading	**354**	(483)		
	– ineffectiveness arising from cash flow hedges (gains)/losses		(5)		
	Fair value losses/(gains) on financial liabilities at fair value through profit and loss:				
	– held-for-trading	**(4)**	36	**3**	
	Net fee costs on financial liabilities not at fair value through profit and loss	**34**	5	**4**	5
	Impairment (reversals)/charges of non-current assets	**(353)**	4	**278**	48
	Inventories write down to net realisable value	**1**	50		
	Provisions expense/(income)	**345**	47	**1**	(1)
	Net (profit)/loss on disposal or scrapping of property, plant and equipment	**(1)**	(32)		
	Net loss/(profit) on disposal of investment	**3**		**(24)**	
	Operating lease rentals expenses				
	– property	**226**	14	**89**	6
	– equipment	**110**	118	**10**	10
	Operating sublease rentals received				
	– property	**(15)**	(13)		
	Reconditionable spares usage	**3**	6		
	Research and development costs	**4**	3	**1**	
	Impairment (reversals)/charges, write-offs of trade and other receivables[1;2]	**(226)**	45	**(422)**	10

1 Consequent to the partial reversal of impairment of the KZN Sands businesses in 2011, impairment on intergroup loans receivable by the company (included in trade and other receivables) to the amount of R941 million were reversed.

2 Consequent to the impairment of the Zincor refinery in 2011, intergroup loans receivable by the company (included in trade and other receivables) were impaired to the amount of R519 million.

Note:

Pensions

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

FROM CONTINUING OPERATIONS				FROM DISCONTINUED OPERATIONS			
GROUP		COMPANY		GROUP		COMPANY	
2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Rm	Rm	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm
47	6	**20**		**66**			
130	60						
(11)	(10)			**(3)**	(3)		
154	(159)			**200**	(324)		
					(5)		
1	6	**3**		**(5)**	30		
30	2	**4**	5	**4**	3		
	4	**278**	48	**(353)**			
				1	50		
136	27	**1**	(1)	**209**	20		
(38)	(48)			**37**	16		
(1)		**(24)**		**4**			
98	24	**89**	6	**128**	(10)		
103	98	**10**	10	**7**	20		
(12)	(10)			**(3)**	(3)		
2	5			**1**	1		
4	2	**1**			1		
(228)	44	**(422)**	10	**2**	1		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
4. IMPAIRMENT/(REVERSALS) CHARGES OF NON-CURRENT ASSETS				
Impairment of property, plant and equipment[1]	**516**			
Impairment of investments[2]			**278**	48
Impairment of property, plant and equipment held-for-sale[3]		4		
Total impairment charges	**516**	4	**278**	48
Reversal of impairment of property, plant and equipment[4]	**(869)**			
Tax effect		(1)		
Net effect on attributable earnings	**(353)**	3	**278**	48
Total impairment	**(353)**	3	**278**	48
– continuing operations			**278**	48
– discontinued operations	**(353)**	3		

1 Impairment due to changes in the manner in which the Zincor refinery asset is expected to be used, coupled with a reassessment of the assets' carrying value.

2 Relates to the impairment of the Botswana investment (R31 million) 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. The investment in the Zincor refinery (R247 million) was impaired in line with the board decision not the continue with the production of zinc.

3 The sale of the Glen Douglas mine as a disposal group, required an impairment to the fair value less costs to sell in terms of IFRS 5 Non-current assets held-for-sale.

4 Relates to KZN Sands.

Due to the recent announcement by Exxaro and Tronox Incorporated to sell Exxaro's mineral sands assets to New Tronox Incorporated (New Tronox) in exchange for shares in New Tronox, a market value was established. This market value has been used to determine the best fair value indicator of the assets. To this end, the fair value coupled with the current economic performance of the mineral sands commodity warrants a reversal of the previous impairments.

During 2006, the carrying value of the assets of KZN Sands was reduced to its recoverable amount through recognition of a pre-taxation impairment loss of R785 million. During 2009, the carrying value of the assets of KZN Sands was further reduced to its recoverable amount through recognition of a pre-taxation impairment loss of R1 435 million. The impairment in 2009 resulted from a decision by Exxaro's board of directors, as a result of depressed market conditions at the time, not to proceed with the planned development of the Fairbreeze mine. Instead, management began planning for Hillendale's closure at KZN Sands and investigated feedstock alternatives to permit the continuation of KZN Sands's operations following Hillendale's closure.

During 2011, as a result of the improvement in global market conditions and increase demand for titanium feedstock and zircon and the consequential increases in their prices, Exxaro's board of directors approved the development of the Fairbreeze mine as a replacement feedstock producer to the Hillendale mine at KZN Sands, subject to obtaining the required regulatory and environmental approvals.

During the period between the decommissioning of the Hillendale mine, which is expected to occur at the end of 2012, and the commencement of operations at the Fairbreeze mine, which is expected in 2014, KZN Sands has identified alternate supplies of ilmenite from Namakwa Sands, the Tiwest Joint Venture and other third party suppliers. The identification of alternate supplies of ilmenite have led to an increased recoverable amount assigned to the smelters at KZN Sands. As a result, management reversed the impairment previously recognised on smelter-specific property, plant and equipment, amounting to R869 million. The impairment reversal was restricted to increasing the carrying value of the relevant smelter assets to the carrying value that would have been recognised had the original impairment not occurred (that is, after taking account of normal depreciation that would have been charged had no impairment occurred).

The reversal is however limited to the extent to which feedstock supply for the smelter can be secured until the relevant regulatory approvals are received. Therefore a partial impairment reversal was recognised for the year ended 31 December 2011. Future impairment reversals will be conditional on successfully obtaining the regulatory approvals for the development of the Fairbreeze mine.

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
5. NET FINANCING COSTS				
Interest expense and loan costs	**(289)**	(321)	**(222)**	(294)
Finance leases interest	**204**	(70)		
Interest income	**223**	135	**101**	64
Net interest income/(expense)	**138**	(256)	**(121)**	(230)
Interest adjustment on non-current provisions (refer note 23)	**(426)**	(196)	**(1)**	(1)
Interest adjustment on post-retirement obligation provision (refer note 24)	**(3)**	(3)		
	(291)	(455)	**(122)**	(231)
Total net financing costs	**(291)**	(455)	**(122)**	(231)
– continuing operations	**(431)**	(316)	**(122)**	(231)
– discontinued operations	**140**	(139)		
Included in interest expense are the following:				
Interest expense on financial liabilities measured at amortised cost	**(288)**	(313)	**(222)**	(293)
Interest expense on bank overdrafts	**(1)**	(2)	**(1)**	(1)
Interest expense on financial liabilities held-for-trade	**(1)**			
Interest expense or non-financial liabilities		(6)		
Included in interest income are the following:				
Interest income on unimpaired loans and receivables	**32**	26		
Interest income on cash and cash equivalents	**132**	89	**101**	63
Interest income on financial assets designated at fair value through profit and loss	**18**	18		1
Interest income on non-financial assets	**42**			
6. INCOME FROM INVESTMENTS				
Subsidiaries				
Unlisted shares				
– dividends			**32**	1 016
– net interest received			**281**	378
			313	1 394
Associates				
– dividends			**3 516**	1 811
Other				
Listed shares	**4**	2		
Unlisted shares	**5**			
Total	**9**	2	**3 829**	3 205
Total income from investments	**9**	2	**3 829**	3 205
– continuing operations	**4**	2	**3 829**	3 205
– discontinued operations	**5**			
Included in net interest received are the following:				
Interest expense on financial liabilities measured at amortised cost			**(97)**	(111)
Interest income on impaired loans and receivables			**33**	12
Interest income on loans and receivables (not impaired)			**345**	477

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
7. INCOME TAX EXPENSE				
South African normal tax				
Current	**339**	434		13
– current year	**341**	405		
– prior year	**(2)**	29		13
Deferred	**517**	230	**5**	23
– current year	**516**	139	**1**	23
– prior year	**1**	91	**4**	
Foreign normal tax				
Current	**46**	44		
– current year	**45**	56		
– prior year	**1**	(12)		
Deferred	**205**	(43)		
– current year	**215**	(46)		
– prior year	**(10)**	3		
Withholding tax	**3**			
Total charge to statement of comprehensive income	**1 110**	665	**5**	36
Total income tax expense	**1 110**	665	**5**	36
– continuing operations	**986**	732	**5**	36
– discontinued operations (refer note 8)	**124**	(67)		
Reconciliation of tax rates	**%**	%	**%**	%
Tax as a percentage of profit before tax	**12,7**	11,3	**0,2**	1,3
Tax effect of:				
– assessed losses not provided for	**(0,3)**	(0,2)		
– capital losses	**(0,6)**	(0,3)	**0,2**	
– disallowable expenditure	**(2,3)**	(0,2)	**(3,3)**	(1,3)
– exempt income	**0,4**	0,7	**29,9**	29,0
– special tax allowances		1,3		
– share of associates and joint ventures	**15,0**	17,6		
– tax rate differences		0,1		
– Controlled Foreign Company (CFC) imputations		(0,2)		
– prior year adjustment	**0,1**	(1,9)	**(0,1)**	(0,5)
– derecognition of deferred tax asset	**(6,2)**	(0,2)		
– re-instatement of deferred tax asset	**9,2**			
– impairment of investments			**(2,3)**	
– reversal of impairments			**7,8**	
– write down of subsidiaries' loans			**(4,4)**	(0,5)
Standard tax rate	**28,0**	28,0	**28,0**	28,0
Effective tax rate for operations, excluding income from equity accounted investments, reinstatement and derecognition of deferred tax asset.	**29,6**	30,5		

8. DISCONTINUED OPERATIONS

The Rosh Pinah mine assets classified as held-for-sale represent a separate major line of business as well as geographical area of operation and form part of a single co-ordinated plan to dispose of the assets and related liabilities. Although the sale transaction is still conditional to the completion of certain conditions precedent at 31 December 2011, IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations* requires that the Rosh Pinah operations be classified as discontinued operations.

On 27 July 2011 it was announced that Exxaro was planning to cease zinc production at the Zincor refinery. Following the necessary consultations, Zincor ceased production on 12 December 2011. To this end, the Zincor refinery has been classified as discontinued.

On 26 September 2011, Exxaro and Tronox announced that New Tronox will acquire Exxaro's mineral sands operations, which include Exxaro's 50% interest in the Tiwest Joint Venture with Tronox in Western Australia, along with 74% of Exxaro's KZN Sands and Namakwa Sands operations in South Africa, in exchange for approximately 38,5% of New Tronox's equity.

The Mineral Sands operations also represent a separate major line of business as well as geographical areas of operations with a single co-ordinated plan to dispose of the assets and related liabilities. As at 31 December 2011, this disposal plan is conditional to the completion of certain conditions precedent. The operations have therefore been classified as discontinued by virtue of them being classified as non-current assets held-for-sale.

The Glen Douglas dolomite mine investment, which was disclosed as non-current asset held-for-sale as at 31 December 2010, was sold to JSE-Listed materials supplier Afrimat Limited on 1 January 2011. The investment was therefore effectively only accounted for one day in the year ended 31 December 2011.

Financial information relating to the discontinued operations for the year is set out below.

	GROUP	
	2011	2010
	Rm	Rm
The financial performance information		
Revenue	**8 834**	7 039
Operating expenses	**(7 261)**	(6 891)
Net operating profit	**1 573**	148
Interest income	**269**	18
Interest expense	**(129)**	(157)
Share of income from investments (refer note 6)	**5**	
Profit before tax	**1 718**	9
Income tax (expense)/benefit (refer note 7)	**(124)**	67
Profit for the year from discontinued operations	**1 594**	76

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

8. DISCONTINUED OPERATIONS (continued)

The assets, equity and liabilities of the businesses classified as non-current assets held-for-sale and those discontinued were as follows:

	GROUP	
	2011	2010
	Rm	Rm
ASSETS		
Non-current assets		
Property, plant and equipment	**6 623**	6 060
Intangible assets	**131**	73
Loans – Exxaro Resources/fellow-subsidiaries	**1 666**	1 601
Deferred tax	**499**	275
Financial assets	**156**	138
Total non-current assets	**9 075**	8 147
Current assets		
Inventories	**2 487**	2 563
Trade and other receivables	**2 161**	1 627
Current tax receivable	**18**	
Cash and cash equivalents	**3 101**	481
Total current assets	**7 767**	4 671
Non-current assets classified as held-for-sale	**2**	
TOTAL ASSETS	**16 844**	12 818
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**1 800**	
Other components of equity	**961**	811
Retained earnings	**(1 732)**	(2 298)
Equity attributable to owners of the parent	**1 029**	(1 487)
Non-controlling interests	**24**	(18)
Total equity	**1 053**	(1 505)
Non-current liabilities		
Interest-bearing borrowings	**2 056**	2 712
Loans – Exxaro Resources/fellow-subsidiaries	**10 501**	8 857
Non-current provisions	**1 263**	985
Deferred tax	**56**	94
Total non-current liabilities	**13 876**	12 648
Current liabilities		
Trade and other payables	**1 096**	969
Interest-bearing borrowings	**704**	691
Current tax payable	**2**	3
Current provisions	**113**	12
Total current liabilities	**1 915**	1 675
TOTAL EQUITY AND LIABILITIES	**16 844**	12 818
Net asset/(liability)	**1 053**	(1 505)

8. DISCONTINUED OPERATIONS (continued)

The cash flows of the discontinued operations were as follows:

	GROUP	
	2011	2010
	Rm	Rm
Cash flows attributable to operating activities	**927**	643
Cash flows attributable to investing activities	**(286)**	(923)
Cash flows attributable to financing activities	**1 979**	437
Cash flows attributable to discontinued operations	**2 620**	157

Gains/(losses) on the disposal of subsidiaries[1]	Turkey Rm	Glen Douglas Rm	Total Rm
Consideration received or receivable:			
Cash	**17**	**33**	**50**
Total disposal consideration	**17**	**33**	**50**
Carrying amount of net assets sold	**(12)**	**(37)**	**(49)**
Gain/(loss) on sale before and after income tax	**5**	**(4)**	**1**

1 The Minerals Sands operations and the Rosh Pinah operation have been classified as discontinued as part of IFRS 5 Non-current Asset Held-for-sale and Discontinued Operations requirements where a separate major line of business has been classified as held-for-sale. Actual sale has not occurred at 31 December 2011, whilst Zincor has been classified as discontinued based on the board decision to cease production.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

9. EARNINGS PER SHARE

	GROUP 2011	GROUP 2010
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 11)	**7 302**	5 186
Headline earnings from continuing operations (R million)	**6 048**	5 128
Headline earnings from discontinued operations (R million)	**1 254**	58
Weighted average number of ordinary shares in issue (million)	**348**	347
Headline earnings per share (cents)	**2 098**	1 495
Headline earnings per share from continuing operations (cents)	**1 738**	1 478
Headline earnings per share from discontinued operations (cents)	**360**	17
For the diluted headline earnings per share the weighted average number of ordinary shares is adjusted to assume conversion of not yet released options under the Management Share Scheme or other equity compensation instruments, net of shares held by the Scheme for releasing purposes. Diluted headline earnings per share is calculated by dividing headline earnings by the adjusted weighted average number of shares in issue.		
Weighted average number for diluted headline earnings per share (million)	**353**	361
Weighted average number of ordinary shares in issue (million) as calculated above	**348**	347
Adjusted for options and net purchased shares in terms of the Management Share Scheme (million)	**5**	14
Diluted headline earnings per share (cents)	**2 069**	1 437
Diluted headline earnings per share from continuing operations (cents)	**1 714**	1 421
Diluted headline earnings per share from discontinued operations (cents)	**355**	16
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)	**7 653**	5 208
Profit for the year from continuing operations attributable to equity holders of the parent (R million)	**6 073**	5 167
Profit for the year from discontinued operations attributable to equity holders of the parent (R million)	**1 580**	41
Weighted average number of ordinary shares in issue (million)	**348**	347
Basic earnings per share (cents)	**2 199**	1 501
Basic earnings per share from continuing operations (cents)	**1 745**	1 489
Basic earning per share from discontinued operations (cents)	**454**	12
For the diluted attributable earnings per share the weighted average number of ordinary shares is adjusted as above.	**353**	361
Diluted earnings per share (cents)	**2 168**	1 443
Diluted earnings per share from continuing operations (cents)	**1 720**	1 432
Diluted earnings per share from discontinued operations (cents)	**448**	11

For the 2011 and 2010 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	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
10. DIVIDEND				
Dividends paid during the year:				
Cash dividends	**2 217**	1 056	**2 150**	1 073
Paid to minorities	**6**			
	2 223	1 056	**2 150**	1 073

STC on these dividends amounts to nil (2010: nil) after taking into account STC credits.

