INTEGRATED REPORT 2012

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POWERING POSSIBILITY

CONTENTS

PROFILE

The story of Exxaro is an unfolding one – just six years since its formation, Exxaro nonetheless draws on a pedigree and wealth of skills that stretch back decades. It is a company rooted in South Africa and respected among its peers for its innovation, ethics and integrity.

Building on an established base, Exxaro is one of the largest South African-based diversified resources groups, with interests in the coal, mineral sands, ferrous and energy commodities. The second-largest coal producer in South Africa with current production of 40 million tonnes per annum, Exxaro is listed on the JSE Limited, where it is a constituent of the Top 40 and the Socially Responsible Investment (SRI) indices respectively.

At 31 December 2012, Exxaro had assets of R41,6 billion and a market capitalisation of R60 billion (US$7 billion).

With a strong well-executed strategy, top-quartile returns, access to funds and good quality resources, Exxaro provides a unique listed investment opportunity into its chosen commodities. Exxaro was one of the top 10 globally in terms of total shareholder returns in 2012 (page 83). We are well on track to add significant value to all our stakeholders by tripling our market value from the 2010 baseline to US$20 billion by 2020.

TOTAL ASSETS OF
R41,6bn

SECOND-LARGEST COAL PRODUCER IN SA
40Mtpa

COMMODITY PORTFOLIO
- COAL
- TITANIUM DIOXIDE
- FERROUS
- ENERGY

R60bn
MARKET CAPITALISATION

HEPS of 1 401 cents – down 33%
AEPS of 2 734 cents – up 24%

Final dividend of 150 cents per share – down 70%

Total dividend of 500 cents per share – down 38%

ABOUT THIS REPORT

Exxaro produces an integrated annual report detailing its economic, social and environmental performance for a group-wide understanding, and sets out the challenges and opportunities ahead. This report covers the financial year to 31 December 2012, and key subsequent developments, and follows the 2011 report.

Content is guided by legislative and regulatory requirements, including the Companies Act No. 71 of 2008, as amended (Companies Act), and the JSE Listings Requirements, as well as global best-practice standards, including the International Integrated Reporting Committee, United Nations Global Compact, Global Reporting Initiative (GRI G3), the King Report on Governance for South Africa 2009 (King III) and ongoing consultation with stakeholders. Given revised reporting requirements by the Department of Mineral Resources in terms of the mining charter scorecard, Exxaro will disclose its performance per mining right post the end-March deadline on its website www.exxaro.com. Group performance is disclosed in this report.

The content of this report has again been prepared in line with GRI intermediate application level B+. The expanded GRI Index is available on the website www.exxaro.com

The report, which is only produced in English, together with further elaboration is also available on our website www.exxaro.com or on CD on request. The methodologies for determining specific indicators are summarised in the text or detailed in our GRI index.

Corporate activity and non-recurring transactions or accounting entries since Exxaro's inception make data comparability challenging in some areas; this is explained where it will aid understanding. This report includes limited information on operations where we do not have management control but have a significant equity interest which can include joint control: Chifeng Refinery (Inner Mongolia, China), Mafube coal joint venture, Sishen Iron Ore Company and Cennergi (all in South Africa). We report on our mineral sands operations on a limited basis for the first six months of the period only, after which management passed to Tronox Limited.

We have reported LTIs and fatalities for our Mayoko operation, and in future, we will expand the sustainability indicators for this operation.

Throughout its formative years, Exxaro's earlier adoption of triple bottom-line reporting has remained a cornerstone of our commitment to sustainability and of our determination to entrench global safety and sustainability best practices in all operations.

Disclaimer

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

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

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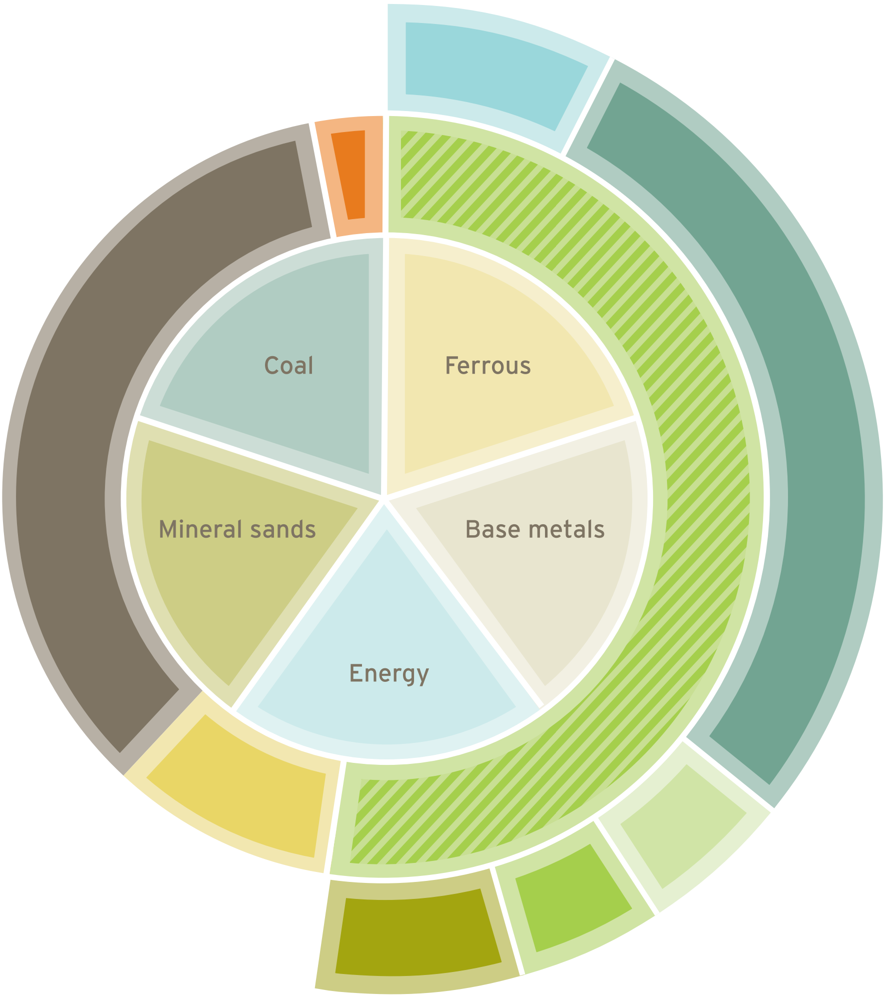
EXXARO AT A GLANCE

Shareholding



		%
	Main Street 333 Proprietary Limited (BEE HoldCo)	52,14
	Industrial Development Corporation	15,3
	Eyesizwe•	54,1
	Eyabantu•	9,7
	TISO•	9,7
	Basadi Ba Kopane•	11,2
	Anglo American plc*	9,71
	Minorities (Free float)	35,29
	Other non-public shareholders	2,86

* *Held through Anglo South Africa Capital Proprietary Limited*

• *Special Purpose vehicles for shareholders in Main Street 333 Proprietary Limited*

Return to shareholders

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

Period ended	Dividend (cps)	R million	R million including STC[1]	Date declared	Date paid/payable
30 June 2007	60	211	211	15 August 2007	10 September 2007
31 December 2007	100	353	353	20 February 2008	17 March 2008
30 June 2008	175	620	620	13 August 2008	22 September 2008
31 December 2008	200	710	710	23 February 2009	30 March 2009
30 June 2009	100	356	356	19 August 2009	28 September 2009
31 December 2009	100	357	357	24 February 2010	19 April 2010
30 June 2010	200	715	715	11 August 2010	4 October 2010
31 December 2010	300	1 074	1 074	23 February 2011	11 April 2011
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
30 June 2012	350	1 252	1 252	31 July 2012	25 September 2012
31 December 2012	150	537	537	6 March 2013	15 April 2013

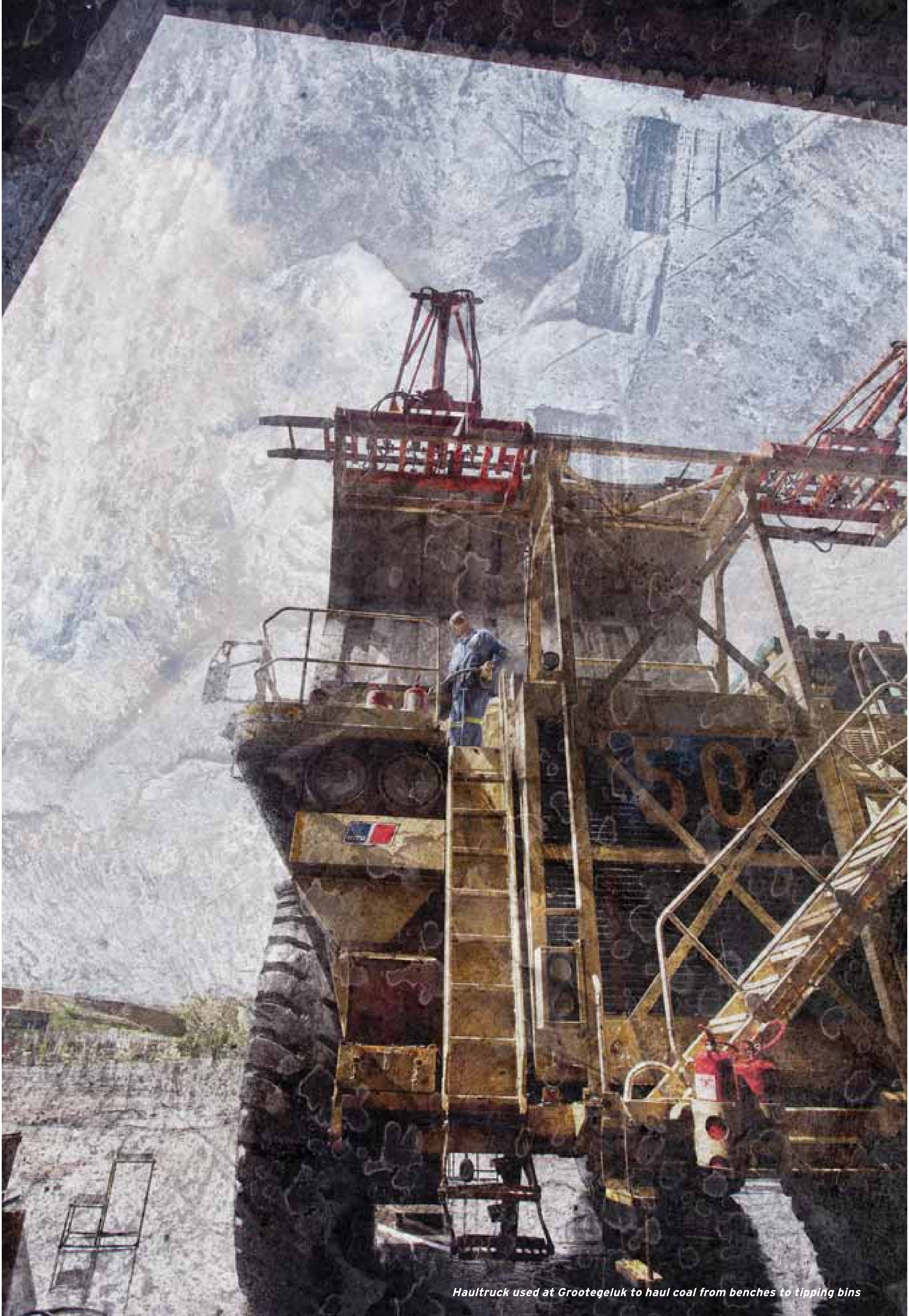
[1] *No STC (secondary tax on companies) is payable due to the use of STC credits arising from dividend receipts from SIOC. The STC dispensation was replaced by a new dividends tax with effect from 1 April 2012.*

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.

01

mining
and other
operations



Haultruck used at Grootegeluk to haul coal from benches to tipping bins

MINING AND OTHER OPERATIONS

Coal

Through eight managed coal mines, Exxaro produces 40Mtpa of power station, steam and coking coal. All power station coal is supplied to the national power utility, Eskom, and municipal power stations. Grootegeluk is one of the most-efficient mining operations in the world, and operates the world's largest coal beneficiation complex. A robust pipeline of greenfield and expansion projects will result in Exxaro remaining one of the largest coal producers in South Africa. Exxaro also produces char and related products for the rapidly growing ferroalloys industry.

		Production for year ended 31 December (000t)			Sales for year ended 31 December 2012	
Operation	**Products**	2012	2011	2010	000t	% export
Grootegeluk mine	Power station coal (Eskom)	13 976	14 909	14 294	14 174	
	Semi-soft coking coal	2 027	1 862	2 419	2 043	32
	Steam coal	1 513	1 460	1 441	1 455	1
Leeuwpan mine	Power station coal (Eskom)	2 320	2 151	1 688	1 922	
	Steam coal	1 524	1 879	1 408	1 761	15
Tshikondeni mine	Coking coal (ArcelorMittal)	339	299	285	283	
Mafube coal	Steam coal				1 100	100
Inyanda mine	Steam coal	1 845	1 918	1 779	1 623	81
Exxaro Reductants	Char	43	142	114	62	
Arnot mine	Power station coal (Eskom)	2 081	2 291	4 173	2 081	
Matla mine	Power station coal (Eskom)	10 948	10 150	12 288	10 941	
New Clydesdale mine	Steam coal	717	628	850	623	88
North Block Complex	Power station coal (Eskom)	2 717	2 265	2 674	2 249	
	Steam coal		81	697		

Mineral sands

Exxaro's mineral sands operations consist of a 26% direct equity interest in KZN Sands and the Western Cape operations of Namakwa Sands as well as a 44,65% equity interest in US-listed Tronox Limited (Tronox) which owns the remaining 74% in KZN Sands and Namakwa Sands in addition to other mineral sands interests outside of South Africa. Tronox is the world's largest fully integrated producer of titanium ore and titanium dioxide (TiO_2).

Operation	Products	Production for year ended 31 December (000t) 2012*	2011	2010	Sales for year ended 31 December 2012 (000t) 2012*
KZN Sands	Ilmenite	147	168	236	
	Zircon	9	28	32	6
	Rutile	7	17	17	4
	Pig iron	46	51	71	19
	Scrap iron	5	7	12	1
	Chloride slag	66	129	113	65
	Sulphate slag	12	22	29	13
Namakwa Sands	Ilmenite	183	377	251	
	Zircon	54	135	129	24
	Rutile	18	31	28	13
	Pig iron	58	109	82	47
	Scrap iron		1		
	Chloride slag	68	152	119	72
	Sulphate slag	13	27	23	15
Australia Sands	Ilmenite	73	226	231	15
	Zircon	11	32	35	7
	Rutile	7	19	18	7
	Synthetic rutile	54	110	90	12
	Leucoxene	4	10	13	4
	Pigment	26	76	57	20

* *Production and sales volumes from 1 January 2012 to 15 June 2012*

Base metals

In line with its strategy to exit this commodity, Exxaro's remaining base metals portfolio now only includes its effective 11,97% and 26% interests in the Chifeng zinc refinery in China and Black Mountain in South Africa, respectively. The sale of Rosh Pinah mine was finalised in June 2012 and the Zincor refinery closed in December 2011.

	Production for year ended 31 December (000t)		Sales for year ended 31 December (000t)	
	2012	2011	2012	2011
Zinc concentrate (Rosh Pinah)	33	89	37	
Zinc metal (Zincor)	6	73		86
Lead concentrate (Rosh Pinah)		16	4	18

Ferrous

Exxaro's acquisition of African Iron Limited in 2012 gives substance to our strategy of expanding into the ferrous metals sector. This operation and related exploration opportunities in the Republic of Congo, an iron ore development frontier, provide an attractive platform for further growth in a key commodity. We believe the fundamentals of iron ore are positive in the medium to long term and we are drawing on inhouse expertise and experience in mining bulk commodities to unlock this potential. Production is expected to begin in the second half of 2013.

On the alloy side of our business, Exxaro FerroAlloys produced and sold a record volume of gas-atomised ferrosilicon for use in dense medium separation plants during the year.

AlloyStream™, a proprietary technology development in cooperation with Assmang to produce high-carbon ferromanganese, successfully operated a large-scale demonstration facility for a record campaign spanning seven months. The furnace will be relined for a second campaign beginning mid-2013.

Energy

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

During the year, our joint venture with Tata Power was officially launched as Cennergi Proprietary Limited. This company is the preferred bidder for the Department of Energy on two wind projects in the Eastern Cape:

- Amakhala Emoyeni wind farm near Bedford (140MW)
- Tsitsikamma Community wind farm in Mfengu community land (95MW).

Encouragingly, Cennergi received an award for its contribution to the country's wind industry from SAWEA (South Africa Wind Energy Association), reflecting both the quality of its projects and its broader contribution to developing renewable energy solutions. As part of each wind farm, Cennergi and its partners have developed detailed and consultative plans for community development.

In addition, construction is under way on a co-generation plant at Namakwa Sands, on South Africa's west coast. While this operation is now managed by Tronox Limited, we believe co-generation is an important alternative energy supply in our country. Beyond our borders, Exxaro is making progress on a coal-bed methane exploration project in Botswana.

Mining industry in South Africa

Following the discovery of diamonds and gold late in the 19th century, mineral wealth rapidly became the cornerstone of the South African economy. This changed midway through the 20th century as other sectors became more prominent in the makeup of gross domestic product or GDP.

South Africa remains a major repository of global mineral reserves, the world's leading producer of platinum, vanadium, ferrochromium, vermiculite, uranium, lead and copper, and among the top ten in gold, coal, nickel, iron ore, titanium oxide and aluminium. Pertinent to Exxaro, the value of coal exports now exceeds gold, with South Africa ranking fourth in world coal reserves, seventh in production and fifth in exports.

Leeuwpan mine

Watershed for the industry

Trade union militancy and violence in the mining sector entered a new era in 2001 when new labour legislation enabled three strong unions (NUM[1], UASA[2] and Solidarity) to finalise the agreements that would ensure most workers were represented in all formal bargaining structures. Through consultation and collective bargaining, multi-year wage agreements became commonplace and the level of strike action dropped dramatically.

Several factors coincided to create the 'perfect storm' in 2012. The rise of a breakaway union from NUM in the form of AMCU (Association of Mineworkers and Construction Union) and a breakaway party from the ruling ANC brought a new dimension to the trade union scene in South Africa, fanning a wave of unprotected strikes that cost the country over R10 billion in lost production and estimates of R18 billion once exports were included. Sadly, the strikes also cost individuals millions in lost wages, exacerbated by the impact of debt taken on to fund their lives and their families in the meantime. Protest actions were concentrated in the gold and platinum sectors, with some unrest in the iron ore and coal sectors.

The tragic loss of life, scale of wage demands and protracted negotiations combined to dent confidence and economic growth prospects, resulting in sovereign downgrades from ratings agencies. In October, the country's finance minister noted that declining mining output and spread of strike activity had also depressed activity in related industries such as manufacturing, logistics and services, adversely affecting GDP, tax revenues, exports and employment.

[1] *National Union of Mineworkers*
[2] *United Association of South Africa*

Equally, the mining sector is critical to the economic health of the country. The sector accounts for around 30% of the value of the JSE and, according to the Chamber of Mines, contributes:

- Almost 19% of the country's GDP (over 9% direct). Because mineral resources are often concentrated in remote areas, mining can account for the bulk of regional or provincial GDP
- Over 50% of the total foreign exchange earnings of South Africa
- Over 1,3 million jobs (some 514 000 directly, translating into an annual wage bill of R90 billion). The social multiplier from mining is very significant for South Africa Given a dependency ratio of about 10:1, this means over 13,5 million people depend daily on jobs created in the sector for the food on their table
- Some R437 billion in expenditures, 90% of which is spent locally
- About 25% of all investment in the economy is related to the mining sector
- 50% of the carrying capacity of Transnet's rail and ports networks
- Helps provide around 72% of the country's primary energy needs
- Over 17% of direct corporate tax receipts (worth around R26 billion) and R5,5 billion in royalties
- Some R800 million on corporate social investment programmes (2011), in addition to social and labour plan and mining charter commitments
- Over R4 billion on skills development (2011).

Given this strategic importance, in 2012, tripartite task teams composed of government, labour and business representatives identified a number of constraints that were affecting the growth and competitiveness of the South African mining industry. These include the shortage of key infrastructure, such as rail and port capacity and insufficient supply of water and energy. These constraints have largely contributed to the decline in South Africa's share of global exploration expenditure from 5% in 2004 to 1% in 2011.

By reinstating mining as the cornerstone of the country's economy, the tripartite initiative is ensuring focused and sustained political leadership. The announcement of a multi-year infrastructural programme by President Zuma in his February 2012 state of the nation address was an important breakthrough. State agencies such as Transnet and Eskom have subsequently made specific project announcements to alleviate the effects of constraints on the industry. As example, with the appropriate rail infrastructure in place, we could lift the mining sector's annual growth rate from 1% to 7%.

Despite the turmoil in the industry that made global headlines in 2012 and continued into the new year (sidebar), mining remains a key investment proposition in South Africa. All agree that the country's mining sector has changed forever: labour costs will be higher in the long term, labour relations will remain unpredictable in the shorter term and risks will rise. However, over the past decade, mining companies operating in South Africa have built a proven record of managing these risks through formal bargaining structures, albeit more effectively at some times than others.

Observers say labour action in 2012 arose because traditional unions appeared to be losing touch with the needs of their members, and due to the lack of significant improvement in worker conditions — fertile ground for a new union or political party looking to win support.

A respected South African economist stated at the time that while high salary demands had created impossible expectations, he believed the crisis would bring employers and unions together, given the growing understanding from all fronts that these high wage demands were just not possible and raised the risk of wide-scale job losses in the near future.

As with all politically motivated interpretation, the very real progress made by the industry in the past decade was largely ignored — progress covering economic empowerment, improved working conditions and wage levels, often accompanied by monetary benefits based on productivity and safety.

Using Exxaro as example, our people became shareholders in 2006 and benefited from a R1 billion payout last year when our first employee share option scheme matured. The new Mpower scheme runs until 2017. We have made excellent progress in housing, with two thirds of our workforce now providing their own accommodation (bought or rented). Over the past six years, Exxaro has spent almost R1 billion on training and development, and through the Exxaro Chairman's Fund and Exxaro Foundation over R184 million in various community development initiatives — from literacy training to enterprise development, from community health to education.

We understand these contributions underpin our own sustainability and, therefore, our ability to continue sharing our growth with stakeholders. We remain committed to this inclusive approach wherever we operate.

Macro-economic context

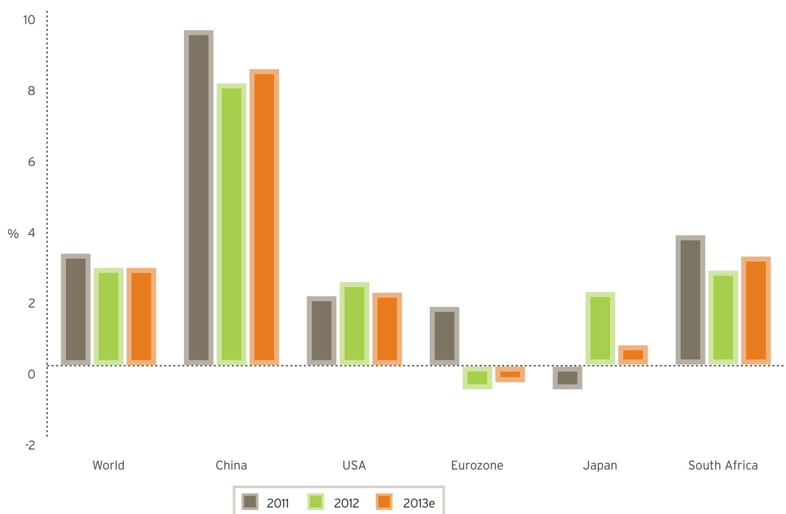
For most of 2012, global economic growth was suppressed by extreme uncertainty around policies in the critical economies of the United States (fiscal cliff), euro zone (sovereign-debt crisis) and China (political and economic transition). Since then, the United States has avoided the fiscal cliff, investors seem to be calmer about the euro zone debt crisis and China has escaped a hard landing.

In 2013, global real GDP growth is expected to remain subdued at around 2,6% mainly due to mixed performances across regions. Early indications are that growth is picking up in China and Latin America, while the euro zone's economy is stabilising (albeit at depressed levels). For different reasons growth is expected to weaken in North America (US fiscal tightening), Japan (downward trajectory of domestic demand) and the Middle East and North Africa (declining oil revenues).

Emerging-market economies continued to grow at the 5% level and are on track to reach 5,3% in 2013. But growth is not projected to rebound to the higher rates of 7,34% and 6,21% recorded in 2010 and 2011, respectively. Supportive policies have underpinned much of the recent economic acceleration in many of these economies.

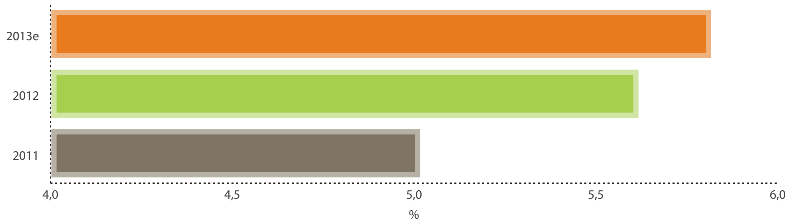
South Africa's GDP growth declined from 3,5% in 2011 to 2,5% in 2012. Growth is expected to remain below trend in 2013 since export growth is constrained by weak global demand and a volatile currency. Ongoing recessionary conditions in the euro zone will limit South Africa's exports of manufactured goods, but an improved economic outlook for China should boost demand for resources. Domestically, the consumer's personal finances are expected to be pressured by rising prices, fears of monetary tightening and high debt levels.

Gross domestic product



South Africa's average annual consumer price index (CPI) increased to 5,6% in 2012, after 5% in 2011. The 2013 rate is expected to be about 5,8% mainly as a result of the upward pressure from food prices and above-inflation wage and electricity tariff increases. The reweighting and rebasing of CPI, effective January 2013, is forecast to have limited impact.

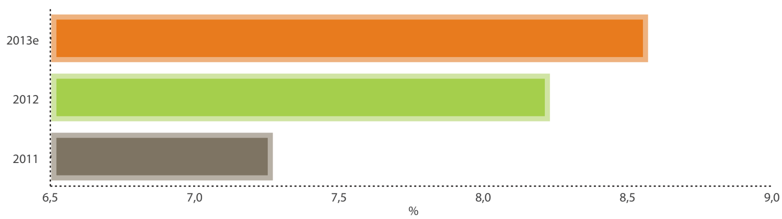
SA consumer price index



In the second half of 2012, for the first time since the Eskom power challenges in 2008, local factors started to affect the rand. These are twofold: socio-economic and the balance of payments. Ongoing violent and unprotected labour strikes, coupled with several sovereign downgrades and widening of the current account deficit weakened the currency, from an average of 7,93 to the dollar in the first half of 2012 to 8,47 in the second half. These concerns spilled over into 2013 with the rand depreciating further to 9,16 to the dollar on 12 March 2013.

The current account deficit is expected to increase further as investment accelerates, particularly government infrastructure spending, necessitating higher imports, with exports lagging on slow global demand. Upward pressures on the rand, which are expected to cushion the longer-term depreciating bias of the currency, include South Africa's steady accumulation of reserves, underpinning foreign-investor interest and rising commodity prices as global growth gradually increases. Rand volatility is expected to continue in 2013 — an average of 8,55 to the dollar is forecast for the year.

ZAR/USD average exchange rate



Commodity review

While 2011 was a year of 'storm after the calm', 2012 was a 'sideways to downwards' year for commodity fundamentals. With a second-half price collapse and severe destocking, some commodities dipped to spot levels below marginal cost support. In contrast, 2013 is expected to be a 'rebuilding' year, with fundamentals and returns moving sideways to up as global commodity demand gradually picks up and works its way through still-constrained commodity production and distribution capacity.

Global crude steel production is estimated to have risen by 1,2% in 2012 to 1 548Mt. In China, crude steel production expanded by about 3% from 2011 to some 717Mt. China's share of world production increased from 45,4% in 2011 to 46,3% in 2012. Output in the USA increased by 2,5% while Europe declined by 2,7%. Global crude steel production is expected to continue growing in 2013 with output improving by a projected 3,4%.

In the second half of 2012, coking coal prices fell to lows last seen during the global financial crisis. Supply from the USA (as the swing producer) started to erode as a result. In 2013, market conditions are expected to improve on supply cuts and better steel market fundamentals in key Asian import markets, namely Japan, India and China. The average coking coal contract price is expected to range between US$175/t and US$200/t, free on board (FOB) Australia.

Despite growing demand in Asia and economics that favoured coal over gas in Europe, 2012 seaborne steam coal market prices declined significantly, even below marginal cost support levels at some stages, as global supply remained abundant. In response, suppliers rationalised production. The average Richards Bay FOB spot steam coal price for 2012, at US$93,09/t, was some 20% lower than in 2011. The 2013 price outlook for steam coal remains flat with downward risk.

In September 2012, the iron fine ore spot price declined to US$86,7/t, cost and freight (CFR) China – levels last seen in 2009 – given particularly bearish global sentiment, uncertainty in the Chinese steel sector and a focus on deeper-than-anticipated destocking. This has led to the reassessment and review of some existing iron ore projects. In turn, 2013 has started on a positive note with spot prices reaching highs of US$158,9/t. Supply concerns, restocking efforts and positive sentiment were key drivers of this price rally. The average 2013 Australian FOB contract fine ore price is expected to remain around US$120-130/t.

Calendar 2012 was a challenging time for the titanium value chain. Prices for both feedstocks and titanium dioxide (TiO_2) pigment weakened after a period of extended increases. The zircon market declined drastically, following a cycle of rapid price increases with significant structural changes in zircon intensity in porcelain tile manufacturing. The demand gap of 2012 is expected to continue into 2013, with average prices for TiO_2 feedstocks, zircon and TiO_2 pigment considerably lower.

MESSAGE FROM THE CHAIRMAN

Calendar 2012 will long be remembered as a watershed in the South African mining industry, a time in which the industry faced a number of challenges. Externally, these included political posturing with calls for nationalisation and enforced transformation. Internally, the industry faced a wave of unprotected strikes often with tragic consequences and an estimated total value of production lost of over R10 billion. Cumulatively, these challenges dented confidence and economic growth prospects after international ratings agencies downgraded the sovereign outlook. Equally, they have also raised investor concern about the security of their investments in the domestic mining industry.

We believe that the South African mining industry remains a significant and strategic force in the national economy, accounting for over 500 000 direct jobs, with the estimated number of dependants ranging up to five million, and another 800 000 jobs indirectly.

South Africa is also one of the world's richest countries by mineral reserves and production. As rising populations and urbanisation fuel demand for natural resources, the country heads global production of a number of key minerals. Equally, the South African mining industry is mature, innovative and world-class in many instances, and we believe opportunities for sustained growth are plentiful.

While Exxaro was relatively untouched by labour unrest in 2012, incidents of labour unrest have occurred at a number of Exxaro's operations in March 2013. Respective employers in the Exxaro group signed an agreement on 22 March 2013 with the National Union of Mineworkers (NUM) to end the unprotected strike, which had lasted approximately three weeks, in terms of which all employees would return to work on 25 March. The full financial impact of the strikes is still to be determined, but all attempts will be made to make up the deficits. We will also continue working closely with the Chamber of Mines and our peers to ensure the sustainability of our collective industries.

As detailed in our strategy section on page 20, to succeed as a diversified miner in such a fluid environment requires a dynamic approach to fulfilling the inherent prerequisites.

1 **STRATEGY**
Clear execution of strategy

2 **COMMODITIES**
Choosing the right commodities to be exposed to

3 **MANAGEMENT**
Deep management track record and experience

4 **CAPITAL ALLOCATION**
Correct allocation of capital

5 **CAPITALISED**
Remain adequately capitalised with stable dividend policy

6 **RISKS**
Understanding and mitigating risks

The extent to which Exxaro is succeeding in fully developing its strategy is clear. On the all-important measure of total return to shareholders, Exxaro ranks among the world's best. Our focus on protecting and conserving our environment sets the group apart, as evidenced by our top ranking in the international Carbon Disclosure Project. Our record of innovation continues to expand, as does our reputation as an employer, reinforcing our sustainability.

Exxaro's governance standards were developed against best practice, and they continue to guide our group as we expand our operating areas. Compliance, for our group, is a minimum standard and this report highlights areas where we are not only exceeding compliance but setting new standards for the industry.

As the discipline of integrated reporting evolves, Exxaro has taken a different approach to reporting to our stakeholders this year. Instead of detailed reports from the chairman and chief executive officer, we have included discussions on our performance drivers (page 72), approach to sustainability (page 54), operating environment, risk management and material issues (page 34). The in-depth report is available on our website www.exxaro.com and distilled into a concise, printed integrated report. We welcome your feedback on this approach. Our aim is to make our reporting understandable, meaningful and accurate, and this process will only be facilitated by your participation.

Exxaro is a young company, but backed by decades of experience. Despite a challenging year, its results are testimony to the calibre of people on the board, throughout the executive management structures — so capably led by Sipho Nkosi — and in the commitment of a workforce of over 7 700 people. My thanks to every one of you.

The building blocks for Exxaro's long-term growth are firmly in place. While any mining company will always face risks beyond its control, the board believes Exxaro has the discipline, resources and people to deliver on its full potential.

Dr Len Konar
Chairman

28 March 2013

MESSAGE FROM THE CEO

Exxaro's 2012 integrated annual report details the company's vision, strategy, progress, risks and opportunities. As noted by the chairman, we are reporting in a different and more integrated format, and that gives me the latitude to communicate with you, our stakeholders, on what it is that sets Exxaro apart.

When Exxaro was formed six years ago through the merger of Kumba Resources and Eyesizwe, we committed to creating a company that would make a sustainable difference to South Africa both economically and socially. This was embodied in our vision: Through our innovation and growth, we will be a powerful source of endless possibilities. It was articulated in our belief that everything we do and deliver today will allow others to realise their vision tomorrow. It is evident in our practice of looking beyond our current commodities and operations to see the impact we have on people and the planet. It is embedded in a philosophy that enables our people to truly live by our values: empowered to grow and contribute, teamwork, committed to excellence and honest responsibility.

This approach gives us flexibility in a world changing every few months, and the understanding that we are part of the developing world, which is driving global growth.

Equally, we have developed an operating model that contributes to earnings, growth and sustainability. The past year has been an important one in Exxaro's strategic development towards tripling our market value to US$20 billion by 2020.

We have made solid progress on most elements of our strategy, most notably:

- Optimising our portfolio: reducing our exposure to base metals, merging our mineral sands interests with Tronox Limited, expanding our presence in the ferrous market and completing a major expansion in the coal market.
- Ensuring Exxaro's sustainability: our approach is based on best practice in integrating the constituent elements and stakeholders that make up our group and operating our business in a way that serves the best interests of all — from total returns to shareholders (page 83) to relocating protected baboon spiders (page 146) and spearheading innovations that will change an industry (page 204)
- Protect Exxaro's reputation: growing brand awareness, achievements and accolades during the year were our commitment to growing stronger
- Develop our leadership and people: each year we invest well over the stipulated level in developing our people and the benefits are clear at every level, from research breakthroughs to real transformation in our management ranks
- Achieve operational excellence: this will always be a process of continual improvement but our progress is evident in our results.

With these pillars entrenched in our business, we are well on track to tripling our market value in the next eight years. Importantly, given that world knowledge doubles every five years, we believe research and development is key to competing effectively. The benefits of our lengthy investments in research and development are now unfolding as a number of innovations become commercial operations. At Exxaro, innovation is a creative and systematic approach to our work to create new value from existing operations, as well as from emerging markets and technologies. Innovation is a key enabler of our organisational growth strategy and involves each critical stage from generating ideas, to discovery, development, demonstration and industrialisation of sustainable solutions for conventionally complex and unresolved problems.
In essence, we give people a chance to test ideas and we accept failure when the result is learning.

Our path towards our goal of becoming a US$20 billion company is also the springboard to international competition. Our project pipeline will give us the required critical mass to reach that goal by 2020. Our strategy remains 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.

Looking ahead for 12 months, the 2013 financial and operational results are expected to be impacted by commodity price volatility, the ZAR/US$ exchange rate fluctuations as well as the availability of trains in the export coal business.

Both thermal and coking coal seaborne markets are expected to be soft as a result of sluggish demand in Europe, India and China, exacerbated by increased stock levels. As a result, Exxaro will continue to pursue new domestic markets, albeit at lower prices, in the short to medium term.

The domestic steam coal market is expected to remain stable, with a marginal increase in demand from Eskom.

Cost management across the group will remain a priority for the year ahead. As part of overcoming current economic challenges, Exxaro will continue to strive for cost reduction and increased efficiencies in all its processes.

The group is focused on developing a clear ramp-up strategy for the Grootegeluk Medupi expansion project, incorporating possible effects of current labour unrest at the Medupi power station. The ferrous project team continues to work ahead on the Mayoko project to ensure the 2Mtpa Phase I is delivered successfully, on time and within budget. This will include finalisation of key concessions with the government of Republic of Congo.

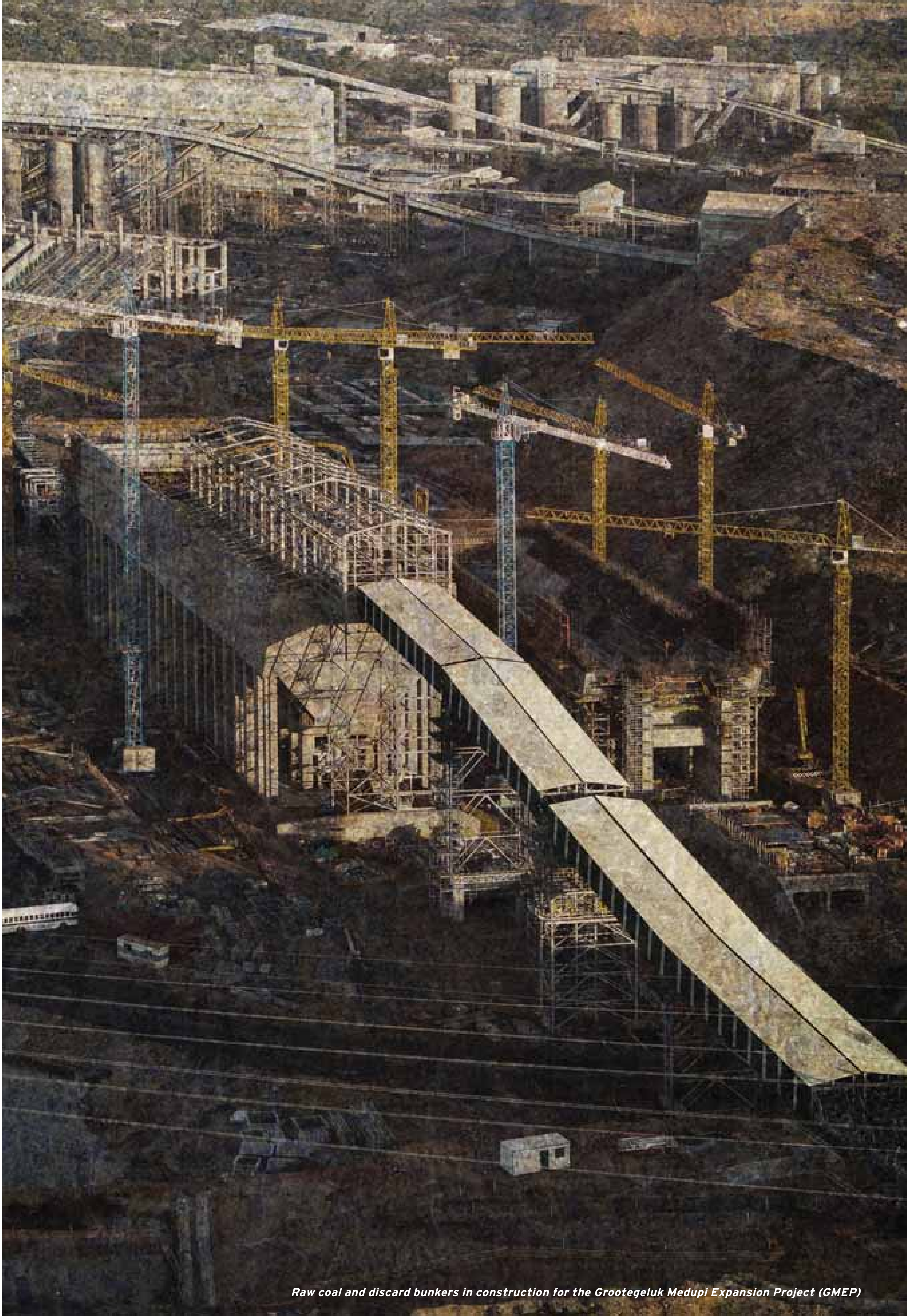
Exxaro's equity income in 2013 will remain under pressure, but is expected to improve toward the second half. Pigment markets are expected to be soft in the first half of 2013, resulting in tighter supply-demand conditions in the second half. Tronox is also expected to be in a position to fully demonstrate the value of its vertically integrated structure and the material cost advantage generated by this structure. As reported in the Kumba Iron Ore results in February 2013, annual production volumes from Sishen mine are expected to increase in 2013, while export sales volumes are expected to be similar to those in 2012.

Sipho Nkosi
Chief executive officer

28 March 2013

02

business strategy



Raw coal and discard bunkers in construction for the Grootegeluk Medupi Expansion Project (GMEP)

BUSINESS STRATEGY

US$20 billion market capitalisation by 2020

Further detail on the integration between Exxaro's strategic objectives and sustainability capitals is provided on page 61.

Overview of strategy

A track record of delivering

Coal	• Secure incremental RBCT export allocation • Move downstream in reductant market • Grootegeluk expansion (GMEP) • Develop Inyanda, Mafube and Belfast • Progress study on Moranbah South in Australia • Progress independent power producer opportunities in the Waterberg	• RBCT allocation more than doubled • Char in production, char phase 2 bankable feasibility study under way • GMEP delivered first coal to Medupi power station • Inyanda, Mafube in production; Belfast project in process, temporary mining licence approved in March 2013 • Moranbah prefeasibility study complete in 2012 • Thabametsi phase 1 bankable feasibility study complete in 2013
Iron ore	• Grow iron ore exposure	• Acquired 100% of African Iron Limited • Mayoko phased project development in Republic of Congo
Titanium dioxide	• Grow mineral sands business • Exercise option to acquire Namakwa Sands • Organic growth of Tiwest and development of local interests • Development of Fairbreeze	• Expansion of Tiwest capacity in Western Australia • Namakwa Sands acquired on 1 October 2008 • Mineral sands business sold to Tronox Limited, listed on NYSE: – Tronox is the only fully integrated global producer of TiO_2 and mineral sands – Third largest global producer and marketer of TiO_2 manufactured via chloride technology – Second largest global producer of titanium feedstock – Second largest global producer of zircon • Fairbreeze resource secured – to be developed by Tronox
AlloyStream™	• Patent and test process technology • Partnership envisaged	• Testing of commercial viability 2012/2013 • Project Letaba joint venture with Assmang
Base metals and industrial minerals	• Reduce interest in base metal commodities • Divest from non-core interests in industrial minerals	• Zincor plant closed in December 2011 • Rosh Pinah sold to Glencore International AG in 2012 • Glen Douglas sold in 2010 to Afrimat Limited
Energy	• Develop scenarios on increased demand and prices as well as possible supply interruptions • Formulate views on renewable and green energy in striving to reduce carbon footprint	• Cennergi joint venture with Tata Power • First co-generation plant at Namakwa Sands • Coal-bed methane exploration in Botswana with Sekaname • Preferred bidder on two wind projects in Eastern Cape

Continued strong focus on executing strategy

1. **Ensuring Exxaro's sustainability through focusing on:**
   - Safety: Continuous awareness campaigns and training and retraining
   - Fatality-free year (12 June 2011 to 12 June 2012)
   - Infrastructure: water, transport and energy, and optimisation programmes
   - Risk management: enterprise risk management and corporate governance compliance frameworks; integrated approach to risk management, compliance and assurance ensuring risk mitigation

2. **Protecting and building Exxaro's reputation through:**
   - Blue Drop certification: R100 million upgrade on the Zeeland project recently completed
   - Community outreach: community development programmes in priority areas
   - Growing brand: employees carry it with pride

3. **Developing Exxaro's leadership and people:**
   Strong leadership:
   - Board and executive committee – significant industry experience
   - Well-equipped to successfully formulate and execute strategy

4. **Empowering employees through:**
   - Ongoing training: 5,5% of payroll spent on training
   - Employment equity: outperform in four of six categories
   - Recognition: focus on performance and recognition
   - Sharing Mpower 2012: 7 086 employees each received 387 units to the value of R75 000. This scheme will run for the next five years
   - Strong relationship with unions: constructive negotiations and well-established process of involvement and communication

5. **Portfolio improvement: Focus on globally diversified portfolio**
   Coal:
   - Innovative, integrated and synergistic coal and reductants business with global footprint
   - GMEP, Moranbah South, Thabametsi mine

   Titanium dioxide:
   - Increase exposure to integrated value chain
   - Investment in Tronox

   Divesting of non-core assets:
   - Zinc – consider alternative options for plant utilisation

Ferrous:

- African Iron Ore acquired
- 10 million tonnes per annum of iron ore by 2017
- Mayoko phased project :
  - Phase 1: 30kt pa by 2013 and 2Mt pa by 2014
  - Phase 2: Bankable feasibility study to increase in excess of 7Mt
- AlloyStream: Project Letaba – JV with Assmang

Energy:

- Ensure energy security for own operations
- Cennergi JV
- Coal bed methane in Botswana

Operational excellence:

- Performance

Regularly achieving annual stretched performance targets:

- Low-cost producer with standardised processes
- Rigorous performance reviews to continuously improve operations and services
  - Skills: Appropriately skilled, competent and value-driven workforce
  - Safety: Internalised safety and sustainable development
  - Projects: High-quality project execution on time, within budget
  - Logistics and supply: Secured long-term critical/strategic commodity supply to enable seamless management of commodity flows

03

future focus

Rope shovel bucket used to load coal from the benches

FUTURE FOCUS

Future focus – ferrous

Since acquiring African Iron early in 2012, and assuming direct management and operational control, Exxaro has completed a broad financial, technical and operational review of African Iron's projects in the Republic of Congo (Congo).

Unlike its much larger neighbour, Democratic Republic of the Congo or DRC, Congo enjoys a stable government and has good relations with South Africa. Exxaro has developed a healthy working relationship with the Congolese government.

Early findings from the project at Mayoko indicate that this mine has significant potential in terms of resource quality and size, with much of the groundwork for this near-term development opportunity in an emerging iron ore province already completed by African Iron. The project currently has a JORC-compliant mineral resource of 685Mt of iron ore, consisting of a hematite cap of direct shipping ore (DSO) at 55% Fe and beneficiable DSO ore at 41% Fe.

With a revised exploration programme and accelerated drilling, production is expected to begin in 2013. This will be an economic boost for the small village of Mayoko and the broader region, from which much of the required labour will be drawn. Given the remote location, many villagers have not worked in industry before but are eager to acquire new skills. While there will be some deforestation involved in preparing for mining operations, the requisite rehabilitation and environmental plans will be put in place.

To accommodate its target of producing 10Mtpa of iron ore by 2017, Exxaro is looking at expanding rail facilities. The existing rail corridor was one of the most important attributes of this opportunity and although the rail line is in good repair, its capacity would need to be expanded. The existing port in capital city Pointe-Noire does not have the capacity for iron ore exports. Given the scale of mining activity under way a new bulk commodities port is being developed to the north, facilitated by investments from Exxaro and other major mining companies.

Exxaro is also investigating additional regional potential in terms of size and quality, with exploration drilling under way at:

- Ngoubou-Ngoubou (untested licence area spanning 944km^2), adjacent to Mayoko (Exxaro holds an 85% interest in the prospecting authority)
- Mt Lekoumou (some 1 000km^2 licence area) – limited exploration to date
- Mt Mipoundi.

Prospects for iron ore from this region are promising. Although logistical infrastructure will be key to future development, global seaborne trade is expected to increase to over 1,4 billion tonnes from 1,16 billion tonnes in 2011. The shortfall in lump ore production, due to growing production from Brazil and India, means production of pellets could double by 2021. For Exxaro, unlocking the full potential of this opportunity will require an intense focus on capital intensity to move Mayoko further down the US$/tonne scale, where it is already positioned in the lower half.