11. RECONCILIATION OF GROUP HEADLINE EARNINGS

	For the year ended 31 December 2011		
	Gross	**Tax**	**Net**
	Rm	**Rm**	**Rm**
Profit for the year attributable to owners of the parent			**7 653**
Adjusted for:			
– Impairment of property, plant and equipment	**516**		**516**
– Losses on disposal of property, plant and equipment	**3**	**(2)**	**1**
– Reversal of impairment of property, plant and equipment	**(869)**		**(869)**
– Gains on disposal of subsidiaries	**(1)**		**(1)**
– Share of associates' gains or losses on disposal of property, plant and equipment	**2**		**2**
HEADLINE EARNINGS	**(349)**	**(2)**	**7 302**
Headline earnings from continuing operations	**(34)**	**9**	**6 048**
Headline earnings from discontinued operations	**(315)**	**(11)**	**1 254**

	For the year ended 31 December 2010		
	Gross	Tax	Net
	Rm	Rm	Rm
Profit for the year attributable to owners of the parent			5 208
Adjusted for:			
– Impairment of property, plant and equipment	4	(1)	3
– Gains or 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
Headline earnings from continuing operations	(39)		5 128
Headline earnings from discontinued operations	18	(1)	58

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

11. RECONCILIATION OF GROUP HEADLINE EARNINGS (continued)

GROUP HEADLINE EARNINGS PER SHARE FOR THE YEAR ENDED 31 DECEMBER 2011

HEADLINE EARNINGS PER SHARE (Refer note 9)	2011 cents	2010 cents
Headline earnings per share from continuing operations (cents)		
– basic	**1 738**	1 478
– diluted	**1 714**	1 421
Headline earnings per share from discontinued operations (cents)		
– basic	**360**	17
– diluted	**355**	16
Aggregate headline earnings per share (cents)		
– basic	**2 098**	1 495
– diluted	**2 069**	1 437

12. 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 preparation, mining development, exploration and rehabilitation Rm	Extensions under construction Rm	Total Rm
GROUP								
2011								
Gross carrying amount								
At beginning of year	728	2 559	174	2 998	13 503	1 072	2 214	23 248
Additions	16		5	126	987	7	3 785	4 926
Changes in decommissioning assets			2	3	61	8	24	98
Disposals of items of property, plant and equipment				(23)	(768)	(9)	(5)	(805)
Reclassification to non-current assets classified as held-for-sale	(150)	(864)	(119)	(1 894)	(8 513)	(827)	(371)	(12 738)
Exchange differences on translation	9	97		74	660	101	38	979
Other movements			1	82	179	2	(294)	(30)
At end of year	603	1 792	63	1 366	6 109	354	5 391	15 678
Accumulated depreciation								
At beginning of year	28	961	53	997	5 305	449		7 793
Depreciation charges	14	162	5	102	846	49	6	1 184
Disposals of items of property, plant and equipment				(13)	(231)	(9)		(253)
Transfer of accumulated depreciation on impairment reversals				139	423	6		568
Reclassification to non-current assets classified as held-for-sale	(31)	(321)	(9)	(817)	(3 745)	(384)		(5 307)
Exchange differences on translation		45		53	331	54		483
Other movements				(1)	(1)	1		(1)
At end of year	11	847	49	460	2 928	166	6	4 467

12. 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
Impairment of assets								
At beginning of year		**6**		**655**	**1 345**	**142**	**2**	**2 150**
Impairment reversals (refer note 4)				**(210)**	**(651)**	**(8)**		**(869)**
Impairment charges (refer note 4)	**1**			**48**	**447**		**20**	**516**
Disposals of items of property, plant and equipment					**(51)**		**(2)**	**(53)**
Transfer of accumulated depreciation on impairment reversals				**(139)**	**(423)**	**(6)**		**(568)**
Reclassification to non-current assets classified as held-for-sale		**(6)**		**(306)**	**(220)**	**(128)**		**(660)**
At end of year	**1**			**48**	**447**		**20**	**516**
Net carrying amount at end of year	**591**	**945**	**14**	**858**	**2 734**	**188**	**5 365**	**10 695**
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

12. 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
2010								
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

The net carrying amount of machinery, plant and equipment includes:	**2011 Rm**	2010 Rm
Assets held under finance leases (refer note 22)		
– cost	**264**	196
– accumulated depreciation	**(121)**	(112)
	143	84

For details of property, plant and equipment pledged as security refer to annexure 1.

A register of land and buildings is available for inspection at the registered office of the company.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Extensions under construction Rm	Total Rm
COMPANY				
2011				
Gross carrying amount				
At beginning of year	**10**	**248**	**119**	**377**
Additions		**15**	**275**	**290**
Transfer between classes	**1**	**42**	**(43)**	
At end of year	**11**	**305**	**351**	**667**
Accumulated depreciation				
At beginning of year	**3**	**108**		**111**
Depreciation charges		**48**		**48**
At end of year	**3**	**156**		**159**
Net carrying amount at end of year	**8**	**149**	**351**	**508**
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)
Transfer between classes		21	(21)	
At end of year	10	248	119	377
Accumulated depreciation				
At beginning of year	5	69		74
Depreciation charges		41		41
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

	Plantation Rm	Livestock Rm	Game Rm	Total Rm
13. BIOLOGICAL ASSETS				
GROUP				
2011				
Carrying amount				
At beginning of year	**8**	**7**	**31**	**46**
Gains attributable to physical and price changes	**12**	**6**	**5**	**23**
Net reclassification to inventory	**(2)**	**(2)**	**1**	**(3)**
At end of year	**18**	**11**	**37**	**66**
Fair value of biological assets can be split as follows:				
– mature	**16**	**11**	**37**	**64**
– immature	**2**			**2**
	18	**11**	**37**	**66**
The plantation was valued by Mr Johannes Bezuidenhout an independent appraiser, on 27 December 2011.				
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

	2011	2010
Closing stock consist of:		
Plantation (ha)[1]	**1 009**	1 081
Livestock – cattle (quantity)	**2 613**	2 482
– horses (quantity)	**33**	15
Game[2]	**4 699**	4 685

1 Plantations consist of wattle and blue gum trees
2 Game consists of rhino, buffalo, warthog, giraffe, ostrich and a large variety of antelope.

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
14. INTANGIBLE ASSETS				
Patents, licences and franchises				
Gross carrying amount				
At beginning of year	**145**	143	**19**	19
Additions	**164**		**59**	
Transfer to non-current assets held-for-sale	**(193)**			
Transfers from other assets	**22**			
Exchange differences	**30**	2		
At end of year	**168**	145	**78**	19
Accumulated amortisation				
At beginning of year	**70**	56	**19**	9
Transfer to non-current assets held-for-sale	**(61)**			
Amortisation charge	**19**	13	**16**	9
Exchange differences	**12**	1		
At end of year	**40**	70	**35**	18
Net carrying amount at end of year	**128**	75	**43**	1
All intangible assets have finite useful lives and are amortised on a straight-line basis over their respective useful lives.				
15. INVESTMENTS IN UNLISTED ASSOCIATES				
ASSOCIATED COMPANIES (Unlisted)	**4 764**	3 880		

Refer to annexure 2 for market and directors' valuations of investments.

	ASSOCIATE COMPANIES		
	Investments	Loans[1]	Total
	Rm	Rm	Rm
2011			
GROUP			
At beginning of year	**3 662**	**218**	**3 880**
Net share of results	**4 666**		**4 666**
– Per statement of comprehensive income	**4 668**		**4 668**
– Elimination of intergroup profits	**(2)**		**(2)**
Dividends paid	**(3 516)**		**(3 516)**
Exchange difference	**39**		**39**
Share of reserve movements	**(305)**		**(305)**
At end of year (refer annexure 2)	**4 546**	**218**	**4 764**

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

		ASSOCIATE COMPANIES		
		Investments	Loans[1]	Total
		Rm	Rm	Rm
15.	**INVESTMENTS IN UNLISTED ASSOCIATES (continued)**			
	2010			
	GROUP			
	At beginning of year	1 810	155	1 965
	Net share of results	3 655	63	3 718
	– Per statement of comprehensive income	3 654	63	3 717
	– Elimination of intergroup profits	1		1
	Dividends paid	(1 815)		(1 815)
	Exchange difference	(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.

		COMPANY	
		2011	2010
		Rm	Rm
16.	**INVESTMENTS IN SUBSIDIARIES**		
	Shares at cost less impairment losses (refer annexure 3)	**1 166**	3 290
	Indebtedness		
	– by subsidiaries	**11 298**	10 745
	– to subsidiaries	**(123)**	(97)
	Total (refer annexure 3)	**11 175**	10 648
	Less: Current portion included in trade and other receivables (refer note 19)	**(9 192)**	(8 018)
	Add: Current portion included in trade and other payables (refer note 26)	**123**	97
	Non-current portion	**2 106**	2 727
		3 272	6 017

		GROUP		COMPANY	
		2011	2010	**2011**	2010
		Rm	Rm	**Rm**	Rm
17.	**FINANCIAL ASSETS**				
	Environmental Rehabilitation Trust asset	**453**	522	**14**	12
	Long-term receivables	**722**	477		
	Investments (refer annexure 2)[1]	**363**	376		
		1 538	1 375	**14**	12
	Included in non-current assets classified as held-for-sale (refer note 20):				
	Environmental Rehabilitation Trust asset	**156**	17		
	Investments	**2**			
		158	17		
		1 696	1 392	**14**	12
	Refer to note 29 on financial instruments.				
	1 Mainly includes the investment in Richards Bay Coal Terminal (RBCT).				
18.	**INVENTORIES**				
	Finished products	**293**	1 312		
	Work-in-progress	**32**	671		
	Raw materials	**5**	586		
	Plant spares and stores	**252**	544		
	Merchandise	**7**	7		
		589	3 120		
	Included in non-current assets classified as held-for-sale (refer note 20)	**2 404**	8		
		2 993	3 128		

The 2010 inventories include inventories relating to Exxaro Sands (Pty) Limited and Rosh Pinah Zinc Corporation (Pty) Limited which might be sold or utilised in production over more than 12 months. Included in merchandise are biological assets held-for-sale classified as inventories. Inventory sold in which delivery is delayed at the buyer's request, but the buyer takes title amounted to Rnil million in both 2011 and 2010. No inventories were pledged as security for liabilities in both 2011 and 2010.

Inventory carried at net realisable value (NRV) amounts to R7 million (2010: R184 million) for continuing operations, and R99 million (2010: R566 million) for discontinued operations.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
19. TRADE AND OTHER RECEIVABLES				
Trade receivables	**1 791**	2 554		
Other receivables	**229**	209	**57**	38
Indebtedness by subsidiaries (refer note 16)			**9 192**	8 018
Indebtedness by subsidiaries			**12 050**	11 298
Specific allowances for impairment			**(2 858)**	(3 280)
Derivative financial instruments (refer note 29.1)	**49**	192		
Non-financial Instruments[1]	**729**	848	**2**	2
Specific allowances for impairment	**(33)**	(50)	**(3)**	(4)
Collective allowances for impairment	**(2)**	(1)		
	2 763	3 752	**9 248**	8 054
Included in non-current assets classified as held-for-sale (refer note 20)	**1 931**	22		
Trade and other receivables	**1 578**	22		
Other receivables	**36**			
Derivative financial instruments	**9**			
Non-financial instruments[1]	**308**			
	4 694	3 774	**9 248**	8 054
Trade receivables are stated after the following allowances for impairment:				
Specific allowances for impairment				
At beginning of year	**(50)**	(221)	**(3 284)**	(3 274)
Impairment loss recognised	**(20)**	(45)		(3)
Indebtedness by subsidiaries impairments			**(519)**	(23)
Indebtedness by subsidiaries reversals			**941**	16
Impairment loss reversals	**37**	216	**1**	
At end of year	**(33)**	(50)	**(2 861)**	(3 284)
Of which relates to:				
Trade receivables	**(29)**	(3)		
Other receivables	**(4)**	(47)	**(3)**	(4)
Subsidiaries			**(2 858)**	(3 280)
	(33)	(50)	**(2 861)**	(3 284)
Collective allowances for impairment				
At beginning of year	**(1)**	(1)		
Impairment loss recognised	**(1)**			
At end of year	**(2)**	(1)		
Of which relates to:				
Trade receivables	**(2)**	(1)		
	(2)	(1)		

For a detailed analysis of the trade and other receivables refer to note 29 on financial instruments.

1 *Includes VAT refundable, prepayments, employee advances, etc.*

20. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

Mineral Sands operations

On 26 September 2011, Exxaro advised its shareholders that it reached an agreement with Tronox Incorporated, an international pigment company based in the United States, with respect to a proposed transaction, which entails the combination of Exxaro's Mineral Sands operations with the businesses of New Tronox Incorporated (New Tronox) under a newly-formed Australian holding company.

Exxaro will dispose of the Exxaro Mineral Sands operations in exchange for Tronox shares representing approximately 38,5% of the shares in New Tronox. Exxaro will retain a direct 26% shareholding in each of the South African Mineral Sands operations in order to comply with the requirement of the Mineral and Petroleum Resources Development Act, 28 of 2002 and the Broad-Based Socio-economic Empowerment Charter of the South African Mining end Minerals Industry.

The proposed transaction will be subject to the fulfilment of certain conditions precedent subject to a once off extension in limited circumstances to 30 September 2012. The conditions precedent includes all required regulatory approvals being obtained.

The investment in the Mineral Sands operations, which represents the full Mineral Sands operations, meets the criteria to be classified as a discontinued operation.

Base Metals operations

On 15 December 2011, Exxaro announced that it has entered into an agreement relating to the disposal of its entire 50,04% shareholding in, and claims against, Rosh Pinah Zinc Corporation to a wholly-owned subsidiary of Glencore International AG. The investment in Rosh Pinah Zinc Corporation, which represents a major part of the Base Metals segment, meets the criteria to be classified as a discontinued operation.

The assets and liabilities for the operations classified as held-for-sale at the reporting dates are as follows:

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
Assets				
Property, plant and equipment	**6 771**	34		
Intangible assets	**132**			
Investments in subsidiaries			**3 676**	10
Deferred tax	**465**			
Financial assets	**158**	21		
Inventories (refer note 18)	**2 404**	8		
Trade and other receivables (refer note 19)	**1 931**	22		
Trade receivables	**1 578**	22		
Other receivables	**36**			
Derivative financial instruments	**9**			
Non-financial instrument receivables[1]	**308**			
Current tax receivable	**18**			
Cash and cash equivalents	**3 100**			
	14 979	85	**3 676**	10

1 Includes VAT refundable, prepayments, employee advances, etc.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

	GROUP		COMPANY	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm
20. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE (continued)				
Liabilities				
Non-current interest bearing borrowings (refer note 22)	**(551)**			
Non-current provisions	**(682)**	(29)		
Deferred tax	**(69)**	(8)		
Trade and other payables (refer note 26)	**(967)**	(14)		
Trade payables	**(487)**	(14)		
Other payables	**(135)**			
Derivative financial instruments	**(106)**			
Non-financial instrument payables[1]	**(239)**			
Current interest bearing borrowings (refer note 22)	**(283)**			
Current tax payable	**(2)**	(1)		
Current provisions (refer note 23)	**(10)**			
	(2 564)	(52)		
Total at end of year	**12 414**	33	**3 676**	10

1 Includes VAT refundable, prepayments, employee advances, etc.

21. SHARE CAPITAL				
Share capital at par value				
Authorised				
500 000 000 ordinary shares of R0,01 each	**5**	5	**5**	5
Issued				
354 234 548 (2010: 358 089 230) ordinary shares of R0,01 each	**4**	4	**4**	4
Share premium	**2 358**	2 343	**2 358**	2 343
Shares held by Kumba Resources Management Share Trust and the Exxaro Employee Empowerment Participation Scheme Trust (Mpower)	**(3)**	(177)		
Total	**2 359**	2 170	**2 362**	2 347
Refer to statement of changes in equity (113 to 114) for details of movements				
Reconciliation of authorised shares not issued (million)				
Number of authorised unissued ordinary shares at beginning of year	**142**	143	**142**	143
Number of shares repurchased during the year	**4**		**4**	
Number of shares issued during the year	**(1)**	(1)	**(1)**	(1)
Number of unissued authorised shares at end of year	**145**	142	**145**	142

21. SHARE CAPITAL (continued)

The following resolutions pertain to the unissued ordinary shares under the control of the directors until the forthcoming annual general meeting:

21.1 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 71 of 2008, as amended, clause 3.2 of the memorandum of incorporation 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."

21.2 General authority to issue shares for cash

The directors of the company be and are hereby authorised, by way of a general authority, to issue the authorised but unissued shares in the capital of the company (and/or any options/convertible securities that are convertible into ordinary shares) for cash, as and when they in their discretion deem fit, subject to clause 3.2 of the memorandum of incorporation of the company, the Companies Act 71 of 2008, as amended, and the JSE Listings Requirements, when applicable and with the following limitations, 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% (ten per cent) 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% majority of the votes cast in favour of such resolution by all shareholders present or represented by proxy and entitled to vote, at the annual general meeting."

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

21. SHARE CAPITAL (continued)

21.3 General authority to repurchase shares

Subject to compliance with the JSE Listings Requirements, the Companies Act, and clause 36 of the memorandum of incorporation 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 5% (five 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; 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 to utilise this authority which will only be used if circumstances are appropriate. The directors undertake that they will not implement the repurchase as contemplated in this special resolution while this general authority is valid, unless:

- after such repurchases the company passes the solvency and liquidity test as contained in section 4 of the Companies Act and that from the time the solvency and liquidity test is done, there will be no material changes to the financial position of the group;
- the consolidated assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards and in accordance with the accounting policies used in the company and the group annual financial statements for the year ended 31 December 2011, will be in excess of the consolidated liabilities of the company and the group immediately following such purchase or 12 months after the date of the notice of annual general meeting, whichever is the later;
- the company and the group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting or a period of 12 months after the date on which the board considers that the purchase will satisfy the immediately preceding requirement and this requirement, whichever is the later;
- the issued share capital and reserves of the company and 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 the notice of the annual general meeting of the company;
- the company and the group will have adequate working capital for ordinary business purposes for a period of 12 months after the date of this notice;
- a resolution is passed by the board of directors that it has authorised the repurchase, that the company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the group;
- the requirements contained in schedule 25 of the JSE Listings Requirements are complied with;
- the company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless the company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant prohibited period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement released on SENS prior to the commencement of the prohibited period;
- when the company or its subsidiaries have cumulatively repurchased 3% (three 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 undertakes that it will not enter the market to repurchase its own securities until the company's sponsor has provided written confirmation to the JSE in accordance with schedule 25 of the JSE Listings Requirements."

For this resolution to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting in respect of special resolution number 2.

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
22. INTEREST-BEARING BORROWINGS				
Non-current borrowings				
Summary of loans by financial year of redemption				
2011		716		417
2012	**930**	856	**617**	617
2013	**1 912**	1 865	**1 701**	1 701
2014	**327**	296	**200**	200
2015	**315**	285	**200**	200
2016	**102**	61		
2017 onwards	**97**	281		
Total non-current borrowings (refer annexure 1)	**3 683**	4 360	**2 718**	3 135
Current portion included in current liabilities	**(647)**	(716)	**(617)**	(417)
Transfer to non-current liabilities classified as held-for-sale	**(834)**			
– Non-current borrowings (refer note 20)	**(551)**			
– Current borrowings (refer note 20)	**(283)**			
Total	**2 202**	3 644	**2 101**	2 718
Current borrowings				
Current portion of non-current borrowings	**647**	716	**617**	417
Short-term borrowings	**219**		**219**	
Total	**866**	716	**836**	417
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 including those classified as non-current liabilities held-for-sale (refer note 20). Details are:				
Minimum lease payments:				
– up to one year	**47**	66		
– more than one year and up to five years	**143**	262		
– more than five years	**333**	3 230		
Total	**523**	3 558		
Less: Future finance charges	**334**	3 290		
Present value of lease liabilities	**189**	268		
Representing lease liabilities:				
– current (up to one year)	**21**	5		
– non-current (more than one year and up to five years)	**53**	10		
– non-current (more than five years)	**115**	253		
Total	**189**	268		
Continued operations		268		
Discontinued operations	**189**			
Total	**189**	268		

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

	Environmental rehabilitation Rm	Decommissioning Rm	Restructuring Rm	Cash-settled share-based payment Rm	Onerous contract Rm	Total Rm
23. PROVISIONS						
GROUP						
2011						
At beginning of year	**1 470**	**626**	**30**	**4**		**2 130**
Charge to operating expenses	**233**	**(2)**		**1**	**29**	**261**
Additional provision	**242**	**3**		**1**	**29**	**275**
Unused amounts reversed	**(9)**	**(5)**				**(14)**
Interest adjustment (refer note 5)	**367**	**51**	**8**			**426**
Provisions capitalised to property, plant and equipment		**98**				**98**
Utilised during year	**(18)**		**(6)**	**(1)**		**(25)**
Exchange differences	**15**	**38**				**53**
Non-current provisions reclassified to assets held-for-sale	**(183)**	**(433)**				**(616)**
At end of year	**1 884**	**378**	**32**	**4**	**29**	**2 327**
Current portion included in current liabilities	**(115)**		**(7)**		**(29)**	**(151)**
Current provisions reclassified to non-current assets held-for-sale	**(10)**					**(10)**
Total non-current provisions	**1 759**	**378**	**25**	**4**		**2 166**
2010						
At beginning of year	1 323	442	30	5		1 800
Charge to operating expenses	27	7				34
Additional provision	30	7				37
Unused amounts reversed	(3)					(3)
Interest adjustment (refer note 5)	134	56	6			196
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	1 470	626	30	4		2 130
Current portion included in current liabilities	(27)		(6)			(33)
Total non-current provisions	1 443	626	24	4		2 097

	Environ-mental rehabili-tation Rm	Cash-settled share-based payment Rm	Onerous contract Rm	Total Rm
23. PROVISIONS (continued)				
COMPANY				
2011				
At beginning of year	**23**	**4**		**27**
Charge to operating expenses		**1**	**1**	**2**
Additional provisions		**1**	**1**	**2**
Interest adjustment (refer note 5)	**1**			**1**
Utilised during year		**(1)**		**(1)**
At end of year	**24**	**4**	**1**	**29**
Total non-current provisions	**24**	**4**	**1**	**29**
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 year		(1)		(1)
At end of year	23	4		27
Total non-current provisions	23	4		27

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 on 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 (2010: R429 million) at year end.

Of this amount R521 million (2010: R422 million) is included in financial assets and R18 million (2010: 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.

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.

Onerous contract
A provision has been made with regard to an onerous contract resulting from an undersupply of contractual volumes to a customer in 2011. The undersupply was the result of production related challenges.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

	Post-retirement medical obligation Rm	Post-retirement defined benefit obligation Rm	Other post-retirement obligations Rm	Total Rm
24. POST-RETIREMENT EMPLOYEE OBLIGATIONS				
GROUP				
2011				
At beginning of year	**89**	**5**	**2**	**96**
Additions – charge to operating expenses	**83**	**2**		**85**
Interest adjustment (refer note 5)	**3**			**3**
Reclassification to non-current assets held-for-sale	**(44)**	**(7)**		**(51)**
Total non-current provisions	**131**		**2**	**133**
2010				
At beginning of year	77	3		80
Additions – charge to operating expenses	9	2	2	13
Interest adjustment (refer note 5)	3			3
Total non-current provisions	89	5	2	96

Post-retirement medical obligation

After the merger with Eyesizwe (Pty) Limited in November 2006 and the successful creation of Exxaro, a post-employment healthcare benefit was identified that 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.

As part of the business combination with Namakwa Sands on 1 October 2008 a post-retirement medical obligation was acquired. The post-retirement liability is of a defined benefit nature, and consists of an implicit promise to pay a portion of members' post-retirement medical aid contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical aid upon the death of the primary member, either pre- or post-retirement. This benefit, which is no longer offered, applied to employees employed prior to 2001 by Namakwa Sands.

The obligation represents a present value amount, which is actuarially valued on an annual basis. Any surplus or deficit arising from the valuation is recognised in the statement of comprehensive income. The provision is expected to be utilised over the expected lives of the participants of the scheme.

Post-retirement defined benefit obligation

Provision for severance benefits is made in accordance with Namibian law for the Rosh Pinah 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.

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
25. DEFERRED TAX				
The movement on the deferred tax account is as follows:				
At beginning of year	**627**	366	**(85)**	(87)
Foreign currency translation adjustment	**(38)**			
Share-based payments movements	**(65)**	(42)	**(35)**	(21)
Items charged directly to other components of equity	**(25)**	115		
Tax charge to non-distributable reserve	**(23)**	38		
Charges to income statement directly to equity	**(2)**	77		
Transferred to non-current assets held-for-sale	**396**	1		
Statement of comprehensive income charge (refer note 7)				
– current	**731**	93	**1**	23
– prior	**(9)**	94	**4**	
At end of year	**1 617**	627	**(115)**	(85)
Comprising:				
– financial instruments	**(236)**	(137)		
– provisions	**(177)**	(60)	**(1)**	(2)
– foreign tax losses carried forward	**(122)**	(296)		
– bad debt reassessment	**(7)**	(9)		
– income received in advance	**(9)**	(7)		
– leave pay accrual	**(35)**	(43)	**(6)**	(6)
– lease liability	**125**	(75)		
– decommissioning provision	**(22)**	(22)		
– share-based payments	**(79)**	(61)	**(58)**	(35)
– hedge premium	**(4)**			
– restoration provision	**(378)**	(300)	**(7)**	(7)
– assessed losses	**(456)**	(1 247)	**(62)**	(45)
– property, plant and equipment	**2 288**	1 730	**14**	6
– unrealised foreign exchange profit	**146**	140		
– derecognition of deferred tax assets	**415**	833		
– Exxaro Environmental Rehabilitation Trust asset	**127**	137	**5**	4
– prepayments	**39**	34		
– inventories	**2**	10		
	1 617	627	**(115)**	(85)
CALCULATED TAX LOSSES				
– Tax losses available for set off against future South African taxable income	**1 629**	4 454	**221**	161
– Tax losses available for set off against future foreign taxable income	**436**	1 082		

The total deferred tax assets raised with regard to assessed losses amount to R163 million (2010: R706 million), and is mainly attributable to the Exxaro Mineral Sands businesses. The total deferred tax assets not raised amount to R678 million (2010: R907 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

	GROUP		COMPANY	
	2011 Rm	2010 Rm	**2011** Rm	2010 Rm
26. TRADE AND OTHER PAYABLES				
Trade payables	**905**	1 085	**194**	39
Other payables	**1 248**	898	**58**	54
Non-financial instruments[1]	**963**	835	**140**	155
Leave pay accrual	**141**	229	**22**	21
Indebtedness to subsidiaries (refer note 16)			**123**	97
Derivative financial instruments (refer note 29.1)	**77**	10		
	3 334	3 057	**537**	366
Included in non-current assets held-for-sale (refer to note 20)	**967**	14		
	4 301	3 071	**537**	366
1 Includes input VAT and bonus accruals.				
27. NOTES TO THE CASH FLOW STATEMENT				
27.1 Cash generated by/(utilised in) operations				
Net operating profit/(loss)	**4 381**	2 636	**(383)**	(247)
Adjusted for non-cash movements				
– depreciation and amortisation	**1 204**	1 380	**65**	50
– impairment (reversals)/charges of non-current assets	**(353)**	4	**278**	48
– impairment (reversals)/charges and write-offs of trade and other receivables	**(226)**	45	**(422)**	10
– provisions	**351**	47	**1**	(1)
– foreign exchange revaluations and fair value adjustments	**226**	(93)	**(7)**	3
– reconditionable spares usage	**3**	6		
– net profit on disposal or scrapping of property, plant and equipment	**(1)**	(32)		
– net loss/(profit) on disposal of investments	**3**		**(24)**	
– contingent rent adjustment	**107**			
– share-based payment expenses	**51**	80	**24**	26
	5 746	4 073	**(468)**	(111)
Working capital movements				
– decrease/(increase) in inventories	**355**	(11)		
– (increase)/decrease in trade and other receivables	**(708)**	(478)	**(1 165)**	84
– increase in trade and other payables	**1 136**	543	**173**	4
– utilisation of provisions (refer note 23 and 24)	**(26)**	(21)	**(1)**	(1)
Cash generated by/(utilised in) operations	**6 503**	4 106	**(1 461)**	(24)
27.2 NET FINANCING COSTS				
Net financing costs	**(291)**	(455)	**(122)**	(232)
Financing costs not involving cash flow (refer note 23 and 24)	**429**	199	**1**	1
Finance lease interest adjustment	**(232)**			
	(94)	(256)	**(121)**	(231)

27. NOTES TO THE CASH FLOW STATEMENT (continued)

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
27.3 Tax paid				
Amounts (unpaid)/receivable at beginning of year	**(42)**			13
Amounts charged to the statement of comprehensive income	**(388)**	(478)		(13)
Arising on translation of foreign entities	**(1)**	1		
Non-current assets classified as held-for-sale	**(16)**	5		
Amounts unpaid/(receivable) at end of year	**(55)**	42		
	(502)	(430)		
27.4 Dividends paid				
Dividends declared and paid (refer note 10)	**(2 217)**	(1 056)	**(2 150)**	(1 073)
Non cash flow dividend in specie	**100**			
Dividends declared and paid by subsidiaries to minorities (refer note 10)	**(6)**			
	(2 123)	(1 056)	**(2 150)**	(1 073)
27.5 Investments To Maintain Operations				
Replacement of property, plant and equipment	**(1 597)**	(1 109)	**(291)**	(68)
Reconditional spares	**(28)**	(46)		
	(1 625)	(1155)	**(291)**	(68)
27.6 Investments to expand operations				
Expansion and technology	**(3 301)**	(1 522)		
	(3 301)	(1 522)		
27.7 Investment in other non-current assets				
(Increase)/decrease in investments in subsidiaries			**(1 209)**	606
Increase in non-current financial assets	**(325)**	(149)		
	(325)	(149)	**(1 209)**	606
27.8 Income from equity-accounted investments				
Income from equity-accounted investments as per statement of comprehensive income	**4 668**	3 717		
Dividends received from equity-accounted investments	**3 516**	1 815		
Non cash flow income from equity-accounted investments	**(4 668)**	(3 717)		
	3 516	1 815		
27.9 Income from investments				
Income from investments as per statement of comprehensive income	**9**	2	**3 829**	3 205
Non cash flow dividends in specie received from subsidiary				(1 000)
	9	2	**3 829**	2 205

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

27. NOTES TO THE CASH FLOW STATEMENT (continued)

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
27.10 Movement in net debt				
Net cash inflow as per statement of cash flows	**2 472**	1 415		
Add:				
– shares issued	**15**	29		
– share based payments	**(2)**			
– loans from non-controlling interests	**11**	6		
– investment capitalised to joint venture loan	**21**			
– finance lease	**125**			
– non-cash flow movements in net debt applicable to currency translation differences of transactions denominated in foreign currency	**(8)**	187		
– non-cash flow movements in net debt applicable to currency translation differences of net debt items of foreign entities	**(151)**	(126)		
Decrease in net debt	**2 483**	1 511		