As it has proven with the Inyanda and Mafube coal mines in South Africa, Exxaro has the expertise and experience to develop an iron ore project from conceptual phase to production. This includes extensive engineering capabilities in design, operational expertise, maintenance and project management, as well as experience with bulk mining, opencast and underground operations, beneficiation and downstream processing and value-added products.

Inyanda mine

Future focus – coal

Over 50% of South Africa's remaining reserves lie in the Waterberg coalfields, a 3 500km² expanse of Limpopo that stretches into Botswana and hosts almost 76 billion tonnes of in-situ inferred resources in 11 coal-bearing zones.

Exxaro's Grootegeluk mine lies near the country's largest remaining coal reserves. The logistics of moving mined product to market, and the infrastructure required, have until now been obstacles to capitalising on the wealth of the Waterberg. Collective effort by government, parastatals and industry will make this aspiration possible.

Adjacent to our Grootegeluk mine in Limpopo, Exxaro has inferred resources of over three billion tonnes in its Waterberg properties. While coordinated plans to develop the required infrastructure for this region are finalised by numerous public and private stakeholders, Exxaro has continued to refine its own development plan, now extending to 2025:

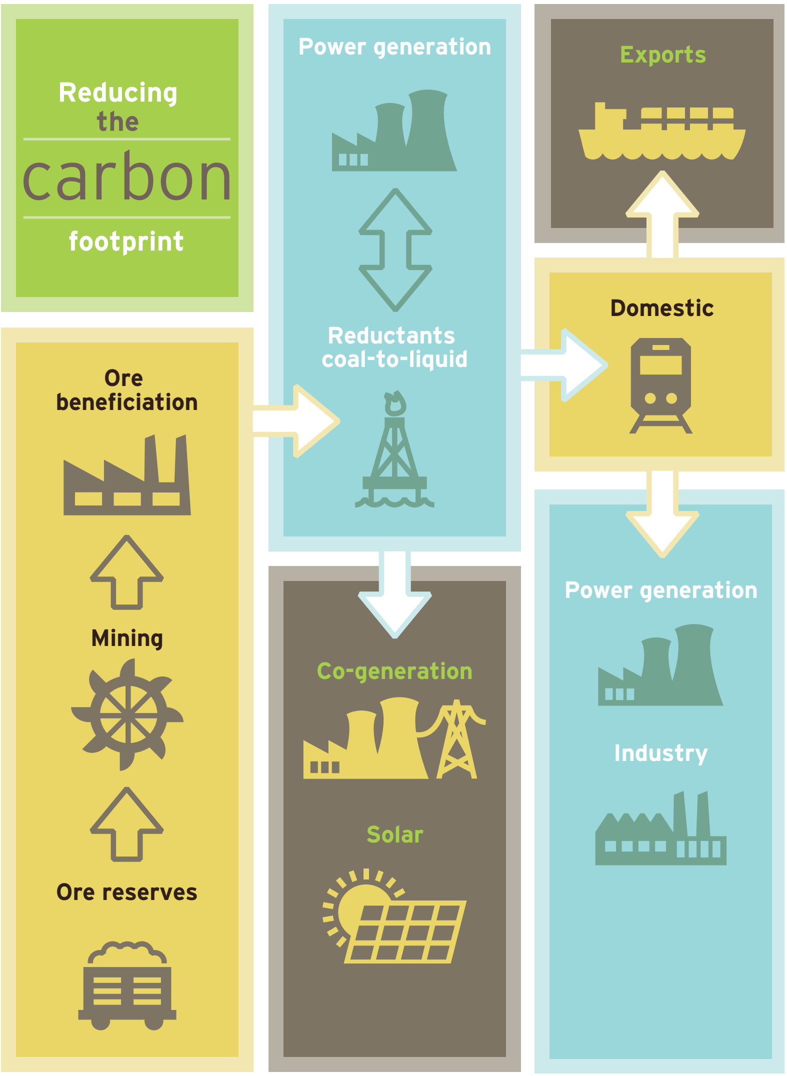
- **Phase 1:** Grootegeluk mine's brownfields expansion to supply Eskom's Medupi power station delivered its first coal on time, with full production scheduled for 2016. This 45-year contract will see Grootegeluk deliver 14,6Mtpa to the 4 800MW power station
- **Phase 2:** Thabametsi mine is a greenfields development – an open-pit coal mine and beneficiation complex also supplying independent power producers (2 000MW). With an estimated time frame of 2015 – 2025, Thabametsi will supply 17Mtpa to power stations and 2,8Mtpa to other markets
- **Phase 3:** By developing other greenfields coal mines, Exxaro will produce 13Mtpa for exports from 2018 to 2025.

Other downstream opportunities for Exxaro's Waterberg resources include:

- **Char plant:** first phase is operational, and the feasibility study for phase II is under way
- **Market coke:** feasibility study under way
- **Electricity generation:** advanced plans include co-generation and independent power producers, as well as a solar plant (through Cennergi).

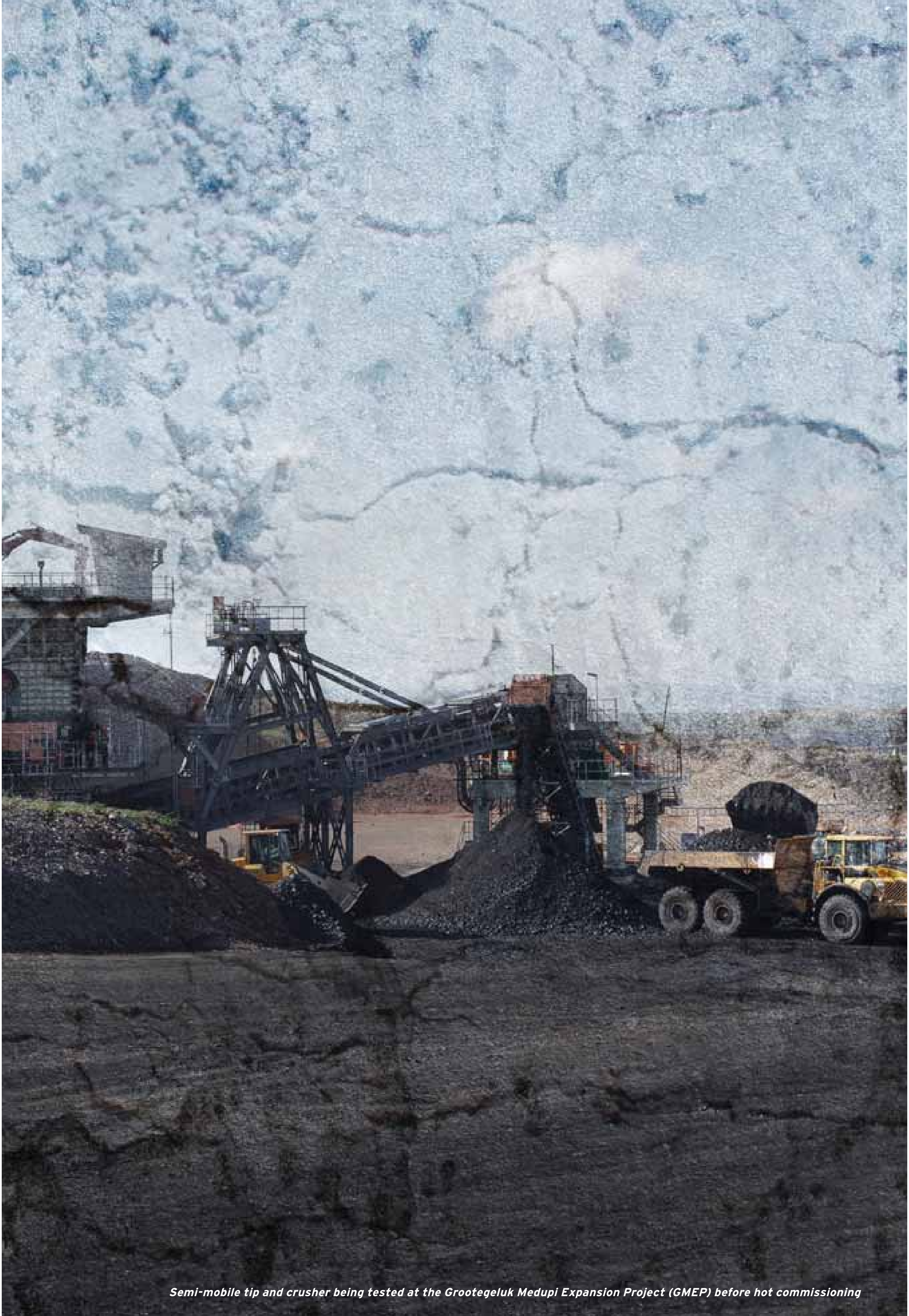
Conveyor belts carry coal from Grootegeluk to Matimba and Medupi power stations. Conveyor belts between the mine and power stations are 4km and 9km respectively

Several key challenges remain to unlocking the potential of the Waterberg. These are depicted below:



04

risk management and material issues



Semi-mobile tip and crusher being tested at the Grootegeluk Medupi Expansion Project (GMEP) before hot commissioning

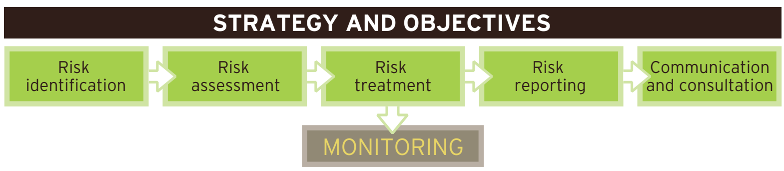
RISK MANAGEMENT AND MATERIAL ISSUES

Managing risk and compliance to ensure Exxaro's sustainability

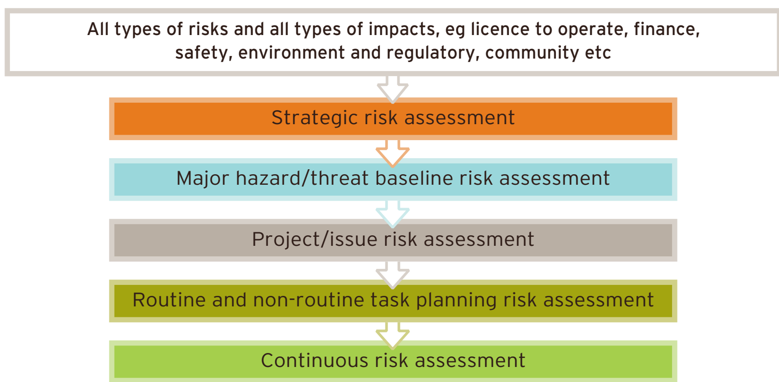
An integrated risk and compliance framework

Exxaro understands that risk and compliance run across our five sustainability capitals and need to be managed across the organisation in a standardised, consistent manner to ensure they contribute to our drive for sustainability. Traditionally mining companies have very mature safety risk management programmes and processes, but this level of maturity is often not replicated in other areas. Over the years frameworks have been developed to address risks on a functional basis, rarely integrating all aspects of risk (regardless of origin) to business processes.

With our new enterprise risk management (ERM) framework, Exxaro has departed from this concept and developed a five-layered approach, which integrates all functional risk management processes and links strategic risk management with operational risk management. This approach to risk management is graphically illustrated below – the first diagram shows our ERM process.



The ERM process is illustrated in five layers, shown below:



This allows an individual to assess the potential safety or financial impact if an identified event takes place, as well as possible operational, environmental, health, legal/compliance, quality and information technology (IT) consequences. Our quantitative and qualitative impact matrix is fully scalable for the group and its operations, projects and services, and considers our strategic objectives where exposure limits have been set.

Compliance risk is no longer viewed as a separate process, but integrated into our risk management process, ensuring Exxaro has true transparency on its strategic risk exposures, including compliance and legal/regulatory events. This process also formed the basis of our combined assurance approach: Exxaro is one of few companies that can link its combined assurance initiatives to up-to-date, standardised cross-functional risk registers for all operations as well as the group.

Board disclosure

Please refer to section 4.1 in the King III compliance report on page 232.

2012 achievements

Training was provided to all risk champions in the group on ERM to ensure they are familiar with the new process and that a healthy risk culture is embedded throughout all operations as well as our corporate service functions and major projects.

Risk registers were reviewed and updated in 2012. The top risks identified through these processes were reported to the sustainability, risk and compliance committee each quarter and led to a number of initiatives to address strategic risks raised. These include:

- Post-implementation reviews on new operating system modules
- Reviewing the status of compliance to our social and labour plans
- Reviewing the status of compliance to the mining charter at operational level
- Compiling an updated regulatory universe for Exxaro
- Compiling practical executive summaries of all laws and regulations with which Exxaro must comply
- Conducting licence-to-operate regulatory training at all business units/operations.

Exxaro has successfully implemented an appropriate risk management enabler. The system was rolled out at one business unit as a pilot during the year and will be rolled out to the remaining business units, regional offices, corporate office and service functions in the first half of 2013. What makes this system unique is that it also supplies the platform for effective compliance management and monitoring. User acceptance testing on the compliance enhancement has already taken place.

Looking forward

The governance, risk and compliance department has planned the following activities for 2013:

- Rolling out the risk management enabler to remaining business units
- Risk review sessions
- Establishing risk appetite levels per strategic objective for the company and obtaining board approval. Regular board monitoring and review of these levels
- Documenting a risk aggregation policy
- Documenting a risk escalation policy
- Updating the ERM framework
- Linking key performance indicators (KPIs) and key responsibility indicators (KRIs) to management performance contracts
- Conducting a risk maturity self-assessment
- Conducting compliance reviews on all activities with an environmental impact
- Compiling compliance risk management plans enabled by the new risk management enabler.

Outcome

The following table illustrates the updated top 10 strategic risks for the group based on the review process followed during the year. These risks have been benchmarked against local and global surveys and correlated with risks identified at business units, service functions, major projects and at commodity business level. The risks are also compared to the residual risk gap of the previous financial year and trends analysed to indicate whether mitigation controls had the desired impact in closing the gap.

Summary of top 10 risks

No	Strategic objective	Risk	Potential impact	Risk response	Residual risk gap trend	Sustainability capital*	KPIs
1	**Ensure Exxaro's sustainability** • Regulatory compliance	State intervention in the mining sector	• Strategic • Financial	Accept	↑	Financial	• Costs • Shareholders' return
2	**Protect and build Exxaro's reputation** • Sound governance practices	Government relationships	• Strategic • Financial	Accept	NEW	Financial Social	• Number of projects delayed • Opportunity losses
3	**Improve Exxaro's portfolio** • Secured infrastructure to serve our growth aspirations	Infrastructure capacity, access, development and funding	• Financial	Reduction	↑	Manufactured Financial	• Return on capital employed (ROCE)
4	**Ensure Exxaro's sustainability** • Responsible, safe operations	Ability to accurately determine financial closure obligations (cost of closure)	• Financial • Environmental	Reduction	NEW	Financial Social Natural	• Costs • Biodiversity
5	**Ensure Exxaro's sustainability** • Regulatory compliance • Responsible, safe operations **Protect and build Exxaro's reputation** • Sound governance practices	Compliance to environmental legislation	• Financial • Environmental • Reputational	Reduction	↓	Natural	• Biodiversity • Energy • Green house gas emissions • Water • Waste • Ongoing rehabilitation costs

No	Strategic objective	Risk	Potential impact	Risk response	Residual risk gap trend	Sustainability capital*	KPIs
6	**Protect and build Exxaro's reputation** • Industry leader in transformation **Ensure Exxaro's sustainability** • Regulatory compliance	Maintain social licence to operate	• Financial • Reputational	Reduction	↓	Social	• Compliance
7	**Ensure Exxaro's sustainability** • Responsible, safe operations	Mine rehabilitation	• Financial • Environmental • Reputational	Reduction	NEW	Natural	• Biodiversity
8	**Achieve operational excellence** • Consistently achieve annual stretched performance targets • Rigorous performance reviews to continuously improve operations and services	Ability to meet production demands (throughput)	• Financial • Operational	Reduction	NEW	Financial	• Revenue • Operating profit margins • ROCE
9	**Ensure Exxaro's sustainability** • Regulatory compliance	Legal and regulatory compliance	• Financial • Reputational	Reduction	NEW	Financial Human Manufactured Natural Social	• Compliance
10	**Achieve operational excellence** • Consistently achieve annual stretched performance targets • Rigorous performance reviews to continuously improve operations and services	Cost competitiveness of assets (cost/tonne)	• Financial	Reduction	↑	Financial	• Revenue • Costs • Operating profit margins • ROCE

* *Further details on the capital model are provided on page 54 of this report*

Key	Description
↑	Current residual gap rating Increased
↓	Current residual gap rating decreased
NEW	A new top 10 risk was identified

Top 10 risk trend report

The change in the residual risk gap (difference between current residual risk and desired residual risk) for the top 10 strategic risks is shown below.

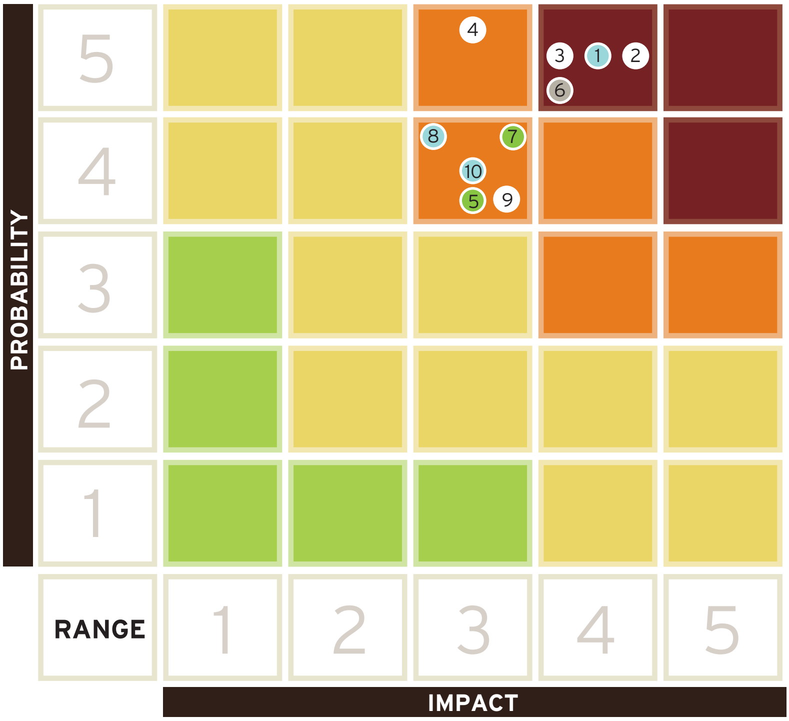
Risk ranking	Risk name	Inherent risk	Residual risk gap 2011	Risk trend	Residual risk gap 2012	Reason for change in trend or advent of a new top risk
1	State intervention in the mining sector	74	8		35	Onerous and often impractical recommendations in the Minerals and Petroleum Amendment Bill 2012. Ongoing discussions on increased royalties, resource taxes and other encumbrances on the mining industry.
2	Government relationships	76	–	NEW	30	Lack of coordination between different government departments compounded by delayed responses, resulting in costly time delays which affect the ability of business to execute on business and project plans, often with adverse consequences on employment.
3	Infrastructure capacity, access, development and funding	74	21		25	Increasing mismatch of projects' and operations' demands for both funding and infrastructure construction.
4	Ability to accurately determine financial closure obligations (cost of closure)	59	–	NEW	20	Changes in legislation, coupled with more onerous interpretation, and heightened stakeholder involvement.
5	Compliance with environmental legislation	47	24		18	Exxaro rolled out training to all operations on key licence-to-operate requirements such as MPRDA, NEMA, NWA and MHSA activities, resulting in enhanced awareness and effort to address. Provincial audits (DWA Mpumalanga) conducted on compliance to water use licence conditions at Leeuwpan, Matla and New Clydesdale, with feedback awaited. After follow-up DWA audits in Limpopo, identified gaps addressed.
6	Maintain social licence to operate	64	27		18	Exxaro rolled out training to all operations on key licence-to-operate requirements such as MPRDA, MHSA, BBBEE and Companies Act activities. Compliance audits on social licence to operate issues such as our social and labour plans and the mining charter. Gaps identified were discussed and are being addressed via the new social and labour plan (SLP) forum and in the plans for 2013-2017. Regular engagements held with key stakeholders such as the Department of Mineral Resources and the JSE.

Risk ranking	Risk name	Inherent risk	Residual risk gap 2011	Risk trend	Residual risk gap 2012	Reason for change in trend or advent of a new top risk
7	Mine rehabilitation	52	–	NEW	18	A deliberate focus on ongoing rehabilitation of the existing environmental footprint is required as opposed to primarily providing resources for final closure in future.
8	Ability to meet production demands (throughput)	56	–	NEW	15	Exxaro's significant contribution to international, but primarily local, demand for coal.
9	Legal and regulatory compliance	47	–	NEW	13	Introduction of various new laws and regulations have the potential to impact business and require additional resources to be committed.
10	Cost competitiveness of assets (cost/tonne)	56	6	⇧	12	Greater awareness to ensure value to all stakeholders.

Key	Description
⇧	Current residual gap rating Increased
⇩	Current residual gap rating decreased
NEW	A new top 10 risk was identified

Top 10 heat map

This illustrates the top 10 strategic risks (inherently before any controls) as identified through our ERM process and approved by the board.



Probability/likelihood of occurrence

Range	Factor	Description
5	>80 — 100	Almost certain
4	>61 — 80	Likely
3	>36 — 60	Possible
2	>10 — 35	Unlikely
1	< and = 10	Rare

Impact

Range	Factor	Description
5	>80 — 100	Extreme
4	>61 — 80	Major
3	>36 — 60	High
2	>10 — 35	Moderate
1	< and = 10	Negligible

Sustainability capital

Financial
Human
Manufactured
Natural
Social

Top ten risks

Risk 1	State intervention in the mining sector (resource nationalism)	
Risk description	State intervention in the mining sector that goes beyond taxation in seeking greater participation and value from the sector. This may include mandatory beneficiation, full or partial resource nationalisation or export levies that could impact on financial performance in the sector and may discourage investors/stakeholders from investing in the industry.	
Risk category	Political	
Root cause	**Potential impact**	**Mitigating controls**
• Proposed changes to legislation with limited stakeholder involvement.	• Financial losses • Labour unrest • Disinvestment and loss of employment	Exxaro influences decision-making by participating in recognised forums, having regular meetings with government and commenting on proposed legislative changes

KPIs

- Costs
- Shareholders' return

Risk 2	Government relationships	
Risk description	Ineffectiveness within the government administrative process may result in approvals not being obtained in time, negatively impacting on the effective and efficient operations of the company, and timely delivery of projects	
Risk category	Political	
Root cause	**Potential impact**	**Mitigating controls**
• Ineffective administration processes delaying approvals	• Production stoppages • Financial losses • Disinvestment and loss of employment • Opportunity losses	• Active and constant interaction with government to speed up the approval process • Constant follow-up with authorities to obtain all required approvals • Long-term mine plans to indicate all likely approvals that need to be obtained to ensure approval requests are submitted timeously to the relevant authority • Long-term mining activities are included in approved EMPs to reduce unnecessary interim approvals • Regular management and executive level meetings in the company

KPIs

- Number of projects delayed
- Opportunity losses

Risk 3	**Infrastructure capacity, access, development and funding**	
Risk description	Lack of sufficient infrastructure capacity, access, development and funding	
Risk category	Infrastructure	
Root cause	**Potential impact**	**Mitigating controls**
• Competition for limited infrastructure resources • Funding for large infrastructure still limited and costly • Delays in government infrastructure aspirations to assist with mining industry growth aspirations	• Financial losses • Limitations on potential to expand • Opportunity losses for new employment	• Collaboration with other stakeholders and government on a plan to improve and align existing infrastructure, and undertake new infrastructure initiatives • Identify other stakeholders to co-develop a solution with shared benefits and to extend infrastructure • Understand return on infrastructure and consider appropriate funding
KPIs		
Return on capital employed		

Risk 4	**Ability to accurately determine financial closure obligations (cost of closure)**	
Risk description	Financial mine-closure obligations may be inaccurately determined, resulting in additional unplanned funding commitments during life-of-mine and at closure	
Risk category	Financial	
Root cause	**Potential impact**	**Mitigating controls**
• Heightened awareness of the social cost of closure of operations • Stricter interpretation of legislative requirements	• Financial loss • Delayed rehabilitation • Community unrest • Non-compliance to licence-to-operate regulatory requirements	• Documented procedure guides management when calculating closure cost and now includes greater awareness of the social cost of closure • EMP extension for mining footprint includes detail on measurable closure objective • Independent consultants conduct closure cost assessments and/or reviews of internal assessments • Monthly reporting and meetings on financial standing • Ongoing consultation with authorities • Knowledge shared between business units
KPIs		**Future actions**
Biodiversity • Total land rehabilitated • Total land disturbance • Land use in protected areas of high biodiversity value Ongoing rehabilitation costs		• Mining biodiversity guidelines published in 2013 will be used to update action plans

Risk 5	Compliance to environmental legislation	
Risk description	Non-compliance to environmental legislation	
Risk category	Environmental	
Root cause	**Potential impact**	**Mitigating controls**
• Changes in legislation • Lack of human resources or specialists • Lack of awareness/knowledge (environmental issues) • Shortage of water in the area • No proper mine closure plan that incorporates mine rehabilitation plan • Environmental compliance in the past may not have been within required legal prescriptions	• Financial impact • Reputational damage • Community unrest • Litigation exposure • Directives issued that may stop operations	• External specialist updates Exxaro on legal changes • External audits conducted by departments of water affairs, environment, and mineral resources • External companies assess environmental management programmes (EMPs) • External companies assist with monitoring and reporting on environmental issues • Updated integrated audit schedules • Compulsory inductions provided to all personnel and visitors • Internal environmental incident reporting • Qualifying environmental incidents reported to the authorities • Scheduled dust and/or noise measuring and monitoring • Service contracts in place for waste management • Regular training and awareness campaigns • Regular liaison with authorities

KPIs

Biodiversity

- Total land rehabilitated
- Total land disturbance
- Land use in protected areas or areas of high biodiversity value – to be updated against new industry guidelines

Energy

- Energy consumption
- Energy by source
- Electricity efficiency
- Diesel efficiency

GHG emissions

- Total emissions
- Total emission reduction

Water

- Total water withdrawal split by source
- Total volume of water recycled or reused
- Total water discharge
- Water efficiency

Waste

- Total amounts of overburden, rock, tailings and sludges
- Hazardous waste

Risk 6	Maintain social licence to operate	
Risk description	Unable to meet all the requirements needed to maintain a social licence to operate	
Risk category	Licence to operate	
Root cause	**Potential impact**	**Mitigating controls**
• Unable to achieve social and labour plan (SLP) targets as approved, most notably the potential impact on communities surrounding our operations	• Production stoppages • Financial losses • Reputational damage • Community unrest • Non-compliance to laws and regulations that may affect mining rights	• Drive existing social and labour plan programmes to achieve more than compliance to all aspects of the mining charter • Pursue identified initiatives to progressively improve Exxaro's current level 4 contributory status under the DTI's BBBEE codes • Adhere as a minimum to commitments in SLPs • Proactive sustainable socio-economic development initiatives in the communities in which we operate

KPIs

- Amount allocated to community development per annum
- Sustainable community development projects as per social and labour plans
- Community engagement (negative impacts)
- BBBEE score

Risk 7	Mine rehabilitation	
Risk description	Ability to effectively rehabilitate the mine. Matching funding to achieve approved technical solution	
Risk category	Environmental	
Root cause	**Potential impact**	**Mitigating controls**
• Insufficient funding available for rehabilitation • Changes in legislation • Uncertainty on execution of EMP • Vague description in current EMP	• Reputational damage • Financial losses • Environmental impact (habitat losses) • Temporary or permanent mine closure • Non-compliance to laws and regulations	• Legacy projects managed, eg village handover to municipalities under way in Tshikondeni • EMP in place and to be updated • Exxaro environmental rehabilitation fund in place • Agreement between Exxaro and Eskom to create a rehabilitation trust for Matla and Arnot (approved by DMR) • Bank guarantees issued to Department of Mineral Resources (DMR) • Rehabilitation calculations and accounting provision created • Rehabilitation programmes in place

KPIs

Biodiversity

- Total land disturbance
- Total land rehabilitated
- Land use in protected areas of high biodiversity value

Risk 8	Ability to meet production demands (throughput)	
Risk description	Production targets not met	
Risk category	Production and quality	
Root cause	**Potential impact**	**Mitigating controls**
• Geological constraints • Logistical constraints • Labour capacity • Environmental factors (compliance with legislation) • Land-purchase issues • Labour and union relations	• Breach of contract • Financial loss • Encumbrance of Eskom's power-generation capacity • Reputational damage	• Accelerate business improvement (projects currently running) • Condition-based budget model feeding from life-of-mine plan • Regular interaction with unions, Eskom and other stakeholders
KPIs • Production and sales tonnes • Operating profit margins • ROCE		

Risk 9	Legal and regulatory compliance	
Risk description	Not adhering to laws and regulations governing the business	
Risk category	Legal and regulatory compliance	
Root cause	**Potential impact**	**Mitigating controls**
• Changes in legislation • Lack of awareness/knowledge • Non-compliance by employees • Human behaviour	• Production stoppages (Section 54/55 of Mine Health and Safety Act) • Incidents and accidents • Fatalities • Financial loss • Reputational damage • Damage to property	• Areas of responsibility assigned to management and legal appointments in place • Consequence management on non-compliance • External audits by authorities • Internal audits and inspections • Regular safety awareness campaigns • Scheduled safety meetings • Training on policies and procedures for all employees, visitors and contractors • Visible felt leadership • Daily and weekly area inspections
KPIs **Compliance** • Environmental fines • Non-compliance on permits • Licences or rights • Number of environmental prosecutions • Section 54s in terms of the Mine Health and Safety Act • Cost of non-compliance • Number of SLPs outside of or deviating from target		

Risk 10	Cost competitiveness of assets (cost/tonne)	
Risk description	Cost competitiveness of mining/production, which provides market and customer confidence	
Risk category	Markets	
Root cause	**Potential impact**	**Mitigating controls**
• Additional regional and service level costs • Limited life of mine • Little variability due to high fixed-cost component • Difficult mining conditions (significant resources to extract very low tonnages) • International coal price levels for business units to achieve good margins • Increased cost of mining due to excess overburden removed • End-to-end processes not optimal	• Financial loss • Premature mine closure • Social impact • Reputational damage • Operating margin squeeze • Affordability of capital projects strained	• Business improvement initiatives established (including target setting and tracking) • Focus on business unit's controllable efficiencies (cost of electricity, maintenance, production tonnes vs production times) • Quarterly reviews • Increased awareness of cost management • Management accountants becoming business partners in the relevant areas

KPIs

- Production tonnes (R)
- Sales tonnes variance (R)
- Unit cost (R/product)
- Operating profit margins
- Return on capital employed

Combined assurance

Companies that operate in a very technical and highly regulated environment are usually accustomed to regular audits, reviews and assurance activities. However, Exxaro realised that these reviews were possibly not always adding value and that controls to mitigate potential high impacts did not always receive the necessary attention when assurance activities were planned.

In 2012 Exxaro implemented a combined assurance framework and process, based on international best practice and the principles of King III, to ensure risk-based assurance activities and prevent audit fatigue. Through the combined assurance framework, critical processes, risks linked to these processes and the associated assurance providers, are identified.

The combined assurance framework was approved by the audit committee in November 2012 (see 3.5 in King III Compliance report on page 230). To improve the process, the framework will be revised annually and updated accordingly.

Process

The combined assurance process followed in Exxaro is illustrated below.

Risk mapping → Analysis → Combined assurance design → Combined assurance reporting → Opinion on risk and control

Exxaro is following a phased approach to effectively implement this combined assurance process:

- Phase 1: Management's representation of assurance received
- Phase 2A: Validation of management's representations
- Phase 2B: Evidence to support the written assessment
- Phase 3: Embedding combined assurance.

2012 achievements

The combined assurance process began in 2012 and was conducted in line with the approved combined assurance framework.

Phase 1 has been completed for all business units. An assurance map of business units has been completed based on enterprise risk management (ERM) profiles developed for business units.

The functional-area approach (covering the most significant strategic risks based on the inherent score) has been adopted. The risk register as presented to the sustainability, risk and compliance committee was used for the combined assurance assessment.

The risk register has been populated with management's representation of assurance received for each risk in line with the combined assurance framework.

The scope of work performed during phase 1 includes:

- Identifying and specifying the sources of assurance over Exxaro's top strategic (inherent) risks
- Providing the audit committee with an assurance map based on a detailed assurance analysis
- Providing a basis for identifying areas of potential over/under assurance or areas where no assurance exists.

Outcome

In total, 124 risks were included in phase 1 of the combined assurance review at Exxaro's business units. The table illustrates an unvalidated assurance map of the risks and assessment of the adequacy of assurance provided. The validity of these assessments will be verified during phase 2.

Risks	Number of risks	No assurance	Limited assurance	Adequate assurance	Over assurance
Arnot strategic risks	**13**	—	6	4	3
Grootegeluk strategic risks	**12**	—	4	6	2
Inyanda strategic risks	**20**	1	6	11	2
Leeuwpan strategic risks	**17**	—	9	6	2
Matla strategic risks	**12**	—	4	4	4
North Block Complex strategic risks	**16**	1	8	4	3
New Clydesdale strategic risks	**14**	—	4	6	4
Tshikondeni strategic risks	**20**	—	10	10	—
Total	**124**	**2**	**51**	**51**	**20**

Legend

Level	What do we mean
No assurance	No assurance provided
Limited assurance	Some assurance provided (room for improvement)
Adequate assurance	Appropriate assurance regularly provided
Over assurance	Over-assured: cost and effort outweighs benefit

The table indicates the levels of assurance used by management to evaluate the quality of assurance provided.

Looking forward

- The combined assurance process review for phase 1 will be completed in 2013 at the regional offices and services functions
- Phases 2A, 2B and 3 will also be completed in 2013 at all business units, regional offices, service functions and corporate office
- A governance, risk and compliance forum will be established in 2013 where assurance activities will be deliberated and coordinated
- The audit committee will provide oversight for combined assurance and provide the board with a written assessment on the state of risk management
- Current ineffective assurance activities will be replaced and coordinated by the chief audit executive to ensure activities are focused according to our biggest exposures.

All assurance providers' activities planned for the year will be mapped to the risk profile and compared to the assurance map developed. From this, the governance, risk and compliance forum will be able to determine the actual assurance to be performed for the year. The governance, risk and compliance department will then be able to assess the appropriateness of assurance provided in forming its ongoing assessment of overall risk management and internal control effectiveness.

Case study – managing risk proactively

In 2012 Exxaro became the first South African resources company to become an accredited member of the Road Transport Management System (RTMS). This is an industry-led, voluntary self-regulation scheme that could go a long way to addressing some of the current challenges in the logistics industry. By encouraging those involved in the road logistics value chain to implement its vehicle management system, the RTMS aims to preserve road infrastructure, improve road safety and increase general productivity.

The system is based on three sets of standards (for consignors, hauliers and consignees) covering all aspects of vehicle and driver management.

Exxaro has already put this system in place at Grootegeluk and North Block Complex, with a dedicated team going to great lengths to ensure that improved road safety and compliance with road transport regulations are incorporated into our operations. The RTMS team commented that Exxaro has set the benchmark for other forward-thinking organisations to self-regulate, to the benefit of the entire South African road transport sector.

The new vehicle management system will be rolled out to other business units over the next few months.

Accredited operators will benefit from

- The opportunity to implement performance-based standards, which means a vehicle can be designed outside the current legal limits to carry heavier payloads while still complying with safety and other requirements.
- Being exempt from having to stop when weighbridges are full (currently in KwaZulu-Natal only).

Exxaro will benefit from

- **Less risk:** Proposed changes to the national road traffic act will make consignees and consignors jointly responsible for third-party hauliers' practices, such as overloading and vehicles not being roadworthy.
- **Greater social responsibility:** Better road and vehicle maintenance, along with more carefully managed driver fatigue and health, could significantly improve South Africa's road safety record and lower logistical costs.
- **Productivity improvements:** Those who comply with RTMS standards (based on a detailed audit of their transport management systems) will be given some leeway on current practices. This could mean cost savings, for example, as a result of shorter cycle times and using vehicles carrying bigger payloads.
- **Improved reputation:** Exxaro recognises that it contributes to wear and tear on South African roads, and our RTMS membership demonstrates our commitment to addressing this.

Maintain our regulatory and social licence to operate

As a group, by FY12 Exxaro had been granted 19 mining rights (new or converted), and submitted applications for a further two operations. For five of the granted mining rights, execution is still under way.

As for all South African mining companies, every mining right requires its own approved mining work programme, social and labour plan, and environmental management programme. A detailed annual report must be submitted to the Department of Mineral Resources covering financial performance and compliance with both the mining charter and Mineral and Petroleum Resources Development Act. The intention of this varied legislation is to ensure an equitable distribution of benefits among stakeholders – an aim we fully support.

For each of these mining rights, developing the necessary plans requires in-depth analysis of the challenges, risks and opportunities presented by the operating environment, stakeholder groups and the natural environment.

Clearly, where a group such as Exxaro has operations close to each other, the risk of duplicated effort cannot be overlooked. This risk is particularly acute in terms of socio-economic development initiatives and local economic development plans which involve multiple local authorities and sometimes transitory stakeholders but are often founded in common needs and concerns.

Accordingly, we instituted a comprehensive year-long internal programme across our coal operations to audit the level of compliance, identify areas of duplication and make practical recommendations. The results of this audit were mixed, with pleasing progress at some mines being somewhat offset by delayed or shelved projects at others. The reasons range from changed stakeholder priorities, to delays in required approvals, to insufficient project management skills and time constraints to make projects sustainable.

We understand both the risk this poses to retaining our mining rights and our moral obligation to the communities where we operate and which provide the people who drive our operations. Management teams at each operation have committed to using the enterprise-wide project management system to drive project implementation and to engage with government and communities to ensure implementation.

This progress will be monitored quarterly by the sustainability, risk and compliance committee of the board, with related targets incorporated into the key performance indicators of each operation.

Compliance

Status of converting mining rights and approving new-order mining rights

To ensure sustainability, it is imperative that Exxaro secures mining rights for its existing mines and new mining opportunities. The status of conversions and new mining rights granted and executed by the Department of Mineral Resources (DMR) is shown below.

Converted mining rights: granting and execution

Business unit	Mining right granted[1]	Mining right executed[2]
Grootegeluk	2 April 2009	30 March 2011
Arnot	12 December 2011	6 December 2012
North Block Complex Strathrae	23 November 2009	Awaiting DMR
North Block Complex Glisa	12 December 2011	6 December 2012
Matla	23 November 2009	Awaiting DMR
Leeuwpan	1 June 2009	24 March 2010
Gravelotte	2 April 2009	30 March 2011
Tshikondeni	2 April 2009	Awaiting DMR

New-order mining rights: granting and execution

Business unit	Mining right granted[1]	Mining right executed[2]
New Clydesdale	8 November 2007	6 December 2007
Inyanda	15 October 2006	6 November 2006
Leeuwpan Ext	1 June 2009	24 March 2010
Eerstelingsfontein[3]	28 November 2006	29 April 2009
Belfast	26 February 2013	
Thabametsi	Awaiting DMR	
Paardeplaats South	Awaiting DMR	

1 *Granted: an administrative right granted prior to acceptance of terms and conditions*
2 *Executed: approval of the EMPR and commencement date*
3 *Renewal application submitted in March 2013*

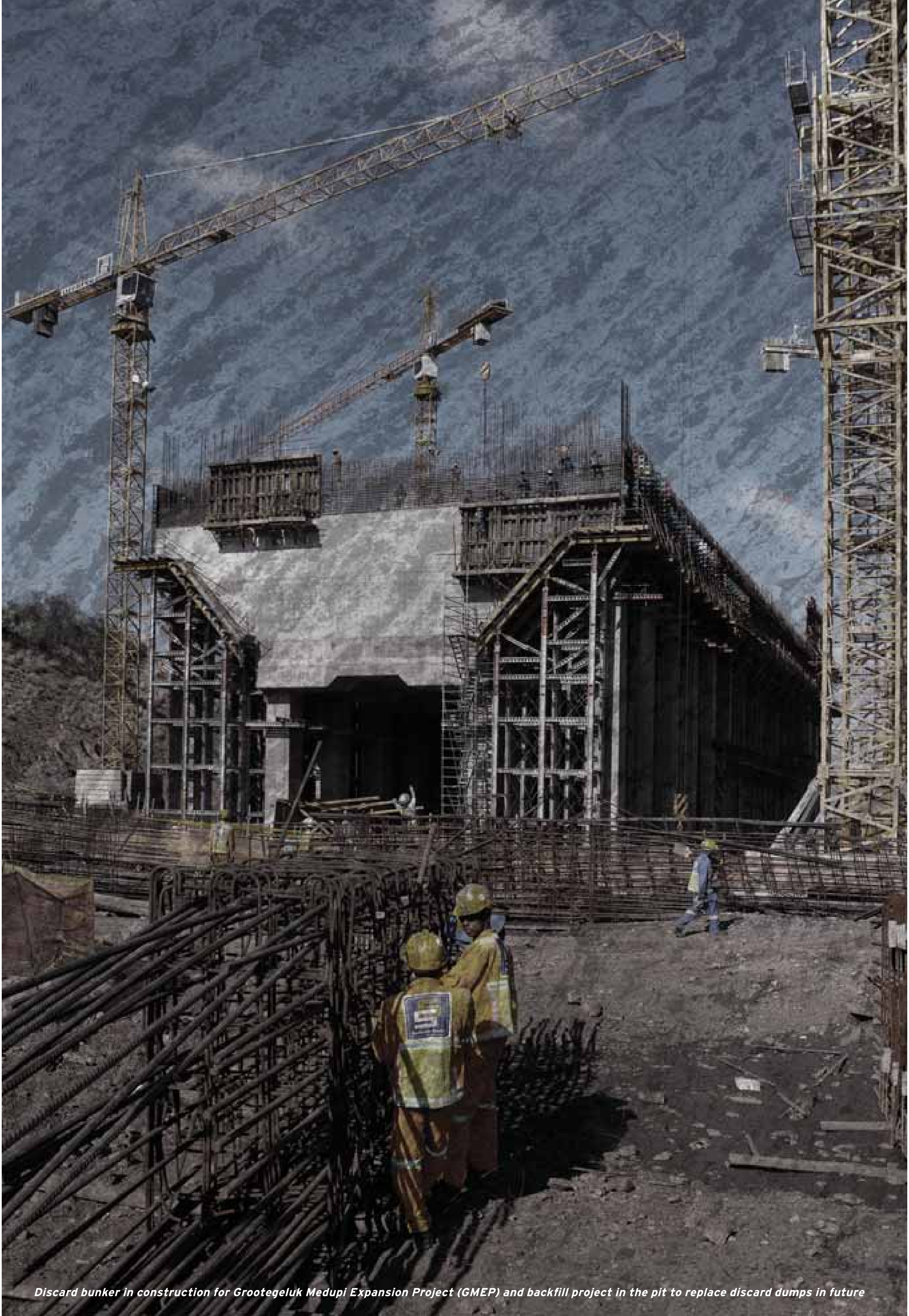
Execution and registration of all granted conversions as well as obtaining new-order rights for Thabametsi has been prioritised for 2013.

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. The compliance of our operations to mine works programmes, social and labour plans and environmental management programmes was audited by the DMR in 2011 on an ad hoc basis, and formal feedback received in 2012. With minor exceptions, the DMR found Exxaro to be compliant with the provisions.

Section 28(2) of the MPRDA requires that all holders should annually submit financial reports reflecting profits and losses as well as a report on compliance with the mining charter and MPRDA. The 2012 report will be submitted as required.

05

sustainability



Discard bunker in construction for Grootegeluk Medupi Expansion Project (GMEP) and backfill project in the pit to replace discard dumps in future

SUSTAINABILITY

Background

There is a plethora of literature and research on the topics of sustainable development and sustainability, and each source has a different interpretation of the concepts. The terms are used almost interchangeably, and both have a relevant meaning but as Mervyn King, current chairman of the International Integrated Reporting Committee (IIRC) states, "Sustainability is a social and an economic imperative".

Many buzzwords are associated with sustainability, and they all address some aspect of sustainability, but when the whole picture has to be understood and crystallised, a broad-thinking approach has to be adopted.

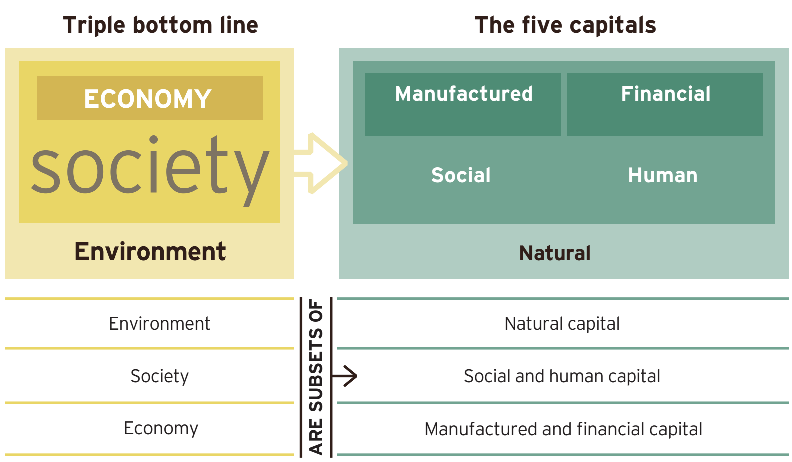
In Exxaro, the term sustainability denotes the collective factors and drivers that either threaten or help create our long-term survival, growth and contribution to society.

What does sustainability mean for Exxaro?

For Exxaro, sustainability is about securing the future. Our aim is to harmonise (or integrate) business, community and environmental needs and obligations to enable Exxaro to achieve its founding goal of being a company that makes a positive social and economic contribution to South Africa. The concept figures prominently in the way we do business:

- Of our five strategic focus areas, ensuring Exxaro's sustainability is in first place
- Of Exxaro's nine aspirations, five are directly related to sustainability (relevance in the 22nd century, growth, mining charter, carbon neutral, and employer of choice)
- Of Exxaro's seven non-negotiable principles, three relate to sustainability (cause no harm, sound governance, leaving a legacy in communities).

Since our formation in 2006, Exxaro has employed the triple bottom-line framework to address sustainable development. While adequate for many organisations and in its time, we believe an organisation of Exxaro's size requires a more mature management model. In line with best practice, we have since adopted the capitals model.



The term 'capital' refers to anything (physical, intangible or virtual) from which you can extract revenue or a yield. Much in the same way as financial investment generates income you can live off, certain types of 'sustainability capital' can be accumulated and maintained to create a steady flow of benefits for people and organisations.

As its name suggests, the capitals model describes five types of sustainability 'capital' – natural, human, social, manufactured and financial – and then organises each issue or challenge into one of these categories.

This creates a bird's-eye view of all our sustainability priorities across the business, and enables Exxaro to manage them appropriately. For example, when considering compliance and standards, legislation such as the MPRDA would influence natural, human and social capital, whereas the BBBEE Codes of Good Practice influence human capital, and the Companies Act would guide elements under financial capital.

Being able to organise issues this way makes it easier for Exxaro to identify areas for improvement, establish programmes to address gaps, and clearly delineate the roles and responsibilities of certain functions to meet our sustainability objectives.

Ultimately, it has enabled Exxaro to view sustainability as a place of balance and health, as opposed to the process by which you grow into that place – which is sustainable development. The IIRC even advocates an additional capital to be considered, the intellectual capital of an organisation. Within Exxaro's sustainability framework, the intellectual capital aspects reside under human capital while intellectual property aspects reside under manufactured capital.

Linking in compliance, risks and material issues

Once the different capitals are understood, and the key components relevant to each sustainability capital determined, integrating views can be built in a methodical process:

- The first considerations affecting an organisation's sustainability are the minimum compliance requirements, standards or best practices for each component in each sustainability capital.
- Second, what are the major enterprise risks facing the organisation and where exactly do they lie in the sustainability capitals framework? The ERM framework, which covers all risks from strategic to operational level, categories risks in the respective sustainability capital.
- Third, what are the material issues for the organisation and how do they affect the organisation's ability to achieve its strategic objectives?
- Stakeholder issues are also critical in determining where the focus should be to ensure the organisation's sustainability.