	2011			2010		
	Before-tax amount Rm	**Tax Rm**	**Net-of-tax amount Rm**	Before-tax amount Rm	Tax Rm	Net-of-tax amount Rm
28. OTHER COMPREHENSIVE INCOME						
GROUP						
Exchange differences on translating foreign operations	**798**	**2**	**800**	(6)	(37)	(43)
Financial instruments fair value gains/ (losses) recognised in equity on cash flow hedges	**(82)**	**42**	**(40)**	305	(102)	203
	716	**44**	**760**	299	(139)	160
Share of other comprehensive income of associates	**(254)**		**(254)**	40		40
Minority's share of other comprehensive income	**54**	**(19)**	**35**	(81)	24	(57)
	516	**25**	**541**	258	(115)	143
COMPANY						
Exchange differences on translating foreign operations	**(4)**		**(4)**	2		2
	(4)		**(4)**	2		2

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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29. FINANCIAL INSTRUMENTS

29.1 Carrying amounts and fair value amounts of financial and non-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 and loss	
	Held-for-trading Rm	Designated Rm
GROUP		
2011		
ASSETS		
Non-current assets		
Property, plant and equipment		
Biological assets		
Intangible assets		
Investments in unlisted associates		
Deferred tax		
Financial assets, consisting of:		457
- Exxaro Environmental Rehabilitation Trust asset		453
- Richards Bay Coal Terminal (RBCT)		
- investment in equity instruments at cost		4
- long-term receivables		
Total non-current assets		457
Current assets		
Inventories		
Trade and other receivables		
Current tax receivable		
Derivative financial instruments	49	
Cash and cash equivalents		
Total current assets	49	
Non-current assets classified as held-for-sale	9	158
TOTAL ASSETS	58	615
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		100
Non-current provisions		
Post-retirement employee obligations		
Deferred tax		
Total non-current liabilities		100
Current liabilities		
Trade and other payables		
Derivative financial instruments	77	
Interest-bearing borrowings		30
Current tax payable		
Current provisions		
Total current liabilities	77	30
Non-current liabilities classified as held-for-sale		
TOTAL EQUITY AND LIABILITIES	77	130

Loans and receivables at amortised cost Rm	Available-for-sale financial assets at fair value Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm	Maximum exposure of the carrying amount to credit risk Rm
			10 695	10 695		
			66	66		
			128	128		
			4 764	4 764		
			228	228		
722	359			1 538	1 538	1 538
				453	453	453
	359			359	359	359
				4	4	4
722				722	722	722
722	359		15 881	17 419		
			589	589		
1 986			728	2 714	1 986	1 986
			105	105		
				49	49	49
1 065				1 065	1 065	1 065
3 051			1 422	4 522		
4 714			10 097	14 979		
8 488	359		27 400	36 920		
			2 359	2 359		
			3 202	3 202		
			18 027	18 027		
			23 588	23 588		
			20	20		
			23 608	23 608		
		2 102		2 202	2 202	
			2 166	2 166		
			133	133		
			1 845	1 845		
		2 102	4 144	6 346		
		2 153	1 104	3 257	2 153	
				77	77	
		836		866	866	
			50	50		
			151	151		
		2 989	1 305	4 401		
		1 375	1 190	2 565	1 375	
		6 466	30 247	36 920		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

29. FINANCIAL INSTRUMENTS (continued)

29.1 Carrying amounts and fair value amounts of financial and non-financial instruments (continued)

	At fair value through profit and loss	
	Held-for-trading Rm	Designated Rm
GROUP		
2010		
ASSETS		
Non-current assets		
Property, plant and equipment		
Biological assets		
Intangible assets		
Investments in unlisted associates		
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		
Post-retirement employee obligations		
Deferred taxation		
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 EQUITY AND LIABILITIES	10	164

As disclosed in the table above, financial liabilities with a carrying amount and fair value of R130 million (2010: R163 million) have been designated at fair value through profit and loss.

The carrying amount of the financial liabilities designated at fair value through profit and loss at 31 December 2011 was the same as the contractual amount at maturity date for the year ended 31 December 2011 and 31 December 2010.

Loans and receivables at amortised cost Rm	Available-for-sale financial assets at fair value Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm	Maximum exposure of the carrying amount to credit risk Rm
			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	
			2 097	2 097		
			96	96		
			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		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

29. FINANCIAL INSTRUMENTS (continued)

29.1 Carrying amounts and fair value amounts of financial and non-financial instruments (continued)

	Designated at fair value through profit and loss Rm	Loans and receivables at amortised cost Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm	Maximum exposure of the carrying amount to credit risk Rm
COMPANY							
2011							
ASSETS							
Non-current assets							
Property, plant and equipment				508	508		
Intangible assets				43	43		
Investments in subsidiaries		2 105		1 167	3 272	2 105	2 105
Deferred tax				115	115		
Financial assets, consisting of:	14				14	14	14
– Exxaro Environmental Rehabilitation Trust asset	14				14	14	14
Total non-current assets	14	2 105		1 833	3 952		
Current assets							
Trade and other receivables		9 245		2	9 247	9 245	9 245
Cash and cash equivalents		29			29	29	29
Total current assets		9 274		2	9 276		
Non-current assets classified as held-for-sale				3 676	3 676		
TOTAL ASSETS	14	11 379		5 511	16 904		
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital				2 362	2 362		
Other components of equity				1 214	1 214		
Retained earnings				9 825	9 825		
Total equity				13 401	13 401		
Non-current liabilities							
Interest-bearing borrowings			2 101		2 101	2 101	
Non-current provisions				29	29		
Total financial non-current liabilities			2 101	29	2 130		
Current liabilities							
Trade and other payables			374	163	537	374	
Interest-bearing borrowings			836		836	836	
Total current liabilities			1 210	163	1 373		
TOTAL EQUITY AND LIABILITIES			3 311	13 593	16 904		

29. FINANCIAL INSTRUMENTS (continued)

29.1 Carrying amounts and fair value amounts of financial and non-financial instruments (continued)

	Designated at fair value through profit and loss Rm	Loans and receivables at amortised cost Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm	Maximum exposure of the carrying amount to credit risk Rm
COMPANY							
2010							
ASSETS							
Non-current assets							
Property, plant and equipment				266	266		
Intangible assets				1	1		
Investments in subsidiaries		2 726		3 291	6 017	2 726	2 726
Deferred tax				85	85		
Financial assets, consisting of:	12				12	12	12
– Exxaro Environmental Rehabilitation Trust asset	12				12	12	12
Total non-current assets	12	2 726		3 643	6 381		
Current assets							
Trade and other receivables		8 052		2	8 054	8 052	8 052
Cash and cash equivalents		1 229			1 229	1 229	1 229
Total current assets		9 281		2	9 283		
Non-current assets classified as held-for-sale				10	10		
TOTAL ASSETS	12	12 007		3 655	15 674		
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital				2 347	2 347		
Other components of equity				1 143	1 143		
Retained earnings				8 656	8 656		
Total equity				12 146	12 146		
Non-current liabilities							
Interest-bearing borrowings			2 718		2 718	2 718	
Non-current provisions				27	27		
Total financial non-current liabilities			2 718	27	2 745		
Current liabilities							
Trade and other payables			190	176	366	190	
Interest-bearing borrowings			417		417	417	
Total current liabilities			607	176	783		
TOTAL EQUITY AND LIABILITIES			3 325	12 349	15 674		

As disclosed in the table above, there were no financial liabilities designated at fair value through profit and loss as at 31 December 2011 for the company.

At 31 December 2011 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 2011 and 2010, 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 2011 or 2010.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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29. FINANCIAL INSTRUMENTS (continued)

29.1 Carrying amounts and fair value amounts of financial and non-financial instruments (continued)

Fair values

Fair value hierarchy level

Financial assets and liabilities at fair value have been categorised in the following hierarchy structure:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 – Inputs other than quoted prices included in level 1 that are either directly or indirectly observable for the asset/liability

Level 3 – Inputs for the asset/liability that are not based on observable market data (unobservable inputs)

Description	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
GROUP				
2011				
Financial assets held-for-trading at fair value through profit and loss	58		58	
– Current derivatives financial instruments	58		58	
Financial assets designated as at fair value through profit and loss	615	613		2
– Exxaro Environmental Rehabilitation Trust asset	609	609		
– Ndzalama game reserve	2			2
– Investment in equity instruments at cost	4	4		
Available for sale financial assets	359			359
– Richards Bay Coal Terminal	359			359
Financial liabilities held-for-trading at fair value through profit and loss	(77)		(77)	
– Current derivative financial instruments	(77)		(77)	
Financial liabilities designated as at fair value through profit and loss	(130)		(130)	
– Non-current interest-bearing borrowings	(100)		(100)	
– Current interest-bearing borrowings	(30)		(30)	
Net financial assets and liabilities held at fair value	825	613	(149)	361

Reconciliation of level 3 hierarchy	Ndzalama game reserve Rm	Richards Bay Coal Terminal Rm
Opening balance	7	369
Movement during the year		
– Purchases		17
– Sales	(5)	
– Settlements		(27)
Closing balance	2	359

29. FINANCIAL INSTRUMENTS (continued)

29.1 Carrying amounts and fair value amounts of financial and non-financial instruments (continued)

Description	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
COMPANY				
2011				
Financial assets designated as at fair value through profit and loss				
- Exxaro Environmental Rehabilitation Trust asset	**14**	**14**		
GROUP				
2010				
Financial assets held-for-trading at fair value through profit and loss	192		192	
- Current derivative financial instruments	192		192	
Financial assets designated as at fair value through profit and loss	550	543		7
- Exxaro Environmental Rehabilitation Trust asset	543	543		
- 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 and loss	(10)		(10)	
- Current derivative financial instruments	(10)		(10)	
Financial liabilities designated as at fair value through profit and loss	(164)		(164)	
- Non-current interest bearing borrowings	(136)		(136)	
- Current interest-bearing borrowings	(28)		(28)	
Net financial assets and liabilities held at fair value	937	543	18	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
- Transfers out of level 3		(35)
Closing balance	7	369

Description	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
COMPANY				
2010				
Financial assets designated as at fair value through profit and loss				
- Exxaro Environmental Rehabilitation Trust asset	12	12		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

29. FINANCIAL INSTRUMENTS (continued)

29.1 Carrying amounts and fair value amounts of financial and non-financial instruments (continued)

Fair values

Current derivative financial instruments

Current derivative financial instruments are classified within level 2 of the fair value hierarchy because the fair values are calculated as the present value of the estimated future cash flows based on observable indicators.

Exxaro Environmental Rehabilitation Trust Fund (EERF)

The EERF is classified within level 1 of the fair value hierarchy. The EERF received, 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 contributions are aimed at providing for sufficient funds at date of estimated closure of mining activities to address the rehabilitation and environmental impacts.

The EERF was created and complies with the requirements of both the Minerals and Petroleum Resources activities.

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.

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 inhouse treasury department on the JSE as well as with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and real growth.

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. R114 million (2010: R106 million) of the investments designated at fair value through profit and loss and the EERF are equity investments listed on JSE Limited and fair value of these investments was calculated based on the TOP40 ALSI as at 31 December 2011.

A 2 % increase in the JSE industry average at reporting date would have increased equity by R0,74 million (2010: R0,69 million) after tax; an equal change in the opposite direction would have decreased equity by R0,74 million (2010: R0,69 million). The impact on profit and loss would have been an increase or decrease of R0,74 million (2010: R0,69 million) after tax. The analysis has been performed on the same basis for 2010.

Ndzalama game reserve

The Ndzalama game reserve is classified within level 3 as there is no quoted market price or observable price available for this investment. This unlisted investment is valued as the present value of the estimated future cash flows based on unobservable inputs.

The investment was classified as held-for-sale during 2011.

Richards Bay Coal Terminal

For the financial year ended 31 December 2011, the investment in Richards Bay Coal Terminal (RBCT) had no active market available. Subsequently this investment was classified within level 3 of the fair value hierarchy. 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 $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 R177 million at 31 December 2011 (2010: R186 million).

All this coupled with minor wharfage expenses, results in the overall investment in RBCT with a carrying value of R392 million (2010: 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 R392 million (2010: R401 million).

It is not anticipated that the RBCT investments will be disposed of in the near future as the group has no intent to dispose of it.

29. FINANCIAL INSTRUMENTS (continued)

29.1 Carrying amounts and fair value amounts of financial and non-financial instruments (continued)

Long-term receivables

Included in the long term receivables is an amount of R687 million (2010: R449 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 23).

There were no allowances for impairments on long-term receivables or investments in equity instruments at cost during the period under review.

29.2 Reclassification of financial assets

No reclassification of financial assets occurred during the period.

29.3 Statement of changes in equity

Included in the statement of "other comprehensive income non-owner related movements" are the following pre-tax adjustments relating to financial instruments:

	GROUP	
	2011	2010
	Rm	Rm
Effective portion of change in fair value of cash flow hedge	**(113)**	307
Currency translation differences	**31**	(2)
Tax on items above	**42**	(102)
As disclosed in other comprehensive income (refer to note 28)	**(40)**	203

The above amounts are included in the hedging reserve.

29.4 Risk management

29.4.1 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.

29.4.2 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 29.4.2.1 below), commodity prices (see 29.4.2.2 below) and interest rates (see 29.4.2.3 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

29. FINANCIAL INSTRUMENTS (continued)

29.4 Risk management (continued)

29.4.2 Market risk management (continued)

29.4.2.1 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 (US$), Euro, and Australian Dollars (AU$). 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 FEC's and options with specific focus on short-term receivables.

Uncovered foreign debtors at 31 December 2011 amount to US$93 million (2010: US$114 million), where as uncovered cash and cash equivalents amount to US$53 million (2010: US$44 million).

All capital imports were fully hedged. There were no imports (other than capital imports) which were not fully hedged during both 2011 and 2010. Monetary items have been translated at the closing rate at the last day of the reporting period US$1: R8,18 (2010: US$1: R6,63).

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.

The following significant exchange rates applied for both group and company during the year:

	Average spot rate	Average achieved rate	Closing spot rate
2011			
US$	**7,22**	**7,28**	**8,18**
Euro	**10,07**	**9,98**	**10,58**
Australian Dollar	**7,47**	**7,58**	**8,30**
2010			
US$	7,30	7,72	6,63
Euro	9,68	9,94	8,83
Australian Dollar	6,71	6,80	6,75

Foreign currency

Material FECs and currency options, which relate to specific statement of financial position items, that do not form part of a hedging relationship or for which hedge accounting was not applied at 31 December 2011 and 31 December 2010, are summarised as follows:

	Market related value Rm	Foreign amount million	Contract value Rm	Recognised fair value profits/ (losses) Rm
GROUP				
2011				
Exports				
United States Dollar – FECs	**1 777**	**215**	**1 622**	**(155)**
2010				
Exports				
United States Dollar – FECs	676	101	726	50

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 2011 and 31 December 2010 are as follows:

29. FINANCIAL INSTRUMENTS (continued)

29.4 Risk management (continued)

29.4.2 Market risk management (continued)

29.4.2.1 Foreign currency risk management (continued)

	Market related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
GROUP				
2011				
Imports				
United States Dollar – FECs				
Less than three months	74	9	74	
Three Months	10	1	10	
Six months	10	1	10	
One year	281	33	285	(4)
Total	375	44	379	(4)
Euro – FECs				
Less than three months	3		4	(1)
Total	3		4	(1)
Australian Dollars – FECs				
Less than three months	3		3	
Total	3		3	
Exports				
United States Dollar – Loans (including note holders loan)				
Less than three months	18	2	20	(2)
Three Months	16	2	18	(2)
Six months	221	27	264	(43)
United States Dollar – Note holder's loan				
One year	164	20	253	(89)
Two years	82	10	114	(32)
Three years	69	8	96	(27)
Four years	69	8	96	(27)
Total	639	77	861	(222)

Note: In respect of a US$77 million (2010: US$83 million) loan liability of Exxaro Australia Sands Pty Limited, an economic hedge exists between US$ 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.