These views, which flesh out the sustainability framework, drive the need to act proactively to address compliance requirements, risks and material issues. In addition, beneficial opportunities for all stakeholders are factored in to give Exxaro a fuller understanding of the breadth and depth of the elements that need to be addressed to secure the future.

Sustainability — the political context

The prosperity of South Africa is inseparably linked to the sustainability of our world-class and dynamic mining sector. According to the Chamber of Mines' latest fact sheet, the mining sector contributes almost one fifth of the country's GDP, but is unfortunately shrinking in economic size with a marginally negative growth rate.

South Africa's current GDP growth rate is too slow to tackle unemployment and poverty in any meaningful way. Using China's 2011 growth rate of 9% as example, that country would double the size of its economy in just eight years. At a growth rate of 3%, South Africa will need more than 24 years to double its GDP.

In other words, what South Africa needs to achieve in the next few years will realistically take a generation to accomplish. And that is time the country does not have, given the escalating incidence of civil protest about the lack of improvement in living conditions. South Africa cannot afford the social or financial costs of the tragedy that was Marikana: over 40 lives, over R3 billion cost to the treasury and the follow-on threat to 10 000 jobs according to Congress of South African Trade Unions (Cosatu). These are the very costs the mining charter sought to prevent with its vision of facilitating sustainable transformation, growth and development of a mining industry already in decline.

We believe sustainable transformation is achievable. In the past six years, Exxaro has reached several key milestones, including:

- One of the largest black empowered groups on the JSE by direct shareholding (almost 53% in black hands) with a demographically representative executive committee responsible for day-to-day management
- Over R21 billion spent with black suppliers since listing in 2006
- Cumulative expenditure on training since 2006 close to R1 billion
- Since 2006, enrolled almost 2 900 young people in Exxaro learnerships
- Over R142 million spent on socio-economic initiatives since 2006
- Our employee share scheme paid out over R1 billion to non-management participating employees when it vested after five years in December 2011. A new scheme was introduced in 2012.

We believe that if we implement the capitals model of sustainability successfully, and manage the related issues correctly, we could create more employment for South Africans and uplift disadvantaged South Africans at the same time. Managing our social and labour plans through the social element of the model and our workplace skills plans through the human capital element will naturally lead to the transformation so needed in our country. Exxaro will be contributing to local economies while growing our business sustainably. And we will meet our obligations to the mining charter and contribute to the successful implementation of the national development plan.

A developing trend proves that companies which focus on sustainability attract more investment opportunities, because investors and analysts look at each company's long-term prospects — the very issues that sustainability addresses. Supporting this, Exxaro was recently named as one of the top ten mining companies worldwide in delivering the highest total shareholder returns over the period 2001 to 2011 by the Boston Consulting Group — despite the global economic crisis.

For these reasons, sustainability is a crucial consideration for Exxaro. A comprehensive and successful sustainability strategy will enable us to manage the short, medium and long-term challenges facing our business, our industry and our country.

Today, mining companies operate in a world facing more and more challenges, from environmental issues such as climate change and water, to stricter regulatory environments, ageing infrastructure and new technological advancements. In the African context — where bigger challenges combine with sometimes bigger potential — it is imperative that we take stock, and reassess the proverbial bigger picture.

In any business or sector, short-term factors often grab the headlines. However, it is the long-term trends that will produce a different world in 2030 and beyond. It is the long-term considerations that should shape our thinking and are doing so at Exxaro.

From a mining company perspective, it is critical we understand the contextual elements including:

- Earth's limited natural resources: diminishing mineral resources, water scarcity, strain on agricultural land
- Changing demographics: significant ageing world population — except in Africa where the populace is largely young and unemployed, and uneven population growth
- Proliferating technology and knowledge: new technologies are developed quicker and new products have shorter life spans
- Increasing sustainability, regulatory and social demands
- New infrastructure in less developed places.

As resources become scarcer, stakeholders more informed, and green pressures increase, governments across the world will play a more aggressive role to ensure strategic resources are mined in a responsible, safe and beneficial manner — for both state and societies.

This presents generic challenges to mining investors in Africa:

- Political stability: openness to foreign direct investment, transparent legal and regulatory environment, monetary and fiscal discipline, security of tenure, resource nationalism
- Infrastructure/logistical limitations: ageing road, water and electricity infrastructure, bottlenecks due to insufficient capital allocation, inefficient service delivery
- Skills shortages: quality of secondary and tertiary education, scientific research, new patents, ageing workforce, productivity.

African populations are mostly young and unemployed, which presents major challenges in terms of creating a positive and hope-filled future for these people. If not, we could see a repeat of recent events in North Africa in the rest of Africa.

Holistic approach

In short, only a holistic and inclusive approach to managing these myriad risks will yield best results. Governments, communities, employees and labour all need to be consulted to ensure a win-win partnership with investors. In Exxaro, we believe the capitals model for sustainability will provide the necessary support for delivering on our strategy.

Natural capital is about energy, fuels, matter, resources, environment, ecosystem processes, climate change and eco-efficiency among many other elements. Knowing the applicable legislation — such as the MPRDA, National Water Act and National Environmental Management Act — dictates that businesses should have policies and programmes that enable the efficient management of, for example, water extraction, water quality, waste, air quality, materials stewardships, material substitution, renewable energy, cyclical systems and emissions reduction strategies.

An example of such a programme is Exxaro's energy and carbon management framework. As a coal producer and intensive energy user, Exxaro plays a significant role in the energy environment in South Africa. In 2007, Exxaro's leaders recognised the group had to deal with energy in its broadest context (shortages, rising costs, climate change, environmental concerns) to remain competitive and sustainable for the benefit of all stakeholders. Since then, Exxaro has been addressing three issues that have become central to the local energy environment: energy security, economic productivity and environmental impact, which includes climate change, land and water use and carbon emissions.

Human capital incorporates health and hygiene, safety, knowledge, skills, intellectual output, employee wellness and well-being, human rights and equity, quality management, process innovation, values-led leadership, personal and professional development and volunteerism. Legislation such as the Mine Health and Safety Act, Occupational Health and Safety Act and various labour regulations and guidelines provide the framework to shape our management programmes for most of these issues.

Some examples of human capital management in Exxaro are our HIV/Aids programme and our training and development initiatives.

Two-thirds of the global HIV burden is in sub-Saharan Africa, despite the availability of effective treatment options for people infected with HIV. Mining is one of the industries bearing the brunt of the HIV/Aids pandemic. Exxaro devotes considerable time to educating employees about the pandemic and the results are encouraging:

- Exxaro's HIV/Aids prevalence rate is estimated at under 13%, compared to 25% across the industry
- An HIV/Aids disclosure initiative was launched, supporting a marked increase in enrolment onto the treatment programme
- Exxaro's HIV/Aids programme includes peer educators, awareness campaigns and community education programmes, all aiming to foster lower-risk lifestyles, increased access to available anti-retroviral treatment programmes and a reduction in HIV/Aids-related stigma.

Exxaro believes that empowering staff with the knowledge and skills they need to develop personally will also help grow the company and the nation:

- Over 17% of Exxaro's workforce comprises women, compared to the average of 11% in the broader South African mining sector
- Sponsored adult basic education and training (ABET) programmes at all operations totalled R6 million
- Exxaro accounts for a sizable portion of all engineering learnerships with the Mining Qualifications Authority

- In 2012, Exxaro employees successfully completed more than 68 000 compliance-related and almost 25 500 development-related training sessions
- Exxaro invested 5,5% of total payroll in 2012 on human resource development, an investment of R177 million.

While employment equity is certainly a legal issue, with strict targets imposed by both the mining charter and BEE codes, for Exxaro it is also a moral imperative. When we created Exxaro, we stated our intention of being the best example of how South African companies should be run. At the heart of our employment equity strategy are detailed plans developed by each business unit in consultation with employees and unions. By following these plans, each unit ensures recruitment and skills development are conducted responsibly, encouraging transformation without affecting existing positions in the company.

Social capital is about internal relationships, values and trust, networks and our operating model, as well as external relationships with suppliers and customers, trust and reputation and our licence to operate. Areas requiring attention and management plans, and shaped by the mining charter, the national development plan and other state-level imperatives, are community investment and development, proactive stakeholder engagement, human rights, ethical procurement, compliance and good governance systems.

For Exxaro, socio-economic development initiatives and donations are focused on areas that are relevant and strategic to South Africa's development: formal education, skills development and capacity building, enterprise development, health and welfare, environment, infrastructure development, agriculture, and sport and recreation. Examples include:

- Our people development initiative ensures children from schools near our operations are recruited into the bridging programme
- Our artisan skills development programme provides artisan training to community members
- The Exxaro bursary programme provides engineering bursaries to historically disadvantaged South Africans (HDSAs)
- Exxaro is playing a leading role in development of the Waterberg coalfields and development of Lephalale in Limpopo province
- Funding for university chairs, skills development and national and international bodies such as the National Business Initiative, WWF and Peace Parks Foundation.

Artisan training remains a topical and sensitive issue for all industries requiring specific trades. The mining industry, one of the largest contributors of trained artisans in South Africa, is often also the one hardest hit by a shortage of artisans.

Collectively, the mining industry and the Mining Qualifications Authority offer generous bursaries and scholarships to employees, matriculants and students to grow South Africa's skills base each year — within the sector, but also for the benefit of the broader economy.

Local economic development is aimed at alleviating poverty and improving lives. An important element in Exxaro's approach is generating new non-mining economic opportunities in identified local communities, particularly for local BEE companies and small and medium enterprises (SMEs) owned by disadvantaged groups.

Manufactured capital refers to all the material goods, infrastructure, technology, networks, ICT or information and communication technology, business processes and systems that make up an organisation. This is about the way we mine, how we beneficiate, logistics, infrastructure, engineering, processes and innovation in all these areas. Management plans are aimed at promoting eco-efficiency, eco-innovation, reducing energy intensity, driving resource efficiency, zero waste, zero emissions and sustainable construction.

Sustainability at Exxaro is also about innovation — innovation for sustainability. This is encapsulated in our vision: through our innovation and growth we will be a powerful source of endless possibilities.

Exxaro's founding aims included maintaining a research and development focus, which is now paying dividends in a number of innovations setting new standards:

- Largest coal beneficiation complex in the world
- UHDMS (ultra high dense medium separation) project
- AlloyStream™
- Increasing focus on natural capital, combined with our innovation initiative, has also resulted in a very promising constructed wetlands project.

A new group-wide culture of innovation is driving the $20 billion by 2020 strategy. A systematic innovation framework incorporates management system for ideas and project pipeline management and is aimed at increasing the predictability of project success.

Financial capital reflects the productive power of the other types of capital — currency, share price, ownership, governance, risk and growth. Performance measurement, transparency and accountability, best-practice corporate governance, green accounting, cost internalisation, new investment criteria and valuing intangible assets such as environment, costs, brand and reputation are the measures of this pillar. For each element, tools such as the GRI are used as guidance.

Critics argue that transformation in the mining industry has made a handful of black people extremely wealthy. Yes, it has, but it has also benefited millions more through shareholding, skills development, socio-economic development, preferential procurement and enterprise development. While we do believe the mining charter should go some way towards effecting the desired change, only a few ownership structures to date have benefited neighbouring communities. That will require a far more innovative approach to ownership.

We add value to our financial capital by:

- Managing costs (drivers, capital projects, energy, supply chain, investing in automation, transport/fleet ownership)
- Scenario planning to deal with commodity price volatility
- Financial modelling (balancing social, economic and environmental imperatives)
- Capital projects (demand and necessity dictate the spend, but talent gap, community negotiations, government intervention/legislation, funding and infrastructure are challenges). Management and governance are key, (as are supply chain, staffing, relationships, geographic or product groupings, operating model redesign, automation)

- Non-traditional financing in often unfamiliar markets (private equity, sovereign wealth funds, hedge funds, joint ventures, mergers, acquisitions, demand) where relationships are critical
- Growth through vertical integration, foreign projects, acquisitions
- Plan for the unforeseeable/worst-case scenario. View this as a risk and an opportunity
- Adopting a phased development approach
- Focus from board level, through all layers of management, on best-practice governance initiatives and processes that enable the business strategy.

Supporting the Exxaro strategy

Exxaro has five strategic focus areas shown below. The five capitals sustainability framework is a means to support Exxaro in reaching its strategic objectives and complements the five strategic focus areas.

Strategic focus area	Five capitals category
Ensure Exxaro's sustainability	All five categories of sustainability capitals apply – from compliance to benefits
Protect and build Exxaro's reputation	All compliance, material issues, stakeholder issues, and risks of each of the five capitals apply
Develop Exxaro's leadership and people	Primarily the opportunities and benefits aspects of human capital and social capital apply
Improve Exxaro's portfolio	Primarily the opportunities and benefits aspects of manufactured capital and financial capital apply
Achieve operational excellence	Primarily the opportunities and benefits of human capital and manufactured capital apply

Measuring sustainability across the organisation

Sustainability is moving higher on the agenda in Exxaro and is being reported at the highest level - to the sustainability, risk and compliance committee of the board. Each quarter, specific sustainability indicators across the different capitals are measured and reported to this committee. These are aligned with the GRI and are also linked to Exxaro's material issues, stakeholder issues, risks and compliance requirements. They also change as business conditions change. As far as possible, Exxaro seeks a form of assurance on these key performance indicators – from internal controls to external assurance.

Reporting sustainability indicators (noted in the risk management section) is a journey that will improve and sustainability reporting will drive change in the business.

Innovation for sustainability

Sustainability at Exxaro is also about innovation – innovation for sustainability. This is encapsulated in our vision: through our innovation and growth we will be a powerful source of endless possibilities.

To set the context – mines by nature have limited life spans. Companies are continuously competing for fewer mineral deposits of lower grades which are more difficult to reach and more complex to mine. This, in addition to high operating costs, high shareholder expectations, uncertainty on mining rights and infrastructure constraints, means that the mining industry must constantly develop, acquire or adapt innovative technologies to ensure its sustainability.

Developing innovative technologies has been a key strategy in the group's history of identifying growth opportunities and adding value, and has influenced decisions to maintain a research and development division when others were reducing the scope and scale of their R&D.

Over the last two years, Exxaro has been working on a programme to make blue-sky innovation part of the group's culture. This will broaden the company's technology strategy and innovation programme to functions as diverse as sustainability, services, human resources, supply chain, information management, and SHEC or safety, health, environment and community.

Exxaro has developed a systematic process and supporting infrastructure that enables employees to log and evaluate ideas, develop a compelling business case and, if proven, add them to our project pipeline. This, in turn, is guided by our ten-step technology strategy development process that ensures projects support Exxaro's business goals. Recent successes include:

- The ultra high dense medium separation (UHDMS) processing technology provides a solution to the challenge of declining ore qualities and the limitations of existing technologies by improving resource utilisation and increasing life of mine.
- Exxaro's AlloyStream team is commercialising a new smelting process with a manganese partner using coal fines. This is the first manganese smelting process innovation in the industry in nearly 80 years. Proving that innovation is not necessarily a quick process, it took 18 years of testing, but the benefits are worthwhile, including a one-step steel smelting process, life-of-mine extensions and energy savings of up to half the costs of a traditional smelter.
- Exxaro's diversification strategy has extended beyond the mining industry to cleaner energy. As a coal producer and thus intensive energy user, Exxaro plays a significant role in the energy environment in South Africa. Over the last six years, Exxaro has addressed three issues that have become central to this environment: energy security, economic productivity and environmental impact, including climate change, land and water use and carbon emissions. A major achievement of the group's energy strategy was the formation of a company aimed at generating power via a mix of renewable and cleaner energy sources. Cennergi was launched in April 2012 as a joint venture with Tata Power of India.
- Exxaro also recently announced a transaction with USA pigment manufacturer, Tronox, to form the world's first vertically integrated mineral sands processing and pigment company.
- The group's future mine programme started in 2012 on the back of the innovation culture drive. Guided by senior functional coaches, a group of young professionals was tasked with defining technology focus areas for Exxaro and aligning these to the group's commodity strategy for 2020, 2030 and 2050 horizons. They conducted local and global research, made benchmarking visits to companies around the world and attended numerous conferences to identify innovative opportunities and development initiatives which Exxaro could pursue in future.

All this focused activity will result in innovations that will keep Exxaro sustainable and position it to contribute to the nation's economic growth from local to national level.

Stakeholder engagement

The need for listed companies to respond to stakeholder concerns about social, economic and environmental performance – the triple bottom line – has grown exponentially in recent years. This is also increasingly linked to investor interests in emerging risk-related aspects of financial performance.

Stakeholder engagement guidelines and standards (such as Global Reporting Initiative, AA1000SES, King III and others) have emerged to drive stakeholder engagement processes and the quality of those interactions.

We believe engagement is fundamental to creating value for all our stakeholders: it assists in identifying issues that are material and may otherwise have an impact (negative or positive) on their wellbeing. We also believe that engaging with our stakeholders promotes the principles of balance, comparability, reliability, accuracy and transparency of our reporting, both internally and externally.

Accountability and oversight of group-wide stakeholder engagement is managed centrally to coordinate and support activities performed by Exxaro employees who interact directly with stakeholders.

Exxaro applies the AA1000SES standard and King III recommendations in a process that starts with identifying individuals or groups who affect or are affected by Exxaro and its operations' current or future activities, classifying these as internal or external stakeholders, and then as direct or indirect stakeholders. To prioritise stakeholders, we identify those who influence or are influenced by Exxaro's economic, social and environmental performance now, and in future. To ensure Exxaro successfully deals with all identified concerns, a risk matrix has been developed and implemented throughout the company. This includes a specific software enabler that records all issues and incidents to assist with comprehensive monitoring.

We strive to engage openly and proactively with stakeholders, responding to their issues and requests as part of ongoing programmes implemented by stakeholder-facing teams across the group. The table identifies key stakeholders, methods and frequency of engagement and key issues.

Stakeholder	Engagement method	Purpose	Frequency	Issues raised
Community stakeholders which include all authorities, affected and interested parties such as government, NGOs, etc	Community engagement forum	Identify material issues affecting communities surrounding Exxaro operations	Formal socio-economic assessments (SEATs) assessment every three years, followed by quarterly engagement forums In 2013 Exxaro will conduct the next round of SEATs at all business units	• Safety • Health • Environmental • Community
	Community development forum	Monitor progress on implementing local economic development projects and project spending Determine local economic development projects for social labour plan, and implement these in a collaborative way	Quarterly	• Local economic development procurement opportunities • Employment opportunities • Environmental concerns • Education and skills development needs • Job creation initiatives • Shareholding/ equity
	Engagement forums	Provide feedback to surrounding communities on resolving material issues	Quarterly	• Issues of mutual interest to operations and surrounding communities
Customers	Marketing	Enable Exxaro to understand and meet customer specifications Advertise Exxaro products	As required by each commodity business' marketing department	• Product quantities and qualities • Logistical issues

Stakeholder	Engagement method	Purpose	Frequency	Issues raised
Employees	Intranet portal Road shows Group newsletter Electronic communication Information briefs Caucus groups	Update on group strategy and developments	Ongoing Quarterly Ongoing	• Remuneration and incentive schemes • Benefits • Corporate developments
	Future Forum	Promote ongoing discussions between worker representatives and mine management about the future of the mine Implement strategies on downscaling and retrenchment when required Provide feedback on progress made against social and labour plan commitments	Quarterly at business unit and corporate centre	• Mine closure issues • Human resource development • Local economic development
	Labour unions	Scheduled engagement takes place with recognised trade unions at operational and employer level	Ongoing	• Issues relating to the employer/ employee relationship
Government	Government relations	Ensure government and Exxaro management are aligned Update on group strategy and developments	Ongoing	• Group support for government initiatives
	Interested and affected parties' authorisation process	Comply with environmental impact assessment (EIA) authorisations' requirements	As required by EIA authorisation process	• Compliance with legislation
	DMR	Engagement on mining rights, mining charter, social and labour plans and industry developments	As required	• Compliance • Industry developments
Investors	Road shows Briefings and meetings Securities Exchange News Service (SENS) Financial reporting Site visits	Ensure investors are informed of group strategy, performance and developments	Biannually Ad hoc Ad hoc Biannually	• Group strategy and implementation • Corporate activity • Actual financial and operational results, outlook

Stakeholder	Engagement method	Purpose	Frequency	Issues raised
Media and general public	Site visits Interviews News releases Website Advertising	Provide information for media to inform general public and other stakeholders Update on group strategy and developments	Ad hoc As required by media Ad hoc Ongoing Ad hoc	• Legislative compliance • Group strategy and implementation • Corporate activity
NGOs	Mine engagement	Keep mine stakeholders informed on operational affairs	Quarterly	
	Corporate engagement	Keep corporate stakeholders informed on Exxaro developments	Ad hoc	
Suppliers	Green procurement	Maximise supply chain efficiency by buying environmentally friendly products and services and setting sustainability requirements in supplier agreements	As opportunities for green initiatives occur and as initiatives are identified by the green procurement working group.	• External stakeholders to be engaged in 2013
	Sustainable supplier engagement	Collaborate with suppliers in addressing supply chain sustainability issues and enhance their capabilities to meet sustainability standards: • Supplier sustainability assessments (audits) • Supplier sustainability development • Supplier innovations	As required by supply chain management	• External stakeholders to be engaged in 2013
	Preferential procurement	To ensure Exxaro purchases goods and services from suppliers that meet BEE compliance requirements	Ongoing requirement on request-for-quotation or tender enquiry documents. Specified as a requirement for evaluating tenders.	• Ongoing legislative compliance

Broader industry participation

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

- The Chamber of Mines
- National Energy Regulator of South Africa (NERSA)
- Energy intensive users group (EIUG)
- National electricity response team (NERT)
- 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 (South Africa National Biodiversity Institute).

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.

In terms of research and advocacy, Exxaro funds several university chairs, including:

- Business and climate change (Unisa) — to promote and advance research, teaching and advocacy-orientated community engagements in this field, especially in developing economies.
- Energy efficiency (Pretoria) — to participate at the forefront of research activities in energy efficiency and deliver world-class research and educational outputs for the benefit of Exxaro and South Africa.
- Global change and sustainability (Wits) — to provide an enabling research platform of global significance and local impact, fostering informed and innovative actions for adaptation and mitigation strategies for sustainability in the rapidly changing southern African region.
- Business and biodiversity leadership (Pretoria) — focusing on thought leadership in the interface between the spheres of business and biodiversity. As a group, Exxaro strives to influence society to make the right decisions by carefully managing the way in which we mine. This programme is an opportunity for the group to be at the forefront of driving something that will not only benefit South Africa, but also the world.

Commitment to external initiatives

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

Initiative	Purpose	Progress
Community health project	To create HIV awareness and encourage HIV testing in communities surrounding our business units. We aim to create an environment that has no stigma against people living with HIV/Aids	Projects initiated at Arnot, Leeuwpan and North Block Complex in 2010, followed by Inyanda, Matla and New Clydesdale in 2011. In 2012, Grootegeluk, Reductants and Tshikondeni implemented 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 second year engineering students	Student support of community projects run by business units
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) programmes for energy and water to ensure responsible stewardship
People development initiative	Bridging year to prepare students for tertiary education in mining-related studies as well as sponsorships in the fields of education, health and entrepreneurial studies	Annual funding of over R1 million

Key sustainability performance indicators

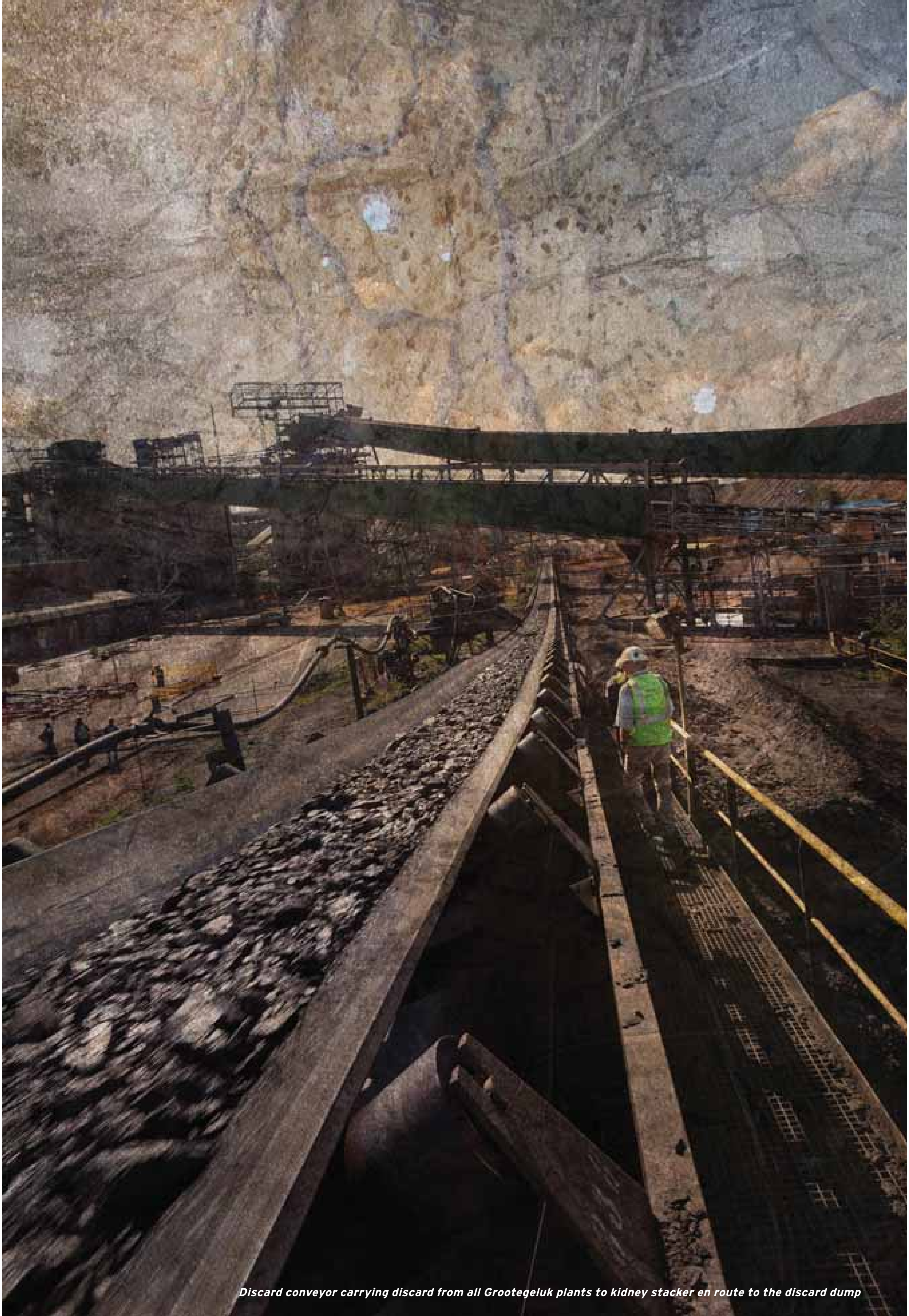
These sustainability indicators have been assured by PwC.

Sustainability indicator	Unit	2012	Level of assurance
Safety			
Fatalities	Number	2	Reasonable
Lost-time injuries (LTIs)	Number	66	Reasonable
Lost-time injury frequency rate (LTIFR)	Rate	0,29	Reasonable
Occupational health			
Employees participating in HIV/Aids voluntary counselling and testing (VCT)	Number	3 616	Limited
Employees tested positive for HIV as a percentage of employees participating in VCT	Rate	13%	Limited
New cases of pneumoconiosis	Number	24	Limited
New cases of occupational tuberculosis	Number	66	Limited
New cases of noise induced hearing loss	Number	22	Limited
Energy			
Total diesel used	GJ	2 520 233	Reasonable
Total Sasol gas used	GJ	212 961	Reasonable
Total electricity used	GJ	4 279 399	Reasonable
Greenhouse gases			
Indirect CO_2 emissions – Scope 2 emissions	CO_2 tonnes	1 117 409	Reasonable
Direct CO_2 emissions from own operations – Scope 1 emissions	CO_2 tonnes	345 781	Limited
Scope 3	CO_2 tonnes	70 644 554	Limited
Environmental compliance			
Status of integrated water user licence (IWUL) applications	Approved	21	Reasonable
	Pending	3	
Level 2 and 3 environmental incidents	Level 2	11	Limited
	Level 3	0	
Amendments made to approved EMPRs	Number	11	Reasonable
Water			
Total water withdrawal by source	Cubic metres	12 308 604	Limited
Dust			
Dust fallout rate			
Environmental fallout dust: Points monitored with single unit dust bucket	Number	73	Limited
Exceedances of residential limit	Months	Coal average per operation – 3 Coal worst performer – 11	
Exceedances of industrial limit	Months	Coal average per operation – 2 Coal worst performer – 7	

Sustainability indicator	Unit	2012	Level of assurance
Land rehabilitation			
Disturbances versus land rehabilitation	Ha	Land disturbed – 8 944 ha Land rehabilitated – 2 840 ha	Limited
Waste			
Hazardous waste generated	Tonnes	1 484 tonnes Only for managed coal operations	Limited
Radioactive waste disposed of (tonnes) – compliance to NNR	Number	No breaches reported	Limited
Mining Charter			
Ownership (% ownership by HDSAs)	%	52,7%	Reasonable
Employment equity (total number of employees per race, gender and grade)	%	40%	Reasonable
Procurement from historically disadvantaged South African (HDSA) suppliers	Value	R7,9 billion	Reasonable
	% spend	59%	
Percentage conversion of hostels into family units	%	All conversions completed prior to 2012	Reasonable
Global Reporting Initiative			
Self-declaration of application level	Level	B+	Limited

06

performance in 2012



Discard conveyor carrying discard from all Grootegeluk plants to kidney stacker en route to the discard dump

PERFORMANCE IN 2012

By corporate standards, Exxaro is a young company. However, in just six years, we have built on decades of experience and expertise to live up to our credo of powering possibility. Our progress is continually monitored at both financial and non-financial levels (see key sustainability performance indicators in the risk management section, page 41) and our intentions clearly set out in our strategy (page 20).

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. All performance targets are measured at least annually, as part of the strategic review, and adjusted where required.

		Target		Actual					
	Assured	2013	2012	2012	2011	2010	2009	2008	2007
Financial targets[1]									
Return on equity (ROE) – attributable earnings (%)		>25	>25	19	36	34	19	30	15
Operating margin (%)		>20	>20	20	18*	14*	12	18	14
Return on capital employed (ROCE) (%)		>28	>28	27	44*	38	25	36	23
EBITDA interest cover (times)		>4	>4	11	22*	10*	7	14	10
Non-financial targets									
Safety – fatalities		0	0	2	3	2	3	5	5
– lost-time injury frequency rate (per 200 000 hours worked)		0,15	0,15	0,29	0,20	0,25	0,33	0,39	0,36
Employment equity – management (%)[2]		40	40	40	41	50	48	42	36
Functional literacy – employees (%)[3]		82	81	81	82	79	70		
HIV/Aids voluntary testing and counselling (%) (long-term target 95%)		95	85	75	82	70	58	64	30
Human resources development (% spend of payroll)		4,5	4,0	5,5	5,7	3,8	5,0	5,2	6,5
Learnerships[4]		400	400	437	397	379	691	678	408
Procurement from HDSA companies (%) (2014: 56)		54	52	59	59	50	45	39	35
Community development (% of net profit after tax)[5]		>1,0	>1,0	1,8	1,4	2,5	1,8		
Energy efficiency (%)		N/A[6]	6,2		3,8				
BBBEE rating – minimum level[7]		4	4	4	5				
HDSA ownership (%)		26	26	52,7	52	52	52	56	56

* *Restated*
1 *Actual financial ratios disclosed exclude the impact of impairments and other non-recurring entries or the accounting for events that would make comparisons meaningless*
2 *Employment equity target is based on compliance with the mining charter*
3 *Above NQF level 1 (ABET 4, grade 9 and above)*
4 *Learnerships include all disciplines, eg mining, engineering, geology, etc. Average number in the system*
5 *Funds expended by business units for implementation of social and labour plan projects*
6 *Total cumulative target of 10% reduction from 2009 baseline by end 2012 achieved. Focus shifts to energy intensity improvements per business units*
7 *Revised DTI BBBEE codes currently being assessed by Exxaro*

Delivering on group strategy

The 12 months to 31 December 2012 reflected solid progress on Exxaro's five-point strategy:

Improve Exxaro's portfolio

- **Coal:** Construction on the Grootegeluk Medupi expansion project to supply Eskom's Medupi power station with 14,6Mtpa of coal is progressing well. Exxaro was able to meet its contractual commitments on time with first coal delivered during 2012.
- **Mineral sands:** Further to the interim results announcement, Exxaro has increased its shareholding in Tronox Limited, listed on the New York Stock Exchange, from the 39,2% held at date of transaction to 44,65% at 31 December 2012. This is in line with the group's strategy to increase its exposure to the mineral sands and pigment businesses.
- **Ferrous:** Following the previous announcement on the acquisition of the African Iron Limited group of companies, we continue with our strategy to develop an Exxaro-managed and controlled iron ore business. For most of 2012, we concentrated on activities to increase the resource, completing the bankable feasibility study for a 2Mtpa operation and negotiating a mining convention with the government of the Republic of Congo.
- **Energy:** We continue to explore opportunities in the energy market, focusing on cleaner energy initiatives. Cennergi, our new joint venture with Tata Power, was awarded two wind energy projects in the Eastern Cape. We also recently concluded a term sheet with Linc Energy Limited to jointly pursue underground coal gasification as a commercial business to develop energy solutions in sub-Saharan Africa. This is in line with our strategy to include clean energy technologies as part of our energy growth aspirations.
- **Base metals:** In line with our strategy to exit this market, the sale of Rosh Pinah was completed in June, following the earlier end of production at Zincor. The group continues to hold 26% in Black Mountain mine.

Exxaro's growth initiatives continue to focus on diversifying the business with carbon, reductants, ferrous and energy projects, aligned with our approved commodity strategy.

Coal

Grootegeluk Medupi expansion project (GMEP) expenditure to date is R7,1 billion with the project 92% complete. Total project expenditure is estimated at R10,2 billion. The budget has been increased by R700 million due to a combination of factors, including escalations, labour unrest, steel shortages and additional scope. The first coal based on a revised ramp-up schedule agreed with Eskom was delivered to the utility to commission the respective coal-handling systems. The coal supply ramp-up will begin in the first half of 2013 and is expected to continue until the second half of 2016.

The project will be implemented in three phases to provide for the delayed ramp-up of Eskom tonnages. Phase one includes the first mining equipment, run-of-mine bunker, total plant complex and total dispatch facilities. We anticipate that coal will be produced through the plant in the first half of 2013. Phase two, which is 75% complete, includes the conveyors and semi-mobile tip and crushers in the pit. This is forecast to be completed by the third quarter of 2013. Phase three includes the remaining mining equipment and the housing project of 740 units, forecast to be complete in the first half of 2013.

The backfill project at Grootegeluk is progressing well, with phase one forecast to be completed in the third quarter of 2013 and phase two by the end of 2014.

Exxaro continues to engage with relevant stakeholders to conclude implementation plans for integrated infrastructure for the Waterberg coalfields, including the supply of water, rail, road and housing. The upgrade of the Zeeland water treatment works plant, which supplies Lephalale municipality with potable water, was completed and commissioned in 2012, doubling capacity from 20Mℓ/day to 40Mℓ/day. This integrated infrastructure is crucial to developing all projects in the Waterberg, geared to both domestic and export markets.

Recent weak market conditions delayed the char phase II expansion project. The bankable feasibility study is still expected to be complete in the first half of 2013. Exxaro is also evaluating a bankable feasibility study to produce market coke from semi-soft coking coal at Grootegeluk, which is expected to be completed in 2013.

The bankable feasibility study on the Belfast project in Mpumalanga continues to progress and is expected to be complete in the first half of 2013. Exxaro received the mining right for this project in the first quarter of 2013.

The Moranbah South project is a 50/50 joint venture with Anglo American in the Bowen Basin of Queensland, Australia. The prefeasibility study indicated high potential for a dual longwall mine to produce 10 to 12Mtpa of prime hard coking coal product. The joint value engineering between Exxaro and Anglo American is progressing as planned. This is expected to continue throughout the first half of 2013, after which the prefeasibility study will be updated, before obtaining approval to begin the definitive feasibility study.

Ferrous

A review of the operations and technical aspects of the Mayoko project in Republic of Congo was completed in the second half of 2012.

Implementation of phase I progressed rapidly after it was approved by the Exxaro board in 2012. The immediate priority is to produce initial tonnes by the second half of 2013 by focusing on transported ore that does not require much processing. The initial phase is also aimed at ensuring access to critical rail and port infrastructure and de-bottlenecking the entire production and logistics chain before ramping production up to a rate of 2Mtpa in 2014. The ultimate objective is to develop the project in phases to produce and export 10Mtpa by 2016/2017.

A legally binding memorandum of understanding detailing the principles of the final Republic of Congo mining convention was concluded between Exxaro and the government of that country in December 2012. All efforts are now being directed at reaching agreement with the government for the mining convention to be enacted during the parliamentary session in the second half of 2013.

Regular engagement with the relevant Republic of Congo government authorities continues at all levels to ensure the project is successfully implemented.

The bankable feasibility study for the ferrosilicon expansion project will be conducted in 2013. Production is envisaged to increase from the third quarter of 2014, ramping up to almost double the existing capacity to meet growing customer demand.

Energy

Exxaro continues to explore opportunities in energy markets, with a focus on cleaner energy initiatives.

Cennergi, a 50/50 joint venture with Tata Power, was granted preferred bidder status on two projects submitted in window 2 under the independent power producer procurement programme. The joint venture will continue to focus on obtaining financial closure on the Amakhala and Tsitsikamma wind projects by the first half of 2013. It is preparing to submit additional renewable energy projects in window 3 of the Department of Energy's renewable energy independent power producer programme in the third quarter of 2013.

The prefeasibility study on developing a 600MW coal-fired base load independent power producer power station in the Waterberg continues. Following a selection process, Exxaro and an independent power producer developer concluded a project development agreement in November 2012. The agreement was approved by the Exxaro board and remains subject only to concluding a coal supply and offtake term sheet by the second quarter of 2013. The environmental impact assessment process and associated studies are under way, due for completion in 2013. The bankable feasibility study is conditional on establishing an appropriate enabling environment for such a development.

Thabametsi is a prospective greenfields mine adjacent to Grootegeluk mine in the Waterberg. Its development will coincide with the 600MW power station noted above. The mining right application is in process and first coal production is expected by 2016/2017, although this depends on the 600MW Waterberg independent power producer and water supply development schedules.

Exxaro and Linc Energy signed a term sheet to develop underground coal gasification projects in sub-Saharan Africa in October 2012.

Ensure Exxaro's sustainability

Safety and health

Safety remains a top priority. The group continues to strive to achieve zero harm at our operations, with a focus on proactive risk identification and assessment, as well as enhancing the effectiveness of control measures undertaken. Our safety performance for the year was mixed: after achieving the rare industry milestone of 12 months without a fatality in July, there were regrettably two fatalities in the second half. The biggest disappointment of our performance in 2012 was the significant deterioration in our lost-time injury frequency rate or LTIFR. This reversed the positive trend of recent years to end at 0,29 — missing the target of 0,15 and well above the 0,21 in 2011. Management is aggressively addressing this trend reversal. Six business units achieved no lost-time injuries for the year ended 31 December 2012 compared to five in 2011.

Health and hygiene focus areas in 2012 included a review of the health and hygiene programme, HIV/Aids and TB, system development and health awareness. These initiatives are detailed on page 103.

Environment

Exxaro's operations have applied for all outstanding environmental authorisations required in terms of the Mineral and Petroleum Resources Development Act, the National Water Act and the National Environmental Management Act. We continue to strive to find a balance between the environmental, social and economic impacts of mining, and aspire to more than mere compliance.

Regrettably, Exxaro needed to resort to the courts during the year on certain integrated water use licences after North Block Complex (Glisa) and Leeuwpan mines were given directives for suspected non-compliance with the National Water Act. These directives were suspended by the High Court and the Minister of Water Affairs directed to reinstate the Water Tribunal, which had been placed in abeyance by the department pending the amendment of the National Water Act.

Eerstelingsfontein mine's water licence is being appealed by a stakeholder group. This appeal is pending at the High Court, with no hearing date set as yet. We believe the High Court is likely to refer the appeal back to the Water Tribunal, which is currently in abeyance.

New mining rights applications in terms of the Mineral and Petroleum Resources Development Act of South Africa were submitted for the Paardeplaats and Thabametsi projects. Final environmental management plans were submitted in the first quarter of 2013.

A wetland strategy project was initiated in 2012 to assist operations to address the challenges of mining in ecologically sensitive environments.

All 12 Exxaro-operated business units have retained their ISO 14000 and OHSAS 18001 certifications in 2012.

Innovation

To ensure the sustainability of the group, Exxaro has several breakthrough innovations that are expected to turn into commercial operations. If fully developed, they will contribute to the group's strategic goal of achieving a US$20 billion market capitalisation by 2020, and to the economic development of South Africa. One such initiative is the ultra high dense medium separation processing technology which provides a solution to the challenge of declining iron ore qualities and the limitations of existing technologies by improving resource utilisation and increasing life of mine.

Protect and build Exxaro's reputation

Understanding that an organisation is only as prosperous as the communities in which it operates, Exxaro has several community development projects under way. These projects are aimed at ensuring we are able to maximise benefits by focusing on sustainable initiatives for surrounding communities.

A good example is the R100 million upgrade of the Zeeland water treatment works plant which supplies potable water to over 21 000 residents in the Lephalale local municipality in Limpopo. Completed and commissioned in the second quarter of 2012, the water treatment works is operated by our Grootegeluk mine as part of its contribution to local infrastructure and has been awarded Blue Drop certification by the Department of Water Affairs.

As required by the MPRDA, new social and labour plans are being developed for all the Exxaro mining-right operations, covering 2013 to 2017. An extension to submit these plans was requested from the DMR. The intention is to more accurately determine exact local community issues and support municipal integrated development plans with better sustainable priorities before finalisation and submission. In drafting the social and labour plans, we will use greater financial rigour to include feasibility studies (where necessary), cash flow analysis, sustainability evaluations of projects, and economic value added for all respective stakeholders.

A new community development policy, the Exxaro social compact, is being developed. This aims to provide a new paradigm for community development that further progresses the moving away from the remaining elements of a 'paternalistic' model to one focused on assisting communities in determining their own developmental path.

The group's contribution to the Exxaro Chairman's Fund and Exxaro Foundation in 2012 earmarked for investments in social and labour plans was R50 million, from which R24 million was spent on community development initiatives in the year. An additional discretionary R10 million was also contributed from corporate departments.

Develop Exxaro's leadership and people

An integral element of our long-term sustainability is empowering our employees. In May 2012, the board and shareholders approved the new employee share ownership plan, referred to as Mpower 2012, for employees below management level. The new scheme will run for five years, with each employee receiving 387 Exxaro shares at no cost to the employee. The economic cost of implementing the new scheme was around R584 million.

Achieve operational and financial excellence

Performance on revenue net operating, earnings and cash flow are comprehensively reported on under "Group financial performance in brief" under the financial capital section.

Exxaro will continue to focus on creating and maintaining a safe and healthy environment for our people to work in

Performance against targets

	What we said we would do	Progress	Target 2013 and beyond
Safety	Aim for our target of: • Zero fatalities • LTIFR of 0,15 • 100% of business units to have implemented safety improvement plans	• Fatality-free first half and 12 months fatality-free by July 2012. This is rare in our industry and while we are grateful and delighted, we need to consistently guard against complacency. Regrettably, there were two fatalities in the second half. The LTIFR was 0,29 • 82% of safety improvement plans implemented • Eight business unit teams achieved their safe day target	• Zero fatalities • LTIFR 0,15 (2013, zero long term) • Maintain OHSAS 18001 certifications and obtain certification for Grootegeluk Medupi expansion project
Health	Comply with industry targets to: • Reduce noise-induced hearing loss (NIHL) to less than 10% (from baseline) per individual by 2013	• Although fewer cases of NIHL were reported in 2012, the existing number of cases warrants continued focus	• Reduce NIHL to less than 10% from baseline per individual
	• Maintain prevalence of HIV below industry norm: Internal targets: 80% VCT, >70% retention on treatment programme, reduce indirect costs by 5% from baseline	• HIV/Aids prevalence is estimated 13% (industry average 25%), with 92% of employees who attended HIV training electing to test for HIV. Since the successful launch of our HIV disclosure initiative in June 2012, more than 130 individuals have enrolled on the HIV management and treatment programme — Treatment retention 70%, total of 164 community peer educators trained at nine sites	• Train 20% of line managers on ways to support employees with HIV/Aids
	• Raise awareness of health and hygiene programme.	• Awareness is being raised by developing and distributing health information to employees on NIHL, HIV/Aids, TB	• Continue to raise employee awareness about chronic diseases
	• Review system requirements to support health processes	• System requirements were reviewed and preparations for implementation completed	
	• Introduce management standard for profiling occupational risk exposure	• Pilot project initiated in Pretoria region. The aim is to standardise implementation of risk-based medical surveillance at all sites	
Transformation	• Improve DTI BBBEE scorecard from level 5 to level 4 by 2012 and minimum level 4 by 2013, based on revised and more onerous DTI BBBEE codes	• Level 4 achieved	• Level 4 rating for 2013, then progressively improve
	• Meet mining charter scorecard targets for transformation	• Compliance reported per mining right for 2011, with no critical non-conformance; 2012 compliance being compiled and verified	• Achieve outstanding 2014 targets
	• Employee shareholders — enhanced benefits	• New Mpower scheme introduced — qualifying employees receive units (equivalent to shares) at no cost to employee	

	What we said we would do	Progress	Target 2013 and beyond
Our people	• Conduct comprehensive skills audit • Give all employees the opportunity to participate in home ownership by 2014	• Pilot skills audit completed at North Block Complex and skills audit initiated at Inyanda • 7,7% bought company property, 2,8% in family quarters, 153 participating in Exxaro's subsidised first-time homeowner scheme, 13,3% in single quarters	• Audits envisaged for additional business units
Stakeholder engagement	• Complete formal stakeholder analysis at remaining business units • Develop community stakeholder engagement policy		• SEAT (socio-economic assessment tool) to be rolled out at all operations in 2013 • Policy and management standard to be approved and rolled out in 2013
Environment	• Improve on JSE SRI rating by continuously implementing innovative environmental solutions • Further improve compliance levels • Forum to develop clear policy and standards on mine-closure requirements given that Exxaro has two mines within five years of closure (Tshikondeni and Inyanda)	• Implementing integrated business model to guide the lifecycle of our operations — from planning and feasibility to post-closure activities. Environmental specialists participating in project-planning forums • We have conducted environmental legal assessments at all operations and developed auditable action plans to close identified gaps. All senior and project managers attended relevant legal training. We are developing wetland, pans and sensitive eco-system databases and related strategies per operation • Forum established and standards developed based on a legal and risk approach. Rehabilitation standard updated in 2012, to strengthen ongoing rehabilitation procedures	• All projects to have environmental specialist input at planning stage • Exxaro wetland strategy to be finalised in 2013 • All mines within five years of closure to initiate approval of closure plans

Our future

Our future will be defined by several factors, some outside our control. However, Exxaro has a strong balance sheet, excellent project pipeline and a motivated workforce to ensure we reach our goal of building a company with a U$20 billion market capitalisation by 2020.

Reaching our goals

To realise our commodity growth aspirations, we are focused on effectively managing the key elements that underpin this success:

Element	Measure	Target for 2013 and beyond
Our people – keeping our workforce safe and healthy	• Reducing loss-time injury frequency rate (LTIFR) by 30% pa	• 0,15 (2013). 0,0 (longer term). Disappointingly, we missed our target in 2012 and appropriate measures are being taken
	• Reduce the incidence of life-threatening diseases	• The HIV/Aids prevalence is 13% compared to 25% in the mining industry. Ongoing campaigns encourage our people to know their status. In 2012, over 90% of those who attended HIV training chose to participate in voluntary counselling and testing. There was a marked increase in the number of employees who enrolled on the HIV/Aids management programme in 2012 compared to the prior two years, with 70% adhering to their treatment programmes
	• Wellness	• Given the resurgence of TB, continual education on signs and symptoms needs to be given to employees so they can access medical care in good time. Although infection rates have decreased over the past three years, a rate of 500 per 100 000 is still high. Community peer educators have been trained at nine sites in Mpumalanga and Limpopo
	• Community legacy	• In 2012, we contributed R60 million on community projects (page 190)
Our natural environment – managing our use of resources and minimising emissions	• Improved legal compliance, authorisation and certification	• All operations have required ISO 14000 and OHSAS 18001 certification
	• Integrating environmental management principles throughout life-of-mine planning	
	• Biodiversity action plans developed for most business units	• Achieved. Targets for business units being set
	• Hazardous waste management – baseline assessment	• In progress. Targets for business units being set
	• Reduce potable water consumption by 5%	• Achieved. New targets include discharge water, re-use, recycling
	• Air quality reduce emissions by 10% over three years to 2012	• Long- and short-term goals qualified
	• Improving energy efficiency by 10% by 2012	• Partially achieved. New energy intensity targets set per business unit

Element	Measure	Target for 2013 and beyond
Our sustainability – managing our manufactured, intellectual and financial capital	• Improved infrastructure • Innovation – group-wide campaign under way to capitalise on depth of intellectual capital in Exxaro • Future mine design – an integrated model guides the lifecycle of our operational activities from planning and feasibility stages of a mining project to post-closure	In 2012, the first AlloyStream™ ferromanganese furnace was commissioned – representing the first new manganese production technology in 80 years and a proprietary innovation for Exxaro after 18 years of development and investment. The AlloyStream furnace uses cheaper reductants, less electricity and has a lower environmental impact than conventional technology. AlloyStream reduces steel smelting to a one-step process, doubles the life of a manganese mine and halves the electrical energy costs of a traditional smelter
Our host communities	• Create sustainable communities • Increase GDP of local communities	• Capacity building interventions in education, skills development, enterprise development and agriculture • Leaving a sustainable legacy in our communities

Case study – putting more energy into using less energy

Getting metals and minerals from mine to market is an energy-intensive business, whichever way you look at it. Sponsoring related research is just one of the ways in which Exxaro is tackling this challenge.

Electricity plays a critical part in extraction, processing and beneficiation and, as a business, Exxaro's energy footprint is considerable. Managing our fossil fuel use has always been a priority, but given the cost and scarcity of power, coupled with our responsibility to the environment and society, we are becoming more innovative in how we address this issue.

In 2012, we completed the first of a three-year sponsorship of an energy efficiency research chair at the University of Pretoria's Centre of New Energy Systems (CNES). This investment will provide the knowledge Exxaro needs to achieve our energy efficiency and energy intensity ambitions, and builds on three years of work aimed at realising our pledge to achieve an energy efficiency target of 10% by the end of 2012.

In 2011 we achieved a 0,8% year-on-year auditable electricity saving – equivalent to about 17GWh of electricity and R8 million in Eskom charges. We reduced diesel and electricity consumption by 2,4% and 3,2% respectively, year-on-year, compared with the 2009 baseline for the coal, sands and base metals sectors.

In 2012, we adopted a new approach, focusing on measuring energy efficiency improvements exclusively. Targets for 2013 are specific to individual business units and are in the region of 5%.

Over the past three years, our understanding of energy efficiency has advanced significantly. While recognising that it is a cross-discipline issue that affects all aspects of our organisation, we also understand that efficiency improvements must be balanced against the need to meet increasing production targets. The energy efficiency research chair at CNES is just one of many cross-cutting initiatives that will help us achieve this delicate balance.

Ultimately, energy efficiency will enable Exxaro to continue 'powering possibility' – just more efficiently.

Awards

Boston Consulting Group	One of the top ten mining companies worldwide measured by highest total shareholder returns over 2001 to 2011. See panel right
Financial Mail	Among the top ten in the Top South Africa Company survey for financial excellence
Deloitte Best Company to Work For	Exxaro earned a Standard of Excellence Award in the 2012 survey. We are exceptionally proud of this achievement given that this was a target we set for 2016, and achieved four years early
Ernst & Young World Entrepreneur Awards 2012	CEO Sipho Nkosi won the master category for southern Africa (page 89)
Frost & Sullivan 2012 Growth Innovation Leadership Award	Awarded to Exxaro CEO, Sipho Nkosi, for his commitment and dedication to building a greater sustainable mining industry, while continuing to drive and lead South Africa into the future
Carbon Disclosure Project	Top score of 100 points on leadership index for carbon and energy management – a first for South Africa and the company.
Corporate Research Foundation Best Employers	Exxaro was rated in the top ten in the 2011/2012 survey
Department of Water Affairs	Exxaro's Zeeland water treatment works, which supplies water to over 21 000 residents of Lephalale local municipality in Limpopo, was awarded the prestigious Blue Drop certification by the Department of Water Affairs (DWA)
	Grootegeluk was second in the industry, mining and power sector category of the DWA's water conservation and demand-side management award
Frost & Sullivan Global Research Platform	Green Excellence in Technology Innovation in Mining
South Africa Publications Forum	Best internal newsletter (fourth award)

Top 10 in shareholder returns globally

In January 2013, Exxaro was named as one of the top ten mining companies worldwide delivering the highest total shareholder returns (TSRs) over the period spanning 2001 to 2011.

A report from the Boston Consulting Group (www.bcg.com) stated that excellent capital stewardship, robust organic growth and a strong, credible outlook for value creation helped the global mining industry achieve average TSRs of 18% between 2001 and 2011, 15% more than the S&P500. "Notably, the decade-long annual average TSR of the industry's top ten was an impressive 39%," says the report. "Unlike their industry peers, the top ten mining companies continued to earn high TSRs in the second half of the decade, the period encompassing the global financial crisis."

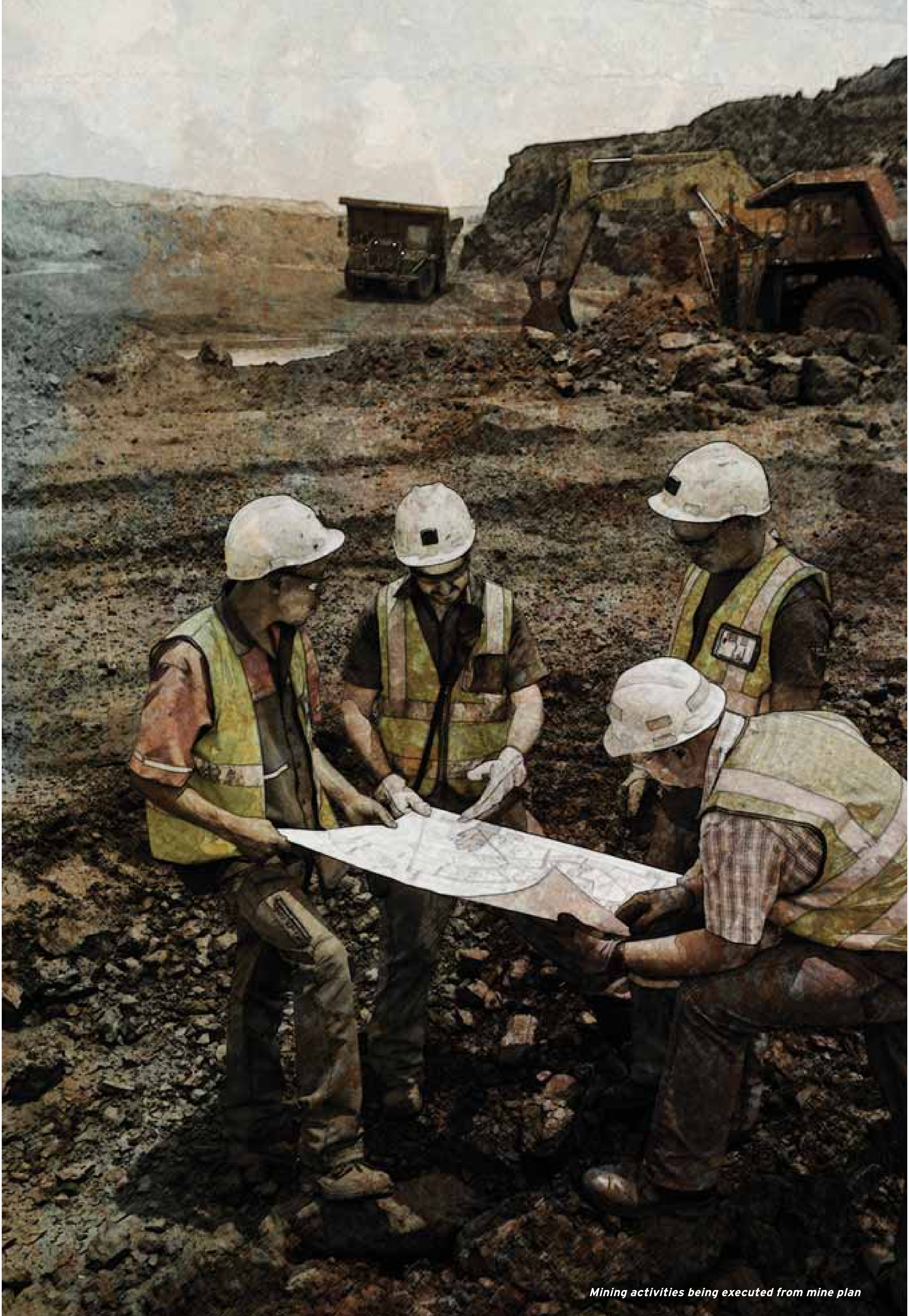
The Boston Consulting Group noted, "The mining industry clearly benefited from the continued economic expansion in emerging markets, which led to steadily rising commodity prices. Value creation was also fuelled by production growth, margin expansion, and cash returned to equity holders."

Exxaro was the only South African miner among the top 10 value creators.

According to the study, factors behind the dramatic performance of the top ten include managing capital expenditures and consequent cash flows well. The result was evident in their debt management, limited equity dilution and dividend policies.

07

human capital



Mining activities being executed from mine plan

HUMAN CAPITAL

People – employees and stakeholders

Our approach to our people is guided by a comprehensive suite of policies covering employment, labour/management relations, occupational health and safety, training and education, diversity and equal opportunity.

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

The group's vision, mission, business strategy and culture drive a total remuneration philosophy and strategy in tandem with a total remuneration approach. The underlying components include guaranteed pay, short-term performance incentives and long-term incentives such as share-based schemes and other benefits linked to longer-term targets to ensure sustainability. All components are benchmarked against the external market to ensure Exxaro remains competitive.

Wage agreements on remuneration are in place at all group employers, while formal processes determine remuneration for management and specialist categories. Six-monthly market surveys ensure total remuneration is market related.

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

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

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

Current and future skills requirements

Skills development

The shortage of skills in South Africa is well documented, and not unique to this country. For companies like Exxaro, the skills deficit translates into issues surrounding leadership and culture, literacy and numeracy, and providing a pipeline of core and critical skills. The private sector cannot afford to wait for the public education system to produce the calibre of people it needs at every level. The sustainability of business collectively depends on rapidly developing the skills each company needs to run and develop its operations which, in turn, enable it to empower employees to develop their full potential and ultimately contribute to national economic growth.

At Exxaro, 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. Our policy is to invest an appropriate amount of total salaries and wages each year on human resource development. In 2012, this was 5,5% or an investment of R177 million (2011: 5,7% or R225 million). The lower monetary value in 2012 is primarily due to corporate activity and divestment in Exxaro's mineral sands and base metals businesses respectively.

We encourage our people to accept joint responsibility for managing their career growth. Financial assistance is provided to permanent employees with potential to continue their education through part-time studies of recognised, approved courses and programmes. Employees nominated by the company to attend courses or programmes are fully sponsored for tuition, examinations, travel, accommodation costs and study leave. In 2012, 49 employees enrolled for post-graduate studies and 489 for management development programmes sponsored by Exxaro.

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

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

Skills development

	Spent		
	2012 Rm	2011 Rm	2010 Rm
Total training spend	177	225	140
Total training spend on HDSA	134	172	115

Graduate programme

Exxaro's three-year professionals-in-training programme blends academic theory with the work environment. Each graduate has a mentor who supervises exposure to various commodities, leadership and management training. Mentors also assist with fulfilling registration requirements for relevant governing bodies and professional associations. In 2012, there were 80 professionals in training throughout Exxaro (2011: 88) in a R39,4 million programme. Of the 2012 intake, 43% are women. Over 90% of qualifying professionals-in-training were permanently appointed at Exxaro.

Bursary programme

There are currently 101 bursars studying at South African institutions at a cost of R9,2 million per annum. Over two-thirds are historically disadvantaged South Africans and 24% are women.

As part of its bridging programme, Exxaro granted 12 bursaries in 2012 to school-leavers interested in technical disciplines such as engineering (metallurgical, chemical, mechanical, electrical, industrial, mining or civil), mine surveying and geology. Candidates must be grade 12 students from Exxaro communities who want to study for a technical degree or diploma. Six students secured Exxaro bursaries during the intake for 2013. The total cost of bursaries is R1,5 million per annum.

Community education

In 2012, 154 community members enrolled for adult basic education and training (ABET) at Exxaro. At North Block Complex almost R700 000 was spent on grade 12 learners in Saturday schools to improve science and mathematical knowledge and understanding.

Sponsorships

In 2012, Exxaro committed to offer scholarships to students in the fields of education, health sciences, entrepreneurial studies and in the areas of Exxaro's research chairs. These individuals are expected to practise their crafts in communities where Exxaro operates for a specific period. Alternatively, their research should support the objectives of the chair and/or add value to Exxaro. During the year, four scholarships were awarded to two medical students and two education students.

Talent management

Retention

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

To preserve technical and engineering competence in the group, aggressive retention and succession-planning strategies are in place. These are supported by comprehensive training and growth opportunities that continually rotate and expose talented individuals to multidisciplinary teams.

Leadership development

Understanding that leadership is vital in building a high-performance culture, Exxaro has developed a unique philosophy dedicated to strategic business objectives and personal leadership improvement on all levels. In addition to valuing change in promoting business growth and performance, leaders in Exxaro are developed according to the credo that leaders must be credible to be truly incredible:

- Credible leaders
  - Competence: basic functional and managing competencies to lead
  - Self: value-centred, accountable and reflective characters
  - People orientated: relational skills including diversity, respect and constructive discipline
  - Communication: foundational communication attitudes such as openness, listening and positive attitude
- Incredible leaders
  - Involved: create a context for meaningful participation of teams through diversity, trust and alignment
  - Inspire: connect people with the dream and maintain motivation to the vision
  - Invest: facilitate knowledge and understanding of people
  - Influence: influence achieving goals through respect, understanding and openness to change.

Additional skills development takes place after employees have been declared competent in their current positions to ensure solid foundations. In most cases, further development concentrates on a career path in the discipline in which an employee is currently working.

Additional skills development takes place after employees have been declared competent in their current positions to ensure solid foundations

Leading by example

Exxaro CEO, Sipho Nkosi, emerged victorious at the Southern Africa chapter of the Ernst & Young World Entrepreneur Awards after being named the winner in the master entrepreneur category.

Now in their 15th year, the awards recognise entrepreneurs who demonstrate excellence in their respective fields of work and are described as a testament to the talent and potential that exist in Africa.

Sipho will fly the southern African flag high alongside his West and East African counterparts in 2013 when he competes at the Ernst & Young World Entrepreneur of the Year event in Monte Carlo against winners from some 50 nations.

The global programme celebrates the achievements of outstanding entrepreneurs and ensures their contribution to their country's economic and social progress is widely recognised and honoured. This is considered one of the world's premier business awards.

Following the award, Sipho noted that it was in fact recognition for Exxaro and all its people in the way the group moves forward with R&D and new ideas for survival in the industry. "I am just the leader of a great team. I was very privileged to be afforded the opportunity to represent the organisation in this way."

"I believe this is a fitting testimony to the commitment of our people to this company and to entrepreneurship. It is this spirit that will take us through to meet our 2020 vision."

People — towards a zero-harm culture

Strategy	Risk	Opportunity	Target
To drive a zero-harm culture	Safety incidents may affect company performance	Align safety culture to the Exxaro high-performance culture and add value through good safety practices	2013: LTIFR of 0,15 Zero fatalities

The safety of our people is fundamental to our business, and we will not rest until we achieve our safety goals through collective responsibility, commitment and ongoing focus.

Our safety governance model begins with meeting legislative requirements as a minimum. Industry best practice risk management systems and processes are then modelled around key risks for implementation at operational level. This approach also informs the way human and financial resources are allocated and used to ensure improvement beyond legal compliance.

All 12 operational business units have international health and safety accreditation (OHSAS 18001).

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

Our ultimate target remains zero injuries and, therefore, zero fatalities. To reach this goal, we review our lost-time injury frequency rate (LTIFR) target annually based on prior performance.

We will achieve this target by applying stringent management protocols, programmes and systems. Formal management health and safety committees are in place at all operations and meet regularly to discuss pertinent safety issues and risks observed during the previous shift, day, week and month. This allows operational teams to communicate effectively any safety issues and risks, while assessing their performance against corporate targets.

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

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. Accordingly, we have developed a timeline to achieve the desirable state that includes:

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

Safety highlights

- In July 2012, Exxaro recorded a 12-month fatality-free period. This proves we can reach our target and is a powerful incentive to all our teams
- Although the group missed its LTIFR target, commendable performances were recorded at Inyanda, Exxaro Reductants and North Block Complex. Research & development, Durnacol and Zincor also achieved their targets
- Eight business units reached their safe-day targets (days without LTI).

Lowlights

- Regrettably, two fatalities between August and December
- Disappointingly, the LTIFR was 0,29 against a target of 0,15, reflecting the increase in number of lost-time injuries (LTIs) to 66 in 2012, compared with 48 in 2011.

Focus areas

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

- Zero fatalities in the longer term and a 12-month fatality-free period in the short term
  - Actual performance for 2012: 12 months without a fatality achieved in July 2012 but two fatalities to year end
- Improvement target was set at 30% (LTIFR = 0,15)
  - Actual performance in 2012 was a deterioration of 45% (LTIFR = 0,29).

Exxaro's CEO Sustainability Summit is a biannual forum involving stakeholders from government (departments of mineral resources, water, health), labour, local communities, employees, media and any other interested and affected parties. At the inaugural summit four years ago, we identified five key areas that would enable us to make a tangible difference to safety performance:

- Consequence management
- Safety training
- Culture (the Exxaro safety way of life)
- Mini-HIRA (hazard identification risk assessment)
- Communication.

In 2012, Exxaro also introduced periodic SHEC summits with internal representation only and focused on addressing pressing SHEC challenges.

With the support of government, the Chamber of Mines and Exxaro's recognised unions, this focus is producing tangible results. By year end, six business units had worked for 12 months without a lost-time injury (Inyanda, North Block Complex, Ferroland, R&D, Durnacol and Zincor).

Following the first summit, we rolled out an Exxaro safety improvement plan to all business units, focusing on the areas noted above. Progress in implementing these plans is monitored quarterly in the safety and sustainable development forum, and reported to the social and ethics committee. In 2011, we added health, environment and related issues to these plans to enhance awareness and participation. By the end of 2012, 82% of safety improvement plans had been implemented.

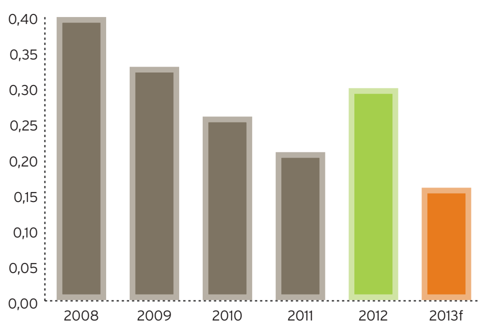
Exxaro set a target of zero fatalities, and an LTIFR (per 200 000 hours worked) of 0,15 for 2012. Disappointingly, actual LTIFR performance was 0,29 — a 45% deterioration on the LTIFR of 0,20 in 2011. Exxaro management is currently implementing several programmes to improve performance:

- Safety awareness is being raised using industrial theatre. This was instituted in the last quarter of 2012 and is 80% complete
- The mini-HIRA process is being reviewed to enhance the effectiveness of the hazard identification and risk assessment process, which is expected to significantly minimise or prevent injuries
- Visibility of management in the plant is being increased by enhancing visible felt leadership (VFL)
- Medical treatment incident target was set and will be monitored to ensure prevention starts from non-LTI incidents.

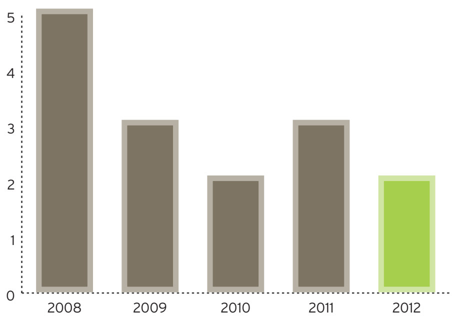
The fatality frequency rate per 200 000 man hours worked in 2012 was 0,06 compared to 0,07 in 2011. Our target remains zero, as no death is acceptable.

In risk-specific terms, the leading cause of injury was lifting and materials handling.

Exxaro LTIFR 2008 to 2012 (per 200 000 hours worked)



Exxaro fatalities 2008 to 2012



During the reporting period, no fines or sanctions for non-compliance with safety and health laws and regulations were imposed on any Exxaro operation. However, Tshikondeni and Grootegeluk mines were issued with section 54 and 55 non-conformance notices which resulted in work stoppages:

- Grootegeluk: 2 x section 54, 1 x section 55
- Tshikondeni: 3 x section 54, 1 x section 55
- Inyanda: 1 x section 55
- Matla: 1 x section 54.

In all instances, non-conformances were corrected and our corrective actions presented to the DMR authorities in Limpopo and Mpumalanga. The notices were subsequently lifted.

Safety training

While key risks differ by operation, our major challenges are vehicle incidents, energy and machinery isolation, and risk awareness and discipline at all levels. Because skills shortages exacerbate these challenges, the group concentrates on continuous on-the-job training to ensure sufficient trained people are in place, applying safe working practices.

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

- Where appropriate, contractors are managed as part of Exxaro's workforce
- Adherence to corporate contractor management standards is enforced by each operation's contractor manager
- Monthly inspections ensure compliance
- Contractors need to complete the relevant induction and medical examinations before starting work
- Contractors participate in monthly SHEC meetings at operations.

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

Safety awareness

In January 2011, Exxaro launched the safety recognition award (for teams reaching their safe-day targets). This award also recognises year-on-year safety improvements in LTIFR and reinforces safety behaviour.

In 2012, team members at several business units achieved their safe-day targets (days without LTIs):

- Inyanda (345)
- Grootegeluk Medupi expansion project (93)
- New Clydesdale (287)
- Research and Development (255)
- Reductants (335)
- Matla (118)
- Tshikondeni (195)
- Zincor (202).

These teams have qualified for the R1 300 safety recognition incentive per employee. Because achievements are recognised immediately, teams may qualify more than once in a year.

In addition, for the past two years, each Exxaro operation has raised a 'safe day' flag for each day without a lost-time injury. These visible flagpoles keep safety awareness high and celebrate every day without injury.

Paying tribute to our colleagues

Regrettably, in 2012, we lost two colleagues (2011: three). Our aim is zero harm and we continue to do our utmost to ensure we reach and maintain this goal as soon as possible.

- Matla — 5 August 2012: electrician Nonhlanhla Shabalala (34) died from secondary complications after surgery for an injury sustained in an underground vehicle accident on 14 July 2012
- Grootegeluk — 19 October 2012: Shadrack Moroka (57) sustained fatal injuries when a haulpak truck collided with an LDV bakkie in which he was an occupant.

These cases were thoroughly investigated, and lessons incorporated into our safety programmes to create an injury-free work environment.

People – attracting and retaining a skilled workforce

For Exxaro's management approach, see page 86.

Since Exxaro's formation six years ago, we have steadily been building a culture that reflects the values of our organisation and our philosophy by engaging our talent to unlock value for Exxaro and its stakeholders. Our aim is to develop a high-performance, enabling culture at every level using integrated and benchmarked practices to achieve strategic alignment and meet business targets.

Exxaro progressively benchmarks itself as an employer of choice against several other organisations, nationally and internationally, on the key drivers of culture, talent and engagement.

Specific strategic responses are identified from results in the prestigious Deloitte Best Company to Work For public survey in which Exxaro participates every second year. Our aim is to steadily improve our rating, reflecting the group-wide emphasis on performance in a healthy employee climate that proactively attracts and retains talent (see awards on page 83).

Share ownership

In 2011, employees participating in Exxaro's Mpower (an empowerment scheme to broaden share participation among workers) shared a payout of over R1 billion. Since inception six years ago, each Mpower beneficiary has received over R9 200 in dividends. A new scheme was implemented in July 2012, known as Mpower 2012, and will run until end-May 2017. Participants received their first dividend in the review period.

In 2011, employees participating in Exxaro's Mpower shared a payout of over R1 billion

Importantly, in Mpower 2012, the various employer companies in the Exxaro group contributed cash to the trust to purchase shares. This means there is no loan to repay first, so Mpower 2012 participants will enjoy potential growth and profit from the outset. Each of the 7 290 participants received 387 units worth R75 000 on 1 July, regardless of remuneration level or years of service. New qualifying employees will receive a pro-rated number of units.

Employment equity

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

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

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

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

Exxaro's staff complement was 7 721 at 31 December 2012, split into employees in bargaining units (80%) and the management and specialist category (20%). The drop in numbers from 2011 to 2012 reflects the transfer of our mineral sands operations to Tronox and the sale of Rosh Pinah.

The breakdown of Exxaro's annual employment equity reports, as submitted to the Department of Labour, is shown below. As these reports are for the period 1 August 2011 to 31 July 2012, totals differ from year-end numbers, which may appear elsewhere in the report.

Employee group gender key

	Bargaining unit			Management and specialist category			Grand total
Region	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	
Gauteng	134	40	174	458	367	825	999
Limpopo	2 142	250	2 392	380	60	440	2 832
Mpumalanga	2 922	455	3 377	274	54	328	3 705
Foreigners	70		70	5		5	75
Expatriates				4		4	4
Local nationals				7	5	12	12
Total	5 268	745	6 013	1 128	486	1 614	7 627

Table reflects the figures as submitted to the DOL on 31 January 2012

Employment equity by race and gender

	Male				Female				Foreigners	Grand Total
Level	**A**	**C**	**I/A**	**W**	**A**	**C**	**I/A**	**W**	**M**	
Top management	2			2						4
Senior management	13	3	4	71	2	2	2	7	4	104
Middle management	209	14	25	378	76	5	16	114	4	841
Junior management	1 085	14	8	955	272	25	9	271	11	2 650
Semi-skilled	2 803	3	6	85	268	4	1	14	57	3 241
Unskilled	598	4	1	31	131	2		5	3	775
Total	4 710	38	44	1 522	749	38	28	411	75	7 615

A – African, I/A – Indian/Asians, C – coloured, W – white
Table reflects the figures as submitted to the DOL on 31 January 2012
12 local nationals have been excluded because they do not qualify as EE

For 2012, and excluding the mineral sands and Rosh Pinah operations, Exxaro's average employee turnover rate was 11,7% (2011: 11%), primarily because of death, resignation, dismissal and disability. This rate reflects the closure of Zincor and voluntary separations as part of Exxaro's restructuring process. The average turnover rate excluding voluntary retrenchments was 6% for 2012. The turnover rate by employee group is shown below:

Breakdown of turnover statistics

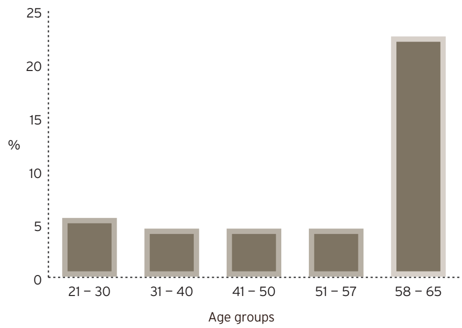
	Terminations January to December 2012	
	% of workforce	**Number**
Top management	–	–
Senior management	0,14	12
Professional, specialist and middle management	1,14	97
Skilled technical, academically qualified and junior management	4,10	350
Semi-skilled and discretionary decision-making	4,24	362
Unskilled staff	2,13	182
Total	11,75	1 003

Breakdown of turnover statistics

Turnover	Gender		Race				Reasons for terminations						
	Female	Male	African	Coloured	Indian	White	Absconded	Death	Disability	Dismissal	Resigned	Retired	Other
Number	113	890	748	7	9	239	31	83	44	35	212	85	513
%	11,3	88,7	74,6	0,7	0,9	23,8	3,1	8,3	4,4	3,5	21,1	8,5	51,2

* *Included in other: 512 retrenchments and one breach of contract*

Turnover vs total workforce per age group



Remuneration

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. To meet our corporate goals and business objectives, we believe our reward policies and objectives must:

- Be integral to an overall human resources strategy, geared to support business strategies
- Be designed to motivate and reinforce superior performance, and continually demonstrate the company values
- 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 are 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.

Training

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

A pilot skills audit was completed at North Block Complex to determine the gap in skills in the current position and, where applicable, the next higher position. A skills audit also started at Inyanda towards the end of 2012. The skills audit is a process for identifying current job and competency requirements, comparing these with what is needed currently and, more importantly, in future to achieve organisational goals and objectives.

Exxaro offers sponsored training in engineering learnerships at the Grovos training centre in Lephalale, as well as engineering and mining learnerships at Colliery Training College (CTC, where Exxaro is a shareholder) in Mpumalanga. As part of the talent pipeline, Exxaro also provides sponsored on-the-job training in core skills programmes like maintenance operators and mobile equipment operators.

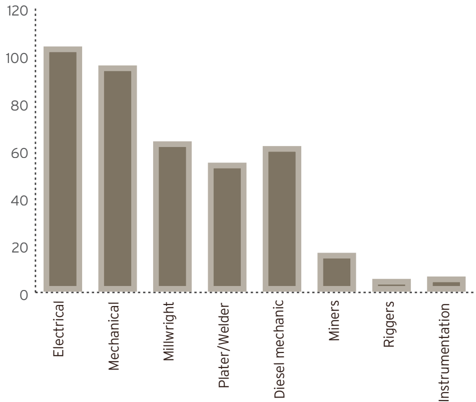
Three Exxaro business units (Grootegeluk, Matla and Tshikondeni) are MQA-accredited training providers in selective mining and engineering disciplines. This enables our people to be trained in mining and engineering, declared competent and obtain their MQA certification inhouse. In addition, all employees are trained in world-class quality management measures.

One of our competitive sources of value is our people

Learnerships

In 2012, 437 learners were receiving training and development across Exxaro at its own accredited training centres at Grovos and CTC.

Monthly average number of learners in training



Literacy and numeracy

Exxaro provides all employees with qualifications below NQF level 1 the opportunity to become functionally literate. Less than 20% of Exxaro's total workforce now falls into that category, which is important to ensure effective communication, particularly on safety issues.

Exxaro offers voluntary adult basic education and training (ABET) programmes at all commodity businesses, paid for by the company. This initiative amounted to R6 million in 2012 (2011: R4,4 million).

To ensure informed decisions, candidates are screened and counselled, and where employees complete training in their own time, an incentive scheme for each level completed is in place.

In 2012, 70 employees and 164 non-employees completed various ABET levels successfully, while 156 employees and 154 non-employees enrolled on various ABET levels. More than 1 200 employees have passed one or more ABET levels since the inception of this programme.

Exxaro has accredited ABET training centres at Grootegeluk (partnership with external provider), Tshikondeni and Matla. Accredited external providers are used by the other business units.

Functional literacy and numeracy rates

	2012	2011	2010	2009
Total staff count	8 873*	10 903*	10 510*	11 180
Employees below ABET level 3	1 155	1 177	1 683	2 236
Employees on ABET level 3	501	595	511	345
Employees above ABET level 3	7 217	9 131	8 316	8 599

* *Number of full-time employees as per 2012, 2011 and 2010 workplace skill plans*

Managing work conditions

Exxaro's approach to our people is guided by a comprehensive suite of policies that covers employment, labour relations, occupational health and safety, training and education, diversity and equal opportunity. Our aim is to provide working conditions that are safe and healthy, opportunities that are enriching and an environment conducive to performance.

We use several benchmarks to assess our standards and measure our progress. One of these is the Deloitte Best Company to Work For — a prestigious annual survey that identifies the best companies to work for across the southern African region as rated by their employees. Exxaro participates every two years.

In 2012, Exxaro earned a Standard of Excellence award in this survey. We are exceptionally proud of this achievement, given that this was a target we set for 2016, and achieved four years early.

This is a challenging award — the result of concerted effort to achieve a clear goal to continually improve our people management capabilities and is, therefore, more prized as a result.

We believe our people are our business. Our employees are the ones who will help realise our strategic vision of being a $20 billion business by 2020. We are now reviewing the detailed results of the survey to address gaps in the way we work, understanding that continual improvement is the only way to ensure we remain a great company to work for.

Eliminating discrimination and resolving grievances

As an employer, Exxaro is firmly committed to extending equal opportunity to all, irrespective of race, religion, gender, health status, sexual preference or nationality.

Our corporate values guide the way we do business, and discrimination on any grounds is not acceptable.

Programmes under way to eliminate discrimination, HIV awareness, training on the disciplinary and grievance process.

Human rights policy

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

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

Women in mining

In Exxaro, 17% of the workforce comprises women, and we continue to focus on attracting women through our talent pipelines. Although this is a challenge, 43% of young professionals-in-training (PITs) are women, 24% of our full-time bursars in engineering and mining at universities are women and 26% of the intake to learnerships and skills programmes comprises women. In our people development initiative (bridging programme), 60% of participants are women.

Housing

Exxaro's focus on home-ownership complies with both the mining charter and our own business needs, and is based on a long-term housing strategy developed five years ago. The goal is for all employees to have the opportunity to participate in home-ownership by 2014.

Since introducing a five-year subsidy for first-time homebuyers who are permanent employees in 2009 — a period characterised by the unprecedented scarcity of bank mortgage finance — 153 employees have benefited from this plan to make home-ownership more affordable.

While Exxaro's housing policy focuses on home-ownership, employees receive a housing or living-out allowance to assist with accommodation. The value of these allowances in 2012 was some R228 million.

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

	Number of employees				
	2012	2011	2010	2009	2008
Home owners (bought company property)	606	927	948	929	822
Hostels	6	15	40	594	389
Single quarters	1 038	1 202	1 505	1 343	1 336
Family quarters/flats	740	755			
Rental and other*	5 418	7 614	8 017	8 314	7 588
Total**	7 808	10 513	10 510	11 180	10 135

* *Includes 153 employees using Exxaro's first-time homeowner scheme*
** *Excludes Rosh Pinah, Zincor and mineral sands operations*

People — towards a healthier workforce

Strategy	Risk	Opportunity	Target
Reduce the incidence of occupational diseases	Noise, dust, HIV/Aids, TB, chronic diseases of lifestyle	Mine Occupational Safety and Health (MOSH) initiatives aimed at assisting industry to meet targets to reduce new occupational diseases	Reduce noise-induced hearing loss (NIHL) to less than 10% (from baseline) per individual by 2013
Increase the number of people enrolled on the HIV/Aids management programme		Introduction of government-led HIV testing campaign aimed at encouraging more people to test New regimen of anti-retroviral treatment, making it easier to comply	70% of HIV-positive people enrolled on management programme
Early detection and management of TB		New TB diagnostic test – enabling earlier confirmation and start of treatment	Audit of TB programme at three business units
Implement programme to prevent and control chronic diseases of lifestyle		Exxaro survey on chronic diseases identified risks	Case management of employees with chronic diseases

Exxaro's vision for health and hygiene is to create a workplace that has no adverse health effects on our employees and affected communities.

According to the International Labour Organization, the mining sector makes up 1% of the global workforce and yet it contributes 8% of fatal accidents at work. The sector also contributes a significant number of injuries, disabling occupational diseases such as pneumoconiosis and hearing loss. Occupational diseases, which often manifest after leaving the employer, have varied outcomes and may:

- Affect productivity
- Affect quality of life
- Lead to early retirement
- Lead to loss of potential income
- Decrease sense of self-worth
- Result in loss of breadwinner for families.

According to data reported to the Department of Mineral Resources, seven times more occupational diseases are reported than fatalities. Therefore implementing proactive programmes to reduce new cases of occupational diseases is integral to creating a healthy workforce:

- A healthy workforce is essential to enable Exxaro to deliver on its strategic focus areas employees have various opportunities to access healthcare including their medical aid schemes, occupational health services, HIV/Aids and tuberculosis (TB) programmes
- Workplace risks that impact on the health of employees are identified and prioritised
- Prevention programmes are implemented.

Exxaro's medical surveillance processes have been strengthened in recent years to ensure our employees remain healthy and productive. In 2012, a pilot for profiling occupational risk exposure was introduced and will be extended to other sites in 2013 to standardise risk-based medical surveillance.

Key health and hygiene indicators are reported to the executive committee monthly, quarterly and annually. Regular reporting enables management to more effectively monitor the risk identification and assessment process, comply with legislation and reporting requirements for listed companies, and track the implementation of programmes against set targets.

Highlights

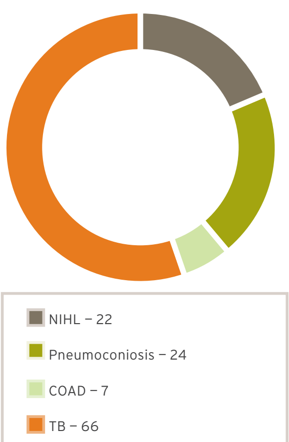
- Championed by the CEO, we rolled out an Exxaro-wide HIV disclosure initiative
- A system to track and monitor employees with early noise-induced hearing loss is being piloted at certain business units and will be expanded to the rest of the group in 2013.

Progress

During 2012 several major health-related projects were under way, including:

- A review of our health and hygiene programme and factors influencing the prevalence of occupational diseases were highlighted. In 2013 and there will be additional focus on early detection, investigation and follow-up of occupational diseases
- Initiated a review of our emergency medical standard
- Conducted internal audits of our ventilation and occupational hygiene programme
- Continued with the review and design of system requirements to support health processes
- Conducted a survey on chronic diseases of lifestyle at some operations. The prevalence of chronic diseases and the contributing social factors were established (see panel)
- Initiated a noise-awareness campaign during deaf awareness week, with messages reminding employees of the importance of protecting their hearing
- A review of the current implementation of our TB programme was initiated. This will continue in 2013 to ensure early detection and compliance to treatment.

Reported cases of occupational disease



Occupational diseases

Reported occupational diseases

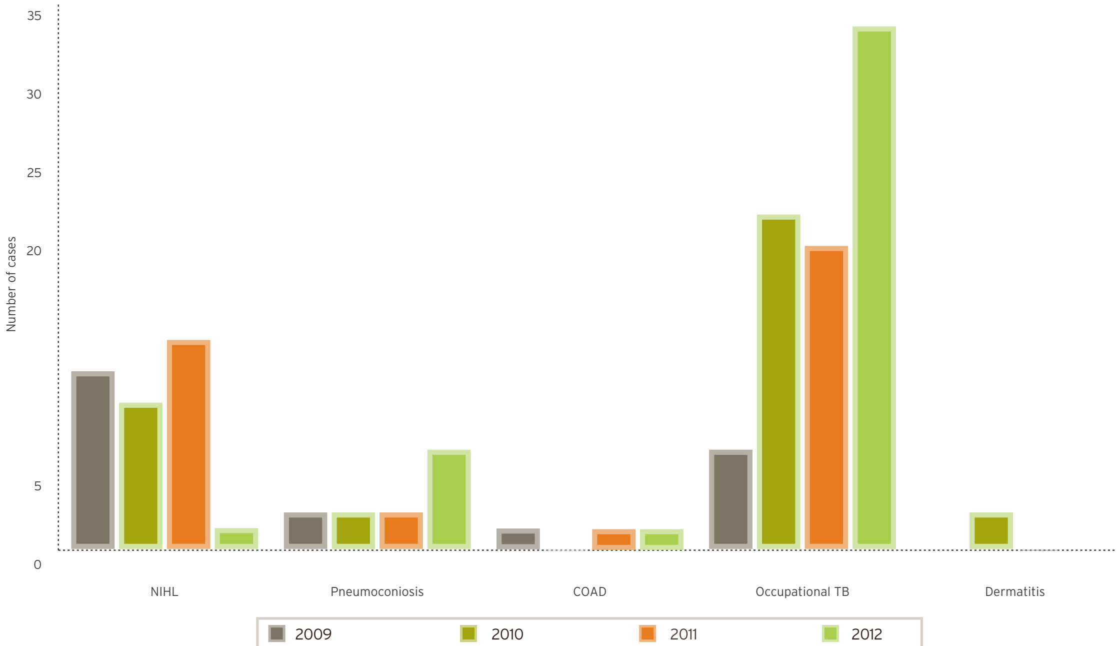
Reported cases are those newly diagnosed and submitted to the compensation authorities to confirm they are work-related and eligible for compensation as per the Compensation for Occupational Injuries and Diseases Act (COIDA) and Occupational Diseases in Mines and Works Act (ODMWA).

In 2012, Exxaro reported 119 occupational diseases compared to 102 in 2011. Over 50% are TB (66). We reported cases of pneumoconiosis (24), chronic obstructive airways diseases (COAD) (7) and NIHL (22).

Accepted occupational diseases

These are cases where it can be demonstrated that the condition is work related and are thus accepted for compensation. In 2012, Exxaro had 40 occupational disease cases accepted for compensation: pneumoconiosis (6), occupational TB (33), NIHL (1) and chronic obstructive airway disease (1). There were no cases of silicosis.

Accepted occupational diseases



Mining sector targets on noise and silicosis

In 2003, the mining sector set targets to eliminate silicosis and noise-induced hearing loss:

Noise

- Reduce NIHL to less than 10% per individual by 2008
- Reduce noise from equipment to under 110dB(A) by 2013.

Silicosis

- By December 2008, 95% of all exposure measurement results <0,1mg/m^3 for respirable crystalline silica
- Eliminate silicosis by 2013.

Current status (2012)

In 2012, Exxaro has:

- No cases of silicosis
- 22 cases of employees with hearing loss were submitted to Rand Mutual Assurance (RMA) and two have been rejected and one accepted. We await feedback on the balance.

  Continued implementation of the hearing conservation and dust-control programmes is essential to reduce the number of new occupational diseases.

Chronic diseases of lifestyle

According to the World Health Organization (WHO), 40% of deaths from non-communicable diseases occur in low- and medium-income countries. The impact on families with a member who has had a heart attack or stroke is the disproportionate spending on medical costs, as well as loss of income, driving the family to poverty.

Experts predict that by 2030 the 10 leading causes of disease will no longer include infectious diseases and maternal and child health conditions but rather diabetes, heart disease and stroke, mental health conditions and respiratory infections.

Poor nutrition during pregnancy and in the first two years of life are predisposing factors to develop chronic vascular diseases (heart attacks and strokes) and diabetes later in life. As such, the prevention and control of chronic disease of lifestyle is important to preserve health gains made over the last century.

In the mining industry, possible injuries as a result of side effects of treatment or complications from the condition could, in certain circumstances, be fatal. Controlling and managing chronic diseases is a proactive measure aimed at reducing deaths and ill health.

Risk factors for chronic diseases of lifestyle

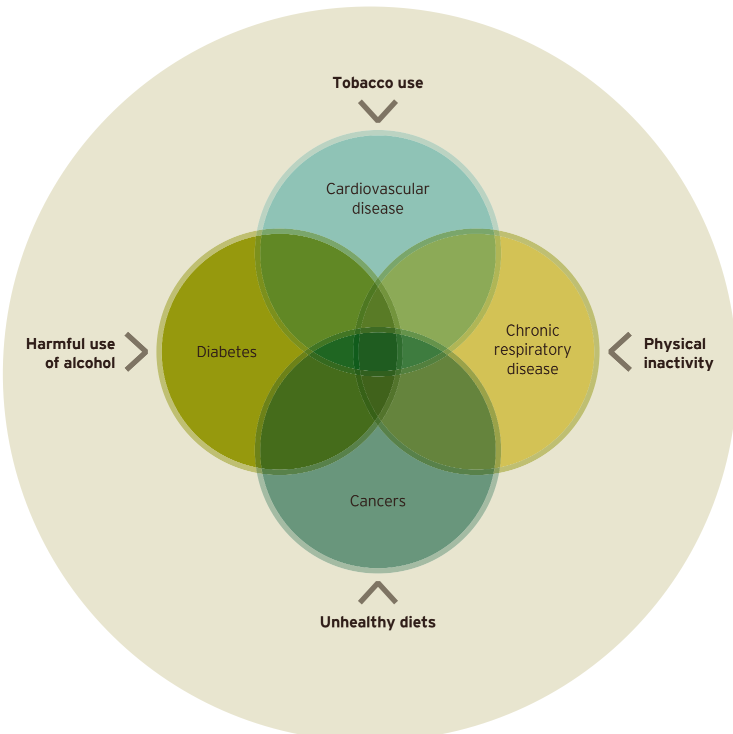


Diagram taken from WHO: Global study for the prevention and control of non-communicable diseases

Exxaro survey of chronic diseases of lifestyle

While legislation provides for employers to manage and report occupational diseases, chronic diseases of lifestyle (CDL) also have a major impact on the health of employees and may affect the fitness to perform work. In the sample of Exxaro employees surveyed:

- 36% who have CDL have a history of smoking
- 66% of smokers have hypertension
- 75% of those with hypertension were obese
- 17% of those with diabetes were obese.

This information will be used to integrate the prevention and control of chronic diseases in workplace health programmes. A standardised approach on collecting information on chronic diseases will be implemented to ensure information on chronic diseases is captured. This will be supported by case management and monitoring the progress of individuals with chronic diseases.

HIV/Aids and TB

Although the prevalence of HIV/Aids across Exxaro is currently estimated at 13%, compared to 25% across the industry, we continue to concentrate on educating our people about this pandemic, with encouraging results. With appropriate counselling and support, 91% of our workforce (excluding contractors) voluntarily tested between 2010 and 2012, and the numbers enrolling on treatment programmes are rising steadily.

As part of our commitment to an HIV-free future, during the year Exxaro launched an initiative to encourage employees to disclose their HIV/Aids status. The reason was that, despite resources provided by the company, not enough employees were benefiting from the HIV/Aids programme. Following the launch of this initiative in June 2012, there was a marked increase in the number of people enrolling on the HIV/Aids management programme. The decrease in the number of enrolled people observed in 2011 was due to the separation with our zinc business which had two business units.

During 2012, 3 616 employees under went voluntary counselling and testing (VCT).

Exxaro is making headway in its fight against the spread of HIV/Aids. Since January 2010:

- 8 747 people have attended HIV training
- 8 092 (92%) were counselled
- 7 948 (91%) were tested and 7 646 (87%) know their status
- 2 666 had never tested before (or not in the prior two years)
- 1 054 tested HIV positive; and 428 (41%) were testing for the first time
- 6 894 tested HIV negative
- 98 people are on anti-retroviral treatment.

Dealing with stigma

In June 2012, a disclosure initiative was launched by Exxaro's CEO, who emphasised that discriminating against HIV-positive employees is not acceptable. Most business units have rolled out this initiative, with some encouraging signs in the second half of 2012:

- An increase in the number of employees openly living with HIV (from two to five individuals)
- Over 130 employees enrolled onto the HIV management programme (from 322 to 454). In addition, we started training line managers in the required skills to support employees who disclose their status. This will be rolled out further in 2013.

Community HIV programme

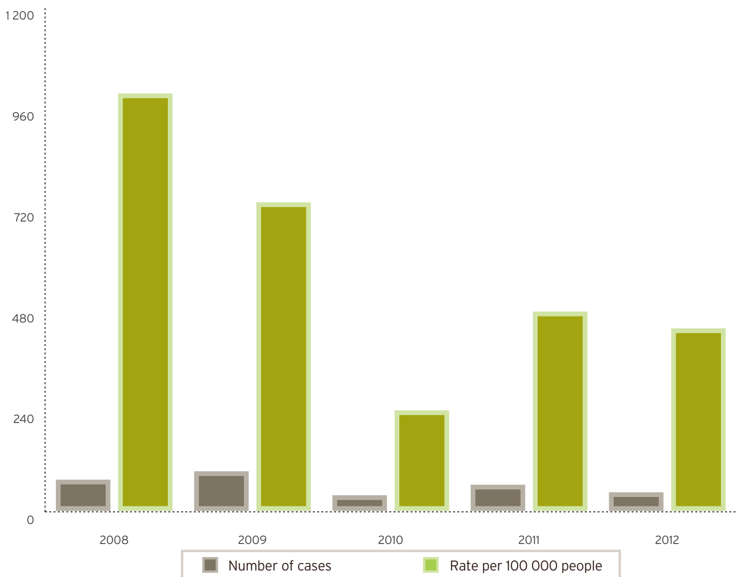
After initiating community HIV programmes in areas surrounding six operations (in Mpumalanga) in 2010 and 2011, these programmes were established at another three business units in Limpopo in the review period. A total of 164 community peer educators have been trained as part of our HIV community awareness programme.