With respect to the above-mentioned cash flow hedges, the future expected cash flows are represented below:

	2012 Rm	2013 Rm	>2013 Rm	Total Rm
Expected future cash flows				
– United States Dollar – Loan	188			188
– United States Dollar – Note holders' loan	114	253	306	673
Expected gain/(loss) in profit and loss (at maturity)				
– United States Dollar – Loan	47			47
– United States Dollar – Note holders' loan	108			108

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

29. FINANCIAL INSTRUMENTS (continued)

29.4 Risk management (continued)

29.4.2 Market risk management (continued)

29.4.2.1 Foreign currency risk management (continued)

	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	
Six 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 – Note holders' loan				
Less than three months	179	27	214	(35)
Three Months	106	16	124	(20)
Six months	60	9	64	(4)
United States Dollar – Note holders' loan				
One year	30	5	30	
More than three years	407	61	518	(111)
Total	782	118	950	(170)

Note: In respect of a US$77 million (2010: US$83 million) loan liability of Exxaro Australia Sands Pty Limited, an economic hedge exists between US$ 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.

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 and loss (at maturity)				
– United States Dollar – FECs	(59)			(59)
– Euro – FECs	(6)			(6)
– United States Dollar – Note holders' loan	(111)			(111)

29. FINANCIAL INSTRUMENTS (continued)

29.4 Risk management (continued)

29.4.2 Market risk management (continued)

29.4.2.1 Foreign currency risk management (continued)

	Market related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
COMPANY				
2010				
Imports				
United States Dollar – 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:

	2012 Rm	>2012 Rm	Total Rm
Expected future cash flows			
– United States Dollar – FECs	1		1

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

29. FINANCIAL INSTRUMENTS (continued)

29.4 Risk management (continued)

29.4.2 Market risk management (continued)

29.4.2.1 Foreign currency risk management (continued)

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.

	Profit or loss		Equity	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
GROUP				
US$	**243**	179	**(41)**	(29)
Euro		45		
COMPANY				
US$		3		

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.

For exports (US$), an increase in the exchange rate of the rand (ZAR) against the dollar (US$) (eg 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 R0,80.

The opposite applies for a decrease in the exchange rate.

For imports (Euro), an increase in the exchange rate of the rand (ZAR) against the Euro (eg FEC taken out on exports at R10,00: £1, with actual rate coming out at R11,00: £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.

29.4.2.2 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 2011, the ineffective portion of the cash flow hedged reported in profit/(loss), amounted to Rnil million (2010: R5 million).

As at 31 December 2011 the net fair value of commodity derivatives reflected a R0 million loss (2010: R55 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 Rnil million (2010: 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 current commodity price hedges matured in December 2011.

29. FINANCIAL INSTRUMENTS (continued)

29.4 Risk management (continued)

29.4.2 Market risk management (continued)

29.4.2.2 Commodity risk management (continued)

Cash flow hedges – commodity risk

The forward hedged position at statement of financial position date is shown below:

2010	Tons	Market related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
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
– minority shareholders					10
		885	118	941	86

The above-mentioned hedges mature in 2011, which year the future expected cash flows are expected.

29.4.2.3 Interest rate risk management

The group is exposed to interest rate risk as it borrows and deposits funds at both fixed and floating interest rates on the money market. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings taking into account future interest rate expectations. The risk is also managed by entering into interest rate swaps. The financial institutions chosen are subject to compliance with the relevant regulatory bodies. A proportion of term through borrowings entered into at floating interest rates in anticipation of a decrease in the interest rate cycle.

The interest rate swap ceased at the end of November 2010.

The interest rate repricing profile is summarised below:

At 31 December	1 – 6 months Rm	7 – 12 months Rm	Beyond 1 year Rm	Total borrowings Rm
2011				
Term borrowings (under the IFRS 7 scope)	**3 031**		**464**	**3 495**
Call borrowings	**219**			**219**
	3 250		**464**	**3 714**
% of total borrowings	**88**		**12**	**100**
2010				
Term borrowings (under the IFRS 7 scope)	3 706		684	4 360
% of total borrowings	85		15	100

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	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
(Loss)/profit	**(16)**	(18)	**16**	18

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

29. FINANCIAL INSTRUMENTS (continued)

29.4 Risk management (continued)

29.4.3 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.

All guarantees currently accounted for relates to operational guarantees.

Borrowing capacity is determined by the directors in terms of the Articles of Association, from time to time:

	GROUP	
	2011	2010
	Rm	Rm
Amount approved	**29 485**	21 850
Total borrowings	**(3 902)**	(4 360)
Unutilised borrowing capacity	**25 583**	17 490

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2011 and 2010 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.

29. FINANCIAL INSTRUMENTS (continued)

29.4 Risk management (continued)

29.4.3 Liquidity risk management (continued)

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						
2011						
Financial assets						
Exxaro Environmental Rehabilitation Trust asset	609	609	156	2	70	381
Richards Bay Coal Terminal (RBCT)	359	359		33	58	268
Investment in equity instruments at cost	4	4				4
Ndzalama game reserve	2	2	2			
Derivative financial instruments	58	58	58			
Long-term receivables	722	722		20	16	686
Trade and other receivables	3 600	3 600	3 600			
Cash and cash equivalents	4 165	4 165	4 165			
	9 519	9 519	7 981	55	144	1 339
Percentage profile (%)	100	100	83	1	2	14
Financial liabilities						
Interest-bearing borrowings	3 714	4 170	1 353	2 056	761	
Trade and other payables	2 775	2 775	2 775			
Derivative financial instruments	183	183	183			
	6 672	7 128	4 311	2 056	761	
Percentage profile (%)	100	100	60	29	11	
Derivative financial liabilities (Included in the above)						
Foreign exchange forward contracts used for hedging						
– Sell (rands inflow)	1 622					
Other forward exchange contracts						
– Buy (rands outflow)	386					

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

29. FINANCIAL INSTRUMENTS (continued)

29.4 Risk management (continued)

29.4.3 Liquidity risk management (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						
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
Long-term receivables	477	477		19	10	448
Trade and other receivables	2 734	2 734	2 734			
Derivative financial instruments	192	192	192			
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					

29. FINANCIAL INSTRUMENTS (continued)

29.4 Risk management (continued)

29.4.3 Liquidity risk management (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
COMPANY						
2011						
Financial assets						
Exxaro Environmental Rehabilitation Trust asset	**14**	**14**			**14**	
Trade and other receivables	**11 350**	**11 350**	**11 350**			
Cash and cash equivalents	**29**	**29**	**29**			
	11 393	**11 393**	**11 379**		**14**	
Percentage profile (%)	**100**	**100**	**99,9**		**0,1**	
Financial liabilities						
Interest-bearing borrowings	**2 937**	**3 257**	**1 004**	**1 824**	**429**	
Trade and other payables	**374**	**374**	**374**			
	3 311	**3 631**	**1 378**	**1 824**	**429**	
Percentage profile (%)	**100**	**100**	**38**	**50**	**12**	
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		1	
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 (rands outflow)	1					

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

29. FINANCIAL INSTRUMENTS (continued)

29.4 Risk management (continued)

29.4.4 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 and loss, attributable to credit risk is as follows:

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
Cumulative		(2)		

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	
	2011	2010
	%	%
By industry		
Manufacturing (including structural metal and steel)	**20**	24
Public utilities	**29**	31
Other	**51**	45
	100	100
By geographical area		
South Africa	**47**	50
Asia	**3**	9
Australia	**17**	20
Europe	**20**	20
USA	**6**	
Other	**7**	1
	100	100

The group does not have 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.

29. FINANCIAL INSTRUMENTS (continued)

29.4 Risk management (continued)

29.4.4 Credit risk management (continued)

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
The carrying amount of the financial assets at reporting date was:				
Neither past due nor impaired	**9 495**	6 456	**11 393**	12 019
– trade and other receivables	**3 576**	2 729	**11 350**	10 779
– other financial assets	**1 538**	1 374	**14**	11
– derivative financial instruments	**58**	192		
– non-current assets held-for-sale	**158**	21		
– cash and cash equivalents	**4 165**	2 140	**29**	1 229
Past due	**24**	5		
– trade and other receivables	**24**	5		
Total financial assets	**9 519**	6 461	**11 393**	12 019
Impaired				
– trade and other receivables	**35**	40	**2 861**	3 293
Financial assets including impaired receivables	**9 554**	6 502	**14 254**	15 312

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 2011 or 2010 reporting periods.

Trade and other receivables age analysis				
Past due but not impaired				
1 – 30 days overdue	**1**			
61 – 90 days overdue	**23**	5		
Total carrying amount of financial instruments past due but not impaired	**24**	5		
Past due and impaired				
>90 days overdue	**35**	40	**2 861**	
Total carrying amount of financial instruments past due and impaired	**35**	40	**2 861**	3 293
Total carrying amount of financial instruments past due or impaired	**59**	45	**2 861**	3 293

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 2011 or 2010.

Loans and receivables designated at fair value through profit and loss
The group had no loans and receivables designated as at fair value through profit and loss during the period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

29. FINANCIAL INSTRUMENTS (continued)

29.4 Risk management (continued)

29.4.4 Credit risk management (continued)

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 2011 or 2010. For all other guarantees, refer to note 33 on contingent liabilities.

29.4.5 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.

30. 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 15 and annexure 2 whilst income is disclosed in note 15. 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 2011 or 2010.

	2011		2010	
	Joint ventures	**Associates**	Joint ventures	Associates
	Rm	**Rm**	Rm	Rm
Year ended 31 December				
– Group sales of goods	**12**	**58**	24	53
– Group purchases of goods and services	**780**	**264**	582	344
At 31 December				
– included in trade and other receivables (refer note 19)	**1**	**4**	7	3
– included in trade and other payables (refer note 26)	**68**		89	10
– included in cash and cash equivalents	**971**		224	
– included in financial assets	**137**		156	

During both years under review, there was no provision raised for doubtful debts relating to the balances above.

SUBSIDIARIES

Details of income from, and investments in subsidiaries are disclosed in notes 6 and 16 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 services rendered:

	2011	2010
	Rm	Rm
Exxaro Coal Proprietary Limited	**867**	764
Exxaro Base Metals Proprietary Limited	**113**	143
Exxaro Sands Proprietary Limited	**150**	152

30. RELATED PARTY TRANSACTIONS (continued)

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 NPC	Local social economic development – bridging classes[1]
Kumba Resources Management Share Trust	Management share incentive trust
Anglo Coal and Base Metals Environmental Rehabilitation Trust (Mafube Coal Mining Proprietary 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 32.

KEY MANAGEMENT PERSONNEL

For Exxaro Resources Limited other than the Executive Committee, no other key management personnel were identified. Refer to 77 to 109 for details on directors' and prescribed officers' remuneration.

For the group, for 2011 and 2010, the executive committee has been identified as being both key management personnel and prescribed officers. Refer to 77 to 109 for details on their remuneration.

SHAREHOLDERS

The principal shareholders of the company at 31 December 2011 are detailed in the "Analysis of Shareholders" schedule on 206.

CONTINGENT LIABILITIES

Details are disclosed in note 33.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

31. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive committee of the company.

Analysis of the group's profit and losses and assets and liabilities by reportable segment:

	Coal				Mineral Sands			
	Tied operations		Commercial operations		KZN Sands		Namakwa Sands	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm	**2011 Rm**	2010 Rm	**2011 Rm**	2010 Rm
SEGMENT PROFIT AND LOSS								
Segment revenue								
Total revenue	**3 140**	2 952	**9 623**	7 563	**1 196**	1 288	**2 904**	1 801
Inter-segmental								
External (refer note 2)	**3 140**	2 952	**9 623**	7 563	**1 196**	1 288	**2 904**	1 801
Revenue from continuing operations								
Revenue from discontinued operations								
Segment net operating profit/(loss)	**309**	186	**3 030**	2 504	**753**	(66)	**987**	107
Net operating profit from continuing operations								
Net operating profit from discontinued operations								
Interest income (external) (refer note 5)	**2**	2	**49**	44	**3**	4	**1**	2
Interest expense (external) (refer note 5)			**17**	22	**(207)**	70		
Interest adjustment on non-current provisions (refer note 23)	**174**	32	**175**	121	**6**	8	**20**	
Interest adjustment on non-current employee obligations (refer note 24)							**3**	3
Depreciation and amortisation of intangible assets	**37**	39	**629**	569	**126**	249	**128**	166
Impairment charges/(reversals)(refer note 4)					**(869)**			
Income tax expense/(income)	**47**	135	**890**	556	**(547)**	3	**258**	(30)
Other non-cash flow items	**87**	18	**(93)**	21	**32**	(44)	**104**	(13)
Cash inflow from operations	**433**	243	**3 568**	3 094	**111**	150	**1 266**	307
Cash generated by operations	**401**	206	**4 209**	2 999	**237**	251	**713**	667
Income from equity accounted investments								
Capital expenditure			**3 856**	1 740	**223**	52	**264**	217
SEGMENT ASSETS AND LIABILITIES								
Deferred tax			**36**	48		100		55
Investments in associates (equity accounted)								
External assets (excluding deferred tax and investments in equity accounted associates and joint ventures and non-current assets classified as held-for-sale)	**1 573**	1 333	**13 484**	9 784		2 741		3 273
Total assets	**1 573**	1 333	**13 520**	9 840		2 841		3 328
Non-current assets classified as held-for-sale								
Total assets as per statement of financial position								
Liabilities (external)	**1 215**	629	**2 947**	2 487		533		369
Deferred tax	**101**	121	**1 731**	1 135				
Current tax payable		16	**34**	132				
Total liabilities	**1 316**	766	**4 712**	3 754		533		369
Non-current liabilities classified as held-for-sale								
Total liabilities as per statement of financial position								
Additions in non-current assets[1]			**3 917**	1 741	**223**	52	**264**	217

1 Excluding financial instruments, deferred tax, post employment benefit assets, intercompany loans, investments in subsidiaries 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 (12% and 24% (2010: 15% and 28%)). The total amount of revenue from these two customers was R2 628 million and R5 160 million respectively (2010: R2 538 million and R4 754 million respectively).

During 2011, the Mineral Sands operating segment was classified as held-for-sale, as well as the Rosh Pinah operations within the Base Metals operating segment (refer note 20).

Mineral Sands		Base Metals						Other		Total	
Australia Sands		Rosh Pinah		Zincor		Other base metals					
2011 Rm	2010 Rm	**2011 Rm**	2010 Rm	**2011 Rm**	2010 Rm	**2011 Rm**	2010 Rm	**2011 Rm**	2010 Rm	**2011 Rm**	2010 Rm
2 487	1 551	**698**	674	**1 550**	1 598			**110**	213	**21 708**	17 640
		(403)	(485)							**(403)**	(485)
2 487	1 551	**295**	189	**1 550**	1 598			**110**	213	**21 305**	17 155
										12 471	10 116
										8 834	7 039
938	138	**102**	143	**(1 239)**	(171)	**(8)**	(85)	**(491)**	(120)	**4 381**	2 636
										2 808	2 488
										1 573	148
56	3	**3**	4		5			**109**	71	**223**	135
52	43	**1**	1					**223**	255	**86**	391
12	9	**23**	(1)	**14**	25			**2**	2	**426**	196
										3	3
166	186	**20**	52	**28**	58		5	**70**	56	**1 204**	1 380
				516			26		(22)	**(353)**	4
243	(24)	**36**	43	**134**	(62)	**63**	3	**(14)**	41	**1 110**	665
28	31	**25**	19	**207**	(2)			**14**	23	**404**	53
1 128	298	**178**	216	**(488)**	(115)	**(43)**	(58)	**(407)**	(62)	**5 746**	4 073
803	109	**196**	167	**(76)**	(191)	**(23)**	(58)	**43**	(44)	**6 503**	4 106
						213	93	**4 455**	3 624	**4 668**	3 717
178	424	**80**	76	**28**	96			**297**	72	**4 926**	2 677
	(15)				136		60	**192**	342	**228**	726
						625	369	**4 139**	3 426	**4 764**	3 795
	3 021		620	**312**	1 208	**66**	40	**1 514**	1 975	**16 949**	24 003
	3 006		620	**312**	1 344	**691**	469	**5 845**	5 743	**21 941**	28 524
										14 979	85
										36 920	28 609
	1 355	**8**	161	**836**	574		6	**3 846**	3 438	**8 852**	9 652
			87					**13**	2	**1 845**	1 345
			1				1	**16**	(4)	**50**	146
	1 355	**8**	249	**836**	574		7	**3 875**	3 536	**10 747**	11 143
										2 565	52
										13 312	11 195
178	424	**80**	76	**28**	96			**355**	129	**5 045**	2 735

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

31. OPERATING SEGMENTS (continued)

Information about geographical areas	External revenue		Carrying amount of non-current assets[1]	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
Sourced from country of domicile				
- South Africa	**10 743**	9 907	**14 847**	14 421
Sourced from foreign countries				
- Rest of Africa		2	**638**	308
- Europe	**5 757**	4 046		
- Asia	**1 782**	1 151	**168**	78
- Australia	**1 688**	1 000		2 499
- USA	**647**	591		
- Other	**688**	458		
Total segment	**21 305**	17 155	**15 653**	17 306

1 Excluding financial instruments, deferred tax, post employment benefit assets, intercompany loans, investments in subsidiaries and rights under insurance contracts.