Tuberculosis

According to the World Health Organisation, in 2010, almost nine million people fell ill with TB globally and 1,4 million died as a result, making this one of the most prevalent of diseases and the biggest killer. Compounding the issue, people with compromised immune systems have a much higher risk of falling ill. The HIV/Aids prevalence rate in South Africa makes managing TB a particular challenge. Early diagnosis and proper treatment is key to tackling a disease that has reached crisis proportions in our country.

Exxaro's TB rates (per 100 000) remain similar to the general population. In 2012 we concentrated on reviewing the implementation of our TB management standard at three sites. In 2013, we will continue these reviews and implement corrective actions where required.

Tuberculosis infection rates



Employee wellness

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

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

During the year, an increasing number of our people used this service for:

- Financial problems
- Personal and emotional difficulties
- Family matters
- Work-related challenges
- Dependency on substances.

Programmes are in place at all business units to manage social, psychological and mental health challenges, both reactively and proactively. Exxaro also has a programme focusing on executive wellness. This consists of a holistic assessment as well as general support to the executive team.

Most business units again arranged wellness days in 2012. Service providers conduct different health-screening tests and advise participants on lifestyle issues. These days are open to employees, family members and the broader community. Although participation is voluntary, attendance is very good and contributes to the effectiveness of our wellness programme.

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

Remuneration report

In 2012 Hay Group and 21st Century were engaged to benchmark Exxaro's remuneration practices against best practice and governance requirements. A number of recommendations have been implemented, and this process will continue.

Philosophy

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

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

The remuneration and nomination committee (Remco) 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 executive directors, non-executive directors, senior management and all other employees.

The committee comprises five non-executive directors of which the majority is independent. The CEO, finance director (FD) and executive head: human resources are invited to attend any meeting, but do not have any voting rights. For full details on the committee, refer to the governance review on page 214.

At the annual general meeting on 24 May 2013, shareholders will be requested to approve the remuneration policy outlined in this report as a non-binding advisory vote and authorise the board of directors to undertake the necessary steps to implement this policy. Resolutions for consideration are included in the notice of meeting on page 332.

Benchmarking

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

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

Policy

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

Exxaro remuneration: Overview

<table>
<tr><th colspan="2" rowspan="3">Remuneration elements</th><th colspan="4">Management and specialist category employees</th><th>Bargaining category employees</th></tr>
<tr><th>Executive management</th><th>Senior management</th><th>Middle management</th><th>Junior management</th><th rowspan="2">A-CM band</th></tr>
<tr><th>F band</th><th>E band</th><th>DU and DM band</th><th>CU and DL band</th></tr>
<tr><td rowspan="3">Guaranteed remuneration</td><td>Notional cost of employment or basic salary</td><td colspan="4">Annual adjustments based on:
• Performance
• External market
• Internal parity
• Affordability</td><td>Annual adjustments based on:
• Wage negotiations
• Mandate on affordability</td></tr>
<tr><td>Benefits</td><td colspan="5">• Retirement fund: employer and employee contributions
• Medical aid: employer and employee contributions
• Housing: company housing or allowances/subsidies applicable to specific business 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="2">Short-term incentives</td><td colspan="3">Special performance:
• Individual performance base
• Business unit stretch budget achievement</td><td colspan="2">Not applicable</td></tr>
<tr><td colspan="5">Second and third tier above target improvement incentives:
• Capped at 30% of Exxaro's above-budget improvement
• Annually set stretched targets</td></tr>
<tr><td rowspan="4">Long-term incentives</td><td colspan="2">Deferred bonus plan (EM as from 1 March 2013, previously from EU and above)
• Share match</td><td colspan="3">Not applicable</td></tr>
<tr><td colspan="3">Long-term incentive scheme (DM and above)
• Performance conditions</td><td colspan="2">Not applicable</td></tr>
<tr><td colspan="3">Share appreciation right scheme (being phased out, no new allocations since 1 April 1202)
• Performance conditions</td><td colspan="2">Not applicable</td></tr>
<tr><td colspan="3">Not applicable</td><td colspan="2">On 22 May 2012, shareholders approved a new five-year employee share option scheme (Mpower 2012) effective from 1 July 2012 until 31 May 2017</td></tr>
</table>

Guaranteed remuneration

Management and specialist category

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

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

Non-management category

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

Benefits

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

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 36 of the annual financial statements.

All 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
Exxaro Selector Funds	7,00 – 8,00	10,00 – 15,00	17,00 – 22,00
Iscor Employees Umbrella Provident Fund	7,00 – 8,00	10,00 – 15,00	17,00 – 22,00
Mine Workers Provident Funds	7,50 – 10,70	12,50 – 15,00	20,00 – 24,65

Exxaro-accredited retirement funds are defined contribution funds.

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

Medical benefit funds

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

Business unit	Exxaro Coal Mpumalanga	Zincor	Exxaro other (including all management and specialist category of employees)
Fund names	Bonitas Discovery Sizwe WCMAS (ring fenced)	Discovery Sizwe	Bonitas Discovery Sizwe Umvuzo
Employee contributions	50%	50%	40%
Employer contributions	50%	50%	60% capped

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

Contributions to medical funds, charged against income, are also reflected in note 36 of the annual financial statements.

Short-term incentives

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

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

- Individual performance reward
- A three-tier performance incentive:
  - On-target business unit incentive
  - Commodity business improvement incentive
  - Group improvement incentive.

Individual performance reward

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

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

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

The three-tier performance incentive

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

First tier

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

Second tier

The second tier is based on exceeding the commodity business unit budgeted consolidated net operating profit.

Third tier

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

Long-term incentives

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

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

The table summarises Exxaro's long-term incentives and details of awards granted and cancelled between 31 December 2011 and 31 December 2012.

Plan	Eligibility (employee Paterson band)	Date implemented	Rights/ shares on 31 Dec 2011	Maximum award per individual	Performance condition	Vesting period	Grants in 2012	Grants cancelled in 2012	Total grants from inception to 31 Dec 2012
Share appreciation rights	DM — FU employee Paterson band	01/03/2007	7 347 556	229 902	HEPS*	3 years	175 177	256 187	5 562 816
Long-term incentive plan	DM — FU employee Paterson band	01/03/2007	1 478 880	152 515	50% TSR** 50 % ROCE***	3 years	2 022 702	144 148	2 649 562
Deferred bonus plan	EU — FU employee Paterson band	31/08/2007	108 500	15 190	Reached short-term incentive goal in order to qualify for a value to be matched	3 years	25 390	1 298	80 724

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

Share appreciation right scheme

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

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

Long-term incentive plan (LTIP)

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

Grant limits	**Employees on Paterson DM – FU**
Vesting period	Three years, subject to achieving performance conditions over a three-year performance period.
Performance conditions	Equally weighted between return on capital employed (ROCE) and total shareholder return (TSR). • ROCE: Minimum and maximum ROCE targets are set annually. The ROCE portion of the award will vest linearly between 0% for achieving the minimum ROCE target and 100% for achieving or exceeding the maximum ROCE target. Accordingly, if Exxaro achieves a ROCE target that is lower than the maximum target, but higher than the minimum target, only a portion of the awards will vest. • TSR: Annually a peer group of companies is selected to compare TSR. The TSR portion of the award vests linearly between 0% for a TSR equal to the minimum TSR of the peer group and 100% for a TSR equal to the maximum TSR of the peer group. Thus, if Exxaro achieves a TSR target that is lower than the maximum target, but higher than the minimum target, only a portion of the awards will vest.
Peer group for TSR evaluation	Our peer group consists of Exxaro's direct and indirect competitors, namely: Yanzhou Coal Mining Company Limited, African Rainbow Minerals Limited, Sasol Limited, Lonmin plc, Xstrata Limited, OZ Minerals Limited, Aquarius Platinum Limited, PPC Limited, Shenhua Group Corporation Limited, Arch Coal Incorporated, Gold Fields Limited, Iluka Resources Limited, Impala Platinum Holdings Limited, Boliden Limited, Tech Cominco Limited and Anglo American plc.
Other	• TSR performance is measured by PwC to confirm achievement of target and ROCE achievement is audited by the internal auditors. • Participants receive a payment settled in equity on vesting.

Deferred bonus plan

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

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

Mpower 2012 (Exxaro employee share option scheme)

The Mpower 2012 scheme was implemented on 1 July 2012, and will run for a five-year period until 31 May 2017. Only employees on Paterson D2 band and lower qualify to participate. Employer companies in the Exxaro group made capital contributions of R75 000 for each qualifying employee to enable the share subscription. Each qualifying employee on 1 July 2012 received 387 shares. Employees who join later will receive a pro-rated number of shares. On 31 December 2012, there were 7 290 beneficiaries participating in the scheme.

In addition, in October 2012, Mpower 2012 paid R9 686 334 in dividends to beneficiaries of the scheme.

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

Directors

Information on the remuneration of executive directors and non-executive directors appears in the directors' and prescribed officers' remuneration report on page 257.

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

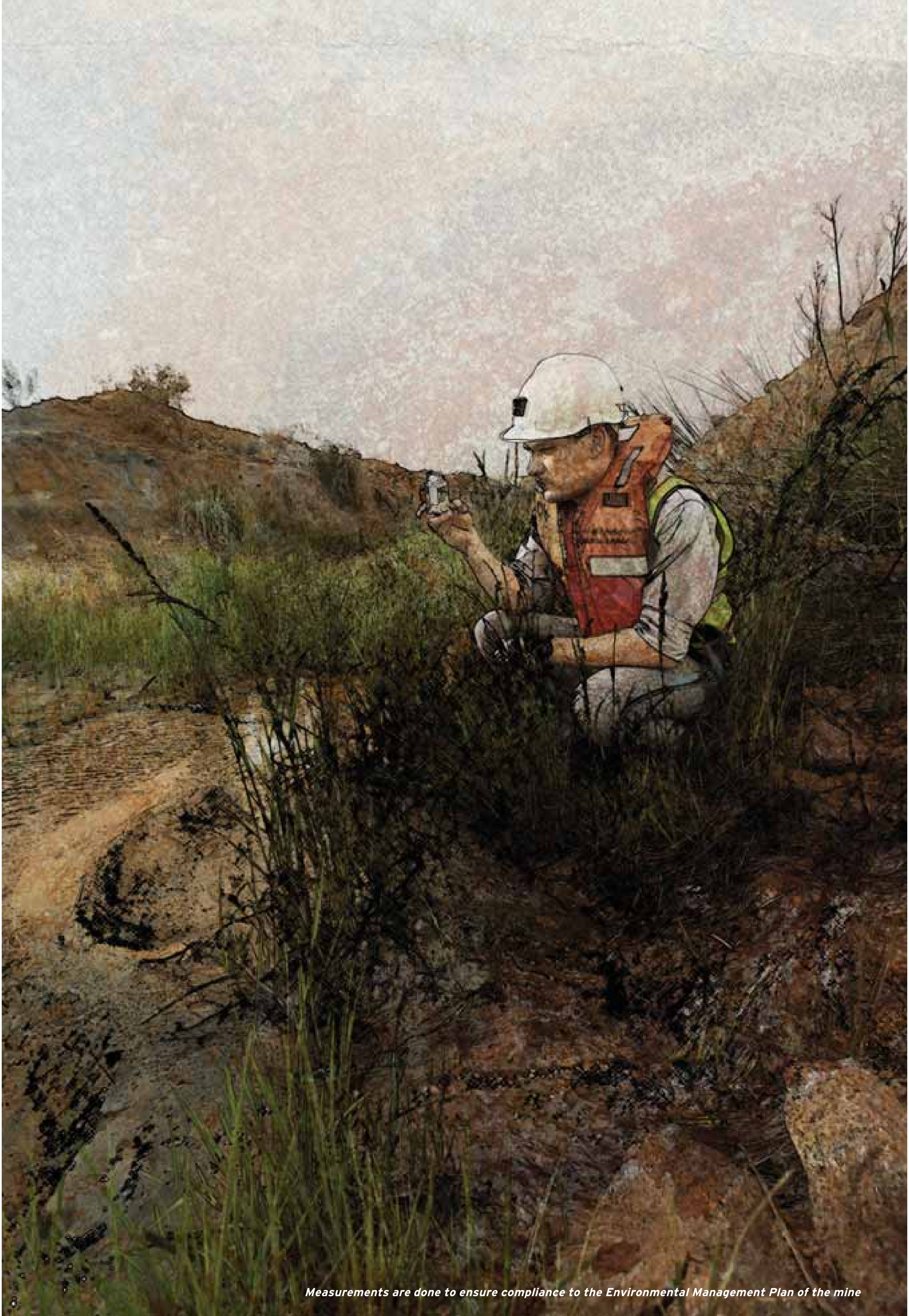
Prescribed officers

Recommended practice, in line with King III (2.26.2), is to disclose the salaries of the three most highly paid employees who are not directors. In Exxaro, these individuals are also prescribed officers, as defined in the Companies Act No. 71 of 2008, as amended, and hence full disclosure of the remuneration of all prescribed officers appears in the directors' report on page 257.

RP Mohring
Chairman: Remuneration and nomination committee

08

natural capital



Measurements are done to ensure compliance to the Environmental Management Plan of the mine

NATURAL CAPITAL

Exxaro's green timeline

2012
- Carbon footprint significantly reduced
- Cennergi is preferred bidder on two wind energy projects totalling 234MW – the Amakhala Emoyeni and Tsitsikamma wind farms

2011
- Launched biodiversity, waste and air programme
- Formed stand-alone energy company, Cennergi, with international energy partner
- R107 million spent on developing cleaner energy initiatives – a combination of co-generation, carbon credit trading, renewable energy, biodiesel, coal-bed methane development and coal base-load projects

2010
- Major water management programme introduced
- Developing renewable energy projects

2009
Comprehensive response developed to energy, carbon and climate change management

2008
- Energy efficiency task team established, voluntary champions at each business unit
- Sponsors Unisa chair in business and climate change for three years

2007
Carbon emissions reported for the first time (19 million tonnes of CO_2e)

2006
Exxaro adopts Energy Efficiency Accord

Most of these have at least a 12-month cycle

Environment – investing in our natural world

Sustainable development issues are central to Exxaro's business, none more so than the use of natural resources like water, air, biodiversity and land. Using these responsibly means:

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

Accordingly, Exxaro focuses on conserving natural resources and reducing the burden of pollutants on the environment by:

- Minimising the use of natural resources
- Complying with all statutory environmental requirements as a minimum
- Actively participating in all non-statutory environmental compliance requirements such as the global carbon and water disclosure projects, among others
- Developing innovative policies and programmes for addressing environmental impacts and use of natural resources.

All Exxaro's South African operations have environmental management programmes (EMPs) as required under the Mineral and Petroleum Resources Development Act (MPRDA) and the National Environmental Management Act (NEMA). All EMPs are key indicators in ensuring Exxaro remains a sustainable business. Eleven amendments were made to EMPs during 2012. Exxaro also adopts the precautionary principle entrenched in NEMA in evaluating the environmental impacts of business opportunities. All South African operations have submitted applications for integrated water use licences, with 21 of 24 granted to date. In the outstanding areas, Exxaro's water use is permitted under the old water act. Grootegeluk, char and GMEP share one integrated water use licence.

In recent years, we have developed comprehensive group standards to enhance implementation of legal requirements and the sustainable use of natural resources. These include management standards for air quality, water, energy, rehabilitation and mine closure, and environmental incident management and reporting.

We believe conservation is becoming increasingly important, given the enormous value of biodiversity and tourism to the South African economy. Accordingly, we intend to be a mining company that leads by example in protecting, enhancing and conserving the country's biodiversity and demonstrating that mining activities can co-exist with world-class biodiversity conservation initiatives. That way, we ensure the right of future generations to a healthy, complete and rich environment. Various conservation measures are being implemented that underscore Exxaro's commitment to entrench duty-of-care principles.

Highlights

- Significant reduction in carbon footprint
- Cennergi selected as preferred bidder in two wind energy projects in the Eastern Cape:
  - Amakhala Emoyeni wind farm near Bedford (140MW)
  - Tsitsikamma Community wind farm in Mfengu community land (95MW)
- Cennergi received the SAWEA industry award for its contribution to South Africa's wind industry.

Focus areas

After a strategic review of key environmental risks from Exxaro's operations, the following challenges were identified:

- Air quality management
- Water quality management, security of supply (page 131)
- Hazardous waste management (page 151)
- Biodiversity management (page 136)
- Ongoing rehabilitation (page 148)
- Cost of, and provision for, environmental liabilities
- Lead time for securing environmental authorisations
- Increasing statutory and non-statutory environmental requirements.

Air quality

As a mining group, air quality is a material risk to Exxaro on several levels, particularly dust and other criteria pollutants (eg PM10 and PM2,5) from opencast operations. Accordingly, we focus on:

- Minimising impact on the receiving environment
- Full legislative compliance
- Air quality management planning
- Risk management
- Monitoring, measurement and reporting.

Progress on implementing new management standard

Objectives	Critical success factors	Key outputs: What	Key outputs: When	Progress
Fully-compliant, sustainable air quality management system, 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	Baseline assessments under way in business units as part of air quality management
Ensure Exxaro's air quality framework enables sustainable business growth		Develop air quality management plans Performance review	First quarter 2013 Third quarter 2013	Air quality management plans are available for some business units. Work in progress for balance

Exxaro's long- and short-term goals for air quality management will include:

- Initiating smaller particulate matter (PM10 and PM2,5) monitoring at some business units, particularly those close to sensitive receptor areas by 2016
- Redesigning dust fallout and PM10 monitoring networks in our business units, in line with mining schedules by 2015. This will ensure fair representation and accuracy of monitored data
- Meteorological monitoring to ensure availability of surface data for temperature, wind direction, wind speed, etc by 2016. This data will be used for dispersion modelling, baseline characterisation, dust fallout monitoring and reporting, etc
- Ensuring compliance to air quality standards and guidelines in the country by 2015

Aligned to the 2007 national framework, currently under review, Exxaro's air quality management framework helps business units identify, quantify and determine the impacts of emissions, manage compliance and aim for continuous improvement.

In applying this framework across our operations, particularly the emission inventory process, most of our ambient pollution impacts relate to emissions of particulate matter or dust deposition from mining activities. For the review period, Exxaro also operated smelting operations in its mineral sands and base metals commodity businesses, which are classified as listed activities (National Environmental Management: Air Quality Act, No. 39 of 2004). Emissions from smelters are regulated by an atmosphere emission licence issued by licensing officers of the metropolitan municipality, district municipality or provincial environmental departments.

Emissions from mining operations

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

All mining operations monitor daily dust fallout rates and results are assessed against South African national standards (SANS 1929:2005: Limits for common pollutants).

Although Exxaro's operations are classified under industrial targets, according to SANS limits, some operations are close to residential areas. As such, we track our compliance against the more stringent residential limit (600mg/m^2/day) instead of the industrial limit (1 200mg/m^2/day) to minimise the impact on residents.

We are concentrating on improving our mitigation measures for operational activities that contribute significantly to dustfall. This will ensure fallout dust is reduced to the SANS residential limit.

Comparing Exxaro's dust fallout rate against the regulated industrial limit, our averaged coal operations exceeded the limit for three months in 2012.

Results from Exxaro's monitoring points

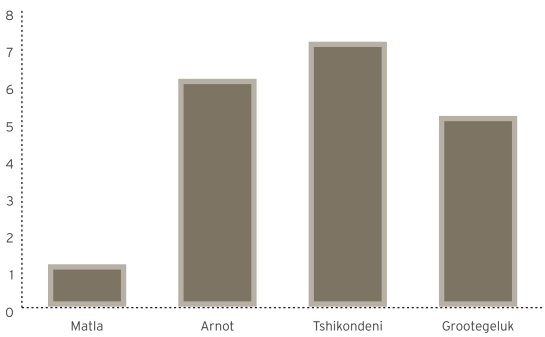
Commodity	**Long-term target**	**Average monthly fallout rate** 2012	2011
Coal	300mg/m²/day	480	393

Commodity	Compliance target (not to be exceeded three times or two consecutive months)	Number of points monitored with single bucket		Industrial standard – months exceeded** 1 200mg/m²/day (single monitoring)* Average per operation		Worst-performing operation		Residential standard – months exceeded 600mg/m²/day (single bucket monitoring)* Average per operation		Worst-performing operation	
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Coal	600mg/m²/day	73	65	2	1	7	3	3	5	11	8

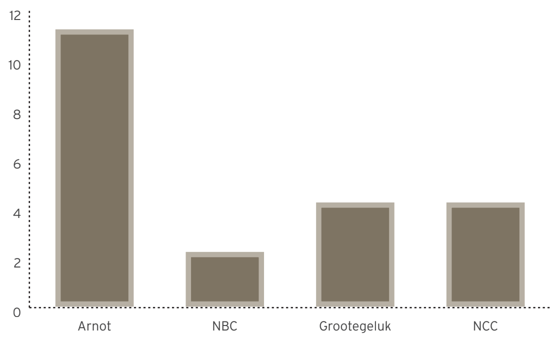
* *Table excludes Leeuwpan and Inyanda which both use a different four-bucket monitoring system for dust fallout*
** *Dust fallout becomes a level 2 environmental incident if: the number of reportable environmental incidents with reversible on-site and immediate surrounding impacts will involve more than 48 hours clean-up activities and a negative impact on shareholder value of R50 000 to R500 000 worth of damage has definitely occurred*

Fallout dust analysis

Compliance to industrial



Compliance to residential



* *Only single dust bucket results considered for compliance assessment purposes*

Environmental accreditation

All Exxaro's business units have ISO 14001 accreditation, reflecting the global industry standards in place to minimise environmental impacts.

Legal compliance

South African mining companies are heavily regulated — and receiving, converting and retaining their mining licences centres on compliance. To ensure we continue to at least meet legal requirements, compliance across Exxaro is monitored by two board-mandated entities: the sustainability, risk and compliance committee as well as the social and ethics committee.

Running all our operations with approved EMPs or environmental management plans is fundamental to our sustainability and legal compliance. Some EMPs are being updated to align to the MPRDA and to include new developments, for example Medupi conveyor and Medupi warehouse.

Significant fines and directives received during the year included:

- North Block Complex: Glisa's above-ground diesel tank was authorised after being fined for non-compliance in February 2011.
- Grootegeluk was instructed to clean up its industrial waste. An action plan was prepared and submitted to DMR, followed by a progress report with evidence. The plan was approved by DMR.
- Leeuwpan received notices from DWA for mining activities close to a wetland area and constructing a river crossing. Exxaro responded to these notices promptly and, in December 2012, the High Court suspended them. See governance report for more detail.
- North Block Complex's Glisa received a directive from DWA's compliance monitoring and enforcement section for not having a water use licence even though many of Glisa's activities were authorised under the old water act. The directive was suspended in the High Court.
- In April 2012, a directive was issued by the Mpumalanga DMR requesting Exxaro and other mines to provide information on rehabilitation activities and water management. After discussions with the DMR to clarify exact requirements, the mining companies responded to these directives, outlining environmental management practices implemented by various mines.
- Tshikondeni received a notice from the DWA Limpopo on water licence compliance gaps. An action plan addressing these gaps was submitted to the department.

Incident reporting

Exxaro's standardised reporting system ensures all business units manage incidents effectively, leading to a safer and more sustainable work environment. In 2012, 11 level 2 incidents occurred and were reported to the relevant authorities. Corrective actions to remedy the incidents and prevent recurrence were approved by authorities prior to implementation. There were no significant (level 3) incidents in 2012.

Environmental incidents – group

	Level 1		Level 2		Level 3	
Commodity business	2012	2011	2012	2011	2012	2011
Exxaro coal	357	323	6	19	None	None
Arnot	55	–	–	–	None	None
Char plant	4	–	–	–	None	None
Durnacol	–	–	–	–	None	None
Grootegeluk	129	103	2	–	None	None
Hlobane	–	–	–	–	None	None
Inyanda	17	18	2	13	None	None
Leeuwpan	73	25	–	1	None	None
Matla	32	101	–	–	None	None
New Clydesdale Colliery	46	76	–	1	None	None
North Block Complex	–	–	–	4	None	None
Tshikondeni	1	–	2	–	None	None
Mineral sands*	54	280	5	9	None	None
KZN Sands	–	113	5	8	None	None
Namakwa Sands	54	167	–	1	None	None
Base metals and industrial minerals	–	–	–	–	None	None
Rosh Pinah	–	–	–	–	None	None
Corporate office	–	–	–	–	None	None
AlloyStream	–	–	–	–	None	None
FerroAlloys	–	–	–	–	None	None
R&D	–	–	–	–	None	None
Total	411	603	11	28	None	None

Level 1: Minor impact and/or non-compliance
Level 2: Intermediate impact and/or non-compliance
Level 3: Major impact and/or non-compliance
** Mineral sands only to June 2012*

Environmental incidents — level 2 detail

Business unit	Description	Receiving environment	Response
KZN Sands	Overspray from mining activities	Nearby manufacturing facility	Affected building cleaned and repainted
KZN Sands	Baghouse 10 stack exceeded permit requirements	Air pollution	Bags replaced with better-quality items
Inyanda	One dust bucket exceeded air quality standard of 1 200mg/m^2/day	Air pollution	Dust suppression measures
KZN Sands	Smelter underflow spilled to Hillendale Mine	Road, no damage to private property	Road cleaned and tankers repaired to higher specifications
Inyanda	Blackhill station 2 (all buckets) and station 5 (East bucket) exceeded air quality standard of 1 200mg/m^2/day	Air pollution	Dust suppression measures
KZN Sands	Overflow of subsurface drainage	uMhlatuze River	Infrastructure improved, pump repaired and water samples analysed
KZN Sands	Smelter underflow spillage en route	Road, no damage to private property	Road cleaned and tankers repaired to higher specifications
Tshikondeni	Fire in scrap area	Air pollution	Burned material disposed of as hazardous waste, contractor employee retrained
Grootegeluk	Oil spill	Plant area	Affected area and water professionally cleaned
Tshikondeni	Water flowing into mini-pits	Potential groundwater pollution	Spill cleaned, employees trained
Grootegeluk	Water overflowing	Veld at nearby dam	Necessary equipment modifications effected

Climate change

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

To remain competitive and sustainable, we are dealing with potential energy shortages, rising costs of energy, climate change and related environmental concerns as imperatives in our long-term business strategy, using a dual approach:

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

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

Risks and opportunities of climate change

Three years ago, we commissioned an independent physical climate-risk assessment of Exxaro's operations in southern Africa. This study highlighted key risks from climate change as floods, droughts, heat, disrupted transport infrastructure and increased vulnerability of local communities and workforces. The possible implications are outlined below:

- Mine-specific risks such as physical impacts from weather damage and risks to health and safety (including availability of trains, slimes dam-handling capacity, evaporation, etc)
- Flooding – infrastructure damage leading to production losses; flooded pits and dams contaminating clean water and breaching operating licence conditions; and deterioration of product quality
- Fatigue – from heat, humidity and dehydration leading to more accidents, in addition to skills retention and talent management in an unattractive environment
- Community-specific risks such as water scarcity, disease, loss of infrastructure, and impact on nearby agricultural communities
- Drought-concerns around water scarcity and increased cost of water for the whole region as well as higher cost of land management – fauna, flora and rehabilitation, increased fire hazards and greater demand for dust suppression
- Group risks – not continuing to achieve the targets and deliverables set out in the carbon management programme
- Carbon pricing and regulatory developments, such as carbon taxation especially for energy-intensive sectors.

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 was to improve energy efficiency and reduce carbon emissions each by 10% by the end of 2012. We partially achieved both targets.

As part of this strategy, we have established a stand-alone energy supply company, Cennergi, to feed the national grid and third-party customers. In a joint venture with Tata Power of India, Cennergi will focus on greener power production to contribute to lowering carbon emissions and position South Africa as proactively driving sustainability.

Carbon footprint

Exxaro's data management and reporting continues to mature. In 2012, the carbon database was migrated to the main systems platform as the accepted base for reporting on carbon disclosure and carbon footprint statistics.

Exxaro is focused on reducing its carbon footprint and, in 2010, committed to an absolute emissions reduction of 10% by 31 December 2012. By the end of the review period, we had achieved this target. In 2013, we have implemented a new target, premised on improving overall energy efficiency across the group, which is expected to yield further emissions reductions of around 5% by the end of 2013. Scope 3 emissions are reported for the first time in the current financial year.

Definitions

- Scope 1 emissions are direct greenhouse gases (GHG), measured in carbon dioxide equivalent tons (t CO_2e) of emissions from sources owned or controlled by the company, eg emissions from diesel, petrol, gas and anthracite combusted in daily mining operations
- Scope 2 accounts for GHG emissions from electricity bought from Eskom
- Scope 3 emissions are defined as being outside Exxaro's control but occurring as a result of our products or activities, ie from the sale of coal, business travel, purchased goods and services, employee commuting and transportation.

In 2012, scope 1 and scope 2 emissions reduced by 21,9% and 40,0% respectively and by 36,6% combined. Exxaro's scope 3 sale of product CO_2e emissions for the year (70 538kt) were in line with 2011's reported emissions of 70 576kt CO_2e.

We have also identified opportunities to reduce lifestyle carbon footprints. The Exxaro projects that will reduce the carbon footprint are divided into confirmed, probable and possible projects and some examples include:

- Confirmed projects (approved)
  - Energy efficiency
  - Co-generation
- Probable projects (bankable)
  - Co-generation
  - Wind projects (Amakhala-Emoyeni and Tsitsikamma)
- Possible projects (up to feasibility)
  - Wind power generation
  - Solar power generation
  - Biodiseal

GHG emissions (kt CO_2e)

	2012	2012 %	2011	2011 %	2010	2010 %	2009	2009 %
Scope 1:	346	24	443	19	503	21	529	21
Diesel	187	13	210	9	207	9	205	8
Sasol gas	11	1	14	1	13	–	15	1
Fugitive emissions	78	5	75	3	86	4	86	3
Paraffin	10	1	18	1	18	1	17	–
Anthracite	58	4	118	5	164	7	195	8
Other	2	–	8	–	15	–	11	1
Scope 2:								
Electricity	1 117	76	1 863	81	1 924	79	1 976	79
Total scope 1 and 2	1 463	100	2 306	100	2 427	100	2 505	100
Scope 3*:	70 645		70 754		72 310		*	
Product sales	70 538		70 576		72 126		*	
Transmission losses	107		178		184		*	
Total scope 1, 2 and 3								

* *Emissions from product sales and grid transmission losses contribute more than 99% to total scope 3 emissions. Scope 3 emissions were not quantified in 2009*

Adjustments made to previously reported Scope 2 GHG emissions resulting from the amendment of the GEF are presented below:

kt CO_2e	2011	2010	2009
Previously reported	2 041	2 108	2 165
Adjustments attributable to amendment of the GEF	(178)	(184)	(189)
Restated	1 863	1 924	1 976

There has until now been no general consensus on the methodology to be used in calculating the GEF for South Africa's electricity grid, or on the actual number. In the current financial year, a group comprising Exxaro, the National Business Initiative (NBI), Carbon Disclosure Project (CDP) and an external consultant devised a methodology that adhered to the Greenhouse Protocol corporate accounting and reporting standard for emissions, and resulted in a GEF of 0,94t CO_2e/MWh for South Africa for 2011. This is some 10% less than the 1,03t CO_2e/MWh previously assumed. In the absence of an update for 2012, this factor has been implemented for the current financial year and has been applied retrospectively to the base and succeeding years.

Carbon disclosure

Carbon emission disclosure is vital for companies today — both from the perspective of environmental stewardship as a responsible corporate citizen and to develop an accurate energy and carbon database which will become compulsory and when proposed carbon taxation is promulgated.

Exxaro has participated in the Carbon Disclosure Project (CDP) in South Africa since 2008. CDP is the only global climate-change reporting system, representing over 655 institutional investors with US$78 trillion of assets under management in 2012. Over 3 000 organisations in around 60 countries now measure and disclose their greenhouse gas emissions, water management and climate change strategies through CDP. This data is made available for use by a wide global audience and provides valuable insights into corporate strategies while driving investment towards those companies adhering to sustainable carbon and emissions management.

In 2012, Exxaro again performed well on both CDP measures:

- Carbon disclosure leadership index (measures only quality and completeness of response) — Exxaro achieved the top score of 100 points, a first for South Africa and the company, improving on its score of 94 in 2011
- Carbon performance score (measures the ambition and success of a company's short- and long-term actions to mitigate climate change) — Exxaro scored B. According to CDP criteria, that places Exxaro among the top performers that have demonstrated integration of climate change recognised as a priority for strategy, with not all initiatives fully established. We acknowledge, however, that this is an on going process of improvement.

As part of our focus on continuous improvement, in 2012 we enhanced both disclosure and performance by:

- Integrating carbon and water risk management into the formal Exxaro risk management system
- Aligning CDP supply chain management requirements with our green supply chain management initiatives.

This will ensure we are well prepared for proposed mandatory reporting on issues such as carbon budgeting, emissions measurement, reporting and verification and carbon pricing.

Energy management

Exxaro has consolidated its approach to clean energy at corporate level in recent years, and integrated this into the group strategy. This has given us a clearer understanding of the risks and opportunities presented by energy in the broader sense, and enabled us to focus on improving capacity and capability in our business to manage climate change-related issues.

Externally, this has included funding Exxaro chairs at different universities in business and climate change, and energy efficiency, to support research, education and advocacy. This has also raised awareness of Exxaro's corporate citizenship and environmental stewardship with government and external stakeholders. Internally, to remain competitive while dealing with climate change and related environmental concerns, Exxaro is improving its energy efficiency and has committed to several initiatives:

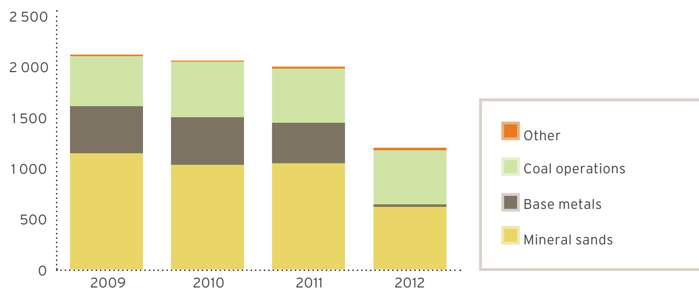
In the past three years, we have concentrated on high energy-consumption areas, specifically electricity consumption. We have aligned our process of monitoring independent business units with Eskom's power conservation programme.

We are also developing a more accurate measure of total energy use from all sources across all business units, and how this relates to production measurements such as run-of-mine tonnes. This makes it easier to effectively compare and measure energy efficiency.

The next step will be to critically evaluate current plant processes. Continuous improvement is embedded in Exxaro's culture and we believe there is solid potential to increase energy efficiency and reduce emissions through operational and process improvements as each operation aims for its specific energy efficiency improvement target.

For 2012, actual electricity consumed was 1 189GWh, 40% lower than 2011 (1 975GWh) and 49,0% lower than the reduced Eskom baseline of 2 330GWh. The improved performance is primarily a result of divested and discontinued operations.

Electricity consumption trend (GWh)



Cleaner production

To reach our goal of becoming a leading participant in the independent production of clean-energy in southern Africa, several research projects are under way to reduce Exxaro's environmental footprint from waste production and water use, including:

- Characterising and assessing coal discards company-wide for electricity generation
- Raising awareness of the importance of water conservation throughout Exxaro. Specifically, investigating further implementation of dry processing technologies as well as water treatment technologies.

In terms of waste management, a concept study is under way at Leeuwpan mine to use discard coal to generate electricity.

For water conservation, a prefeasibility study is being done on acid mine water treatment at North Block Complex. Water-flow meters were installed at all Exxaro mines.

Various dry beneficiation technologies are being evaluated for specific implementation at Leeuwpan, with one of the principal advantages being elimination of process water. Encouraging initial results will be investigated further in the new financial year.

In line with the group's zero-effluent strategy for new projects, dry screening technology was incorporated in the final design and implementation of our Grootegeluk Medupi expansion project to drastically reduce effluent streams and the negative impact of slimes dams.

Environment — responsible use

Water management and efficiency

By local and international definitions, South Africa is a water-stressed region. In 2012 Exxaro began monitoring and reporting according to JSE SRI reporting categories, which are aligned to the definitions and environmental categories from the GRI's mining and metals sector guidelines. The accuracy of water measurement, monitoring and reporting has improved dramatically from 2011 to 2012; however Exxaro has only included water abstraction volumetric data in this report, with the exception of rainfall, abstraction from the sea and dewatering data. Consolidated dewatering volumetric data in some business units is still not at the required accuracy level to be included in the limited assurance in the 2012 integrated annual report. In 2013, Exxaro is developing a rainwater catchment measurement methodology and, since the second half of 2012, we have been replacing stolen and faulty water meters with analogue and telemetric metering, which will mitigate estimated data. For 2013, we intend to report on all water inflow categories. This will be aligned to the reporting format of Exxaro's annual submission to the Water Carbon Disclosure Project.

For Exxaro, conserving water starts with quantifying and qualifying water abstraction and relating these volumes to efficiency indicators. Responsible custodianship can also be determined by re-use and recycling. In addition to these reporting areas, Exxaro's business units measure the use of water abstracted as well as the volumes of stored water. Storage reduces the risk of accidental discharge and enables water re-used and recycling.

Grootegeluk adopted an integrated water management plan to utilise all surface rain water on the mine premises

Business unit	Assurance level	Water source	Water (kilolitres)		Production (kt)		Water withdrawal intensity (kℓ/kt)	
			2012	2011	2012	2011	2012	2011
Coal			7 589 992	10 544 173	38 808	39 244		
Arnot	Limited assurance	Other supplier: potable	523 232	57 2107	2 081	2 291	251	250
Char plant	Water management reporting	Supplied by Grootegeluk	53 121	152 210	43	142	1 235	1 072
Durnacol	Water management reporting	Water abstraction: river Water abstraction: dam Municipal supply: potable	33 768	31 785	No product	No product	No product	No product
Grootegeluk	Limited assurance	Water abstraction: borehole Water abstraction: dam Other supplier: potable	4 160 771	6 292 888	17 517	18 231	238	345
Hlobane	Water management reporting	Municipal supply: potable	937	1 205	No product	No product	No product	No product
Inyanda	Audit assurance	Water abstraction: borehole Water abstraction: dam	99 543	*123 011	1 845	1 918	54	64
Leeuwpan	Water management reporting	Water abstraction: borehole	5 963	470 000	2 601	3 239	62	145
Matla	Water management reporting	Other supply: potable	1 401 538	1 493 114	10 948	10 150	128	147
New Clydesdale	Audit assurance	Water abstraction: river	74 920	289 070	717	628	104	460
North Block Complex	Water management reporting	Municipal supply: potable	17 596	476 553	2 717	2 346	6	203
Tshikondeni	Audit assurance	Water abstraction: river	1 218 603	642 230	339	299	3 595	2 148
Mineral sands			3 972 597	9 038 940	794	1 549		
KZN Sands[#]	Water management reporting	Municipal supply: potable Municipal supply: raw	2 498 329	*6 199 120	335	509	7 458	12 179

Business unit	Assurance level	Water source	Water (kilolitres) 2012	Water (kilolitres) 2011	Production (kt) 2012	Production (kt) 2011	Water withdrawal intensity (kℓ/kt) 2012	Water withdrawal intensity (kℓ/kt) 2011
Namakwa Sands#	Water management reporting	Water abstraction: canal Municipal abstraction: potable	1 474 268	2 839 820	459	1 040	3 212	2 731
Corporate office			112 975	68 685				
AlloyStream	Water management reporting	Municipal: potable – invoiced	52 256	242	Product not disclosed	Product not disclosed		
FerroAlloys	Water management reporting	Municipal: potable – invoiced	9 728	5 077	Product not disclosed	Product not disclosed		
Head office	Invoice based	Municipal: potable – invoiced	46 166	52 083	No product	No product		
R&D	Water management reporting	Municipal: potable – invoiced	4 825	11 283	No product	No product		
Total			12 308 604					

Notes

* *Adjustments made to 2011 reported volumetric data*

\# *Six months data*

Water sourced from independent entities outside of municipal supply, ie water supply from regional water authorities and/or directly from Eskom

Other suppliers of potable and raw water

In 2011 Exxaro reported on volumes for water used. In 2012 Exxaro changed to the GRI EN water abstracted reporting category. This resulted in changes to Inyanda and KZN Sands 2011 reported volumetric data

Audit process: *Water management reporting categories are not subject to audit review*

We are planning water treatment solutions to treat and recycle contaminated water to the fullest possible extent to minimise the water intensity of some mines. To date, all water sources have been qualified and quantified in the Exxaro water database.

As a key resource, our concerns range from availability and security of supply, to efficient and responsible use of scarce resources and regulatory compliance.

In the past two years, we have focused on rolling out the Exxaro water management programme to entrench group policies and standards in each business unit. To be ecologically sustainable, our programme was aligned to best-practice guidelines from the Department of Water Affairs covering:

- Integrated water and waste management planning
- Stormwater management planning
- Water and salt balances
- Water monitoring systems
- Water re-use and reclamation
- Pollution control dams
- Environmental performance indicators.

A centralised water accounting process was implemented in 2011 to enable accurate quantitative reporting. This was extended in 2012 to qualitative reporting. The database is aligned to report accurately on all voluntary and statutory requirements (Carbon Disclosure Project, integrated annual report, JSE SRI, GRI and United Nations Global Compact).

Exxaro regularly updates its operational water balances and has developed system changes to minimise raw-water consumption and prevent losses from the water reticulation system.

Exxaro is committed to water efficiency targets. The first of these was to reduce potable water by 5% by the end of 2012, off the 2010 baseline. With detailed standardised water accounting, the baseline was moved to 2011.

A coal sector saving of 2,1% was achieved through efficiency and awareness, but as a group, a 46% saving was achieved, primarily attributable to the divestment of our mineral sands and base metals operations. Our water intensity has decreased from year to year. The proposed water treatment plant at Matla will reduce Exxaro's external potable water consumption significantly.

Other water abstraction volume-reduction targets will be qualified in 2013. These will cover water re-use and water recycling. Exxaro, in partnership with leading water-treatment units of tertiary institutions, is developing a wetland mine water treatment pilot, which uses biomimicry to purify and re-use stored polluted mine water.

We continue to search for technology solutions to clean water for re-use and recycling, as well as for release into the environment. We are implementing dry-processing technology in our mining operations to minimise the use of water. Other technology solutions being investigated include ion-exchange, reverse osmosis, filtration, evaporation and leak detection.

In addition, Exxaro's long-term view on water issues means that proactive measures are being taken to mitigate anticipated impacts from climate change. Because our operations are now concentrated in the north-east of South Africa, these impacts largely relate to extreme storms with excessive rainfall and risk of flooding. A growing proportion of our reported environmental incidents relate to extreme storm events.

To improve water management expertise in the business, education and training is ongoing to ensure issues are understood and that there is a direct benefit to all stakeholders. This is linked to creating green jobs in the business as these skills become more important in achieving sustainable water use and stewardship.

Exxaro submitted its third report to the CDP water disclosure initiative. 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.

Water management initiatives

Efficiency projects and goals by individual operations include:

Grootegeluk opencast mine	In-pit storage of stormwater Run-off for plant use Dewatering of the Basalt aquifer and re-use as process water
Grootegeluk Medupi expansion project (GMEP)	Beneficiation plant has been designed for zero-effluent
Leeuwpan mine	Water recovery from pit storage and sewage treatment Stormwater run-off recycled and re-used via process water dams
Tshikondeni mine	Reclamation of sewage water for rehabilitation growth on dumps Recovery of slimes water and underground dewatering for process water, reducing demand from the river
Inyanda mine	Process water sourced from pit dewatering and slimes water recovery. Only in emergency dry situations will the mine source from the Olifants River
New Clydesdale Colliery	Abstraction from Olifants River for domestic use only with process water sourced from slimes recovery and underground dewatering
North Block Complex Glisa mine	Potable water sourced from Belfast municipality with all process water reclaimed from old underground workings
Matla and Arnot	Various initiatives and programmes in place to reduce intake of raw and potable water from Eskom. This includes the water treatment plant at Matla
Mafube	Process water used in coal washing is reclaimed from various opencast operations

Managing wetlands responsibly

As one of South Africa's leading diversified resources companies, we take pride in our reputation as a responsible operator of mines across the country. During the year, inaccurate media reports in a major daily newspaper and other media alleged that operations at our Leeuwpan mine had been halted by the Department of Water Affairs (DWA) and that the mine was operating illegally in a wetland area. One of the articles also used a misleading front page photograph. Exxaro refuted this information and responded by publishing correct information in the newspaper and on our website, and by issuing a statement to all media. Exxaro management also engaged with the newspaper editorial team to promote accurate reporting in future.

The correct information was, as noted elsewhere in the environmental and governance sections of this report, that in terms of the National Water Act, Leeuwpan mine is licensed and fully compliant with all relevant legislation. The water use licence includes the wetland area. The pre-directives and a directive from DWA related to mining activities close to the wetland area and construction of a river crossing were challenged by Exxaro in the High Court, which ruled in the group's favour and suspended the directives.

The judgment means Exxaro may continue to mine in the area which DWA contended was not covered by the water licence. Despite permission received from court, Exxaro will employ the services of a wetland expert to conduct additional wetland sensitivity studies to determine the historical and potential impacts, if any. The court also ordered the DWA to reinstate the Water Tribunal which will impartially consider the parties' views on the matter.

Following engagement with the JSE's SRI to communicate this situation, the JSE indicated it was satisfied with the information.

Water use licensing

While most Exxaro operations have their water use authorised under the old Water Act, we have been steadily migrating these authorisations to the new (1998) National Water Act: all operations have had their integrated water use licences (or IWULs) submitted to the Department of Water Affairs for approval. By January 2013, 21 IWULs had been granted with three pending. During the year, six were granted, making the migration process 98% complete.

Exxaro reports on water issues against relevant GRI indicators as well as UN Global Compact principles, and the ICMM sustainable development framework. Standardised processes have further enhanced data accuracy and capture for this reporting period.

Exxaro water issues in the media

- Exxaro's Zeeland water treatment works, which supplies water to over 21 000 residents of Lephalale local municipality in Limpopo, was awarded the prestigious Blue Drop certification by the Department of Water Affairs (DWA). This follows the completion of a full water quality assessment by DWA which started in 2011. Zeeland water treatment works achieved an impressive 100% for its drinking water quality and treatment process management
- Managing wetlands responsibly (see panel).

Responsible conservation of biodiversity

Our vision is to conserve Exxaro's biodiversity through the sustainable co-existence of our mining operations and the country's natural resources for future generations. In addition to complying with legislation and non-statutory best practice, we are aiming to develop a competitive advantage through conservancy and re-establishing resilient ecosystems.

We are making steady progress in implementing conservation measures that underscore Exxaro's commitment to entrench duty-of-care principles.

During the review period, we developed the strategy and framework to reach our goals, and compiled baseline reports and biodiversity action plans for most business units. Performance reviews against these action plans will begin in June 2013.

Our detailed management standard guides business units in implementing group policy, aiming to:

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

Wetland baseline assessments for almost all business units were updated in recent years. Matla and Grootegeluk baseline assessments are currently being updated to fill gaps and update wetland maps. Detailed inventories of wetlands types identified (pans, hill slope, valley bottom, etc) have been updated. The present ecological state (PES), ecological importance and sensitivity (EIS) and functionality (EcoService) of all wetlands in each business unit were updated. Wetland management plans will be considered for sections within mining right areas to add value to wetland ecosystems, diversity and functionality to improve PES, EIS and functionality.

The wetland inventory and wetlands maps will be used to consider biodiversity-sensitive areas as part of business and mine-planning decisions. A wetland policy and management standard has been drafted and will go through the process of approval and implementation in 2013.

Significant impact of activities

While Exxaro is not yet able to quantify its impact in protected sites or areas of high-diversity value, new industry guidelines will be used in the year ahead to update all business units' areas of high biodiversity value. This data will be presented in the next report to stakeholders. In the interim, we continue to act responsibly in mitigating our impact:

- At Grootegeluk, relocation of two protected baboon spider species was initiated and monitored. Various scientific papers will be submitted for publications at the end of the relocation and research project (see case study)
- Marking protected trees and submitting permit applications for various developments at Grootegeluk and Tshikondeni (the only two business units where this was required to date). Existing permit renewals and permits for new developments were approved by the Department of Agriculture, Forestry and Fisheries
- At Inyanda, relocation of the Red Data species *Frithia humilis* was completed and monitored until end 2012. A postgraduate research project with the North West University on the ecology of the relocated species began in January 2011, in conjunction with SA National Biodiversity Institute (SANBI) and the Mpumalanga Tourism and Parks Agency
- We have prioritised rehabilitation of the affected wetland area at Arnot's Mooifontein operation to improve biodiversity and ecological functionality. Offset mitigations are also being considered as recommended by the Department of Water Affairs. Measures include ongoing mitigation initiatives and offset areas in similar wetlands with the same ecosystem functionality. Stakeholders and interested and affected parties have been consulted on proposed measures. Once the wetland rehabilitation plan is approved, detailed rehabilitation will be conducted to compensate for loss.

Approximately R30 million has been spent since 2010 and this is expected to increase as biodiversity action plans are fully implemented and declared alien invader species are eradicated.

Exxaro's long-term view on water issues means that proactive measures are being taken to mitigate anticipated impacts from climate change

Biodiversity across the Exxaro group 2012

Geographic location		Biome	Name of vegetation unit (Mucina & Rutherford 2006)	Conservation status of vegetation units according to National Spatial Biodiversity Assessment Report – 2011	Type of operation(s)
Mpumalanga	Arnot	Grassland	Eastern highveld grassland (GM12)	Endangered with conservation target of 24%	Mostly underground with limited opencast
		Grassland	Eastern temperate freshwater wetlands (AZf3)	Conservation target of 24%	
	North Block Complex – Glisa	Grassland	Eastern highveld grassland (GM12)	Endangered with conservation target of 24%	Opencast and underground
		Grassland	Eastern temperate freshwater wetlands (AZf3)	Conservation target of 24%	
		Grassland	Lydenburg montane grassland (GM18)	Vulnerable with conservation target of 27%	
	NBC Strathrae	Grassland	Eastern highveld grassland (GM12)	Endangered with conservation target of 24%	Opencast and underground
		Grassland	Eastern temperate freshwater wetlands (AZf3)	Conservation target of 24%	

** Based on carbon footprint report calculations (2008)*

Land owned/leased/ managed by Exxaro	Position relative to protected/high diversity area	Size of operational site (ha) with dominant vegetation surface areas per vegetation type in brackets*	Biodiversity value (nature of area, listing of protected status)
Combination of owned, leased and managed by Exxaro – some farms in mining right area belonging to privately owned landowners/farmers. Mining activities take place only on land belonging to Exxaro/ Eskom	Not close to any Ramsar or protected areas/nature reserves under the Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	18 668ha (8 116ha grassland, 931ha wetland, 435ha secondary/transformed grassland consisting of abandoned croplands/rehabilitated areas, 497ha plantations, woodstocks, shelterbelts, 6 909ha cultivated lands, 902ha mine tailings and mining-related infrastructures, 518ha open water, 33ha grassland scrub and 327ha buildings)	Endangered
			Least threatened
Exxaro	Not close to any Ramsar or protected areas/nature reserves protected under the Protected Areas Act, however some plant communities listed as endangered by NSBAR 2004	1 014,43ha (246,60 ha natural grassland, 32,7ha wetland grassland, 7,00ha grassland scrub, 2,72ha buildings, 9,92ha cultivated fields, 292,75ha mine tailings and associated infrastructure, 49,22ha open water, 291,04ha plantations and 82,49ha secondary/transformed grassland)	Endangered
			Least threatened
			Vulnerable
Combination of owned, leased and managed by Exxaro – some farms in mining right area belong to private landowners/farmers	Not close to any Ramsar or protected areas/nature reserves protected under the Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	6 166ha (3 206ha natural primary grassland, 358ha wetland grassland, 211ha secondary/ transformed grassland consisting of abandoned cropland and rehabilitated areas, 1 811ha cultivated fields, 296ha mine tailings, borrow pits etc, 240ha open water, 43ha plantations, woodlocks, shelterbelts)	Least threatened
			Endangered

Biodiversity across the Exxaro group 2012 (continued)

Geographic location		Biome	Name of vegetation unit (Mucina & Rutherford 2006)	Conservation status of vegetation units according to National Spatial Biodiversity Assessment Report – 2011	Type of operation(s)
Mpumalanga	Inyanda	Grassland	Rand highveld grassland (GM11)	Endangered with conservation target of 24%	Opencast
	Leeuwpan	Grassland	Eastern highveld grassland (GM12)	Endangered with conservation target of 24%	Opencast
		Grassland	Eastern temperate freshwater wetlands (AZf3)	Conservation target of 24%	
		Grassland	Soweto highveld grassland (GM8)	Endangered with conservation target of 24%	
	Matla	Grassland	Eastern highveld grassland (GM12)	Endangered with conservation target of 24%	Underground
		Grassland	Eastern temperate freshwater wetlands (AZf3)	Conservation target of 24%	
	New Clydesdale Colliery	Grassland	Eastern highveld grassland (GM12)	Endangered with conservation target of 24%	Opencast and underground
		Grassland	Eastern temperate freshwater wetlands (AZf3)	Conservation target of 24%	

** Based on carbon footprint report calculations (2008)*

Land owned/leased/ managed by Exxaro	Position relative to protected/high diversity area	Size of operational site (ha) with dominant vegetation surface areas per vegetation type in brackets*	Biodiversity value (nature of area, listing of protected status)
Land owned by Exxaro	Not close to any Ramsar or protected areas/nature reserves protected under the Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	1 747ha (1 372ha natural grassland, 18ha grassland scrub, 248ha cultivated fields – rest consist of open water, mine tailings, secondary grassland etc)	Endangered
Land owned by Exxaro	Not close to any Ramsar or protected areas/nature reserves protected under the Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	2 073ha (111ha grassland, 225ha wetland grassland, 1 061ha cultivated lands – rest consist of mine tailings, buildings, mining-related infrastructures, secondary grassland and open water)	Endangered
			Least threatened
			Endangered
Combination of owned, leased and managed by Exxaro – some farms in mining right area belong to private landowners/ farmers. Mining activities only take place on land belonging to Exxaro/Eskom	Not close to any Ramsar or protected areas/nature reserves protected under the Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	26 162ha (7 329ha grassland, 3 446ha wetland grassland, 115ha stream vegetation (bushveld), 11 708ha cultivated fields; 1 654ha secondary grassland)	Endangered
			Least threatened
Combination of owned, leased and managed by Exxaro – some farms in mining right area belong to privately owned landowners/farmers	Not close to any Ramsar or protected areas/nature reserves protected under the Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	5 383ha (1 479ha natural grassland, 174ha wetland grassland, 578ha secondary/ transformed grassland consisting of abounded cropfields, 256ha mine tailings, borrowpits, bare soils etc. Balance comprises plantations, open water, etc)	Endangered
			Least threatened

Biodiversity across the Exxaro group 2012 (continued)

Geographic location		Biome	Name of vegetation unit (Mucina & Rutherford 2006)	Conservation status of vegetation units according to National Spatial Biodiversity Assessment Report – 2011	Type of operation(s)
KwaZulu-Natal	Durnacol	Grassland	Income sandy grassland (Gs7)	Vulnerable with conservation target of 23%	Historically underground
	Hlobane	Grassland	Wakkerstroom montane grassland (GM14)	Least threatened with conservation target of 27%	Historically underground
Limpopo	Tshikondeni	Forest – azonal	Lowveld riverine forest (FOa1)	Critically endangered with a conservation target of 100%	Largely underground with three small mini pits
		Forest – zonal and intrazonal	Ironwood dry forest (FOz9)	Conservation target of 100%	
		Savanna	Musina mopane bushveld (SVmp1)	Least threatened with conservation target of 19%	
		Savanna – lowveld	Makuluke sandy bushveld (SVl1)	Vulnerable with conservation target of 19%	
	Grootegeluk	Savanna – central bushveld	Limpopo sweet bushveld (SVcb19)	Least threatened with conservation target of 19%	Opencast

** Based on carbon footprint report calculations (2008)*

	Land owned/leased/ managed by Exxaro	Position relative to protected/high diversity area	Size of operational site (ha) with dominant vegetation surface areas per vegetation type in brackets*	Biodiversity value (nature of area, listing of protected status)
	Combination of owned, leased and managed by Exxaro – some farms in mining right area belong to private landowners/farmers	Not close to any Ramsar or protected areas/nature reserves protected under the Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	20 102ha (11 113ha natural grassland vegetation, 4 041ha wetland grassland, 154ha stream vegetation (bushveld), 2 263ha secondary/transformed grassland consisting of abandoned cropfields and rehabilitated areas, 113ha retracted plantations, 423ha plantations, 698ha cultivated fields, 322ha grassland scrub, 97ha open water, 295ha mine tailings and related infrastructure, 582ha buildings)	Vulnerable
	Combination of owned, leased and managed by Exxaro – some farms in mining right area belong to private landowners/farmers	Not close to any Ramsar or protected areas/nature reserves protected under the Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	5 780ha (1 070ha grassland scrub, 152ha mountain bushveld, 16ha open bushveld, 1 729ha grassland, 1 033ha plantations, 229ha wetland grassland, 63ha stream vegetation (bushveld), 291ha buildings, 328ha mine tailings and associated infrastructure, 39ha open water, 436ha retracted plantations, 33ha rocky outcrops, 305ha secondary/transformed grassland)	Least threatened
	Surface rights belong to the state	Adjacent to the Kruger National Park	22 386ha (5 710ha mopani bushveld, 3 921ha mountain bushveld, 663ha open bushveld, 473ha riparian forest, 4 469ha thicket and encroached bushveld, 103ha woodland, 40ha wetland grassland, 412ha stream vegetation, 235ha inland forests and the rest consists of buildings (72ha), cultivated fields (709ha), floodplain bushveld (27ha) etc	Critically endangered
				Least threatened
				Vulnerable
	Exxaro	Not close to any Ramsar or protected areas/nature reserves protected under the Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	18 391ha (11 493ha bushveld vegetation, 2 016ha open bushveld, 960ha thicket and encroached bushveld, 36ha pans, 805ha woodlands, 0,4ha cultivated fields, 187ha floodplain bushveld, 11ha floodplain grassland, 2 257ha mine tailings and associated infrastructure, 178ha buildings, 431ha transformed/degraded bushveld and 17ha open water)	Least threatened

Biodiversity across the Exxaro group 2012 (continued)

Geographic location		Biome	Name of vegetation unit (Mucina & Rutherford 2006)	Conservation status of vegetation units according to National Spatial Biodiversity Assessment Report – 2011	Type of operation(s)
Gauteng	FerroAlloys	Grassland	Soweto highveld grassland (GM8)	Endangered with conservation target of 24%	Industrial site – no mining

** Based on carbon footprint report calculations (2008)*

Land owned/leased/ managed by Exxaro	Position relative to protected/high diversity area	Size of operational site (ha) with dominant vegetation surface areas per vegetation type in brackets*	Biodiversity value (nature of area, listing of protected status)
ArcelorMittal	Not close to any Ramsar or protected areas/nature reserves protected under the Protected Areas Act, but some plant communities listed as endangered by NSBAR 2004	Disturbed area within an industrial area	Endangered

Case study – Relocating the baboon spiders at Grootegeluk

Two species of baboon spiders, namely the golden-brown baboon spider *(Augacephalus junodi)* and the burst horned baboon spider *(Ceratogyrus darlingi)*, were recorded in March 2012 while clearing vegetation before upgrading roads as part of the Grootegeluk Medupi expansion project.

During transect walks, Exxaro's ecologist, people from the local community, Grootegeluk's environmental specialist and rangers from Manketti Game Reserve recorded and marked some 175 baboon spider burrows, prompting a research project to capture, keep and relocate as many of these spiders as possible. The reason for this is that baboon spiders are long-living invertebrates protected under the National Environmental Management: Biodiversity Act.

In the absence of any scientific precedent on relocating these species, Exxaro collaborated with specialists in developing a dedicated research project that will address several key questions:

- Can baboon spiders be relocated successfully after being removed from their burrows, held in captivity for a while and then relocated into the wild?
- To what extent can the proposed method succeed and can this ensure successful relocation and survival of other species across development areas in South Africa?
- Is there a difference in outcome based on the:
  - Time of the year
  - Relocation method
  - Demographics of the released population (age, sex, species, etc)?
- What is the total cost of relocation?

Adult female golden-brown baboon spider

Adult female burst horned baboon spider

Baboon spider burrows recorded along the Nelson Mandela Road

To date, a total of 175 individual spiders have been removed by digging up the burrow and surrounding area, and kept in suitable containers for monitoring until being relocated in manmade burrows in the natural environment. Individuals collected in the same area were marked to relocate them together and minimise impacts on the population/community.

The habitat of sub-populations was investigated to determine acceptable habitat conditions. Aspects considered included substrate structure and texture; soil moisture; vegetation type and density; food-source availability (invertebrates) and vegetation canopy cover.

An 800ha portion in the south of the Manketti game reserve, some 5–10km from the capture site, was identified as a suitable habitat. The area was screened and a natural population of baboon spiders identified and used as a control.

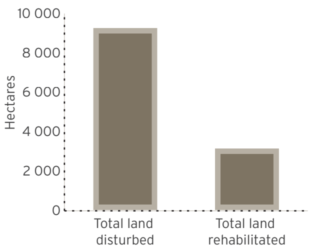
Artificial burrows were built and tailored to the size of individual baboon spiders being released. A steel cage was fixed into the ground over each artificial burrow to prevent spiders from escaping until they had adopted the burrow, and to keep natural predators out.

Four relocation periods were planned: the first happened in the second half of August 2012, after the coldest part of winter. The second and third relocations were conducted in October and November 2012 after the first summer rains. A fourth relocation took place in March 2013.

Each burrow for both the relocated and control populations was monitored weekly directly after release, and monthly after the first three months. Over 95% of the spiders survived in their artificial burrows, underscoring the success of this research project and its potential application in relocating other species. Continuous monitoring is taking place.

Steel cage protecting artificial burrow

Land management 2012



Heritage and land management

Exxaro operates on a cradle-to-grave mining lifecycle that integrates our operational activities from the planning and feasibility stages of a mining project to post closure. Environmental risks are monitored for up to five years after closure.

Our goal is to budget for and schedule ongoing rehabilitation aligned with individual mining plans. Integral to this process is minimising any negative impacts on affected parties or the environment, and communicating rehabilitation actions via established forums.

Business units report quarterly on set indicators, while screening-level environmental risk assessments are conducted five years before closure. The Exxaro Environmental Rehabilitation Fund (EERF) is the primary vehicle used to provide for liabilities, while additional bank guarantees are taken out to provide for new developments. In line with revised group standards, in the first quarter of each year, EERF trustees decide which business units' cost estimates will be conducted externally or reviewed by a competent third party based on each business unit's risk profile. EERF figures are updated biannually and submitted annually to the DMR.

Exxaro contributed R55,7 million to the Environmental Rehabilitation Fund in 2012 and had R553,5 million in its trust fund at 31 December 2012 for mine-closure activities (2011: R61,7 million and R606,6 million respectively). The reduction reflects the divestment of our mineral sands business to Tronox. In addition, the group had bank guarantees of R368,7 million in place. Updating these provisions annually highlights potential rehabilitation alternatives that could decrease the closure liabilities of mines in the long term.

To address the environmental closure obligations for Matla and Arnot mines, a separate rehabilitation trust fund has been established and merely awaits approval from the Master's Office. Trustee representatives from Exxaro and Eskom will serve on the fund.

External closure-cost reviews were completed at five operations during the year. Performance assessments against the objectives of environmental management plan reports were completed for eight operations and submitted to DMR. In line with the growing government focus on rehabilitation, all group business units are reviewing their rehabilitation plans (with appropriate schedules and budgets).

Mine closure

Exxaro has social and labour plans in place for all operations. To address the social aspects of mine closure, associated liabilities form part of operational costs during the life of mine while post-closure social liabilities are provided for as part of the closure cost.

Environmentally, Exxaro proactively addresses any liability build-up by tracking rehabilitation progress, reducing closure cost by including concurrent rehabilitation where possible as part of operational cost, conducting environmental impact assessments as part of ISO 14001 certification at all stages of mining as required and tracking any changes during the life of mine.

As part of the closure process, Exxaro also engages extensively with interested and affected parties to minimise the social impact of closure. Studies are undertaken to determine if existing infrastructure and machinery can be used by the local community as part of leaving a positive legacy.

Exxaro has two mines at different stages of their closure plans – Tshikondeni, and Inyanda. In 2012, R399,2 million was budgeted to cover implementation of the relevant social plans and rehabilitate negative and latent environmental impacts.

Zincor

The Zincor plant was ramped down at the end of 2011, with last zinc product produced in December 2011. All voluntary retrenchments were completed in the first quarter of 2012 after the plant was cleaned and decommissioned. More than 200 employees were appointed in alternative positions in the Exxaro group. A core team was appointed to oversee rehabilitation and planning of the possible closure of the Zincor site if no alternative use could be established. To date, rehabilitation planning has proceeded for both the plant and surrounding areas. Environmental monitoring is ongoing for water and associated legal requirements.

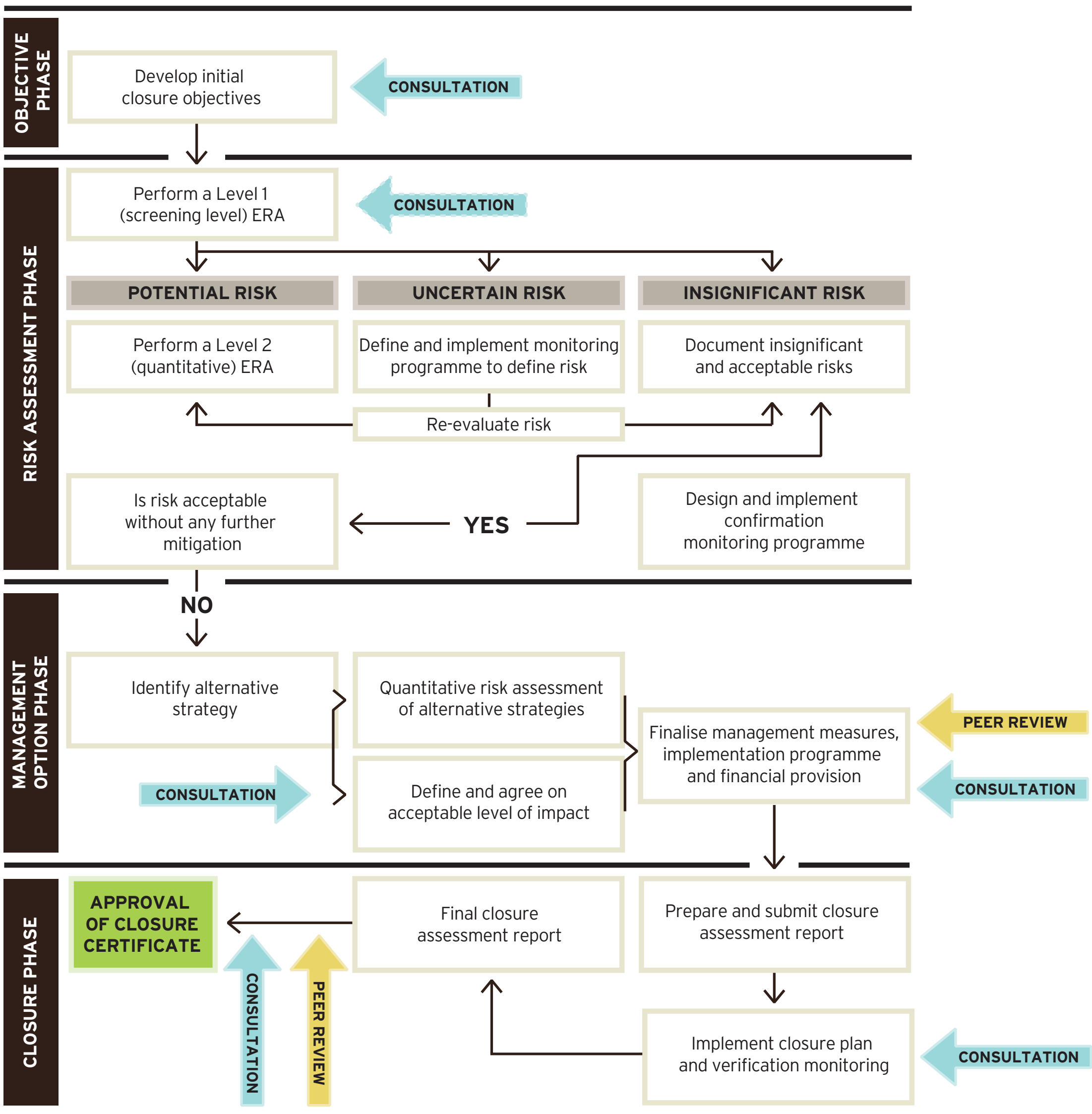
At present Exxaro is considering alternative uses for the Zincor facility, and final rehabilitation and closure plans will depend on a possible new business plan to be adopted.

Cradle-to-grave mining lifecycle

	LEVEL OF CERTAINTY	PLANNING AND FEASIBILITY	OPERATIONAL	DECOMMISSIONING AND CLOSURE	POST-CLOSURE
PLANNING AND FEASIBILITY PHASE		Planning and feasibility studies Baseline studies Compilation and approval of EMP	Develop detailed operational plan including progressive rehabilitation plan Identify R&D needs for closure	Screening level environmental risk assessment (ERA) Define closure impacts Prepare conceptual closure plan, including first order closure cost assessment	Define post-closure impact Define post-closure objectives including land-use objectives
OPERATIONAL PHASE			Implementation and ongoing review of operational plan EMP performance assessment Progressive implementation of rehabilitation closure plan Implementation of monitoring programmes Implementation of R&D programmes	Ongoing ERA and review of closure plan and closure cost assessment Quantitative ERA five years prior to closure	Ongoing review of post-closure impact Ongoing consultation with interested and affected parties on post-closure objectives
DECOMMISSIONING AND CLOSURE PHASE				Obtain approval and implement closure plan Implement verification monitoring programme Regular performance assessment	Define monitoring and maintenance procedures Finalise financial arrangements and contractual agreements
POST-CLOSURE PHASE				Compile final closure risk assessment report Approval of closure certificate	Implement monitoring and maintenance programmes Third-party responsibility

DECOMMISSIONING AND CLOSURE PHASE

Mine-closure planning process



Tshikondeni

At Tshikondeni, we have incorporated statutory requirements into our own initiatives to ensure an orderly and beneficial social closure process:

- Forming a social closure committee (statutory future forum) as part of the mine closure committee
- Drawing up a mine-closure stakeholder database and engagement plan
- Commissioning a structured study to assess the needs and expectations of all relevant internal and external stakeholders, eg SEAT
- Commissioning a socio-economic impact assessment study which will include a full assessment of the social impact of closure and mitigation plans
- Drawing up a detailed mine closure communication plan
- Finalising a social closure plan
- Finalising an environmental closure plan
- Obtaining buy-in from all relevant stakeholders and approval from the DMR.

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

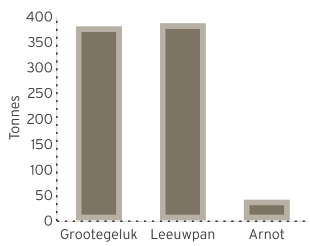
Hazardous waste management

Given that hazardous waste is a material risk to Exxaro's business, we are rolling out a more proactive approach based on accurate data and group-wide standards. This will address material issues, such as avoidance, minimisation, management and correct disposal of hazardous waste. The total hazardous waste generated at our managed coal operations during 2012 was 1 484 tonnes.

We are developing the group policy and management standards for hazardous waste, and baseline waste assessments are under way for key operations. Once these are complete, project implementation plans will be finalised and performance monitored regularly to enable the group to report more fully on this component.

Radioactive materials remain a potential risk at KZN Sands and Namakwa Sands, for which responsibility now rests with Tronox. No breaches were reported in terms of the National Nuclear Regulator (NNR) for the reporting period.

Hazardous waste



Consumption 2012

GJ	Electricity		Diesel		Sasol gas		LPG	
	2012	2011	2012	2011	2012	2011	2012	2011
Coal	1 897 646	1 923 201	2 221 489	2 162 868	—	—	442	341
Arnot	186 447	177 988	19 570	52 383			31	
Char plant/ Reductants	–	22 610	3 081	2 369			23	174
Durnacol	354	349	2 533	4 465				
Grootegeluk	950 991	966 374	830 549	731 913			196	132
Hlobane	15	16	1 275	1 682				
Inyanda	27 747	26 437	166 070	196 857			3	
Leeuwpan	88 927	90 946	605 280	606 766			49	
Matla	459 302	447 659	69 087	63 970			102	35
New Clydesdale	59 599	55 862	23 947	81 457			25	
North Block Complex	22 490	19 788	343 347	321 374			1	
Tshikondeni	101 774	115 172	156 750	99 632			12	
Mineral sands	2 195 894	3 733 636	270 845	529 024	141 985	275 221	—	293
KZN Sands	951 437	1 302 882	25 128	55 786	141 985	275 221		
Namakwa Sands	1 244 457	2 430 754	245 717	473 238				293
Base metals	96 193	1 423 942	26 825	138 274	—	—	—	132
Rosh Pinah[2]	63 520	157 360	26 825	85 668				
Zincor	32 673	1 266 582	—	52 606				132
Corporate office	89 666	53 124	1 074	812	70 976	1 126	—	1
AlloyStream	38 205	3 366	347	–	69 698	3		
FerroAlloys	21 362	18 169	294	–	1 278	1 123		
Head office	24 922	24 434	155	554				
R&D	5 177	7 155	278	258				1
Total	4 279 399	7 133 903	2 520 233	2 830 978	212 961	276 347	442	767

1 Total energy use comprises electricity and fossil fuel consumption. Exxaro operates and manages a central energy data repository to record business unit energy consumption intensity performance, carbon emissions measurement and cost performance. Data is sourced from invoices tendered by appointed suppliers. Data recorded on the energy database is subjected to annual external audit. Energy data captured for the 2012 financial year has been audited by PwC

2 Divested to Glencore International AG during 2012

	Paraffin		Oil light fuel bulk		Anthracite		Petrol		Total energy use[1]	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	—	—	—	—	—	—	7 583	9 129	4 127 160	4 095 539
							2 285	2 837	208 333	233 207
									3 104	25 153
							160	257	3 047	5 071
							2 251	2 900	1 783 987	1 701 319
							64	134	1 354	1 832
									193 820	223 294
									694 256	697 712
							2 823	3 002	531 314	514 666
									83 571	137 319
									365 838	341 162
								–	258 536	214 804
	130 792	239 816	1 230	3	441 029	903 939	3 121	4 603	3 184 896	5 686 534
								104	1 118 550	1 633 993
	130 792	239 816	1 230	3	441 029	903 939	3 121	4 499	2 066 346	4 052 541
	31	54	6	—	—	—	—	—	123 055	1 562 402
	31	54	6						90 382	243 082
									32 673	1 319 320
	—	—	—	—	—	—	3 022	2 683	164 738	57 747
							63	42	108 313	3 411
							30	28	22 964	19 320
							2 838	2 487	27 915	27 475
							91	126	5 546	7 540
	130 823	239 870	1 236	3	441 029	903 939	13 726	16 415	7 599 849	11 402 221

Consumption 2012 (continued)

000t	CO_2 from electricity purchased			CO_2 from diesel			CO_2 from Sasol gas			CO_2 from fugitive emissions		
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
Coal	495,50	502,17	311,45	164,71	160,37	157,65	0,00	0,00	0,00	77,87	74,97	85,83
Arnot	48,69	46,47	49,35	1,45	3,88	17,26				0,54	0,62	1,16
Char/plant/ reductants	–	5,90	5,32	0,23	0,18	0,34						
Durnacol	0,09	0,09	0,08	0,19	0,33	0,43						
Grootegeluk	248,31	252,33	251,24	61,58	54,27	47,47				14,19	15,24	15,03
Hlobane	0,00	0,00	0,01	0,10	0,12	0,10						
Inyanda	7,25	6,90	6,79	12,31	14,60	10,38				0,94	1,00	0,91
Leeuwpan	23,22	23,75	23,07	44,88	44,99	41,39				2,48	2,96	2,34
Matla	119,93	116,89	128,41	5,12	4,74	5,09				47,35	43,90	53,15
New Clydesdale	15,56	14,58	13,95	1,78	6,04	9,28				7,09	6,13	8,88
North Block Complex	5,87	5,17	2,38	25,46	23,83	23,28				1,36	1,25	1,42
Tshikondeni	26,58	30,07	38,94	11,62	7,39	2,63				3,92	3,87	2,94
Mineral sands	573,38	974,90	961,48	20,08	39,20	36,91	10,68	13,76	12,87	–	–	–
KZN Sands	248,43	340,20	427,65	1,86	4,14	5,28	10,68	13,76	12,87			
Namakwa Sands	324,94	634,70	533,83	18,22	35,06	31,63						
Base metals	25,12	371,81	427,65	1,99	10,25	12,01	0,00	0,00	0,00	–	–	–
Glen Douglas	–	–	9,34	–	–	4,29						
Rosh Pinah	16,59	41,09	44,72	1,99	6,35	4,72						
Zincor	8,53	330,72	387,15	–	3,90	3,00						
Corporate office	23,41	13,87	13,52	0,08	0,06	0,07	0,00	0,00	0,00	–	–	–
AlloyStream	9,98	0,88	0,44	0,03	–	0,00						
Ferroalloys	5,58	4,75	4,62	0,02	–	0,02						
Head office	6,51	6,38	6,35	0,01	0,04	0,03						
R&D	1,35	1,87	2,11	0,02	0,02	0,02						
Total	1 117,41	1 862,75	1 923,75	186,86	209,88	206,64	10,68	13,76	12,87	77,87	74,97	85,83

	CO_2 from paraffin			CO_2 from anthracite			CO_2 from other energy sources			Total CO_2 emissions		
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
	–	–	–	–	–	–	1,22	0,61	3,63	739,30	738,12	758,57
							0,21	0,20	0,22	50,89	51,17	67,99
										0,23	6,08	5,66
										0,28	0,42	0,51
							0,48	0,20	1,87	324,56	322,04	315,61
										0,10	0,12	0,11
									0,53	20,50	22,50	18,61
							0,02		0,33	70,60	71,70	67,13
							0,20	0,21	0,23	172,60	165,74	186,88
							0,03			24,45	26,75	32,11
									0,10	32,69	30,25	27,10
							0,28		0,35	42,40	41,33	33,86
	9,91	18,18	18,16	57,70	118,27	164,32	–	4,95	7,75	671,74	1 169,26	201,43
						86,77		1,54		260,97	359,64	532,57
	9,91	18,18	18,16	57,70	118,27	77,55		3,41	7,75	410,77	809,62	668,92
	0,00	–	–	–	–	–	0,01	1,00	2,98	27,12	383,06	452,29
									0,45	–	–	14,08
	0,00						0,01	0,09	0,10	18,59	47,53	45,63
								0,91	2,43	8,53	335,53	392,58
	–	–	–	–	–	–	–	1,51	0,41	24,65	15,44	14,00
							0,88			10,90	0,88	0,44
							0,06			5,66	4,75	4,64
							0,19	1,51	0,41	6,71	7,93	6,80
							0,01			1,38	1,89	2,12
	9,92	18,18	18,16	57,70	118,27	164,32	1,14	8,07	14,77	1 462,81	2 305,88	2 406,34

Review of mineral resources and reserves

The mineral resources and ore reserves underpinning Exxaro's current operations and growth projects are summarised in the tables on pages 160 to 187. Mineral resources are reported inclusive of those mineral resources which have been converted to ore reserves and at 100%, irrespective of the percentage attributable to Exxaro, except in the case of Gamsberg and Black Mountain, because figures received from Vedanta (JORC Code 2004) represent resources exclusive of reserves. Significant changes in the resource or reserve figures are explained by relevant footnotes to each table. As a result of the Tronox transaction, which included KZN Sands, Namakwa Sands and Tiwest, Exxaro owns more than 44% of Tronox, but this has an impact on the mineral resources and reserves owned by Exxaro as shown in the attached tables. It is also important to note that Rosh Pinah mine has been excluded, because it was sold to Glencore in 2012. Resource estimations are based on resource models, which incorporate all new validated geological information, updated geological models and if applicable, revised resource definitions and classifications. The resource models are compiled as a rule between June and August of the reporting year. Ore reserves are estimated using the relevant modifying factors at the time of reporting (mining, metallurgical, economic, marketing, legal, environmental, social and regulatory requirements). Mineral resources in which Exxaro held the controlling interest have been reviewed in 2012 to comply with "reasonable and realistic prospects for eventual economic extraction" (SAMREC Code 2007).

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

The processes and calculations associated with the estimate have been audited by internal competent persons and are audited by external consultants when deemed essential to establish transparency. In the case of mines or projects in which Exxaro does not hold the controlling interest, figures have been compiled by competent persons from the applicable companies and have not been audited by Exxaro. Resource and reserve estimation at Exxaro mines or projects outside Africa was done by competent persons as defined by the JORC Code (2004).

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

HJ van der Berg
MSc (Geology), BSc (Hons) Pr Sci Nat (400099/01)
Manager: Mineral Assets

4 March 2013

Commentary

Exxaro's tenure over its mineral assets as listed in the tables was audited and is confirmed. The mining rights for Arnot and for Glisa were executed in 2012. The mining right for Tshikondeni, as well as for Matla and Strathrae, still needs to be scheduled for execution, but Exxaro has written confirmation from the DMR that the mining licence in all three instances has been converted to a mining right. The execution of these rights is expected to happen early in 2013. Conflicting applications over Exxaro's mining and prospecting rights, which had been a constant concern over the past two years, have been addressed through the right channels. The DMR has introduced an electronic submission process, which although not perfect yet, identifies existing prospecting and mining rights and automatically prevents overlapping applications for the same mineral. A bigger issue has arisen as a result of the lack of transparency between the Department of Mineral Resources and the Department of Energy, which results in exploration rights for natural gas being granted over existing coal mining and prospecting rights without any prior consultation. This matter is being addressed.

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

Exxaro is keenly aware of the importance of its mineral assets, both for the short-term profitability of its operations and the sustainability of the company into the future. The optimisation of mineral assets beyond what is generally referred to as mineral resource management is being driven as a priority. Changes in the resources market, increased awareness of protecting the natural environment and changing legislation and statutory requirements demand a change in the utilisation strategy and execution of mining and prospecting operations. The mining industry in South Africa has to adhere to the Mineral and Petroleum Resources Development Act (MPRDA), the National Environmental Management Act (NEMA), the National Water Act (NWA) and the Mine Health and Safety Act (MHSA), which all have a direct impact on the utilisation of the mineral assets of the country.

Although everybody agrees that the different legislations are necessary, the devil lies in implementation and sometimes conflicting objectives. The most significant impact of, for example, NEMA is the sterilisation of high-quality mineral resources, which will be lost for future generations. As an example, the coal resources sterilised in existing mines as a result of environmental legislation shorten the life of the mine, which is a waste of invested capital and loss of jobs. The growing demand for electricity implies that the sterilised reserves must sooner than necessary be replaced by coal from new mines, with additional impact on the environment and agricultural land. Unfortunately, in most cases the sterilised coal is also lost for future generations and the concern should be how justifiable and responsible is the loss? To protect the environment and agriculture, but also manage mineral resources optimally, is going to require great insight and meaningful cooperation between government, mining, agriculture and environment sectors.

A constructive way of growing and strengthening Exxaro is to expand into other strategically important mineral commodities. Hard coking coal and iron ore have been in Exxaro's growth strategy from the beginning. Exxaro has a 50% share in the Moranbah South project, a hard coking coal deposit in Australia. This is regarded as a world-class resource and is at feasibility study stage. The iron ore market is expected to remain strong and grow extensively over the next 50 years, but high-grade iron ore in the major iron ore provinces such as the Northern Cape, the Pilbara (Australia) and even the huge Brazilian deposits is being depleted continuously and at an increasing rate. Good iron ore assets are therefore in high demand among large international mining houses and extremely expensive to acquire. As a result, Exxaro has targeted deposits, which can be upgraded through beneficiation to a high-grade product and smaller high-grade deposits, which were not favoured by the major direct shipping iron ore producers. Over the past four years, an extensive search programme was launched to identify and evaluate available deposits and to acquire a suitable iron ore project. This objective has been achieved by acquiring a major part of the Mayoko iron ore deposits in the Republic of Congo. The mineral resource is large enough to sustain a significant annual production (10Mtpa) for 30 years and more. An enriched surface deposit overlying the main orebody provides an opportunity to begin production and enter the market quickly. Internationally, the appetite for these deposits is growing and within the next decade, the market value of these deposits will increase substantially.

In conclusion, 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 mining 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.

Coal

Coal resources

The table below details the total inclusive Coal Resources estimated as at 31 December 2012.

Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category	2012 Tonnes (million)[3,5]	2012 Grade[4]
Mpumalanga	Arnot mine (UG/OC) (captive market)	100	Measured	187,8	Raw coal[4]
			Indicated	42,8	Raw coal[4]
			Inferred	29,6	Raw coal[4]
			Total	260,2	Raw coal[4]
	Matla mine (>18MJ/kg, 26% DAV)[6] (UG) (captive market)	100	Measured	344,1	Raw coal[4]
			Indicated	253,3	Raw coal[4]
			Inferred	192,1	Raw coal[4]
			Total	789,5	Raw coal[4]
	Matla mine (Low CV 15-18MJ/kg, 30% Ash)[7] (UG) (captive market)	100	Measured	53,1	Raw coal[4]
			Indicated	40,4	Raw coal[4]
			Inferred	98,3	Raw coal[4]
			Total	191,7	Raw coal[4]
	Inyanda mine[8] (OC)	100	Measured	5,71	Raw coal[4]
			Indicated		–
			Inferred		–
			Total	5,71	Raw coal[4]
	Leeuwpan mine (OC)	100	Measured	150,4	Raw coal[4]
			Indicated		Raw coal[4]
			Inferred		
			Total	150,4	Raw coal[4]
	Mafube mine[9] (OC)	50	Measured	116,5	Raw coal[4]
			Indicated	38,4	Raw coal[4]
			Inferred	37,5	Raw coal[4]
			Total	192,5	Raw coal[4]
	NBC mine[10] (OC) (North Block Complex)	100	Measured	34,4	Raw coal[4]
			Indicated	0,0	Raw coal[4]
			Inferred	1,3	Raw coal[4]
			Total	35,7	Raw coal[4]
	NCC mine (OC/UG) (New Clydesdale)	100	Measured	31,2	Raw coal[4]
			Indicated	23,3	Raw coal[4]
			Inferred		–
			Total	54,5	Raw coal[4]
	Glisa South project (OC) (prospecting)	100	Measured	20,0	Raw coal[4]
			Indicated	47,1	Raw coal[4]
			Inferred	9,4	Raw coal[4]
			Total	76,5	Raw coal[4]
	Belfast project (UG/OC) (prospecting)	100	Measured	83,2	Raw coal[4]
			Indicated	24,2	Raw coal[4]
			Inferred	25,9	Raw coal[4]
			Total	133,3	Raw coal[4]

2011		
Tonnes (million)[3,5]	Grade[4]	% change
161,2	Raw coal[4]	
46,3	Raw coal[4]	
51,5	Raw coal[4]	
259,1	Raw coal[4]	0,4
107,3	Raw coal[4]	
523,7	Raw coal[4]	
179,7	Raw coal[4]	
810,7	Raw coal[4]	(2,6)
32,8	Raw coal[4]	
111,0	Raw coal[4]	
39,1	Raw coal[4]	
182,9	Raw coal[4]	4,8
7,8	Raw coal[4]	
	–	
	–	
7,8	Raw coal[4]	(26,8)
153,7	Raw coal[4]	
2,7	Raw coal[4]	
156,4	Raw coal[4]	(3,8)
107,6	Raw coal[4]	
7,4	Raw coal[4]	
51,4	Raw coal[4]	
166,4	Raw coal[4]	15,7
31,2	Raw coal[4]	
4,7	Raw coal[4]	
4,2	Raw coal[4]	
40,1	Raw coal[4]	(11,0)
30,8	Raw coal[4]	
23,3	Raw coal[4]	
	–	
54,1	Raw coal[4]	0,8
20,0	Raw coal[4]	
47,1	Raw coal[4]	
9,4	Raw coal[4]	
76,5	Raw coal[4]	—
83,2	Raw coal[4]	
24,2	Raw coal[4]	
25,9	Raw coal[4]	
133,3	Raw coal[4]	—

Coal

Coal resources (continued)

Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category	2012 Tonnes (million)[3,5]	2012 Grade[4]
Limpopo	Grootegeluk mine (OC)	100	Measured	2 476	Raw coal[4]
			Indicated	1 585	Raw coal[4]
			Inferred	735	Raw coal[4]
			Total	4 795	Raw coal[4]
	Grootegeluk West project (OC) (prospecting)	100	Measured		Raw coal[4]
			Indicated	2 579	Raw coal[4]
			Inferred	2 249	Raw coal[4]
			Total	4 828	Raw coal[4]
	Waterberg North project (OC) (prospecting)	100	Measured		—
			Indicated		—
			Inferred	2 253	Raw coal[4]
			Total	2 253	Raw coal[4]
	Waterberg South project (OC) (prospecting)	100	Measured		—
			Indicated		—
			Inferred	895	Raw coal[4]
			Total	895	Raw coal[4]
	Tshikondeni mine (UG/OC) (captive market)	100	Measured	5,3	Raw coal[4]
			Indicated	25,1	Raw coal[4]
			Inferred		—
			Total	30,4	Raw coal[4]
Australia	Moranbah South project[11] (prospecting)	50	Measured	349,6	Raw coal[4]
			Indicated	302,3	Raw coal[4]
			Inferred	50,8	Raw coal[4]
			Total	702,6	Raw coal[4]

Rounding-off of figures may cause computational discrepancies
All changes more than 10% (significant) are explained

1 *Mining method: OC – open-cut, UG – underground*
2 *Figures are reported at 100% irrespective of percentage attributable to Exxaro and refer to 2012 only*
3 *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt. Coal Resources are quoted on a Mineable Tonnage In-Situ (MTIS) and on an air-dried basis*
4 *Coal qualities are reported in Table 1 and are quoted on a Mineable Tonnage In-situ (MTIS) and on an air-dried basis*
5 *Coal Resources are quoted Inclusive of Coal Resources that have been modified to Coal Reserves unless otherwise stated*
6 *The movement within the categories is primarily the result of an extensive drilling programme undertaken during the reporting period*
7 *An amount of coal from Seam 4, which is below the cut-off used to define Matla's coal Resources, is utilised at Matla mine 3 therefore it is reported separately*
8 *The increase of 0,49Mt, drilling and update of geological model, is offset by mining (2,58Mt) resulting in a net decrease of 2,09Mt*
9 *The figures were received from Anglo American Thermal Coal and were not audited by Exxaro. The increase is the result of additional drilling and the upgrade of Seam 4 due to the viability of a lower quality product*
10 *The decrease of 4,4Mt is the result of mining (4,2Mt) and a change in classification methodology*
11 *Estimates are received from Anglo American Metallurgical Coal Proprietary Limited and not audited by Exxaro. The increase is the result of a revised classification methodology*

2011		
Tonnes (million)[3,5]	Grade[4]	% change
2 523	Raw coal[4]	
1 539	Raw coal[4]	
787	Raw coal[4]	
4 849	Raw coal[4]	(1,1)
	Raw coal[4]	
2 579	Raw coal[4]	
2 249	Raw coal[4]	
4 828	Raw coal[4]	—
	—	
	—	
2 253	Raw coal[4]	
2 253	Raw coal[4]	—
	—	
	—	
895	Raw coal[4]	
895	Raw coal[4]	—
7,4	Raw coal[4]	
25,4	Raw coal[4]	
	—	
32,8	Raw coal[4]	(7,3)
191,5	Raw coal[4]	
307,1	Raw coal[4]	
128,5	Raw coal[4]	
627,1	Raw coal[4]	12,0

Coal

Coal resource qualities

Table 1

Operation	Seam/Layer/ Formation	Measured resource					
		Tonnes (Mt)[1]	CV MJ/kg	%VM	%Ash	%S	Tonnes (Mt)[1]
Arnot mine	Seam 2	183,5	23,78	24,22	20,85	0,95	41,5
	Seam 1	7,3	25,12	30,13	19,21	1,12	1,3
Matla mine	Seam 2	87,6	23,52	23,80	20,93	0,86	124,1
	Seam 4	256,6	19,78	22,51	30,30	0,99	129,2
	Low CV seam 4	53,1	17,05	20,27	36,00	0,94	40,4
Inyanda mine	Main reserve	4,66	25,32	23,73	20,90	1,13	
	Pegasus reserve	1,05	22,28	21,67	24,00	1,62	
Leeuwpan mine	TC[2]	87,6	16,60	17,50	40,10	0,90	
	BC[2]	62,8	23,90	21,80	22,10	1,10	
Mafube mine	Seam 2	100,4	22,74	22,40	23,68	1,00	26,2
	Seam 1	16,1	20,45	22,60	30,91	0,90	12,2
	Seam 4						
NBC mine	Glisa	30,1	19,00	21,27	32,02	0,78	
	Stratrae east	0,5	24,70	22,90	19,00	0,80	
	Eerstelingsfontein	3,7	24,34	22,60	18,26	0,85	
Glisa South project		20,0	19,03	20,28	31,96	0,86	47,1
NCC mine	Total seams	31,2	24,27	22,72	23,10	1,44	23,3
Belfast project	Seam 4	2,2	15,93	20,93	40,21	1,26	1,0
	Seam 3	6,3	21,47	23,01	27,85	1,07	1,8
	Seam 2	74,7	24,77	23,06	18,26	1,10	21,3
Grootegeluk mine	Volksrust Formation	1 774	12,35	19,39	55,46	1,03	1318
	Vryheid Formation	702	22,88	22,06	28,19	2,10	267
Grootegeluk West project	Volksrust Formation						2 150
	Vryheid Formation						430
Waterberg North project	Volksrust Formation						
	Vryheid Formation						
Waterberg South project	Volksrust Formation						
	Vryheid Formation						
Tshikondeni mine		5,3	30,59	21,86	24,55	0,70	25,1
Moranbah project	Goonyella Middle Seam (GM)	349,6	26,28	18,80	24,60	0,57	302,3

VM – volatile matter, S – sulphur, CV – calorific value
Rounding-off of figures may cause computational discrepancies
Coal qualities are quoted on a Mineable Tonnage In-Situ (MTIS) and on an air-dried basis
1 The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt
2 TC Top Coal, BC Bottom Coal

2012								
Indicated resource				Inferred resource				
CV MJ/kg	%VM	%Ash	%S	Tonnes (Mt)[1]	CV MJ/kg	%VM	%Ash	%S
24,08	24,63	19,80	0,97	29,0	24,63	24,60	18,66	0,88
25,55	30,72	17,79	1,14	0,6	25,24	29,61	18,36	1,84
23,41	23,97	20,50	0,82	114,0	21,72	22,64	24,97	1,23
20,07	22,26	28,67	1,04	78,1	20,08	22,51	28,70	0,90
17,31	19,87	38,51	1,14	98,3	17,23	20,00	33,97	0,92
21,76	22,34	21,76	0,90	7,3	21,60	22,70	26,99	0,90
18,79	20,79	35,75	0,90	10,5	17,39	19,67	40,56	0,90
				19,7	15,73	19,50	41,15	0,91
				1,3	19,34	21,37	31,28	0,69
21,59	21,67	29,40	1,37					
19,03	20,87	31,78	0,95	9,4	20,96	21,55	27,63	1,04
22,73	20,71	28,36	0,94					
13,48	19,10	47,83	1,11	2,3	12,78	19,21	50,06	0,88
21,14	22,82	28,56	1,59	1,1	20,74	22,79	29,32	1,16
24,10	22,82	19,92	1,08	22,5	22,90	21,91	22,70	1,06
13,09	19,83	54,31	1,05	560	13,03	19,08	55,30	1,22
22,04	22,23	28,36	2,17	174	23,10	21,23	29,06	1,97
11,13	19,30	56,88	0,88	1800	10,09	18,73	58,81	0,88
20,37	21,87	32,11	2,23	448	19,48	21,61	34,16	2,12
				1468	10,83	19,01	56,80	0,87
				785	18,05	21,69	36,19	1,75
				354	14,14	23,18	44,93	1,08
				541	17,12	21,58	36,11	2,12
30,80	22,00	24,00	0,70					
27,28	21,80	21,80	0,55	50,8	27,83	17,40	20,00	0,54