No asymmetrical allocations to reportable segments occurred during the periods under review. The decrease in the carrying amount of non-current assets relates to the mineral sands segment, as well as the Rosh Pinah operations within the base metals segment which was classified as held-for-sale during 2011. The impairment of the carrying value of the property, plant and equipment of Zincor, within the base metals segment, also contributed to the lower carrying amount of the non-current assets.

Total segment revenue, which excludes value-added tax, represents the gross value of goods invoiced. Export revenue is recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred. The group uses the basis of significant marketing regions to allocate external revenues to the individual countries.

Total segment revenue further includes operating revenues directly and reasonably allocable to the segments. Segment revenue includes sales made between segments. These sales are made on a commercial basis.

Segment net operating profit equals segment revenue less segment expenses and includes impairment charges 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 significant differences in the way segment profit and loss is measured in comparison to the previous annual period or between the reportable segments' profits or losses and the group's profit and loss.

32. 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 South African Pension Funds Act of 1956 (the 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% to the above funds, being expensed as incurred.

All funds registered in South Africa are governed by the Act.

Defined contribution funds

Membership of each fund at 31 December 2011 and 2010 and employer contributions to each fund were as follows:

	Working members[1]	Working members[1]	Employer contributions	Employer contributions
	2011	2010	**2011**	2010
	Number	Number	**Number**	Rm
GROUP				
Exxaro Selector Funds	**2 503**	2 473	**83**	75
Iscor Employees' Provident Fund	**2 955**	3 038	**33**	33
Mine Workers Provident Fund	**1 835**	1 840	**14**	13
Namakwa Sands Employees Provident Fund	**918**	986	**15**	14
Sentinel Mining Industry Retirement Fund	**1 099**	1 111	**33**	32
Other funds	**965**	992	**18**	18
	10 275	10 440	**196**	185
COMPANY				
Exxaro Selector Funds	**643**	643	**30**	27
Iscor Employees' Provident Fund	**79**	85	**1**	1
Sentinel Mining Industry Retirement Fund	**41**	42	**3**	3
Other funds	**1**			
	764	770	**34**	31

1 Working members who are contributing members to an accredited retirement fund.

Due to the nature of these funds the accrued liabilities by definition equate to the total assets under control of these funds.

Defined benefit funds

Exxaro previously disclosed its interest as a participating employer in the closed defined benefit funds namely the Mittal Steel South Africa Pension funds and Iscor Retirement Fund. Such interest was disclosed while final confirmation was awaited on either the approval by the Registrar of Pension Funds of the scheme for the apportionment of an existing surplus, or the permission to not submit a surplus apportionment scheme in terms of section 15B of the Act. Both such final confirmations were received in 2007.

32. EMPLOYEE BENEFITS (continued)

Namakwa Sands

The group has defined benefit obligations for the provision of post retirement medical benefits.

As part of the business combination with Namakwa Sands on October 1, 2008 a post-retirement medical obligation was acquired.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out in November 2011 by NMG Consultants and Actuaries. 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:

	2011	2010
	%	%
Discount rate	**9,00**	8,25
Inflation rate	**6,25**	5,50
Healthcare cost trend	**7,75**	7,00
Amounts recognised in profit and loss in respect of the defined benefit plan were as follows:		
Current service cost	**2**	2
Interest on obligation	**3**	3
Actuarial gains	**2**	5
	7	10
The expense for the year is included in the employee benefits expense in the statement of comprehensive income.		
Reconciliation of the opening and closing balances of the present value of the defined benefit obligation:		
Defined benefit obligation at the beginning of the year	**38**	29
Current service cost	**2**	2
Plus: Interest cost	**3**	3
Plus: Actuarial losses	**2**	5
Defined benefit obligation at end of year	**44**	39

Determination of estimated post-retirement expense for the next financial year:

	2012	2011
	Rm	Rm
Current service cost	2	2
Plus: Unrecognised actuarial losses in the year		2
Plus: Interest cost	4	3
Expense	7	7

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32. 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 R102 million (2010: R92 million).

Exxaro has a post-retirement medical obligation to a limited number of in-services 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 2011 amounted to R2 million (2010: R2 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 statement of comprehensive income. The provision is expected to be utilised over the expected lives of the participants of the scheme.

Equity compensation benefits

Equity compensation benefits are provided to selected employees through the following share-based payment schemes:

Mpower

Exxaro created an Employee Empowerment Participation Scheme in November 2006 whereby certain employees were given the opportunity to share in the growth of the company. Exxaro issued approximately 10,7 million shares which was held in trust for the benefit of selected Exxaro employee beneficiaries. Employees are awarded equal share units in the trust which entitles them to dividends on the Exxaro shares in trust in the five-year period that ended in November 2011. The total distribution to be made by the trust is independent of the number of units allocated to employees, therefore as more units are allocated the benefits to the trust are split between participating employees. As a result, all equity instruments of the scheme are effectively granted upon first issue of units to a participant. Given this operation, the value of the scheme determined at the grant date represents the final scheme value to be recognise under IFRS 2. By the end of the five-year period or capital appreciation period, the Exxaro shares that employee beneficiaries have a right to through the share units awarded to them in the Trust, were sold. The capital distribution is the profit that is made on these shares after they are sold and the outstanding loan (used to buy the shares) to Exxaro is settled. The Mpower scheme is an equity-settled share based-payment scheme.

Share Appreciation Right Scheme (SARs)

Participants obtain the right, if performance conditions are met, to receive a number of Exxaro shares to the value of the difference between the exercise price and the grant price. The performance condition relates to Headline Earnings per Share of the group and is calculated for a minimum and maximum performance condition. Performance between these targets will result in proportional vesting which will be calculated using a linear sliding scale between the minimum and maximum performance conditions. Grants have a vesting period of three years at which time the performance conditions are calculated. The vested grants will lapse after seven years from the grant date.

The SARs scheme is an equity settled share-based payment scheme.

32. EMPLOYEE BENEFITS (continued)

Long-term Incentive Plan (LTIP)

A LTIP is a conditional award of Exxaro shares offered to qualifying senior employees of the group. The shares vest after three years subject to certain performance conditions being met. The extent to which the performance conditions are met governs the number of shares that vest. LTIP is an equity settled scheme.

There are two performance conditions that determine the number LTIPs that vest:

- The Total Shareholder Return ('TSR') Condition

  This condition compares the TSR of Exxaro with the TSR of a peer group of companies. The peer group of companies is determined by the Nomination Transformation, Remuneration, Human Resources Committee. TSR is defined to be the compound annual growth rate ('CAGR') on a portfolio of Exxaro/peer group shares purchased at the end of the group's financial year in which the grant is made, holding the shares, and reinvesting the dividends received from the portfolio in the same shares for three years, and then selling the portfolio at the end of the three years.

- The Return on Capital Employed ('ROCE') Condition

  The ROCE measure is a Return on Capital Employed measure with a number of adjustments as determined by the rules of the scheme. Initial targets are set based on existing ROCE performance in the base year of an LTIP and planned ROCE performance in the performance year ('target year'). The audited results for the previous financial year, with relation to the year in which the grants are made, is the base year and the third year after the base year is the target year.

  50% of the grant is subject to the TSR condition and 50% is subject to the ROCE condition. Awards vests linearly between 30% and 100% for performance between the minimum and the maximum targets.

Deferred Bonus Plan (DBP)

DBP is to encourage directors and senior management to sacrifice a part of their bonuses for the purpose of acquiring shares in the company in exchange for an uplift in the number of shares received. Participants may sacrifice a percentage of their (post-tax) bonus in exchange for Exxaro shares at the ruling market price. The pledged shares are then held in trust for a three year period, thus until the vesting date of the matching award. At vesting date, the company will make an additional award of shares by matching the shareholding on a one-for-one basis (matching award). Participants will consequently become unconditionally entitled to both the original pledged shares as well as the matching award of shares.

A participant may at its election dispose of and withdraw the pledged shares from the scheme at any stage. However, if the pledged shares are withdrawn before the expiry of the pledge period, the participant forfeits the matching award.

The DBP is an equity settled scheme.

Options

The Exxaro Management Option Scheme consists of options in respect of ordinary shares at market value granted to eligible participants. No further grants were made under this scheme since the unbundling from Kumba Resources Limited in 2006. This scheme was replaced by the new schemes as listed above. The Option scheme is an equity settled share-based payment scheme.

Options granted in terms of the Exxaro Management Share Option Scheme can be exercised over five years commencing on the first anniversary of the offer date. If the options are accepted by participants, the vesting periods, unless decided otherwise by the directors, are as follows:

- 10% after first anniversary of offer date;
- additional 20% after second anniversary of offer date;
- additional 20% after third anniversary of offer date;
- additional 25% after fourth anniversary of offer date;
- additional 25% after fifth anniversary of offer date.

The options not exercised lapse by the seventh anniversary of the offer date.

Phantom Option Scheme

As a result of restrictions related to the empowerment transaction of Kumba Resources Limited and Exxaro Resources Limited in 2006, certain executives and senior managers who participated in 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. Consequently 'phantom options' were awarded 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 of Exxaro shares (volume weighted average price on the day preceding exercise) and the grant price; and
- all other rules and arrangements in respect of the Management Share Option Scheme were replicated for the Phantom Share Option Scheme.

The Phantom Option Scheme is a cash-settled scheme and no further issues were made since the 2006 unbundling from Kumba Resources Limited.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

32. EMPLOYEE BENEFITS (continued)

Details of the schemes:

		2011		2010	
		Number of instruments '000	**Grant price range R**	Number of instruments '000	Grant price range R
Share Appreciation Right Scheme					
Outstanding at beginning of year		**6 938**	**59,42 – 155,69**	5 851	59,42 – 155,69
Issued during the year		**1 542**	**150,66 – 185,92**	1 804	88,72 – 129,77
Exercised during the year		**(811)**	**59,42 – 155,69**	(394)	60,60 – 112,35
Lapsed/cancelled during the year		**(322)**	**63,45 – 163,95**	(323)	60,60 – 126,77
Outstanding at end of the year		**7 347**	**59,42 – 185,92**	6 938	59,42 – 155,69
Terms of outstanding at end of the year	Expiry date				
	2011			6	60,60 – 112,35
	2012	**63**	**67,07 – 163,95**	2	112,35
	2013				
	2014	**562**	**59,42 – 104,99**	765	59,42 – 104,99
	2015	**936**	**64,52 – 155,69**	1 565	62,83 – 155,69
	2016	**2 681**	**63,45 – 92,51**	2 860	63,45 – 92,51
	2017	**1 637**	**110,91 – 131,47**	1 740	110,91 – 131,47
	2018	**1 468**	**150,66 – 185,92**		
		7 347		6 938	
Vested but not sold during the year		**1 562**	**59,42 – 163,95**	781	59,42 – 112,35
Exercise price range for instruments exercised during the year (R)			**137,69 – 199,00**		105,90 – 138,80
Total proceeds if shares are issued (R million)		**771,8**		633,5	

		Number of instruments '000	**Face value range[1] R**	Number of instruments '000	Face value range[1] R
Long-term Incentive Plan					
Outstanding at beginning of year		**1 524**	**63,45 – 126,77**	1 550	60,60 – 112,35
Issued during the year		**377**	**150,66 – 163,95**	427	88,72 – 129,77
Exercised during the year		**(416)**	**145,00 – 188,63**	(414)	113,50 – 131,90
Lapsed/cancelled during the year		**(6)**	**67,07 – 163,95**	(39)	67,07 – 112,35
Outstanding at end of the year		**1 479**	**63,45 – 163,95**	1 524	63,45 – 126,77
Terms of outstanding at end of the year	Expiry date				
	2011			408	85,00 – 112,45
	2012	**689**	**63,45 – 69,06**	696	63,45 – 69,06
	2013	**416**	**113,61 – 126,77**	420	120,39 – 126,77
	2014	**374**	**150,66 – 163,95**		
		1 479		1 524	
Face value range for instruments exercised during the year (R)			**145,00 – 188,63**		113,50 – 131,90
Total value of shares outstanding (R million)		**160,2**		145,3	

1 Face value is the volume weighted average price of the previous business day when the transaction is executed

32. EMPLOYEE BENEFITS (continued)

		2011 Number of instruments '000	2011 Share price range[2] R	2010 Number of instruments '000	2010 Share price range[2] R
Deferred Bonus Plan					
Outstanding at beginning of year		**96**	**65,58 – 128,14**	67	65,58 – 111,88
Issued during the year		**27**	**147,01 – 180,28**	31	120,5 – 128,14
Exercised during the year		**(14)**	**149,50 -189,97**	(2)	149,50 – 189,97
Outstanding at end of the year		**109**	**66,38 – 180,28**	96	65,58 – 128,14
Terms of outstanding at end of the year	Expiry date				
	2011			14	89,60 – 111,88
	2012	**51**	**66,38 – 88,95**	51	65,58 – 91,08
	2013	**31**	**112,68 – 125,41**	31	120,50 – 128,14
	2014	**27**	**147,01 – 180,28**		
		109		96	
Share price range for instruments exercised during the year (R)			**149,50 – 189,97**		149,50 – 189,97
Total value of shares outstanding (R million)		**11,5**		2,5	

2 Price at which the shares was bought/sold

		2011 Number of instruments '000	2011 Grant price range R	2010 Number of instruments '000	2010 Grant price range R
Options					
Outstanding at beginning of year		**1 460**	**12,90 – 47,73**	2 295	7,32 – 47,73
Exercised during the year		**(594)**	**12,90 – 47,73**	(796)	7,32 – 47,73
Lapsed/cancelled during the year		**(5)**	**47,73**	(39)	40,68 – 47,73
Outstanding at end of the year		**861**	**18,38 – 47,73**	1 460	12,90 – 47,73
Terms of outstanding at end of the year	Expiry date				
	2011			203	12,90 – 13,62
	2012	**310**	**18,38 – 32,84**	483	18,38 – 32,84
	2013	**551**	**33,47 – 47,73**	774	33,47 – 47,73
		861		1 460	
Vested but not sold during the year		**861**	**18,38 – 47,73**	1 129	12,90 – 47,73
Exercise price range for instruments exercised during the year (R)			**142,00 – 199,00**		106,03 – 140,09
Total proceeds if shares are issued (R million)		**28,8**		44,0	
Phantom Option Scheme					
Outstanding at beginning of year		**33**	**19,62 – 32,84**	43	19,62 – 32,84
Exercised during the year		**(8)**	**19,62**	(10)	19,62
Outstanding at end of the year		**25**	**32,84**	33	19,62 – 32,84
Terms of outstanding at end of the year	Expiry date				
	2012	**25**	**32,84**	33	19,62 – 32,84
		25		33	
Vested but not sold during the year		**25**	**32,84**	33	19,62 – 32,84
Exercise price for instruments exercised during the year (R)			**175,29**		76,00

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

32. EMPLOYEE BENEFITS (continued)

Fair value of equity compensation instruments

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.

A modified binomial tree model is used for the valuation of the SARs and Phantom Option Scheme while a Monte Carlo Simulation model for the LTIP. The conditional matching awards granted in terms of the DBP are the economic equivalent of granting an Exxaro share, without dividend rights for the period from grant date to vesting date. Therefore the value of the DBP is equal to the grant date share price at the vesting date, less the present value of future dividends expected to be granted over the term of the scheme, multiplied by the pledged shares in the trust and the matching award.