Coal

Coal reserves

The table below details the total coal reserves estimated as at 31 December 2012

Commodity	Operation[1]	% attributable to Exxaro[5]	Reserve category	2012 ROM (Mt)[2,3]	Saleable product (Mt)[2,4]		
					Coking	Thermal	Metallurgical
Mpumalanga	Arnot mine[7] (UG) (captive market)	100	Proved	17,0	N/A	38,5	N/A
			Probable	24,9	N/A	3,7	N/A
			Total	41,9	N/A	42,2	N/A
			Inferred resources in LoMP[6]	0,5		0,5	
	Matla mine[8] (UG) (captive market)	100	Proved	145,3	N/A	144,6	N/A
			Probable	96,7	N/A	96,2	N/A
			Total	242,0	N/A	240,8	N/A
			Inferred resources in LoMP[6]	39,8			
					A-grade export steam coal		
	Inyanda mine[9] (OC)	100	Proved	4,29	2,93		
			Probable	0,96	0,69		
			Total	5,25	3,62		
			Inferred resources in LoMP[6]	—			
					Export	Thermal	Metallurgical
	Leeuwpan mine (OC)[10]	100	Proved	65,7	3,0	19,4	12,4
			Probable	76,7	2,0	21,4	20,3
			Total	142,4	5,0	40,8	32,7
			Inferred resources in LoMP[6]	—			
					Export	Thermal	Metallurgical
	Mafube mine[11] (OC)	50	Proved	12,1	5,8	2,4	N/A
			Probable	70,7	24,2	21,2	N/A
			Total	82,8	30,0	23,6	N/A

2011					
ROM (Mt)[2,3]	Saleable product (Mt)[2,4]			% change	Life of mine plan (LoMP) (years)
	Coking	Thermal	Metallurgical		
37,3	N/A	37,1	N/A		
7,7	N/A	7,7	N/A		
45,0	N/A	44,8	N/A	(6,9)	12,0
7,3					
28,7	N/A	28,6	N/A		
243,1	N/A	241,8	N/A		
271,8	N/A	270,4	N/A	(11,0)	26,0
57,0					
	A-grade export steam coal				
6,22	4,33				
0,96	0,69				
7,18	5,02			(26,9)	2,3
—					
	Export	Thermal	Metallurgical		
72,4	3,7	24,1	11,6		
73,6	—	21,4	20,3		
146,0	3,7	45,5	31,9	(2,5)	17,0
—					
	Export	Thermal	Metallurgical		
24,8	11,6	6,8	N/A		
66,6	22,2	25,0	N/A		
91,3	33,8	31,8	N/A	(9,3)	13,8

Coal

Coal reserves (continued)

				2012			
Commodity	**Operation[1]**	**% attributable to Exxaro[5]**	**Reserve category**	**ROM (Mt)[2,3]**	**Saleable product (Mt)[2,4]**		
					Coking	**Thermal**	**Metallurgical**
Mpumalanga	NBC mine (OC) (North Block Complex)	100	Proved	14,3	N/A	8,6	N/A
			Probable	3,2	N/A	3,2	N/A
			Total	17,5	N/A	11,8	N/A
			Inferred resources in LoMP[6]	–			
	NCC mine[12] (UG/OC) (New Clydesdale)	100	Proved	3,5	N/A	2,2	N/A
			Probable	–	N/A		N/A
			Total	3,5	N/A	2,2	N/A
			Inferred resources in LoMP[6]	–			
	Belfast project[13] (UG/OC) (prospecting)	100	Proved	–	–	–	N/A
			Probable	67,3	35,4	21,6	N/A
			Total	67,3	35,4	21,6	N/A
			Inferred resources in LoMP[6]	0,8			

2011					
ROM (Mt)[2,3]	Saleable product (Mt)[2,4]			% change	Life of mine plan (LoMP) (years)
	Coking	Thermal	Metallurgical		
10,8	N/A	7,7	N/A		
5,2	N/A	3,9	N/A		
16,0	N/A	11,6	N/A	9,5	4,5
0,98					
6,9	N/A	5,1	N/A		
1,8	N/A	0,9	N/A		
8,7	N/A	6,0	N/A	(59,2)	2,5
–					
–	–	–	N/A		
67,3	35,4	21,6	N/A		
67,3	35,4	21,6	N/A	—	21,1
0,8					

Coal

Coal reserves (continued)

Commodity	Operation[1]	% attributable to Exxaro[5]	Reserve category	2012 ROM (Mt)[2,3]	2012 Saleable product (Mt)[2,4] Coking	Thermal	Metallurgical
Limpopo	Grootegeluk mine (OC)	100	Proved	2 083	83	979	76
			Probable	999	61	419	21
			Total	3 082	145	1 398	97
			Inferred resources in LoMP[6]	390			
	Tshikondeni mine[14] (UG/OC) (captive market)	100	Proved	1,2	0,6	N/A	N/A
			Probable	—	—	N/A	N/A
			Total	1,2	0,6	N/A	N/A
			Inferred resources in LoMP[6]				

Rounding-off of figures may cause computational discrepancies
All changes more than 10% (significant) are explained

1. *Mining method: OC – open-cut, UG – underground*
2. *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt*
3. *Coal Reserves are quoted on a Run Of Mine (ROM) reserve tonnage basis which represents the tonnages delivered to the plant at an applicable moisture and quality*
4. *Saleable reserve tonnage represents the product tonnes of coal available for sale on an applicable moisture basis. Qualities of Saleable Products are provided in Table 2*
5. *Figures are reported at 100% irrespective of percentage attributable to Exxaro and refer to 2012 only*
6. *Inferred Resources in Life of Mine Plan (LoMP) refer to Inferred Resources considered for the Life of Mine Plan*
7. *The movement within the categories is the result of pending environmental authorisations at the Grootlaagte and Schoonoord reserve areas as well as structural complexities impacting on roof conditions at 8 Shaft. The Mooifontein OC has not been converted to reserves due to ongoing environmental and technical studies*
8. *The changes are as a result of mining, update of mine layout and the exclusion due to environmental assessments*
9. *The decrease is the result of mining (1,9Mt). Pegasus South has been classified as probable due to pending environmental authorisations*
10. *Reserve areas OL, OJ, OI and UB are reported as probable as the result of pending environmental studies*
11. *Figures were received from Anglo American Thermal Coal and were not audited by Exxaro. Changes are as a result of reclassification of the Pan 2 area in Springboklaagte pending the granting of the environmental approvals and removal of the Rooipan area*
12. *A decrease of 5,2Mt is the result of mining (1,4Mt) and the removal of Haasfontein (OC, 2,11Mt) and Diepspruit pillars based on current economical viability*
13. *The Reserve is classified as probable due to the pending approval of the conversion of a prospecting right to a mining right and associated pending environmental authorisations. Exxaro Coal has a reasonable expectation that such conversion will not be withheld.*
14. *A decrease of 0,7Mt is the result of mining. Expected mine closure during 2014*

2011					
ROM (Mt)[2,3]	Saleable product (Mt)[2,4]			% change	Life of mine plan (LoMP) (years)
	Coking	Thermal	Metallurgical		
2 006	94	872	89		
907	59	356	22		
2 913	153	1 228	111	5,8	30+
302					
1,8	0,9	N/A	N/A		
0,1	0,1	N/A	N/A		
1,9	0,9	N/A	N/A	(35,3)	2,0

Coal reserve qualities

Table 2

Operatable	**Seam/layer**	**Thermal saleable (proved + probable)**				
		Tonnes (Mt)[1]	CV MJ/kg	%VM	%Ash	%S
Arnot mine		42,9	22,1	22,5	23,0	0,9
Matla mine	Seam 4	149,6	19,5	20,3	33,8	0,9
	Seam 2	92,4	24,3	24,0	20,6	1,0
Inyanda mine		3,62	27,5	25,0	15,0	0,7
Leeuwpan mine	TC[2]	40,9	21,8	20,1	24,6	0,4
	BC[2]					
Mafube mine	Middlings	23,6	22,9	21,2	22,6	0,7
	Export	30,0	27,5	26,9	11,5	0,4
NBC	Glisa	14,2	21,8	22,6	24,7	0,7
	Strathrae East	0,5	24,7	22,9	19,0	0,8
	Eerstelingsfontein	2,7	23,3	22,6	18,3	0,7
NCC mine		2,17	26,6	28,9	15,1	0,6
Belfast project	Thermal	21,6	22,9	N/A	N/A	N/A
	Export	35,4	27,4	24,7	12,0	0,4
Grootegeluk mine	Volksrust Formation	907	21,5	27,4	31,2	0,9
	Vryheid Formation	491	22,7	22,0	28,4	2,0
Tshikondeni mine						

Saleable reserve tonnage represents the product tonnes of coal available for sale on an applicable moisture and air-dried quality basis
VM – volatile matter, S – sulphur, CV – calorific value
Rounding-off of figures may cause computational discrepancies
1 Saleable product tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt
2 TC Top Coal BC Bottom Coal

	2012									
	Metallurgical saleable (proved + probable)					Coking saleable (proved + probable)				
	Tonnes (Mt)[1]	CV MJ/kg	%VM	%Ash	%S	Tonnes (Mt)[1]	CV MJ/kg	%VM	%Ash	%S
	37,8	26,1	20,9	15,5	0,5					
	97	22,1	23,0	14,4	0,6	145	29,5	35,9	9,9	1,1
						0,55	30,8	22,0	13,0	0,7

Base metals

Base metal resources

The table below details the total inclusive mineral base metal resources estimated as at 31 December 2012

Commodity	Operation(1)	% attributable to Exxaro[2]	Resource Category	2012 Tonnes (million)[3]	Grade			
Namibia	Rosh Pinah mine[4] (UG) (zinc and lead)		Measured		Sold			
			Indicated					
			Inferred					
			Total					
					%Zn	**%Pb**	**%Cu**	**Ag g/t**
Northern Cape	Black Mountain Mining[5] Deeps mine[6] (UG) (zinc, lead, copper and silver)	26	Measured	7,2	2,7	3,6	0,3	40,4
			Indicated	6,2	2,1	3,4	0,4	46,0
			Inferred	4,8	2,1	2,3	0,7	20,6
			Total	18,2	2,3	3,2	0,4	37,1
	Swartberg mine[7] (zinc, lead, copper and silver) (UG)	26	Measured	0,0	—	—	—	—
			Indicated	15,5	0,7	3,0	0,6	35,9
			Inferred	30,1	0,7	2,8	0,7	32,2
			Total	45,7	0,7	2,9	0,7	33,5
	Gamsberg North mine (OC) (zinc)	26	Measured	43,2	7,1			
			Indicated	57,5	6,5			
			Inferred	53,3	5,4			
			Total	154,0	6,3			
	Gamsberg East[8] (project) (zinc)	26	Measured	0,0	—			
			Indicated	0,0	—			
			Inferred	32,3	9,8			
			Total	32,3	9,8			

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

1 *Mining method: OC – open-cut, UG – underground*
2 *Figures are reported at 100% irrespective of percentage attributable to Exxaro*
3 *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt*
4 *Rosh Pinah mine has been sold*
5 *Estimates are received from Vendata Resources plc as at 30 September 2012 and not audited by Exxaro*
6 *Resources quoted are in addition to reported Ore Reserves*
7 *Resources will be updated in March 2013 with results of exploration programme conducted in 2012*
8 *Reserves will be declared once the feasibility study has been completed (in 2013)*

2011					
Tonnes (million)[3]	Grade				% change
	%Zn	%Pb			
3,8	8,9	2,1			
5,0	6,8	2,3			
6,6	8,2	1,0			
15,5	7,9	1,7			N/A
	%Zn	%Pb	Cu%	Ag g/t	
7,2	2,7	3,6	0,3	40,4	
6,2	2,1	3,4	0,4	46,0	
4,9	2,1	2,3	0,7	20,8	
18,3	2,3	3,2	0,4	37,1	(0,4)
—	—	—	—	—	
15,5	0,7	3,0	0,6	35,9	
30,1	0,7	2,8	0,7	32,2	
45,7	0,7	2,9	0,7	33,5	0
43,2	7,1				
57,5	6,5				
53,3	5,4				
154,0	6,3				0
0,0	—				
0,0	—				
32,3	9,8				
32,3	9,8				0

Base metals

Base metal reserves

The table below details the total inclusive base metal reserves estimated as at 31 December 2012

				2012							
Commodity	**Operation**[1]	**% attributable to Exxaro**[2]	**Reserve category**	**ROM (Mt)**[3]	**Grade**				**Saleable product**		
(zinc and lead)	Rosh Pinah Mine[5] (UG) Namibia		Proved	Sold							
			Probable								
			Total								
(zinc, lead, copper and silver)	Black Mountain Mining				%Zn	%Pb	%Cu	Ag g/t	Zinc metal (x 1,000t)	Lead metal (x 1,000t)	Copper metal (x 1,000t)
	Deeps[6] (UG)	26	Proved	3,2	2,9	3,2	0,4	37,0	91,7	101,4	11,6
			Probable	4,2	2,1	2,4	0,4	41,9	89,9	100,4	17,2
			Total	7,4	2,4	2,7	0,4	39,8	181,6	201,8	28,8
			Inferred resources in LoMP[4]	4,8							

%Zn – percent zinc, %Cu – percent copper, %Pb – percent lead, Ag g/t – grams per tonne silver, NA – Not applicable
Reserves quoted are inclusive of reported Mineral Resources unless otherwise stated
Rounding-off of figures may cause computational discrepancies
All changes more than 10% (significant) are explained
1 Mining method: OC – open-cut, UG – underground
2 Figures are reported at 100% irrespective of percentage attributable to Exxaro and refer to 2012 only
3 The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt
4 Inferred Resources in Life of Mine Plan (LoMP) refer to Inferred Resources considered for the Life of Mine Plan
5 Rosh Pinah has been sold
6 Figures received from Vendata Resources plc as at 30 September 2012 and not audited by Exxaro. The net decrease of 1,1Mt is the result of mining

	2011										
	ROM (Mt)[3]	**Grade**				**Saleable product**				**% change**	**Life of mine plan (LoMP) (years)**
		%Zn	%Pb			Zinc metal (x 1,000t)	Lead metal (x 1,000t)				
	2,6	8,9	2,1			232,2	53,3				
	2,2	7,2	2,3			159,3	51,3				
	4,8	8,2	2,2			391,5	104,6			N/A	
Silver metal (x 1,000t)		%Zn	%Pb	%Cu	Ag g/t	Zinc metal (x 1,000t)	Lead metal (x 1,000t)	Copper metal (x 1,000t)	Silver metal (x 1,000t)	% change	Life of mine plan (LoMP) (years)
118,9	3,9	3,0	3,4	0,4	39,0	117,1	133,1	14,5	153,4		
175,6	4,5	2,2	2,5	0,4	41,8	100,3	112,6	18,8	189,8		
294,5	8,5	2,6	2,9	0,4	40,3	217,4	245,6	33,3	343,2	(12,7)	7
	9,6										

Iron ore

Iron ore resources

The table below details the total inclusive iron ore resources estimated as at 31 December 2012

Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category
Iron ore Republic of Congo (RoC)	Mayoko mine (OC)	100	Measured Indicated Inferred
			Total

%Fe refers to in-situ Fe content, %Fe – percent iron
Rounding-off of figures may cause computational discrepancies
All changes more than 10% (significant) are explained

1 *Mining method: OC, lithological boundary used, no cut off grade applied*
2 *Figures are reported at 100% irrespective of percentage attributable to Exxaro and refer to 2012 only*
3 *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt*

	2012		2011		
	Tonnes (million)[3]	Grade %Fe	Tonnes (million)[3]	Grade %Fe	% change
	40,2	45,7	Not reported		
	245,0	34,3			
	400,2	32,7			
	685,4	34,0			N/A

Mineral sands***

Mineral sands resources

The table below details the total inclusive mineral sands resources estimated as at 31 December 2012

Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category
KwaZulu-Natal	Hillendale Mine + Braeburn + Breaburn Extension[4] (OC)	59,04	Measured
			Indicated
			Inferred
			Total
	Fairbreeze A+B+C+C Ext + D (OC)	59,04	Measured
			Indicated
			Inferred
			Total
	Block P (OC) (mining right)	59,04	Measured
			Indicated
			Inferred
			Total
	Port Durnford project (OC) (prospecting)	59,04	Measured
			Indicated
			Inferred
			Total
Eastern Cape	Eastern Cape project (OC) (Nombanjana, Ngcizele, Sandy Point old and recent)	59,04	Measured
			Indicated
			Inferred
			Total
Limpopo	Gravelotte sand[5] (OC) (mining right)	100	Measured
			Indicated
			Inferred
			Total
	Gravelotte rock[6] (OC) (mining right)	100	Measured
			Indicated
			Inferred
			Total
	Letsitele sand project (OC) (prospecting)		Measured
			Indicated
			Inferred
			Total
	Letsitele rock project (OC) (prospecting)		Measured
			Indicated
			Inferred
			Total

	2012		2011		
	Tonnes (million)[3]	Grade	Tonnes (million)[3]	Grade	% change
	%Ilmenite		%Ilmenite		
	14,6	2,90	24,2	2,76	
	–		–		
	–		–		
	14,6	2,90	24,2	2,76	(39,6)
	156,1	4,29	156,1	4,29	
	55,7	2,56	55,7	2,56	
	9,0	1,92	9,0	1,92	
	220,9	3,76	220,9	3,76	–
	–		–		
	40,6	3,05	40,6	3,10	
	–		–		
	40,6	3,05	40,6	3,10	–
	142,5	3,04	142,5	3,00	
	340,1	2,75	340,1	2,80	
	466,0	2,52	466,0	2,50	
	948,6	2,68	948,6	2,70	–
	226,2	4,62	226,2	4,60	
	9,9	3,30	9,9	3,30	
	19,8	3,92	19,8	3,90	
	255,9	4,51	255,9	4,50	–
			75,1	9,10	
	74,9	9,90	–	–	
			31,3	4,00	
	74,9	9,90	106,4	7,60	(29,6)
	9,7	23,10	–	–	
	113,9	18,20	112,3	20,70	
	123,6	18,60	112,3	20,70	10,1
	Divest		12,5	10,5	
			–	–	
			–	–	
			12,5	10,5	N/A
	Divest		–	–	
			53,6	25,9	
			–	–	
			53,6	25,9	N/A

Mineral sands***

Mineral sands resources (continued)

				2012		
				Tonnes (million)[3]	Grade	
					%Ilmenite	%Zircon
KwaZulu-Natal	Namakwa Sands mine (OC)	59,04	Measured	509,6	3,11	0,79
			Indicated	257,4	2,55	0,62
			Inferred	142,3	2,38	0,61
			Total	909,3	2,84	0,72
Australia	Tiwest				**%THM**	
	Cooljarloo mine (OC)	44,65	Measured	170,8	2,1	
			Indicated	196,8	1,9	
			Inferred			
			Total	367,6	2,0	
	Tiwest				**%THM**	
	Cooljarloo west project[7] (OC) (prospecting)	44,65	Measured			
			Indicated	65,1	2,1	
			Inferred	34,0	2,0	
			Total	99,1	2,1	
	Cooljarloo north west project[7] (OC) (prospecting)	44,65	Measured			
			Indicated			
			Inferred	79,5	1,8	
			Total	79,5	1,8	
	Jurien project (OC) (mining right)	44,65	Measured			
			Indicated	25,6	6,0	
			Inferred			
			Total	25,6	6,0	
	Dongara project[8] (OC) (prospecting)	44,65	Measured	106,3	4,0	
			Indicated	12,8	4,5	
			Inferred	37,9	3,9	
			Total	157,0	4,0	

**** Estimates are received from Tronox and not audited by Exxaro*
%THM – percent Total Heavy Mineral
Mineral Sands Resources are quoted Inclusive of Mineral Sands Resources that have been modified to Mineral Sands Reserves unless otherwise stated
Rounding-off of figures may cause computational discrepancies
All changes more than 10% (significant) are explained
1 Mining method: OC – open-cut, UG – underground
2 Figures are reported at 100% irrespective of percentage attributable to Exxaro and refer to 2012 only
3 The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt
4 The decrease of ~9Mt is the result of mining depletion (3,2Mt) and the removal of low potential resources in the peripheral parts of the ore body (6Mt)

2011			
Tonnes (million)[3]	Grade		
	%Ilmenite	%Zircon	% change
434,7	2,90	0,61	
360,7	2,72	0,72	
82,0	2,59	0,58	
877,4	2,79	0,64	3,6
	%THM		
207,3	2,1		
192,8	1,9		
399,9	2,1		(8,1)
	%THM		
111,0	1,8		
86,0	1,8		
197,0	1,8		(49,7)
—			
—			N/A
25,6	6,0		
25,6	6,0		—
55,2	4,5		
12,0	4,8		
15,9	4,0		
83,1	4,5		88,9

5 *New resource classification resulted in a movement of material from the measured to indicated category and the exclusion of 31,3Mt (pebble bed), previously in the inferred category*

6 *The increase is the result of additional drilling information obtained on farms Malati and Begin and an update of the geological model*

7 *The change is the result of a split into Cooljarloo West and North-west, because it makes geographical sense (occurrence of ore bodies in relation to Cooljarloo mine) as well as a change in economic parameters*

8 *The increase in resource is the result of new economical parameters used in ore definition*

Mineral sands***

Mineral sands reserves

The table below details the total mineral sands reserves estimated as at 31 December 2012

				2012				
Commodity	Operation[1]	% attributable to Exxaro[2]	Reserve category	ROM (Mt)[3]	Grade	Total heavy mineral (THM) composition		
					%THM	%Ilmenite	%Rutile	%Zircon
KwaZulu-Natal	Hillendale mine[5] (OC)	59,04	Proved	2,9	5,3	61,3	4,0	7,6
			Probable	–	–	–	–	–
			Total	2,9	5,3	61,3	4,0	7,6
			Inferred resources in LoMP[4]	–				
	Fairbreeze A+B+C+ C ext.+D (OC) (mining right)	59,04	Proved	114,3	7,7	62,7	3,5	8,5
			Probable	25,4	5,0	56,2	3,3	7,8
			Total	139,6	7,2	61,9	3,4	8,4
Limpopo			Inferred resources in LoMP[4]	3,0				
	Gravelotte sand[6] (OC) (mining right)	100	Proved	–				
			Probable	–				
			Total	–				
Western Cape			Inferred resources in LoMP[4]	–				
	Namakwa sands Mine (OC)	59,04	Proved	271,9	9,7	33,8	2,4	9,5
			Probable	160,3	7,1	34,7	2,7	8,1
			Total	432,2	8,8	34,1	2,5	9,1
Australia			Inferred resources in LoMP[4]	49,6				
	Tiwest – Cooljarloo mine (OC)[7]	44,65	Proved	170,8	2,2	60,1	4,9	9,4
			Probable	57,9	2,1	63,1	5,1	10,6
			Total	228,7	2,2	60,8	5,0	9,7

	2011							
	ROM (Mt)(3)	Grade	Total heavy mineral (THM) composition				% change	Life of mine plan (LoMP) (years)
%Leucoxene		%THM	%Ilmenite	%Rutile	%Zircon	% Leucoxene		
2,0	7,3	5,9	56,1	3,9	7,1	2,0		
–	–	–	–	–	–	–		
2,0	7,3	5,9	56,1	3,9	7,1	2,0	(60,4)	1
	–							
1,7	114,3	7,7	62,7	3,5	8,5	1,7		
1,5	25,4	5,0	56,2	3,3	7,8	1,5		
1,7	139,6	7,2	61,9	3,4	8,4	1,7	–	10
	3,0						–	
	52,4	13,0	85,0					
	–	–	–					
	52,4	13,0	85,0				N/A	
	–							
5,2	185,5	9,7	33,8	2,6	9,7	7,2		
6,0	272,4	7,8	36,8	2,4	9,5	6,0		
5,4	457,9	8,6	35,5	2,6	9,6	6,5	(5,6)	31
	4,4							
2,7	207,0	2,2	59,3	5,0	9,3	2,7		
2,9	57,7	2,1	56,1	4,7	9,5	3,0		
2,7	264,7	2,2	58,6	5,0	9,4	2,8	(13,6)	11

Mineral sands***

Mineral sands reserves (continued)

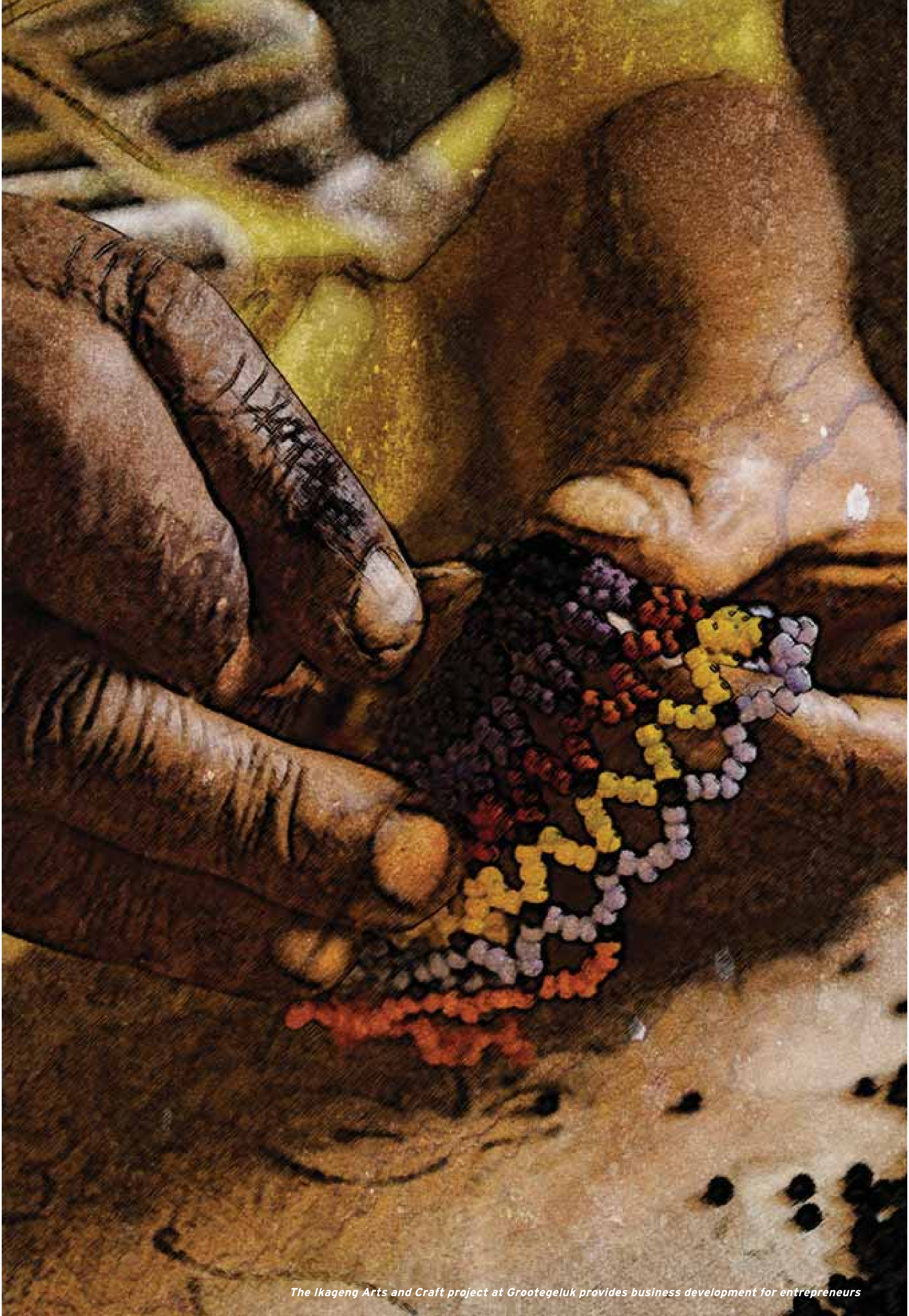
Commodity	Operation[1]	% attributable to Exxaro[2]	Reserve category	2012 ROM (Mt)[3]	Grade %THM	Total heavy mineral (THM) composition %Ilmenite	%Rutile	%Zircon
Australia			Inferred resources in LoMP[4]	–				
	– Jurien project (OC) (mining right)	44,65	Proved	–	–	–	–	–
			Probable	15,7	7,9	53,6	6,8	10,4
			Total	15,7	7,9	53,6	6,8	10,4
			Inferred resources in LoMP[4]	–				
	– Dongara project[8] (OC) (prospecting)	44,65	Proved	64,6	5,1	48,9	6,1	11,2
			Probable	–	–	–	–	–
			Total	64,6	5,1	48,9	6,1	11,2
			Inferred resources in LoMP[4]	–				

*** Estimates are received from Tronox and not audited by Exxaro
%THM – percent Total Heavy Minerals
Rounding-off of figures may cause computational discrepancies
All changes more than 10% (significant) are explained
1 Mining method: OC – open-cut, UG – underground
2 Figures are reported at 100% irrespective of percentage attributable to Exxaro and refer to 2012 only
3 The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt
4 Inferred Resources in Life of Mine Plan (LoMP) refer to Inferred Resources considered for the Life of Mine Plan
5 The decrease is as a result of mining depletion (3,21Mt), model refinement (1,2Mt) and the removal of low potential resources in the peripheral parts of the ore body
6 Reserves currently under review
7 The decrease in the reserve is the result of mining
8 The increase in mineral reserves (35,1Mt) is the result of new economical parameters used in ore definition

	2011							
	ROM (Mt)(3)	Grade	Total heavy mineral (THM) composition				% change	Life of mine plan (LoMP) (years)
%Leucoxene		%THM	%Ilmenite	%Rutile	%Zircon	% Leucoxene		
	–							
–	–	–	–	–	–	–		
2,3	15,7	7,9	54,0	6,8	10,0	2,3		
2,3	15,7	7,9	54,0	6,8	10,0	2,3	–	5
2,8	29,5	7,3	48,6	7,0	10,1	2,0		
–	–	–	–	–	–	–		
2,8	29,5	7,3	48,6	7,0	10,1	2,0	119,0	20
	–							

09

social capital



The Ikageng Arts and Craft project at Grootegeluk provides business development for entrepreneurs

SOCIAL CAPITAL

People – partnering with communities

Objective: To be a powerful source of value for Exxaro and surrounding communities, based on the principles of integrated sustainable development

Strategy	Risk	Opportunity	Target
To produce and implement an Exxaro social compact framework that will ensure we go beyond compliance	Community activism	Through the Exxaro social compact, we will develop a body of best-practice evidence of community and business development and growth	Policy being finalised for implementation in 2013
To manage community expectations	Community activism	Effective and transparent stakeholder engagement	Continuous
To develop and roll out local economic development initiatives and sustainable related projects	Social licence to operate breach	Implement against approved milestones	As per milestones
To optimise stakeholder engagement at operational level	Community activism	Effective and transparent stakeholder engagement	Continuous
To proactively manage SHEC risks	Community activism	Develop a risk model Roll out SEAT	Completed in 2012

Local economic development

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

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

Local economic development projects refer to deploying funds, goods and labour to provide sustainable services for the local community that can be owned, managed and maintained by that community. Unlike a donation, Exxaro's role extends beyond funding to active involvement in how these funds are used, as well as a project management role.

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

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

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

In line with policy, we encourage volunteerism and participation in local economic development projects to create a culture of socially conscious employees.

Exxaro's sustainable development activities, including local 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
- Infrastructure (related to local economic projects)
- Agriculture.

In considering any project, our overarching objective is to alleviate poverty and improve the life of our communities

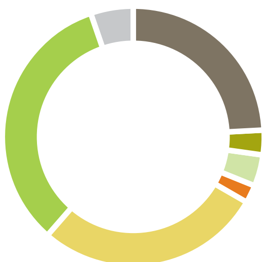
All our social and labour plans for the period 2007 to 2012 were approved by the Department of Mineral Resources, with certain objectives still being implemented in 2013. Unfulfilled commitments, where still relevant and practical, will be included in the social and labour plans 2013-2017. These plans focus on communities close to our operations, as well as major labour-sending areas, to ensure they benefit from the mine's presence in multiple ways. As part of this process, existing plans for all mining operations were audited and results reported to the executive committee in October 2012. In addition, mining charter compliance reports per mining operation were finalised and presented to the executive committee.

In 2012, Exxaro allocated R60 million to local economic development initiatives under way, including corporate projects and other initiatives (2011: R52 million). Because of unavoidable delays, we only spent R34,2 million of the allocated funds. The difference carries over to the new financial year.

Most of our initiatives stem from identified community needs and are considered against the local municipality's integrated development plan.

Exxaro's five-year local economic development projects focus on enterprise development, infrastructure development, education and skills development.

Contributions by Exxaro Chairman's Fund and Exxaro Foundation – 2012



- Education – 24%
- Sustainable development – 3%
- Environment – 4%
- Health and welfare – 2%
- Enterprise development – 28%
- Infrastructure – 34%
- Skills development – 5%

Total: R50 million

Education and skills development

Education and skills development is a priority in South Africa, given the ongoing shortage of skills in critical sectors and poor quality of public education. Exxaro, like most of the private sector in the country, is contributing to the broader education field to counter constrained government spending.

From building individual classrooms to equipping laboratories or offering bridging courses, Saturday schools and bursaries, we believe the contributions of the private sector are playing a valuable role in educating learners and giving individuals the opportunity to reach their full potential. We fully acknowledge that more needs to be done and, where possible, are working closely with educational departments to make a real difference.

Projects

In terms of the group's social and labour plans, Exxaro has 42 local economic development projects unfolding over a five-year period. These are being implemented in conjunction with all relevant stakeholders to ensure a collaborative approach. The number of jobs being created through these projects exceeds 235, indirectly benefiting over 1 175 people.

Some of the projects under way across our group are summarised below.

Siyathuthuka Butterfield bakery project

The Siyathuthuka Butterfield bakery project in Belfast is a good example of a legacy project meeting its objectives. Since September 2011, Exxaro has invested over R2 million into the Butterfield bakery franchise, now generating solid monthly turnover from a 100% black locally owned bakery outlet. The project benefits 16 people directly – including six women and one disabled person – and 64 people indirectly. The project also adds economic benefits for community members, schools and feeding programmes which now have access to fresh bread at affordable prices.

Located roughly 5km from the Siyathuthuka community in Belfast, Mpumalanga, the bakery is easily accessible to local residents. Most importantly, the project complements the country-wide need for food security and enterprise development in communities affected by poverty and unemployment.

The Siyathuthuka Butterfield bakery project in Belfast benefits 16 people directly, and 64 people indirectly

The Saturday school project helps 315 learners each year to benefit educationally and to receive one fresh healthy meal a day

Saturday school project – Belfast

The quality of South Africa's maths and science education urgently needs to be addressed to support our national growth and development goals, and Exxaro has focused on addressing this challenge.

The Waterval Boven circuit in Belfast, near our North Block Complex mine, had a poor performance history in grade 12 results. The Saturday school project helps 315 learners each year to benefit educationally and to receive one fresh healthy meal a day. The project also directly benefits three women employed as food handlers, 12 educators and six transport businesses, with 84 people and 315 households benefiting indirectly.

Since inception, the project has improved results from 40% to 74% in 2011 and 72% in 2012. Exxaro is funding the project fully, spending about R900 000 a year for learners' transport and catering, and paying a stipend to the teachers.

Boitlhamo construction development

The town of Lephalale is currently undergoing massive industrial development, especially in the energy sector with the construction of Medupi power station and Exxaro's expanded mining activities at Grootegeluk to support the power station. This rapid development has increased demand for housing, in turn creating a business opportunity in the construction industry.

Exxaro established and funded a brick-producing enterprise, investing over R1,3 million to produce a monthly turnover that currently benefits 24 local residents. This is expected to increase to 52 people when the project reaches optimal production. The project is a 100% youth-owned enterprise and self-sustaining.

Mohlasedi poultry farm

Lephalale municipality comprises 38 villages, largely characterised by poverty and unemployment. At times, even the cost of transport to town is a challenge and residents are thus unable to get affordable and fresh food. To bring the food source closer to the villagers, Exxaro invested R1,5 million to establish a poultry enterprise.

Exxaro invested R1,5 million to establish the Mohlasedi poultry enterprise

With appropriate infrastructure, tools and training, broiler production started in 2010, and egg laying followed in 2011. Today the project is independent of Grootegeluk's support as it generates enough monthly turnover to pay its operational costs. Ten local people benefit directly and 40 indirectly. It also benefits the local community as they no longer have to travel to town for poultry.

Developing the body of knowledge

In terms of corporate commitments, Exxaro contributed over R11,9 million in 2012 via corporate projects, including four university chairs, skills development initiatives, education and membership fees to national and international bodies such as the National Business Initiative, WWF and the Peace Parks Foundation.

We are particularly committed to developing the body of knowledge at tertiary level by funding chairs in carefully selected disciplines.

At present, Exxaro is funding four university chairs:

- **Exxaro chair in business and climate change (Unisa)** – to promote and advance research, teaching and advocacy-orientated community engagements in this field, especially in developing economies.

Background and progress during the year
Research themes for this chair include:
- Carbon accounting and footprinting
- Business response to climate change in key industry sectors in South Africa, including mining, finance and insurance, retail, agriculture and automotive
- Integrated reporting
- Climate change and corporate strategy
- Green economies and green jobs
- Climate change and water – focusing on the corporate level.

Unisa will host at least one international conference during the tenure of the chair. The chair is also to develop national and international research collaborative partnerships.

Progress
- Incumbents for the chair being recruited
- Work plan being defined
- Research under way
- International conference conducted

- **Exxaro chair in global change and sustainability (Wits)** – to provide an enabling research platform of global significance and local impact, fostering informed and innovative actions for adaptation and mitigation strategies for sustainability in the rapidly changing southern African region.

Background and progress during the year
Research themes include:

- Carbon accounting and footprinting
- Business response to climate change in key industry sectors in South Africa, including mining, finance and insurance, retail, agriculture and automotive
- Integrated reporting
- Climate change and corporate strategy
- Green economies and green jobs
- Climate change and water – focusing on the corporate level

The university must host at least one international conference during the tenure of the chair. The chair must also develop national and international research collaborative partnerships.

Progress
- Incumbents for the chair being recruited
- Work plan being defined

- **Exxaro chair in business and biodiversity leadership (University of Pretoria)** – focusing on thought leadership in the interface between the spheres of business and biodiversity. As a group, Exxaro strives to influence society to make the right decisions by carefully managing the way in which we mine. This programme is an opportunity for the group to be at the forefront of driving something that will not only benefit South Africa, but also the world.

Background and progress during the year
Research themes include:

- Implementation of voluntary ecosystem valuation
- Identification and evaluation of current business responses to biodiversity in Exxaro and other industries
- Integrated reporting
- Legal framework within which business has to operate
- Land rehabilitation
- Green economies and green jobs
- Linking biodiversity with environmental management and other issues such as climate change and water with special emphasis on wetlands.

Researchers must attend conferences related to the research topics and develop national and international research collaborative partnerships.

Progress

- Incumbents for the chair being recruited
- Work plan defined
- Literature review under way.

- **Exxaro chair in energy efficiency (University of Pretoria)** – to participate at the forefront of research activities in energy efficiency and deliver world-class research and educational outputs for the benefit of Exxaro and South Africa.

Background and progress during the year
Research themes include:

- Mining system components: energy efficiency study (energy efficiency of conveyor belts, crushers, winders, pumps, etc)
- Integrated mining operational process optimisation (system component optimal sizing and matching)
- Analysis of process plant nameplate capacity, throughput and energy use, in relation to actual output and energy consumption
- Design efficiency in capital projects (eg designing green- and brownfield mining and processing projects from start using energy efficiency guiding principles)
- Mine engineering for energy efficiency (eg above and underground distance, opencast vs underground mining method, HVAC or heating, ventilation and air-conditioning, material handling)
- Co-generation, using waste heat generated in a process to produce electricity that could be used in the same or related processes in the same operations (ie smelters, process plants, flares)

- Smelter technology and smelter efficiency
- Sustainable low-carbon transport in continuous mining applications
- Influence and effect of monitoring systems (Scada) on energy efficiency and their optimisation relative to social behavioural change to energy efficiency improvement
- Energy efficiency through energy consumption and energy data mining
- Clean development mechanism (CDM) and carbon trading (carbon footprint and carbon neutral study), as well as the low-carbon economy from CDM to NAMAs (national appropriate mitigation actions)
- Energy efficiency measurement, verification, energy baseline determination and evaluation
- Wind resource potential study (statistical study on wind energy distribution for site selection and power plant design)
- Wind power plant and concentrated solar plant system optimisation.

The university will actively participate in at least one international conference during the tenure of the chair. The chair is also to develop national and international research collaborative partnerships.

Progress
- Incumbents for chair being recruited
- Work plan defined
- Literature review under way
- University participated in international conference

Sustainable procurement

In implementing our philosophy on supply chain sustainability, we aim to ensure that when making procurement decisions we source, contract, lease, hire and procure goods and services from suppliers that demonstrate commitment to sustainable business practices and support Exxaro's compliance efforts in terms of the mining charter.

During the period, green procurement, HDSA procurement and sustainable supplier engagement were identified as key focus elements for Exxaro's approach to sustainable procurement. The green procurement reporting framework developed in 2012 will enable us to track progress on green procurement and equip supply chain officials with the required capability in designated improvement areas.

Green procurement

Exxaro is already acquiring some products with green attributes. The challenge has always been demonstrating progress towards specific green procurement milestones in terms of visibility and commodity targeting.

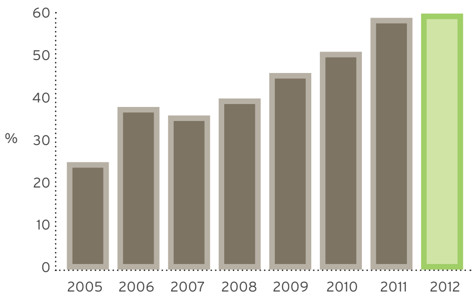
The scope of the project concentrates on specific commodities that will translate successes in terms of energy efficient procurement, environmentally preferable procurement, resource efficient procurement and reverse logistics.

Preferential procurement

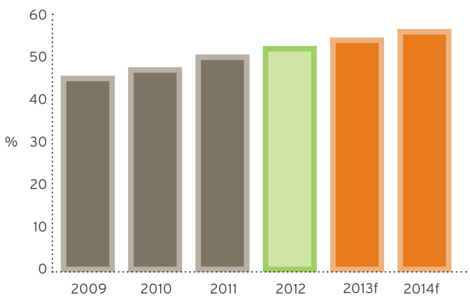
Our preferential procurement policy capitalises on the group's purchasing power to ensure we contract with external suppliers with strong BEE credentials or are making a tangible effort to transform their business to be BEE compliant. In line with the revised mining charter of 2010, our policy and strategy enforce compliance to all categories of the preferential procurement and enterprise development elements.

Our commitment to procuring from HDSA suppliers is reflected in the steady progression from under 40% in 2007 to 59% (above the target of 52%) or R7,9 billion in 2012.

Procurement from HDSA suppliers



Preferential procurement targets



Sustainable supplier engagement

In 2012, the executive committee approved a supplier code of conduct. This code will create a shared foundation for supply chain sustainability to enable supply chain officials, suppliers and internal stakeholders to make informed decisions about:

- Exxaro sustainability standards for compliance by all suppliers
- Supply chain sustainability focus areas that, if appropriately addressed, should keep both Exxaro and suppliers well ahead of regulatory standards, creating impetus for innovation, continuous improvement, risk mitigation, learning and operational efficiency
- Perspectives for developing criteria to be used when assessing and auditing supplier progress on compliance with sustainability issues being addressed in the codes
- Basis from which collaborative development spheres of suppliers will be focusing.

Contractor management

Exxaro focuses on its core activities and subcontracts specialist tasks. At any point, hundreds of contractors are moving through Exxaro sites, presenting specific health, safety and environmental risks. We require contractors to adhere to group standards as part of our legal compliance process. As such, managing contractors is now a key compliance indicator in its own right.

The induction and training centre at Marapong near Grootegeluk is proving valuable in reducing the time and cost incurred by new contractors before they start work at the mine. Contractors can now complete all their computer- or classroom-based induction at this centre in one process, from registration to issuing access cards, that takes about five days.

All contractor employee data was captured on to Exxaro's HR database in April 2012, enabling the group to monitor, control and enforce compliance. The system also provides accurate and timely business information, and effective forecasts of people-related statistics (from medical surveillance to e-learning).

To date, Exxaro has invested over R35 million in HR system enhancements and data maintenance to comply with relevant legislation.

Infrastructure development

Partnering with government in developing infrastructure that benefits our company and the people of South Africa simply makes business sense. Partnerships of these types are common in our social and labour plans where we work with national, provincial and regional authorities to achieve common goals, particularly in the fields of education and health.

Exxaro is also actively involved in infrastructure development and longer-term projects, particularly in the energy field, that will benefit South Africa. These are summarised below.

Energy

- Energy efficiency — the innovative techniques in place at our new coal plants in South Africa's Limpopo have industry-wide application
- The 800 low energy-use houses we built for employees in Limpopo are proving that green building is also cost efficient in the long run
- Our new joint-venture energy company is focused on generating power for the company and country through a mix of renewable and cleaner energy sources. Less than two months after its launch, Cennergi was preferred bidder for two wind energy projects (Amakhala 139MW and Tsitsikamma 95MW), under the Department of Energy's renewable energy independent power producers programme (REIPPP).
- We are pursuing clean development mechanism (CDM) status and aim to achieve certified emission reduction registration with the UNFCCC for a number of our clean energy projects.