		2011 R	2010 R
Weighted average fair value for grants during the year:	SARs	**68,37**	48,34
	LTIP	**59,04**	106,36
	DBP	**144,87**	113,71
Inputs to the valuation models for:			
SARs	Share price at valuation date (R)	**170,00**	126,84
	Weighted average option life (years)	**7**	7
	Exercise price (R)	**163,95**	126,77
	Expected volatility (%)[1]	**42,20**	42,39
	Dividend yield (%)	**3,42**	3,80
	Risk-free interest rate (%)	**8,30**	8,17
	Employee forfeiture rate (%)	**5,73**	4,14
LTIP	Share price at valuation date (R)	**170,00**	126,84
	Weighted average option life (years)	**3**	3
	Expected volatility of Exxaro share (%)[1]	**46,69**	49,70
	Expected volatility of peer group share (average) (%)[1]	**60,15**	63,07
	Dividend yield (%)	**3,22**	1,94
	Risk-free interest rate (%)	**7,32**	7,29
	Employee forfeiture rate (%)	**2,97**	2,90
DBP	Share price at valuation date – February (R)	**152,45**	114,00
	Share price at valuation date – March (R)	**165,46**	125,90
	Share price at valuation date – August (R)	**n/a**	114,44
	Weighted average option life (years)	**3**	3
	Dividend yield – February (%)	**3,59**	1,98
	Dividend yield – March (%)	**3,31**	1,95
	Dividend yield – August (%)	**n/a**	2,24
	Risk-free interest rate – February (%)	**7,19**	7,68
	Risk-free interest rate – March (%)	**7,37**	7,35
	Risk-free interest rate – August (%)	**n/a**	6,53
	Employee forfeiture rate (%)	**0**	0
Phantom Options	Share price at valuation date (R)	**179,50**	139,01
	Weighted average option life (years)	**0,92**	1,78
	Exercise price (R)	**32,84**	29,81
	Expected volatility (%)[1]	**35,48**	38,00
	Dividend yield (%)	**5,13**	4,70
	Risk-free interest rate (%)	**5,34**	6,50
	Employee forfeiture rate (%)	**0**	0

1 Volatility is measured as the annualised standard deviation of the continuously compounded daily returns of the underlying share(s) under the assumption that the share price is log-normally distributed. The historical period used to determine the log returns and hence volatility is equal in length to the period from valuation date up to and including the maturity date, starting from the valuation date.

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
33. CONTINGENT ASSETS AND LIABILITIES				
Contingent assets				
Surrender fee on prospect rights, exploration rights and mining rights.	**82**	63		
Contingent liabilities				
Contingent liabilities at statement of financial position 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	**755**	707	**2**	1
– other[1]	**442**	300	**21**	151
1 Include the group's share of contingent liabilities of associates and joint ventures of R233 million (2010: R117 million). The increase in 2011 is attributable to the increase in the group's share of contingent liabilities of associates and joint ventures. *In 2010 the increase was due to guarantees to the Department of Mineral Resources (DMR) in respect of environmental liabilities on immediate closure of mining operations.*				
The timing and occurrence of possible outflows are uncertain.				
34. COMMITMENTS				
Capital commitments at 31 December				
Capital expenditure contracted for plant and equipment	**8 029**	6 475	**76**	67
Capital expenditure authorised for plant and equipment but not contracted	**2 738**	2 490	**206**	173
The above includes the group's share of capital commitments of associates and joint ventures.	**415**	556		
Capital expenditure contracted relating to captive mines Tshikondeni, Arnot and Matla, which will be financed by ArcelorMittal SA Limited and Eskom respectively.	**90**	1		
Capital expenditure will be financed from available cash resources, funds generated from operations and available borrowing capacity.				
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:				
– up to one year	**34**	57	**5**	7
– more than one year and less than five years	**26**	67	**3**	5
– more than five years		8		
Total	**60**	132	**8**	12
Operating sublease receivable				
Non-cancellable operating lease rentals are receivable as follows:				
– up to one year	**3**	2		
– more than one year and less than five years	**1**	4	**1**	
Total	**4**	6	**1**	

ANNEXURE 1
NON-CURRENT INTEREST-BEARING BORROWINGS

	Final repayment date	Rate of interest per year (payable half-yearly)		Rate of interest per year (payable half-yearly)			GROUP		COMPANY	
		2011		2010			2011	2010	2011	2010
		Fixed %	Floating %	Fixed %	Floating %		Rm	Rm	Rm	Rm
LOCAL										
Unsecured loans										
	2013		6,830		6,810		150	150	150	150
	2013		6,830		6,810		178	342	178	342
	2013		6,830		6,810		270	405	270	405
	2013		6,930		6,910		675	675	675	675
	2013		6,830		6,810		50	75	50	75
	2013		6,930		6,910		125	125	125	125
	2013		6,830		6,810		90	135	90	135
	2013		6,930		6,910		224	224	224	224
	2013		6,830		6,810		24	36	24	36
	2013		6,930		6,910		60	60	60	60
	2013		6,830		6,810		72	108	72	108
	2015		6,677		7,610		800	800	800	800
	2016		7,650		8,110		130	167		
	2016		8,960		9,350		9	6		
							2 857	3 308	2 718	3 135
Secured loans										
	2011	12,130		12,130		[1]		1		
	2011	17,490		17,490		[2]		1		
	2012	11,420		11,420		[3]		1		
	2013	13,540		13,540		[4]	4	6		
	2015	12,250				[5]	2			
	2025	8,330		8,330		[6]	22	23		
	2026	10,710		10,710		[7]	12	12		
	2031	16,050		22,200		[8]	45	87		
	2032	22,150		32,930		[9]	51	137		
							136	268		

	Final repayment date	Rate of interest per year (payable half-yearly)		Rate of interest per year (payable half-yearly)		GROUP		COMPANY	
		2011		2010		2011	2010	2011	2010
		Fixed	Floating	Fixed	Floating				
		%	%	%	%	Rm	Rm	Rm	Rm
FOREIGN									
Unsecured loans (US$)									
	2011				8,050 [10]		236		
	2016	**7,550**		7,550	[11]	**464**	387		
						464	623		
FOREIGN									
Secured loans (US$)									
	2012		**3,790**		3,790 [12]	**174**	161		
	2016	**6,400**			[13]	**52**			
						226	161		
Total non-current interest-bearing borrowings (refer note 22)						**3 683**	4 360	**2 718**	3 135

Finance Leases recognised due to *IFRIC4 – Determining whether an Agreement contains a Lease*

1 *Finance lease agreement between Exxaro Sands Proprietary Limited and Mhlathuze Water in respect of a plant with a book value of Rnil million for 2011 and 2010.*
2 *Finance lease agreement between FerroAlloys Proprietary Limited and African Oxygen Limited (Afrox) in respect of machinery and equipment with a book value of Rnil million for 2011 and 2010.*
3 *Finance lease agreement between Exxaro Sands Proprietary Limited and Eskom in respect of buildings with a book value of Rnil million for 2011 and 2010.*
4 *Finance lease agreement between Exxaro TSA Sands Proprietary Limited and Air Products in respect of a plant with a book value of R1 million (2010: R3 million).*
5 *Finance lease agreement between Rosh Pinah Zinc Corporation Proprietary Limited and Trentyre Namibia Proprietary Limited in respect of a plant with a book value of R2 million.*
6 *Finance lease agreement between Exxaro TSA Sands Proprietary Limited and Mhlathuze Water in respect of a plant with a book value of R13 million (2010: R13 million).*
7 *Finance lease agreement between Exxaro TSA Sands Proprietary Limited and Eskom in respect of buildings with a book value of R8 million (2010: R9 million).*
8 *Finance lease agreement between Exxaro Sands Proprietary Limited and Kusasa Bulk Terminals (Phase 1) in respect of a plant with a book value of R27 million (2010: R28 million).*
9 *Finance lease agreement between Exxaro Sands Proprietary Limited and Kusasa Bulk Terminals (Phase 2) in respect of a plant with a book value of R30 million (2010: R31 million).*
10 *A syndicated loan facility of US$45million (variable interest rate), of which US$34 million was drawn on 31 December 2010.*
11 *US$60 million senior notes (fixed interest rate) issued by Ticor Finance (A.C.T.) Proprietary Limited, an entity controlled by Exxaro Australia Sands Proprietary Limited.*
12 *A trade receivable facility from Investec Limited that is secured for the outstanding amount of US$21,250,000 (US$24,250,000 on 31 December 2010),against pigment receivables for that amount.*
13 *Finance lease agreement for the Co-generation plant with a book value of R62 million, for the Kwinana Pigment Plant.*

ANNEXURE 2
INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS

	Nature of business[1]	Country of incorporation[2]	Number of shares held	Percentage holding 2011 %	Percentage holding 2010 %	Group carrying amount 2011 Rm	Group carrying amount 2010 Rm	Company carrying amount 2011 Rm	Company carrying amount 2010 Rm	Year-end other than 31 December
ASSOCIATED COMPANIES										
Unlisted										
Black Mountain Mining Proprietary Limited	A	RSA	260	**26,00**	26,00	**458**	242			31 March
Chifeng Kumba Hongye Zinc Corporation Limited	A & M	CH	58 520 000	**38,00**	38,00	**126**	92			
Chifeng NFC Kumba Hongye Zinc Corporation Limited	A & M	CH	42 500 000	**25,00**	25,00	**42**	35			
Sishen Iron Ore Company Proprietary Limited	A	RSA	240 000 000	**19,98**	20,00	**4 138**	3 511			
Total associated companies (refer note 15)						**4 764**	3 880			
JOINT VENTURES										
Incorporated										
Unlisted										
Mafube Coal Mining Proprietary Limited	A	RSA	50	**50,00**	50,00					
RoshSkor Township Proprietary Limited	C	NAM	50	**50,00**	50,00					30 June
South Dunes Coal Terminal Co Proprietary Limited	C	RSA	1 333	**33,33**	33,33					
Thakweneng Mineral Resources Proprietary Limited	E	RSA	1	**50,00**	50,00					
Rosh Pinah Health Care Proprietary Limited	C	NAM	31	**31,00**	31,00					
Unincorporated										
Moranbah Coal Project	A				50,00					
Tiwest	A				50,00					
INVESTMENT COMPANIES										
Listed										
Kumba Iron Ore Limited[3]						**4**				
Unlisted										
Richards Bay Coal Terminal[4]						**359**	369			
Other							7			
Total other investments (refer note 17)						**363**	376			
CLASSIFIED AS NON-CURRENT ASSETS HELD-FOR-SALE						**2**				
TOTAL INVESTMENTS						**5 129**	4 256			
The investments are valued at statement of financial position date. Listed shares are valued at market value and unlisted shares at directors' value.										
Unlisted investments in associates – directors' valuation						**22 715**	20 782			
Listed other investments – market value						**44**				
Unlisted other investments – directors' valuation						**392**	407			
Unlisted investments included in non-current assets held-for-sale – directors' valuation						**2**				

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 market valuation of 2011 is an amount of R40 million in respect of Kumba Iron Ore Limited, which is classified as derivative debtors.
4 Included in the directors' valuation of 2011 is an amount of R33 million (2010: R31 million) in respect of RBCT, which is classified as other debtors.

The group's effective share of statement of financial position, income statement and cash flow items in respect of associated companies and joint ventures is as follows:

	Associated companies		Joint ventures	
	2011	2010	**2011**	2010
	Rm	Rm	**Rm**	Rm
INCOME STATEMENTS				
Revenue	**10 647**	8 614	**3 262**	2 147
Operating expenses	**(3 972)**	(3 473)	**(2 219)**	(1 835)
NET OPERATING PROFIT	**6 675**	5 141	**1 043**	312
Net financing income/(expense)	**3**	(34)	**(27)**	(101)
PROFIT BEFORE TAX	**6 678**	5 107	**1 016**	211
Income tax expense	**(2 010)**	(1 390)	**(111)**	(33)
PROFIT FOR THE YEAR	**4 668**	3 717	**905**	178
NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**4 668**	3 717	**905**	178
STATEMENTS OF FINANCIAL POSITION				
Non-current assets	**5 002**	3 718	**3 905**	3 873
Current assets	**2 882**	2 462	**2 982**	1 801
TOTAL ASSETS	**7 884**	6 180	**6 887**	5 674
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent	**4 545**	3 670	**4 749**	2 942
Non-current liabilities				
Interest-bearing borrowings	**219**	856	**197**	320
Non-current provisions	**231**	201	**320**	261
Deferred tax	**1 053**	479	**140**	80
Other		78	**3**	416
Current liabilities				
Trade and other payables	**963**	744	**1 172**	1 503
Interest-bearing borrowings	**762**	94	**223**	63
Current tax payable	**67**	37	**1**	
Current provisions	**43**	17	**81**	89
Other	**1**	4	**1**	
TOTAL EQUITY AND LIABILITIES	**7 884**	6 180	**6 887**	5 674
STATEMENTS OF CASH FLOWS				
Net cash flows from operating activities	**2 268**	1 829	**690**	110
Net cash flows from investing activities	**(1 192)**	(974)	**207**	(456)
Net cash flows from financing activities	**(620)**	(121)	**(231)**	322
Net increase/(decrease) in cash and cash equivalents	**456**	734	**666**	(24)

ANNEXURE 3
INVESTMENTS IN SUBSIDIARIES[1]

	Country of incorporation[2]	Nature of business[3]	Public Interest Score[4]	Issued capital-unlisted ordinary shares	Investment in shares		Indebtedness	
					2011	2010	**2011**	2010
				R	**R**	R	**Rm**	Rm
DIRECT INVESTMENTS								
AlloyStream Proprietary Limited	RSA	M	1	1	**1**	1		
AlloyStream Holdings Proprietary Limited	RSA	H	1	1	**746 163**	746 163	**18**	17
Amakhala Emoyeni RE Project 1 Proprietary Limited[5]	RSA	M	1	120	**120**			
Cennergi Proprietary Limited[5]	RSA	H	1	1	**1**			
Clipeus Investment Holdings Proprietary Limited	RSA	H	2	1	**1**	1		
Colonna Properties Proprietary Limited	RSA	B	1	200	**2 518 966**	2 518 966	**2**	2
Cullinan Refractories Limited	RSA	A	1	1 000	**1 000**	1 000		
Exxaro Australia Iron Holdings Proprietary Limited[5]	AUS	H		15				
Exxaro Base Metals and Industrial Minerals Holdings Proprietary Limited	RSA	H	1	1	**1**	1		
Exxaro Base Metals Proprietary Limited	RSA	M	2 054	5 500 000		247 712 500	**471**	768
Exxaro Chairman's Fund	RSA	T	46					
Exxaro Coal Proprietary Limited	RSA	A	22 576	1	**1 000**	1 000	**5 463**	4 936
Exxaro Coal Botswana Holding Company Proprietary Limited	BOT	H		200				
Exxaro Employee Empowerment Participation Scheme Trust	RSA	T						
Exxaro Environmental Rehabilitation Fund	RSA	T	30					
Exxaro Esmore Cooperatief U.A[6]	NE	J						
Exxaro FerroAlloys Proprietary Limited	RSA	M	149	1	**1**	1	**(56)**	(32)
Exxaro Foundation	RSA	T	1					
Exxaro Holdings Proprietary Limited	RSA	H	55	566 827	**459 517 297**	459 517 297	**54**	52
Exxaro Holdings Sands Proprietary Limited[7]	RSA	H	1	40 000		1 869 951 859		
Exxaro Insurance Company Limited	RSA	I	195	50	**5 000 000**	5 000 000		1
Exxaro On-Site Proprietary Limited	RSA	C	1	1	**1**	1		
Exxaro People Development Initiative NPC	RSA	E	3					
Exxaro Properties (Groenkloof) Proprietary Limited	RSA	B	1	1	**1**	1		
Exxaro TSA Sands Proprietary Limited[7]	RSA	M	9 445	1 800 000 510		510	**4 206**	3 531
Exxaro Sands Proprietary Limited[7]	RSA	A	1 124	200		6 003 355	**157**	150
Ferroland Grondtrust Proprietary Limited	RSA	D	63	2	**2**	2	**26**	22
Gravelotte Iron Ore Company Proprietary Limited[8]	RSA	M	1	1	**1**			
Glen Douglas Dolomite Proprietary Limited[9]	RSA	A	10 000					
Kumba Resources Management Share Trust	RSA	T	14				**(31)**	(30)
Rocsi Holdings Proprietary Limited	RSA	H	543	647 044 943	**653 722 945**	653 722 945	**541**	488
Skyprops 112 Proprietary Limited	RSA	H	1	100	**44 389 208**	44 389 208	**20**	20

	Country of incor-poration[2]	Nature of business[3]	Public Interest Score[4]	Issued capital-unlisted ordinary shares	Investment in shares		Indebtedness	
					2011	2010	**2011**	2010
				R	**R**	R	**Rm**	Rm
INDIRECT INVESTMENTS								
Coastal Coal Proprietary Limited	RSA	A	163	5 000			**(21)**	(35)
Exxaro Australia Iron Investment Proprietary Limited[5]	AUS	H		15				
Exxaro Australia Proprietary Limited	AUS	A & P		11			**1**	
Exxaro Australia Sands Proprietary Limited								

ANNEXURE 3
INVESTMENTS IN SUBSIDIARIES[1] CONTINUED

	Country of incor-poration[2]	Nature of business[3]	Public Interest Score[4]	Issued capital-unlisted ordinary shares	Investment in shares		Indebtedness	
					2011	2010	**2011**	2010
				R	**R**	R	**Rm**	Rm
INDIRECT INVESTMENTS **continued**								
Synthetic Rutile Holdings Proprietary Limited[7]	AUS	C		10				
The Vryheid (Natal) Railway Coal and Iron Company Limited	RSA	A	113	3 675				
Ticor Finance (A.C.T.) Proprietary Limited[7]	AUS	F		10				
Ticor Resources Proprietary Limited[7]	AUS	H		8 111 062				
Tific Proprietary Limited[7]	AUS	H		10				
TiO2 Corporation Proprietary Limited[7]	AUS	H		85 101 240				
Tiqua Wind Farm Proprietary Limited[5]	RSA	M	1	100				
Tsitsikamma Community Wind Farm Proprietary Limited[5]	RSA	M	1	1				
Yalgoo Minerals Proprietary Limited[7]	AUS	A		48 216 010				
TOTAL INVESTMENTS IN SUBSIDIARIES (refer note 16)					**1 165 896 709**	3 289 564 811	**11 175**	10 648

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 – Not for profit company, F – Finance, G – Dormant, H – Holdings, I – Insurance, J – Cooperative, M – Manufacturing, P – Exploration, T – Trust.
4 Public Interest scores only applicable to entities incorporated in the Republic of South Africa.
5 Incorporated in 2011.
6 Cooperative in Rotterdam, Netherlands with the following members: Exxaro Resources Limited and Exxaro Holdings Proprietary Limited.
7 Reclassified during 2011 as non-current asset classified as held-for-sale.
8 Name has changed during the year ended 31 December 2011 from Exxaro Coke Proprietary Limited to Gravelotte Iron Ore Company Proprietary Limited and shareholding was transferred from Exxaro Coal Proprietary Limited to Exxaro Resources Limited.
9 Disposed of through sale during the year ended 31 December 2011.
10 Deregistered during 2010.

6. ORDINARY RESOLUTION NUMBER 6: RE-APPOINTMENT OF INDEPENDENT AUDITORS ▼

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

7. ORDINARY RESOLUTION NUMBER 7: 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 71 of 2008, as amended, clause 3.2 of the memorandum of incorporation 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."

8. ORDINARY RESOLUTION NUMBER 8: GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

"**RESOLVED** that the directors of the company be and are hereby authorised, by way of a general authority, to issue the authorised but unissued shares in the capital of the company (and/or any options/convertible securities that are convertible into ordinary shares) for cash, as and when they in their discretion deem fit, subject to clause 3.2 of the memorandum of incorporation of the company, the Companies Act 71 of 2008, as amended, and the JSE Listings Requirements, when applicable and with the following limitations, 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% (ten per cent) 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% majority of the votes cast in favour of such resolution by all shareholders present or represented by proxy and entitled to vote, at the annual general meeting.

9. ORDINARY RESOLUTION NUMBER 9: AUTHORISE DIRECTORS AND/OR SECRETARY ▼

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

10. SPECIAL RESOLUTION NUMBER 1: DIRECTORS' FEES

To approve the remuneration of non-executive directors for the period 1 January 2012* until the next annual general meeting. Approval, as a special resolution in terms of section 66 of the Companies Act 71 of 2008, as amended, (Companies Act), is required to authorise the company to pay remuneration to non-executive directors of the company in respect of their services as directors. Furthermore, in terms of King III and as read with the JSE Listings Requirements, remuneration payable to non-executive directors should be approved by shareholders in advance or within the previous two years.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

"**RESOLVED** as a special resolution in terms of the Companies Act, that the remuneration of non-executive directors for the period 1 January 2012* until the next annual general meeting, be and is hereby approved as follows:

	Current	Proposed
Chairman	R650 000	R900 000
Director	R216 130	R234 502
Audit committee chairman	R199 670	R216 642
Audit committee member	R105 460	R114 425
Board committee chairman	R154 680	R167 828
Board committee member	R73 810	R80 084
Social and ethics committee chairman	New	R83 914
Social and ethics committee member	New	R40 042
Ad hoc meeting fees –		
Board meeting	R10 000	R10 850
Committee meeting	R7 500	R8 140"

** If the proposed fee is approved, directors will receive back pay on the basis of the increased fee with effect from 1 January 2012.*

For this resolution to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting in respect of special resolution number 1.

The chairman's proposed fee reflects a larger percentage increase than the directors. The higher proposed increase is based on his performance, level of involvement and participation in strategic matters, including large corporate transactions, support and guidance provided to management, his attendance of board committees as invitee (without receiving member fees), as well as benchmarking of his fees against comparable peers.

11. SPECIAL RESOLUTION NUMBER 2: GENERAL AUTHORITY TO REPURCHASE SHARES

"**RESOLVED** as a special resolution in terms of the Companies Act 71 of 2008, as amended (Companies Act), that, subject to compliance with the JSE Listings Requirements, the Companies Act, and clause 36 of the memorandum of incorporation 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 5% (five 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; 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 to utilise this authority which will only be used if circumstances are appropriate. The directors undertake that they will not implement the repurchase as contemplated in this special resolution while this general authority is valid, unless:

- after such repurchases the company passes the solvency and liquidity test as contained in section 4 of the Companies Act and that from the time the solvency and liquidity test is done, there will be no material changes to the financial position of the group;
- the consolidated assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards and in accordance with the accounting policies used in the company and the group annual financial statements for the year ended 31 December 2011, will be in excess of the consolidated liabilities of the company and the group immediately following such purchase or 12 months after the date of the notice of annual general meeting, whichever is the later;
- the company and the group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting or a period of 12 months after the date on which the board considers that the purchase will satisfy the immediately preceding requirement and this requirement, whichever is the later;
- the issued share capital and reserves of the company and 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 the notice of the annual general meeting of the company;

- the company and the group will have adequate working capital for ordinary business purposes for a period of 12 months after the date of this notice;
- a resolution is passed by the board of directors that it has authorised the repurchase, that the company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the group;
- the requirements contained in schedule 25 of the JSE Listings Requirements are complied with;
- the company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless the company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant prohibited period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement released on SENS prior to the commencement of the prohibited period;
- when the company or its subsidiaries have cumulatively repurchased 3% (three 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 undertakes that it will not enter the market to repurchase its own securities until the company's sponsor has provided written confirmation to the JSE in accordance with schedule 25 of the JSE Listings Requirements.

For this resolution to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting in respect of special resolution number 2.

12. SPECIAL RESOLUTION NUMBER 3: FINANCIAL ASSISTANCE FOR SUBSCRIPTION OF SECURITIES

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

1. (i) the specific recipient or recipients of such financial assistance, and
   (ii) the form, nature and extent of such financial assistance,
   (iii) the terms and conditions under which such financial assistance is provided, are determined by the board of directors of the company from time to time;
2. the board has satisfied the requirements of section 44 of the Companies Act in relation to the provision of any financial assistance;
3. such financial assistance to a recipient thereof is, in the opinion of the board of directors of the company, required for a purpose, which in the opinion of the board of directors of the company, is directly or indirectly in the interests of the company; and
4. the authority granted in terms of this special resolution shall end 2 (two) years from the date of adoption of this special resolution."

For this resolution to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting in respect of Special Resolution number 3.

13. TO TRANSACT SUCH OTHER BUSINESS AS MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

DISCLOSURES REQUIRED IN TERMS OF THE JSE LISTINGS REQUIREMENTS

The following information is provided in accordance with paragraph 11.26 of the JSE Listings Requirements and relates to Special Resolution number 2.

LITIGATION STATEMENT

Other than disclosed or accounted for in the annual financial statements, the directors of the company, whose names are given on 44 and 45 of the report, are not aware of any legal or arbitration proceedings, pending or threatened against the group, which may have or have had a material effect on the group's financial position in the 12 months preceding the date of this notice of annual general meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on 44 and 45 of the report, collectively and individually accept full responsibility for the accuracy of the information given in special resolution number 2, and certify that to the best of their knowledge and belief 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 the 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 the report of which this notice forms part:

- Directors and management – refer 42 to 45 of this report
- Major shareholders of the company – refer 206 of this report
- Directors' interest in the company's shares – refer 82 and 83 of this report
- Share capital of the company – refer 75 of this report.

IDENTIFICATION, VOTING AND PROXIES

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

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

A form of proxy is attached for the convenience of any certificated or dematerialised Exxaro shareholders with own-name registration who cannot attend the annual general meeting, but who wish to be represented thereat. To be valid, completed forms of proxy must be received by the transfer secretaries of the company, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than 10:00 on Friday, 18 May 2012.

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

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

ELECTRONIC PARTICIPATION BY SHAREHOLDERS

Should any shareholder (or a representative or proxy for a shareholder) wish to participate in the annual general meeting by way of electronic participation, that shareholder should make an application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate, to the transfer secretaries, at their address above, to be received by the transfer secretaries at least 7 (seven) business days prior to the annual general meeting (thus Friday, 11 May 2012) in order for the transfer secretaries to arrange for the shareholder (or its representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or its representative or proxy) with details as to how to access the annual general meeting by means of electronic participation. Shareholders participating electronically will not be able to vote electronically and must follow the standard voting arrangements indicated above. The company reserves the right not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so, or an insufficient number of shareholders (or their representatives or proxies) request to so participate.

By order of the board

CH Wessels
Group company secretary
Pretoria
16 April 2012

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

SHORT BIOGRAPHIES OF EXXARO DIRECTORS SEEKING RE-ELECTION

Name: S Dakile-Hlongwane – Salukazi (61)
Academic qualifications: BA (Economics and Statistics); MA (Development Economics)
Experience: Salukazi is the deputy-chairman of Nozala Investments, a company she co-founded in 1996. Her career experience includes: 1977-1982 senior investment officer, Lesotho National Development Corporation; 1983 – 1995 African Development Bank (Abidjan/Côte d'Ivoire) as country programme officer and later principal corporation officer; senior manager, structured finance division/ FirstCorp Merchant Bank and assistant general manager, BOE Specialised Finance. Salukazi is a non-executive director of some of Nozala's investee companies including Eqstra Limited, Enviroserv Holdings Limited, Woodlands Dairy Proprietary Limited, Afripack Proprietary Limited, Tsebo Outsourcing Group Proprietary Limited; Synergy Freight International Proprietary Limited and Natal Rubber Compounders Proprietary Limited. She is also a non-executive director of MultiChoice South Africa Holdings Limited.

Name: U Khumalo – Ufikile (46)
Academic qualifications: BSc (Eng); MSc (Eng) (UCT); MAP (Wits); senior executive development programme (Harvard); AMP (Insead)
Experience: Ufikile served with Sasol and Eskom as a senior engineer and Bevcan as a manufacturing manager prior to joining the IDC. He held several positions at the IDC since 1999, including head: international finance; executive vice president: industrial sectors and executive vice president: projects. He is currently the 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. He has served as a non-executive director of many companies including the JSE-listed DigiCore Holdings.

Name: Dr D Konar – Len (58)
Academic qualifications: BCom; CA(SA); MAS; DCom
Experience: After completing his articles of clerkship at Ernst & Young in Durban, Len began his career as an academic at the University of Durban-Westville. He then spent six years with the Independent Development Trust as head of investments and internal audit, prior to becoming a professional director of companies and consultant. Len is chairman of Steinhoff International and Mustek Limited and a member of the boards of Illovo Sugar, Sappi and JD Group and a past member of the ad hoc ethics panel of the United Nations, safeguards panel of the International Monetary Fund in Washington, co-chairman of the implementation oversight panel of the World Bank, and past chairman and member of the external audit committee of the International Monetary Fund.

Name: RP Mohring – Rick (65)
Academic qualifications: BSc Eng (Mining); PrEng
Experience: From 1972 to 1998, Rick held production, managerial and executive posts in the gold and coal divisions of the Rand Mines and Billiton Groups. From 1998 until 2000, he was the chief executive officer of NewCoal, a black empowerment initiative set up by Anglo Coal and Ingwe Coal Corporation. Eyesizwe Coal, the largest BEE coal company in South Africa, was formed in November 2000 through this process. From 2000 until 2003, Rick was the deputy chief executive officer of Eyesizwe Coal. As such, he was responsible for the operational control of mines producing 25 million tonnes of coal per annum, new business development, technical services and health and safety. After 37 years in the mining industry, Rick retired from Eyesizwe Coal in December 2003, and set up a private consulting company, Mohring Mining Consulting.

NOTES TO THE FORM OF PROXY

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

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 shareholder may insert the name of a proxy or the names of two or more persons as alternative or concurrent proxies in the space. The person whose name stands first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act to the exclusion of those whose names follow. A proxy may not delegate his/her authority to act on behalf of the shareholder to another person.

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

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

6 A shareholder's instructions to the proxy must be indicated by inserting the relevant numbers of votes exercisable by the shareholder in the box provided. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's exercisable votes. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.

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

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

9 If the instrument appointing a proxy or proxies has been delivered, as long as that appointment remains in effect, any notice that is required by the Companies Act 71 of 2008, as amended, or the company's memorandum of incorporation to be delivered by the company to the shareholder must be delivered to:
- the shareholder; or
- the proxy or proxies, if the shareholder has directed the company to do so, in writing, and paid any reasonable fee charged by the company for doing so.

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

11 Forms of proxy must be lodged at or posted to Computershare Investor Services Proprietary Limited, to be received not later than 48 hours before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays).

For shareholders on the South African register:
Computershare Investor Services Proprietary Limited
Ground Floor
70 Marshall Street
Johannesburg
2001
PO Box 61051
Marshalltown
2107
www.computershare.com
Tel: +27 11 370 5000

Over-the-counter American depositary receipt (ADR) holders:
Exxaro has an ADR facility with The Bank of New York (BoNY) under a deposit agreement. ADR holders may instruct BoNY how the shares represented by their ADRs should be voted.

American Depositary Receipt Facility (ADR)
Bank of New York
101 Barclay Street
New York, NY 10286
www.adrbny.com
shareowners@bankofny.com
Tel: +(00-1) 888 815 5133

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

13 Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.

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

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

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

ADMINISTRATION

Group company secretary and registered office
CH Wessels
Exxaro Resources Limited
Roger Dyason Road
Pretoria West
0183
PO Box 9229
Pretoria
0001
South Africa
Telephone +27 12 307 5000

Company registration number: 2000/011076/06

JSE share code: EXX
ISIN code: ZAE000084992

Auditors
PricewaterhouseCoopers Incorporated
2 Eglin Road
Sunninghill
2157

Commercial bankers
Absa Bank Limited

Corporate law advisers
CLS Consulting Services Proprietary 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) Proprietary Limited
3 Exchange Square
87 Maude Street
Sandton
2196

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

SHAREHOLDERS' DIARY

FINANCIAL YEAR-END	31 December
ANNUAL GENERAL MEETING	May
REPORTS AND ACCOUNTS	**Published**
Announcement of annual results	February
Annual Report	April
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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