Water

Various initiatives are under way to increase the supply of water — technically referred to as watershed management:

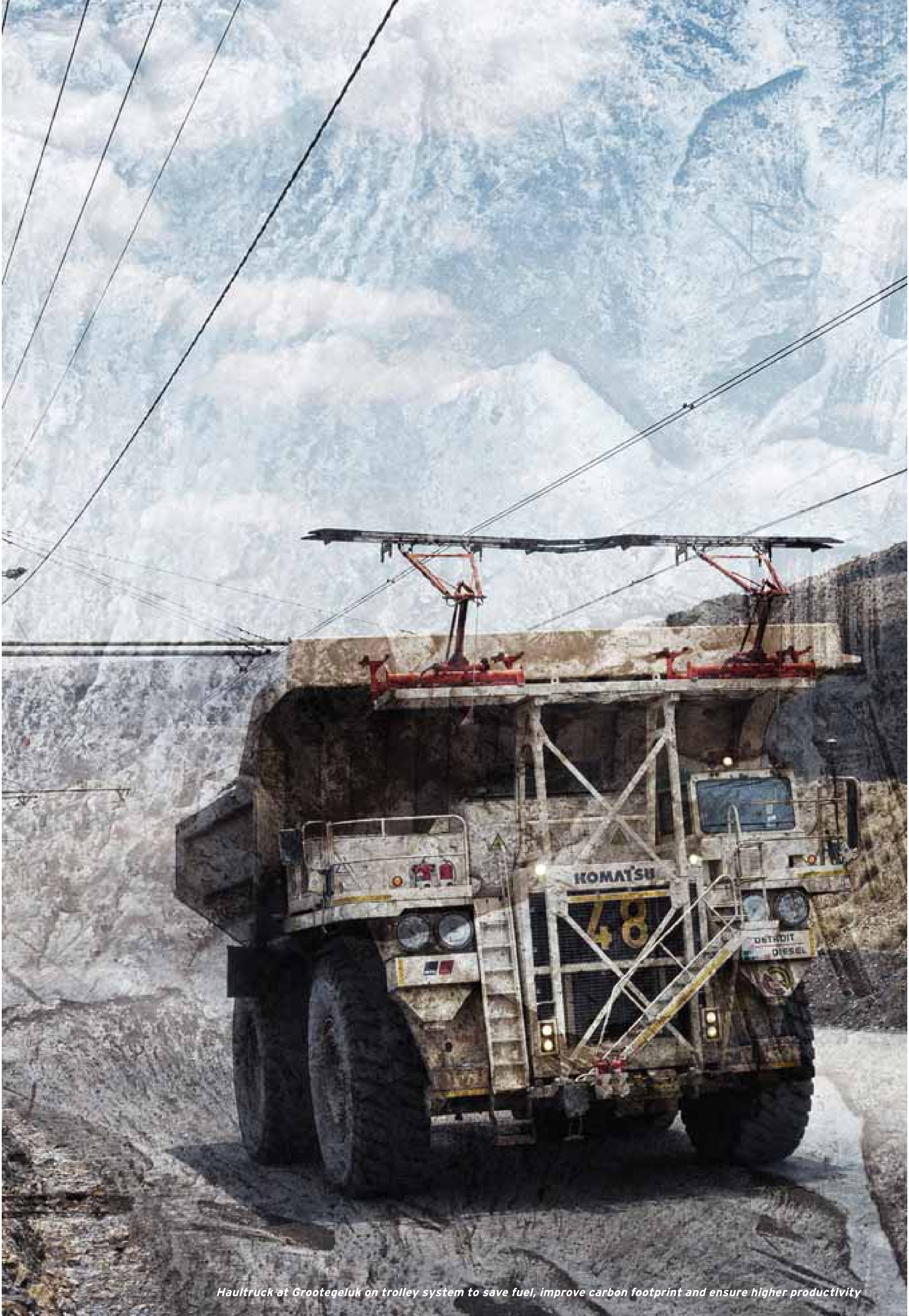
- In the Waterberg, several companies — most notably Exxaro — are gearing up to increase future coal production to support electricity generation through Eskom for the country. To supply water to this arid region, an extra pipeline is being constructed from Mokolo Dam to the Waterberg operations
- Feasibility studies are under way between the Department of Water Affairs, Trans-Caledon Water Authority and Lephalale Municipality on a proposed inter-basin transfer from the Caledon River to the Crocodile River in the Waterberg. Studies are also under way to assess implementation of a water transfer from Lesotho Highlands to the Waterberg.

- Maintained and operated by Exxaro, Zeeland water treatment works currently supplies water to over 21 000 Lephalale residents in Limpopo, purifying 40 megalitres of drinking water each day and supplying it directly to the Lephalale Local Municipality. In addition to Blue Drop certification, the premier award for quality, Zeeland has been cited as "an example to other municipalities and potential partners of what is possible when proper planning, commitment and implementation come together".
- Exxaro's Tshikondeni mine is in northern Limpopo, an area that is severely water stressed. The communities around the mine rely wholly on recycled water from the Tshikondeni treatment plant for quality potable water. Until 2011, water monitoring at this mine was manually captured and the community could not be alerted to potential water shortages in advance. At considerable cost, we installed telemetric monitoring systems and worked closely with stakeholders to sensitise them to the changes in water management that would result from accurately monitoring water flow. This initiative improved the management and monitoring of recycled water, ensured a stable supply of water to the community and an accurate supply to the coal processing plant.

The rapid development in Lephalale increased demand for housing, in turn creating a business opportunity in the construction industry

10

manufactured capital



Haultruck at Grootegeluk on trolley system to save fuel, improve carbon footprint and ensure higher productivity

MANUFACTURED CAPITAL

Research and development

Sustainability at Exxaro is also about innovation — innovation FOR sustainability. This is encapsulated in our vision: through our innovation and growth we will be a powerful source of endless possibilities.

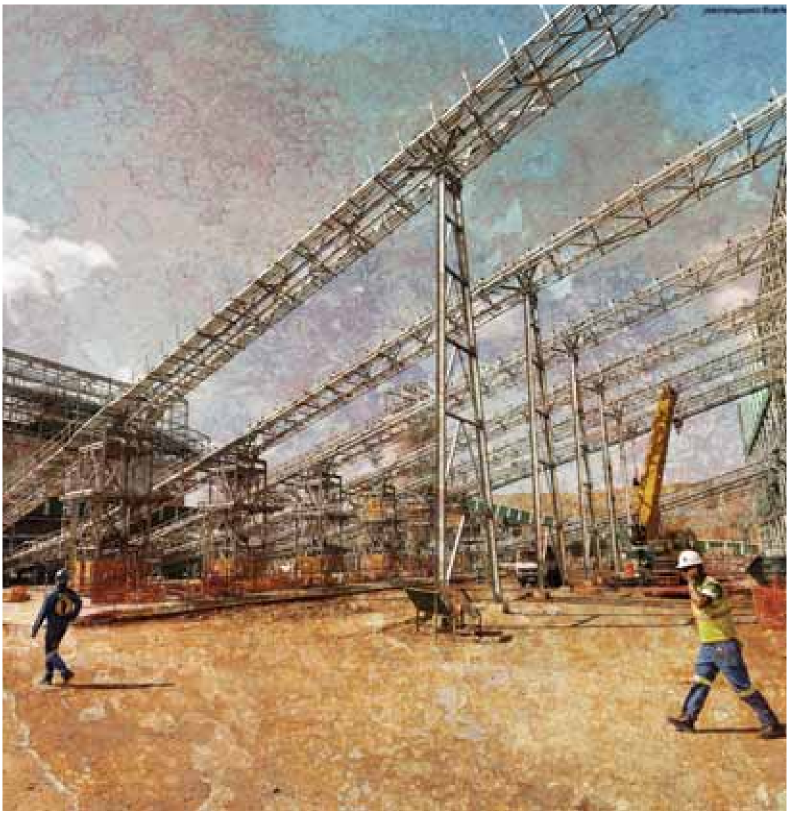
Over the last two years, Exxaro has been working on a programme to make blue-sky innovation part of the group's culture. This will broaden the company's technology strategy and innovation programme to functions as diverse as sustainability, services, human resources, supply chain, information management, and SHEC or safety, health, environment and community.

Exxaro has developed a systematic process and supporting infrastructure that enables employees to log and evaluate ideas, develop a compelling business case and, if proven, add them to our project pipeline. This, in turn, is guided by our ten-step technology strategy development process that ensures projects support Exxaro's business goals. Recent successes include:

- The ultra high dense medium separation (UHDMS) processing technology provides a solution to the challenge of declining ore qualities and the limitations of existing technologies by improving resource utilisation and increasing life of mine.
- Exxaro's AlloyStream team is commercialising a new smelting process with a manganese partner using coal fines. This is the first manganese smelting process innovation in the industry in nearly 80 years. Proving that innovation is not necessarily a quick process, it took 18 years of testing, but the benefits are worthwhile, including a one-step steel smelting process, life-of-mine extensions and energy savings of up to half the costs of a traditional smelter.
- Exxaro's diversification strategy has extended beyond the mining industry to cleaner energy. As a coal producer and thus intensive energy user, Exxaro plays a significant role in the energy environment in South Africa. Over the last six years, Exxaro has addressed three issues that have become central to this environment: energy security, economic productivity and environmental impact, including climate change, land and water use and carbon emissions. A major achievement of the group's energy strategy was the formation of a company aimed at generating power via a mix of renewable and cleaner energy sources. Cennergi was launched in April 2012 as a joint venture with Tata Power of India.
- Exxaro also recently announced a deal with US pigment manufacturer, Tronox, to form the world's first vertically integrated mineral sands processing and pigment company.

- The group's future mine programme started in 2012 on the back of the innovation culture drive. Guided by senior functional coaches, a group of young professionals was tasked with defining technology focus areas for Exxaro and aligning these to the group's commodity strategy for 2020, 2030 and 2050 horizons. They conducted local and global research, made benchmarking visits to companies around the world and attended numerous conferences to identify innovative opportunities and development initiatives which Exxaro could pursue in future.

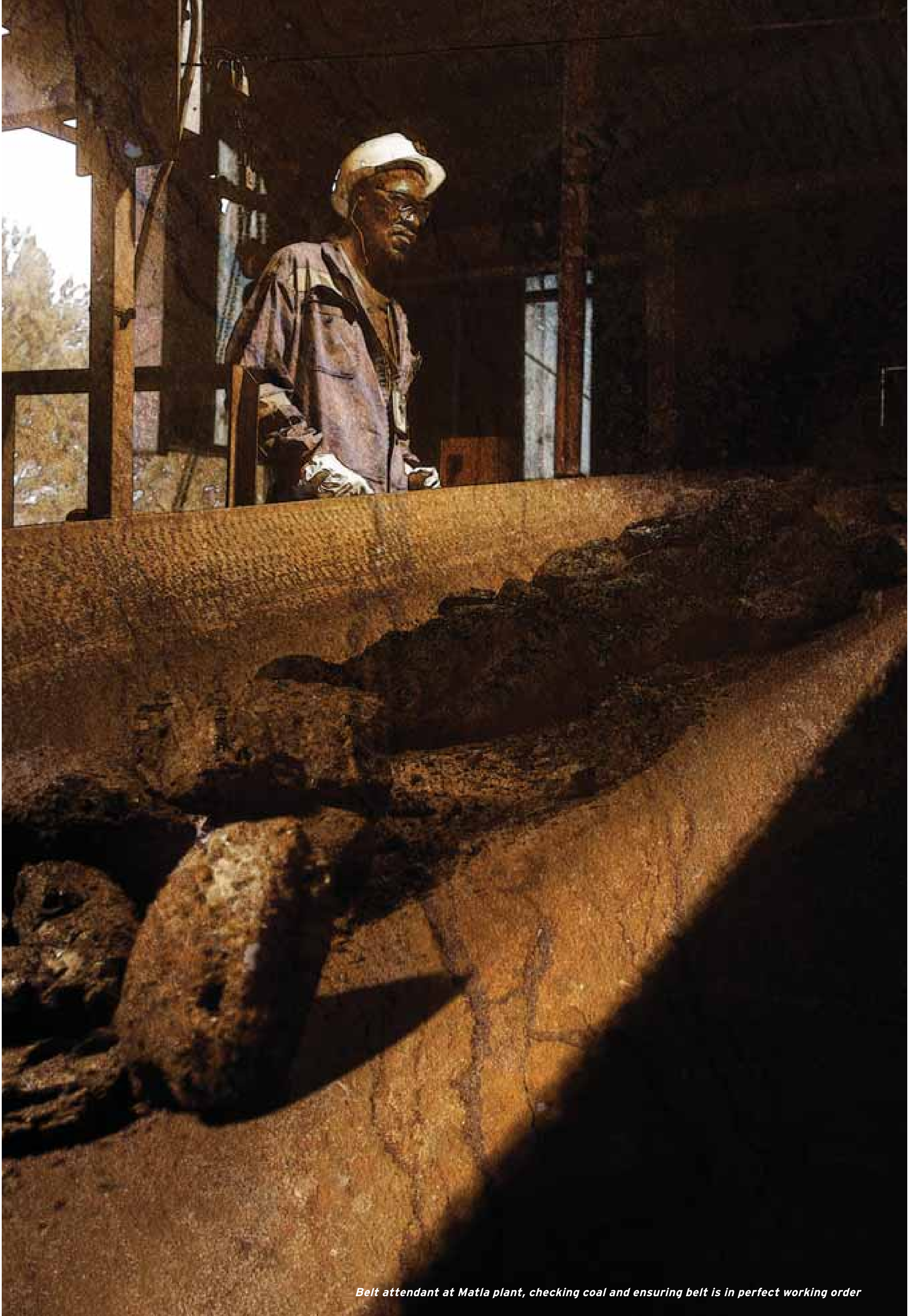
All this focused activity will result in innovations that will keep Exxaro sustainable and position the group to contribute to the nation's economic growth from local to national level.



Through our innovation and growth we will be a powerful source of endless possibilities

11

financial capital



Belt attendant at Matla plant, checking coal and ensuring belt is in perfect working order

EXECUTIVE COMMITTEE*

01
SA NKOSI – SIPHO (58)
CHIEF EXECUTIVE OFFICER
(EXECUTIVE DIRECTOR)

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

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

02
WA DE KLERK – WIM (49)
FINANCE DIRECTOR
(EXECUTIVE DIRECTOR)

BCom (hons) Acc CA(SA), Executive Management Programme (Darden), Strategic Marketing Diploma (Harvard)

Experience: Wim joined Iscor in 1996, managing the group's quarries and Grootegeluk coal mine. He became part of the executive team as group general manager for strategy and continuous improvement in 1999. After Kumba Resource's inception in 2001, he headed the mineral sands commodity and once Exxaro was formed and listed in 2006, he became executive general manager for mineral sands and base metals until his appointment as finance director in 2009.

03
MDM MGOJO – MXOLISI (52)
EXECUTIVE HEAD: OPERATIONS

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

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

04
M PIATER – RETHA (58)
EXECUTIVE HEAD: HUMAN RESOURCES

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

Experience: Retha has 28 years of human resources experience across the various business units and commodities, specifically in the area of remuneration.

* *Prescribed officers in terms of the Companies Act No. 71 of 2008, as amended*

01

02

03

05

PE VENTER – ERNST (56)
EXECUTIVE HEAD: GROWTH, TECHNOLOGY AND SERVICES

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

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

06

M VETI – MONGEZI (49)
GENERAL MANAGER: SAFETY, HEALTH, ENVIRONMENT AND COMMUNITY 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 general manager Area 2 in Exxaro soon after the merger, before assuming his current role in February 2010.

07

CH WESSELS – CARINA (35)
GROUP COMPANY SECRETARY

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

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

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DIRECTORATE

01

SA NKOSI – SIPHO (58)

CHIEF EXECUTIVE OFFICER (EXECUTIVE DIRECTOR)

Director since 28 November 2006

See page 208

02

WA DE KLERK – WIM (49)

FINANCE DIRECTOR (EXECUTIVE DIRECTOR)

Director since 1 March 2009

See page 208

03

JJ GELDENHUYS – JURIE (70)

INDEPENDENT DIRECTOR, CHAIRMAN OF SUSTAINABILITY, RISK AND COMPLIANCE COMMITTEE, MEMBER OF REMUNERATION AND NOMINATION, AUDIT AND SOCIAL AND ETHICS COMMITTEES

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

Director since 28 November 2006

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 to 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 (and a member of the human resources and remuneration and nomination committee and nomination committee).

04

S DAKILE-HLONGWANE – SALUKAZI (62)

NON-EXECUTIVE DIRECTOR AND MEMBER OF SUSTAINABILITY, RISK AND COMPLIANCE COMMITTEE

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

Director since 21 February 2012

Experience: Salukazi is deputy-chairman of Nozala Investments, a company she co-founded in 1996. Her experience includes: 1977 to 1982 senior investment officer, Lesotho National Development Corporation; 1983 to 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 Nozala's investee companies including Eqstra Holdings Limited, Enviroserv Holdings Limited, Woodlands Dairy Proprietary Limited, Afripack Proprietary Limited, Tsebo Outsourcing Group Proprietary Limited and Mutual Construction

Company Proprietary Limited. She is also a non-executive director of MultiChoice South Africa Holdings Limited and a trustee of Nozala Trust and Chancellor House Trust.

05 (no picture)

U KHUMALO – UFIKILE (47)

NON-EXECUTIVE DIRECTOR

Resigned with effect from 31 January 2013

06

DR D KONAR – LEN (59)

INDEPENDENT DIRECTOR, CHAIRMAN OF THE BOARD AND MEMBER OF REMUNERATION AND NOMINATION COMMITTEE (CHAIRS NOMINATION MATTERS)

BCom, CA(SA), MAS, DCom

Director since 28 November 2006

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. He is a past member of the ad hoc ethics panel of the United Nations, safeguards panel of the International Monetary Fund in Washington, co-chairman of the implementation oversight panel of the World Bank, and past chairman and member of the external audit committee of the International Monetary Fund.

07

NB MBAZIMA – NORMAN (54)

NON-EXECUTIVE DIRECTOR AND MEMBER OF REMUNERATION AND NOMINATION COMMITTEE

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

Director since 30 November 2012

Experience: Norman joined Kumba Iron Ore on 1 September 2012 as CEO. As CEO of Anglo American Thermal Coal from October 2009, he spearheaded the business unit's record operating profit in 2011, combined with an improved safety performance. Under his leadership, the Zibulo mine in South Africa reached commercial operating levels ahead of schedule, and Thermal Coal has actively participated in the pursuit of cleaner coal solutions for the world's energy needs. A chartered accountant by profession, Norman began his career with accounting roles at Zambia Consolidated Copper Mines, before spending 17 years with Deloitte & Touche, also in Zambia. He has extensive experience of the Anglo American group, after joining in 2001, serving as CEO of Scaw Metals, both finance director and acting CEO of Anglo's platinum business; CFO of the then Anglo Coal business and CFO of Konkola Copper mines.

04

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08

VZ MNTAMBO – ZWELIBANZI (55)

NON-EXECUTIVE DIRECTOR AND MEMBER OF REMUNERATION AND NOMINATION COMMITTEE

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

Director since 28 November 2006

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 Proprietary Limited and Mainstreet 333 Proprietary Limited. He also a director of SA Tourism Proprietary Limited and a trustee of the Paleo-Anthropologial Scientific Trust.

09

RP MOHRING – RICK (66)

INDEPENDENT DIRECTOR, CHAIRMAN OF REMUNERATION AND NOMINATION COMMITTEE, MEMBER OF AUDIT, SUSTAINABILITY, RISK AND COMPLIANCE AND SOCIAL AND ETHICS COMMITTEES

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

Director since 28 November 2006

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.

10

DR MF RANDERA – FAZEL (64)

NON-EXECUTIVE DIRECTOR AND CHAIRMAN OF SOCIAL AND ETHICS COMMITTEE

MRCS, LRCP; DRCOG

Director since 13 June 2012

Experience: Globally, Fazel has served as board and council member of the World Medical Association (1997 to 2000), participated in the World Health Organization international enquiry into the tobacco industry (1998 to 1999), chaired the global initiative on HIV/Aids reporting (2004). In South Africa, he sat on the Truth and Reconciliation Commission (1995 to 1998), founded the Ethics Institute, served as its chairman (1997 to 2000), and served on the Human Rights Commission (1997 to 1999). Working in hospitals and facilities in the UK and South Africa, he specialised in a range of medical disciplines, including occupational health and HIV/Aids. Fazel chaired the Private Healthcare Forum (2004 to

08 09 10

2007), and served as a member of the South African Centre for Survivors of Torture (2006 to 2011). He was inspector general for South Africa's intelligence services (1999-2001); and served on a number of ministerial advisory bodies. He was the health advisor at the Chamber of Mines and is deputy chairman of Nehawu Investment Holdings.

11

NL SOWAZI – NKULULEKO (49)
NON-EXECUTIVE DIRECTOR

BA, MA (UCLA)

Director since 28 November 2006

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

12

J VAN ROOYEN – JEFF (63)
INDEPENDENT DIRECTOR AND CHAIRMAN OF AUDIT COMMITTEE

BCom, BCompt (hons), CA(SA)

Director since 13 August 2008

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

13

D ZIHLANGU – RAIN (46)
NON-EXECUTIVE DIRECTOR AND MEMBER OF SUSTAINABILITY, RISK AND COMPLIANCE COMMITTEE

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

Director since 28 November 2006

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

11 12 13

GOVERNANCE

Integrating sustainability in our governance practices

As a listed resources company, Exxaro operates in an extremely regulated environment, which naturally drives our compliance and governance initiatives. However, as an ethical, values-based, 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 enable our strategy, ensure our profitability and performance, but also 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.

In 2011 we reported on governance matters in the form of a key objectives scorecard. These key objectives, namely:

- governance supporting and enabling company strategic objectives;
- regulatory and legislative performance: going beyond compliance;
- fully embracing the principles of King III; and
- integrated governance assurance

are of a long-term and sustainable nature and therefore remained applicable during 2012. They will also remain the key overarching governance objectives in the medium term.

In August 2012 the JSE Limited issued a guidance note requiring all listed companies to disclose their application of the King III principles in greater detail. The note requires companies to disclose, through a narrative statement, how each principle was applied or to explain why or to what extent it was not applied. As a result, we have not included a general governance scorecard again, but a detailed King III scorecard which encapsulates the key governance objectives noted above and their related activities, as well as the narrative information previously contained in the body of our governance report. Although the integrated report contains a number of examples on how the King III principles are applied in Exxaro, we hope this summary gives readers a comprehensive, but concise, picture of our application. In future, we will only provide a summary of the Chapter II application in our printed integrated report with the remainder of the detail being web-based.

In the 2011 report we indicated that assurance on King III application would be provided in the 2012 report. Such assurance would, however, be a first for South Africa and we are still in the process of finalising review and assurance parameters with our independent external auditors, PricewaterhouseCoopers. We are working towards providing such an assurance report for 2013.

Application of King III

	Principle	Indicator	Comment
Ethical leadership and corporate citizenship			
1.1	The board should provide effective leadership based on an ethical foundation.		We are driven by our desire to always operate as a responsible corporate citizen and recognise that an ethical culture underpins corporate governance and contributes to our licence to operate. Exxaro and its board of directors are committed to ensuring ethical and sustainable business practices, guided by our values. The board and management subscribe to the philosophy that corporate governance, built on an ethical and values-based foundation, permeates all business activities and enables us to achieve our short- and medium-term strategic objectives while contributing to reaching Exxaro's vision of becoming a US$20 billion company by market capitalisation by 2020. The board supports the group's brand and communications strategy which strives to effectively communicate its corporate citizenship. In 2012 the following awards were received by the group as examples of, inter alia, our corporate citizenship: • A Standard of Excellence Award in the 2012 Deloitte Best Company to Work for survey • Exxaro's internal newsletter has been ranked Best Internal Newsletter four times by the SA Publications Forum • The group was again included on the JSE's SRI index following its annual review
1.2	The board should ensure the company is and is seen to be a responsible corporate citizen.		• Ranked among the top ten in *Financial Mail's* Top Companies Awards • Top position in the Carbon Disclosure Project's leadership index • 2011 integrated report ranked among the top ten in Ernst & Young's Integrated Reporting 2012 Awards. You will find many other examples in this report to emphasise Exxaro's corporate citizenship, for example, the fact that Exxaro was ranked fourth in the BettaBeta Green Exchange Traded Fund, the primary investment product of Nedbank's Green Index, an investment index developed by Nedbank Capital comprising a selection of stocks from the top 100 JSE-listed companies ranked by environmental credentials and liquidity. Another example, in 2012 Exxaro won the award for green excellence in technology innovation in mining presented by Frost & Sullivan's Global Research Platform. Exxaro scored top marks for: • A technological platform characterised by long-term sustainability, and adaptable and responsive to changing environmental needs • Technological solutions that address climate change concerns • A clearly demonstrated responsibility to reducing environmental burden.

	Principle	Indicator	Comment
1.3	The board should ensure the company's ethics are managed effectively.		Exxaro remains committed to the highest standards of honesty, integrity and fairness. As indicated in the 2011 reports, as part of the governance strategy, early in the review period we assessed the maturity of our control systems for fraud, corruption and bribery risks, and how effectively the relationship between these risks, controls and performance is managed in relation to industry peers. Although overall scores indicated that required activities were established, specific improvement initiatives were implemented to enhance the maturity, which included: • Revising the ethics committee's terms of reference • Revising the following key policies to incorporate best practice and legislative changes: – Code of ethics – Whistleblowing – Conflicts of interest – Fraud investigation – Fraud prevention – Fraud response – Gifts and benefits from suppliers • Considering fraud-related risks during the annual risk assessment review • Planning an anti-fraud and corruption awareness campaign to be launched in 2013 • Evaluating and using a case management system • Minor use of data analytics and considering the future use of data analytics to proactively identify potential risks • Incorporating fraud-related surprise audits in the 2013 internal audit plan. The group's ethics processes are managed by the ethics committee, which comprises executives, representatives of internal audit and the chief audit executive. Chaired by the chief audit executive, it meets either monthly or as required to consider issues of non-compliance to the group code of ethics or conflicts of interest policy, as well as matters reported on the ethics line or to management. Required investigations are conducted by a dedicated forensics team that reports their findings independently to the chief audit executive. This approach is reinforced by articles highlighting the importance of ethical behaviour in the quarterly internal newsletter. The ethics committee formally reports to the social and ethics committee of the board, ensuring the board has full oversight of ethics-related matters.

Principle	Indicator	Comment
		Incidents of unethical behaviour

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

In 2012, 272 cases of alleged unethical behaviour (2011: 240) were reported for investigation, 43 of these via the ethics line (2011: 37). In total, 759 people were subjected to disciplinary hearings arising from the cases reported, with 60 arrests made by the South African Police Services (SAPS) for criminal prosecution based on the results of investigations referred to them (2011: 34). The direct monetary value of the cases reported and investigated was R8 632 026 (2011: R5 673 539) with R4 151 626 being recovered/saved due to the investigations.

The types of fraud investigated included:
- Fraudulently changing bank accounts
- Tender fraud
- Accepting bribes and favours for contracts
- Misusing position
- Conflicts of interest
- Irregularities with appointments of employees
- Unsafe working procedures.

	2012	
	Other reports received	Reporting line
Cases reported	247	25
Disciplinary hearings	753	6
Reported to SAPS	43	
Impact/savings	R4 151 626	

Employees and all stakeholders can report suspected incidents of fraud or corruption, or unethical behaviour, to our dedicated 24-hour ethics hotline (0800 203 579 or exxaro@tip-offs.com). This is an independent service operated at a cost of R48 000 per annum, and designed to help people report incidents while remaining anonymous for their protection.

	Principle	Indicator	Comment
Boards and directors			
2.1	The board should act as the focal point for and custodian of corporate governance.		The board charter specifically emphasises this responsibility and the board acts accordingly. The board is intimately involved in governance matters through ongoing development interventions and sessions – refer principle 2.20 for further details. The board, as custodian of corporate governance, has made the office of the group company secretary responsible for implementing and monitoring compliance to associated best-practices across the group. Our group company secretary, Mrs CH Wessels, serves as a member of the executive committee (Exco); she reports directly to the CEO and has direct access to the chairman. She works closely with internal audit, the compliance and risk management functions, chief audit executive and our outsourced legal advisers to promote a culture of good governance and compliance in the group.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.		The board charter specifically emphasises the fact that the board acknowledges that strategy, risk, performance and sustainability are inseparable and gives effect to this by: • Contributing to and approving the strategy on an annual basis, at which point past performance, key risks and sustainability matters are also debated • Satisfying itself that strategy and business plans do not give rise to risks that have not been thoroughly assessed by management and captured through the comprehensive enterprise risk management process • Identifying key performance and risk areas • Ensuring that the strategy will result in sustainable outcomes • Considering sustainability as a business opportunity that guides strategy formulation. During the year, the board (specifically through the sustainability, risk and compliance committee to which it has delegated general oversight for sustainability, risk and compliance matters) approved the capitals framework as Exxaro's holistic and integrated approach to sustainability. The board and committee fully support this framework and will ensure it is entrenched in Exxaro. The discussion of material issues is an attempt to further highlight the integration and importance of these areas to stakeholders. Material issues are those aspects that, if considered, managed and reviewed thoroughly, would result in Exxaro remaining sustainable for years to come and include 'licence to operate' issues. The board and committee also monitor key performance indicators for material issues as well as a broader range of sustainability, risk and compliance KPIs and interrogate the results of trend reporting.

	Principle	Indicator	Comment
2.3	The board should provide effective leadership based on an ethical foundation.		Refer principle 1.1 and 1.3
2.4	The board should ensure the company is and is seen to be a responsible corporate citizen.		Refer principle 1.2
2.5	The board should ensure company ethics are managed effectively.		Refer principle 1.1 and 1.3
2.6	The board should ensure the company has an effective and independent audit committee.		Refer principle 3.1
2.7	The board should be responsible for the governance of risk.		Refer principle 4.1
2.8	The board should be responsible for information technology (IT) governance.		Refer principle 5.1
2.9	The board should ensure the company complies with all applicable laws and considers adherence to non-binding rules, codes and standards.		Refer principle 6.1
2.10	The board should ensure there is an effective risk-based internal audit.		Refer principle 7.1
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.		Refer principle 8.1

	Principle	Indicator	Comment
2.12	The board should ensure the integrity of the company's integrated report.		Refer principle 9.1
2.13	The board should report on the effectiveness of the company's system of internal controls.		Refer principle 7.3 Review and reporting is done through the audit committee and is disclosed on page 251 of this report.
2.14	The board and its directors should act in the best interest of the company.		The board strictly adheres to the fiduciary duties and duty-of-care and skill codified in the Companies Act. This is mirrored in the conflicts of interest policy, which also applies to directors. This policy was reviewed and improved in 2012. Conflicts are declared at each meeting and conservatively interpreted: all conflicts (even those not within the definition of personal financial interests) are treated in line with section 75 of the Companies Act.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the act.		The audit committee reviews financial information in detail and recommends any specific action to the board if required. The committee regularly reviews the solvency and liquidity of the group. In addition, when considering and reviewing the provision of financial assistance to related and inter-related parties, the board as a whole also considers the solvency and liquidity of the group. During the year, the company met the solvency and liquidity test each time it was performed.
2.16	The board should elect a chairman who is an independent non-executive director. The CEO should not also fulfil the role of chairman of the board.		The chairman, Dr D Konar, is an independent non-executive director and the CEO is Mr SA Nkosi.
2.17	The board should appoint the CEO and establish a framework for delegation of authority.		The board appointed Mr SA Nkosi as CEO on 1 September 2007. The role and responsibilities of the CEO are stipulated in the board charter. In addition, a detailed delegation of authority policy and framework indicate matters reserved for the board and those delegated to management. The board also approved a new division of responsibilities policy, clearly describing the division between the chairman and CEO on 4 March 2013.

	Principle	Indicator	Comment
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent. Sections 3.84(b), (f) and (g) of the Listings Requirements		In line with the recommendations of King III, Exxaro has a unitary board structure, currently comprising: • Four independent non-executive directors • Six non-executive directors • Two executive directors, being the CEO and full-time finance director. In assessing the status of directors, the principles of King III and the Listings Requirements of the JSE Limited were used. The policy dealing with the division of responsibilities between the chairman and CEO noted in principle 2.17 helps to ensure a balance of power and authority to guarantee that no director has unfettered powers. The board charter and memorandum of incorporation further ensure that proper voting principles and processes are employed to enable a balance of power. The external board assessment conducted in 2012 and discussed under principle 2.22 also reaffirmed that no director has unfettered powers. Shareholder agreements entered into on establishing Exxaro provided for the nomination of directors by specific shareholders: these conditions remain in force until 2016 and thus impact on the number of non-independent non-executive directors. Despite their classification as non-independent, all directors apply independence of mind to matters under discussion, a contention which was also reaffirmed during the board assessment process. The company is currently considering appointing additional independent non-executive directors, but this will have to be weighed against the risk of having an unduly large board and detracting from board efficacy and participation.
2.19	Directors should be appointed through a formal process. Section 3.84(a) and (e) of the Listings Requirements		In line with the board charter, the remuneration and nomination committee (Remco) is responsible for identifying suitable candidates as independent non-executive directors to be proposed to shareholders for approval. The nomination responsibilities of Remco are detailed in its terms of reference. The board also approved a new policy dealing with the nomination and appointment of directors on 4 March 2013, ensuring a formal and transparent process and confirming that the appointment is a matter for the board as a whole, after assistance from Remco, which comprises only non-executive directors with the majority being independent. Brief résumés of directors standing for election and re-election appear in the notice of the annual general meeting.

	Principle	Indicator	Comment
2.20	The induction and ongoing training and development of directors should be conducted through a formal process.		New directors are informed of their responsibilities through extensive induction material, discussions and visits to material business units. All have access to key management members for information on Exxaro's operations. The formal ongoing directors' development programme involves two full-day sessions during the year, visits to key business units, as well as the opportunity to attend outsourced training interventions as required. The 2012 full-day sessions dealt, inter alia, with: • Social media and networking and appropriate related items for the board's agenda • IT governance • Tides of change — how global change impacts the board agenda • Introduction to doing business in the Republic of Congo, as well as details on its mining legislation • Refresher on the Mineral and Petroleum Resources Development Act and resource and reserve statements. Visits to operational businesses for all directors are part of the annual board programme. During the year, induction and other visits were made to the following business units: • Fairbreeze • AlloyStream • Matla • Grootegeluk. In addition to formal sessions, directors receive group and industry news articles daily, as well as regular analyst reports. During the year, in excess of R1,2 million (2011: R1 million) was spent on director development and support, information sharing and corporate governance initiatives.

	Principle	Indicator	Comment
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary. Section 3.84 (i) and (j) of the Listings Requirements		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. Mrs CH Wessels was appointed group company secretary on 1 July 2011. She is not a director of the company, although she is a director of a number of subsidiaries and associates. This relationship does not affect her arm's length relationship with the Exxaro board. In line with the Listings Requirements, a detailed assessment was conducted by the board to satisfy itself of the competence, qualifications and experience of the group company secretary. This was performed through: • A review of qualifications and experience: Mrs Wessels holds LLB and LLM degrees, a certificate in advanced labour law, has completed a programme for management development, is an admitted advocate of the High Court of South Africa and is a fellow and president of Chartered Secretaries Southern Africa (CSSA). From 1 January 2013 she has also represented southern Africa as vice-president of the Corporate Secretaries International Association, a global federation of corporate secretaries, representing 70 000 members worldwide During the review period, she co-authored the CSSA corporate administration textbook and contributed to the corporate secretaryship textbook. She also delivered presentations at nine corporate governance conferences and exceeded her continued professional development requirements as prescribed by CSSA. • Completion of an assessment detailing all the legislative and King III requirements by each director. The assessment specifically included questions on how effectively she performs the role as gatekeeper of good governance in the company, the effectiveness of the arm's length relationship (including her advisory role) and how she has performed the role and duties as group company secretary: an average score of 3.7 out of 4 was achieved; indicating directors mostly strongly agreed that all requirements had been met, including competence, qualifications and experience requirements.

	Principle	Indicator	Comment
2.22	The evaluation of the board, its committees and individual directors should be performed every year.		As promised in the 2011 integrated report, in 2012 an external assessment was conducted, involving: • Completion of detailed questionnaires by directors, executive heads and the group company secretary • Individual interviews with directors, executive heads and the group company secretary • Attendance of a board and board committee meeting as observers. The following main findings were highlighted during the assessment: • The board is competent, but the structure could be improved by increasing the number of independent non-executive directors (refer principle 2.18 regarding current plans) • Core processes appear to be sound, but some areas for improvement have been identified • The board functions as an inclusive team, with contributions being quite varied • The board is well informed and attentive to key issues • The board comprises a highly diverse group of individuals. The service provider rated the board as transcending from a 'developed board' to an 'advanced board' in respect of overall maturity. Five priority areas for improvement have been identified and will be actioned during 2013.

	Principle	Indicator	Comment
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities. Section 3.84(d) of the Listings Requirements		The board committees assist the board in executing its duties, powers and authorities. The board delegates to each committee the required authority to enable it to fulfil its respective functions through formal board-approved terms of reference, which are reviewed annually. Each committee has a detailed annual workplan to ensure full oversight of all matters within their delegated mandate. Delegating authority to board committees or management, other than the specific matters for which the audit committee carries ultimate accountability in terms of the Companies Act, does not mitigate or discharge the board and its directors of their duties and responsibilities and the board fully acknowledges this fact. The committee chairmen report on committee deliberations and key issues at each board meeting and the minutes of all committee meetings are included in board meeting documentation. Apart from the social and ethics committee, which meets biannually, all other board committees meet quarterly. The board has established the following board committees: • **Audit committee** Apart from the statutory duties of the audit committee as set out in the Companies Act and the provisions of the Listings Requirements of the JSE and King III, the ambit of this committee has been expanded to include financial risk management, financial compliance and integrated reporting (assisted by the SRC committee). The purpose of the committee is to: – Examine and review the group's financial statements and report on interim and final results, the accompanying message to stakeholders and any other announcements on the company's results or other financial information to be made public – Oversee cooperation between internal and external auditors, and serve as a link between the board and these functions – Oversee the external audit function – Approve the internal audit plan, fees and qualifications of the internal auditors – Evaluate the qualification and independence of the external auditor – Approve external audit fees – Ensure effective internal financial controls are in place – Review the integrity of financial risk control systems and policies – Evaluate the scope and effectiveness of the internal audit function – Evaluate the competency level of the finance director and finance function – Appoint the chief audit executive – Comply with legal and regulatory requirements. More information appears in the audit committee report.

Principle	Indicator	Comment
		• **Remuneration and nomination committee (Remco)** The purpose of this committee 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 SRC committee. Although this is a combined committee, a process is in place to ensure the following responsibilities for the nomination element are carried out: – Provide recommendations on the composition of the board and board committees, and ensure the board comprises individuals equipped to fulfil their role as directors of the company, aligned with the policy detailing procedures for nomination and appointments to the board – Provide comments and suggestions on board committee structures, committee operations, member qualifications and member appointment. More information appears in the remuneration report. The board chairman takes the chair when dealing with nomination committee matters. • **Sustainability, risk and compliance committee (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: 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 related incidents, performance indicators and compliance – Report to the board on developments, trends or significant legislation on sustainability, risk and compliance matters relevant to Exxaro's operations, assets and employees – Identify issues and elements arising from national and international protocols applicable to Exxaro – Ensure the company reports annually on sustainability, risk and compliance issues affecting it.

Principle	Indicator	Comment
		• **Social and ethics committee** The purpose of the committee is to monitor the group's activities – taking account of relevant legislation, other legal requirements or prevailing codes of best-practice on: – Social and economic development – Good corporate citizenship – The environment, health and public safety, including the impact of the group's activities and its products or services – Consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws – Labour and employment – Ensure the group's ethics are managed effectively. The ethics committee (a management committee) reports to this committee. The following management committees support the board and CEO in the day-to-day management of the company: • **Executive committee (Exco)** The Exco is constituted to assist the CEO in managing the group. It assists the CEO in guiding and controlling the overall direction of the company and acts as a medium of communication and coordination between business units, corporate office, subsidiary companies and the board. All Exco members are prescribed officers in terms of the Companies Act. Its purpose is to: – Oversee the financial, operational, safety, health and environmental performance of the group – Guide the group in its relations with shareholders and key stakeholders, including employees, regulators, interested and affected parties – Develop group strategies for board approval – Ensure coordination between business units, services and corporate office – Regularly review the adequacy of reporting arrangements and effectiveness of internal control and risk management – Approve or recommend to the board expenditure and other financial commitments as specified in the framework for the delegation of authority. The committee formally meets around nine times per annum and, informally, each week.

Principle	Indicator	Comment
		• **Management committee (Manco)** This committee was established on 1 January 2013 and had its first meeting on 17 January 2013. It assists the executive head: operations in the day-to-day management of the coal and ferrous businesses. Its purpose is to: – Increase the focus on the business of today or operational excellence – Support management and governance structures within the current strategic controller governance model, to strengthen accountability, governance and discipline – Interrogate operational decisions and performance – Optimise use of the company's assets – Broaden the structure to bring in fresh ideas – Allow exposure with a view towards succession planning. The committee will meet around nine times per annum. Manco members are not prescribed officers in terms of the Companies Act. • **Portfolio review committee** This committee is constituted as a strategy management body to assist the CEO with portfolio management. Its purpose is to: – Ensure new opportunities fit the group's portfolio and determine strategic priorities – Oversee strategic initiatives and investigations into the viability of potential investment projects throughout the group – Discuss and challenge the group's portfolio performance and intended strategic initiatives and projects – Review initiatives aligned with the current strategy. The committee meets around nine times per annum. • **Investment review committee** This committee is constituted as a management committee to assist the CEO with investment and capital expenditure management processes of the group. Its purpose is to: – Oversee approval for investments and capital expenditure in line with the delegation of authority framework and approve expenditure within its mandate – Ensure investments and expenditure are aligned to the group's agreed strategies and values – Identify and evaluate risks, ensure investments are fully optimised to produce the maximum shareholder value in an acceptable risk framework and that 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 group. The committee meets approximately nine times per annum.

	Principle	Indicator	Comment
			• **Offshore review committee** This committee assists the finance director in managing Exxaro's portfolio of offshore investments and interests. Its purpose is to: – Ensure financial control and governance of Exxaro's offshore investments and multidisciplinary interests – Ensure efficient financial structuring – Provide for and facilitate efficient funding of offshore investments and expenditure – Ensure financial reporting, auditing, statutory and tax-related issues are properly managed for all offshore entities – Ensure the company's offshore offices are effectively staffed, managed and utilised. The committee meets as required.
2.24	A governance framework should be agreed between the group and its subsidiary boards.		All Exxaro subsidiaries have adopted and comply with the detailed delegation of authority framework and policy, which stipulates the governance framework. Most policies are groupwide policies, applicable to all subsidiaries.
2.25	Companies should remunerate directors and executives fairly and responsibly.		Full details are disclosed in the remuneration report.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.		The remuneration of each director and prescribed officer is disclosed in the annual financial statements.
2.27	Shareholders should approve the company's remuneration policy.		At the 2012 annual general meeting, 98,72% of shareholders voted in favour of the remuneration policy by means of a non-binding advisory vote. This resolution has again been incorporated into the notice for the 2013 annual general meeting.

	Principle	Indicator	Comment
Audit committee			
3.1	The board should ensure the company has an effective and independent audit committee. Section 3.84(d) of the Listings Requirements		The audit committee consists of three independent non-executive directors and the chairman of the board is not a member of the audit committee. Also refer principle 2.23. As explained in the 2011 integrated report, for the period January to 13 June 2012 the committee consisted of two independent non-executive directors, as defined in King III, and one non-executive director. All three members were, however, considered independent in terms of the Companies Act. The audit committee operates in accordance with the specific statutory duties imposed by the Companies Act, the JSE Listings Requirements, and in line with detailed terms of reference, which incorporate King III principles, as well as duties specifically delegated by the board of directors. Minutes of meetings are submitted to the board and the audit committee chairman reports on each of its four meetings at board meetings.
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.		All three current members are independent non-executive directors. The committee meets the academic qualifications and experience requirements stipulated in regulation 42 of the Companies Regulations, 2011. The chairman, Mr J van Rooyen, is a chartered accountant.
3.3	The audit committee should be chaired by an independent non-executive director.		The chairman, Mr J van Rooyen, is an independent non-executive director.
3.4	The audit committee should oversee integrated reporting.		As detailed in its terms of reference, the board has specifically assigned this responsibility to the committee, which reviews the report prior to submission to the board. The committee functions as a reporting oversight body in support of the SRC committee, which has a wider mandate to govern company performance on risk and sustainability in general.
3.5	The audit committee should ensure a combined assurance model is applied to provide a coordinated approach to all assurance activities.		The detailed combined assurance framework with its underlying model was approved at the committee meeting of 27 November 2012. A combined assurance map linking assurance to risks has already been drawn up (a summary is included on page 34).

	Principle	Indicator	Comment
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function. Section 3.84(h) of the Listings Requirements		During the period, and for the first time, an external review was conducted in order to assist the committee in this process: this was done through an independent assessment of the finance function, including the finance director, using a widely circulated questionnaire that dealt with: • Leadership and strategic capabilities • Goal achievement • Managing operations • Customer service • Effective use of resources • People development • Managing talent • Relationships and team effectiveness • Roles and responsibilities • Managing risk, governance and controls • Compliance, legislation, policies and procedures • Technology • Technical competencies. On the basis of the report, the committee reviewed and satisfied itself of the expertise, resources and experience of the company's finance function and the competence of the finance director at its meeting on 28 February 2013. The report had indicated the following comfort levels: • Resources and capacity – 81% • Experience – 84% • Expertise – 81%.
3.7	The audit committee should be responsible for overseeing internal audit.		As detailed in its terms of reference, the board has specifically assigned this responsibility to the committee. The independent internal auditor submits detailed reports to each meeting, the chairman meets independently with internal audit and biannually the committee meets with internal and external audit without management present.
3.8	The audit committee should be an integral component of the risk management process.		Although the coordination of enterprise risk management has been delegated to the SRC committee, the audit committee remains involved to be able to express a view on the system of internal control and risk management and specifically retains accountability for financial risk.
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.		At the first meeting of each year, the committee assesses the suitability of the independent external auditor for reappointment and makes such recommendation to shareholders at the annual general meeting. The external auditor submits detailed reports to each meeting, the chairman meets independently with external audit and biannually the committee meets with internal and external audit without management present.

	Principle	Indicator	Comment
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.		An audit committee report is included in the integrated report and the committee chairman is present at the annual general meeting to respond to questions.
Governance of risk			
4.1	The board should be responsible for the governance of risk.		Although the board has delegated responsibility for risk governance and the enterprise risk management framework to the SRC committee, it retains accountability for risk governance. Because of the interrelationship of strategy, risk, performance and sustainability, the committee considers this regularly as part of its strategic deliberations. This is articulated in the enterprise risk management framework, which was approved by the board in November 2011.
4.2	The board should determine the levels of risk tolerance.		Although the board has been involved in implementation of the new enterprise risk management framework since late 2011 and has been party to a number of detailed discussions and informally expressed views on tolerance levels, definite financial tolerance levels have not yet been determined and will receive attention in 2013.
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.		The SRC committee as well as the audit committee assist the board in this respect. See the section on risk management for further details of this process.
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.		Execution of risk management has been delegated to the governance, risk and compliance department. Risk champions at all operations and service functions oversee entrenchment of the 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 SRC committee and the audit committee. Exxaro implemented a risk management enabler during 2012 and the system successfully went live on 30 November. This process will ensure full transparency and accountability in managing risks and reporting on the effectiveness of mitigation techniques to ensure Exxaro achieves its strategic objectives. See the section on risk management for further details of this process.

	Principle	Indicator	Comment
4.5	The board should ensure risk assessments are performed continually.		Formal risk assessments are conducted at least biannually at all business units and service functions in line with the detailed enterprise risk management framework.
4.6	The board should ensure frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.		The enterprise risk management framework, as far as reasonably possible, includes processes to prompt identification of unpredictable risks, including events with high impacts and low probability that would cause severe business disruptions.
4.7	The board should ensure management considers and implements appropriate risk responses.		Although the board has delegated the responsibility for risk management, it reviews the top enterprise risks and responses annually and also considers these in detail during the annual strategic planning session.
4.8	The board should ensure continual risk monitoring by management.		Refer principle 4.4
4.9	The board should receive assurance on the effectiveness of the risk management process.		The independent internal auditor provides assurance to the board on the effectiveness of the risk management process.
4.10	The board should ensure there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.		The top enterprise risks are disclosed in this report. Significant issues are disclosed in media reports and on the JSE Securities Exchange News Service (SENS) throughout the year as deemed appropriate.

	Principle	Indicator	Comment
Governance of information technology			
5.1	The board should be responsible for information technology (IT) governance.		The board has not delegated this responsibility and will retain accountability for IT governance until the understanding at board level has matured. As reported last year, the board approved an information and communications technology (ICT) governance framework in November 2011; processes to entrench this framework are under way. The implementation of our new operating system and the time required to embed this system and the new operating model detracted from the focus to fully entrench the ICT governance framework in 2012. Significant effort will be employed in this area in 2013 and beyond. Detailed information on IT governance was presented to the board at its meeting in June 2012.
5.2	IT should be aligned with the performance and sustainability objectives of the company.		The IT strategy's overarching objective is the alignment and integration of all underlying systems to support truly integrated strategy, governance, risk, compliance, performance and sustainability. In 2013, all possible aspects of non-alignment will receive attention.
5.3	The board should delegate to management the responsibility for implementation of an IT governance framework.		The implementation of the governance framework has been delegated to the corporate information management department.
5.4	The board should monitor and evaluate significant IT investments and expenditure.		ICT acquisitions fall within the same capital approval parameters as other projects and would thus, based on value, be elevated to the board. Through the entrenchment of the ICT governance framework, the board will focus more on this in future.
5.5	IT should form an integral part of the company's risk management.		The enterprise risk management framework includes assessment and management of all ICT risks, and the risk impact matrix specifically refers to IT-related impacts, which form part of any risk assessment. Information technology enablers are used during the risk assessment process.
5.6	The board should ensure information assets are managed effectively.		A detailed IT asset portfolio has been compiled. Monthly reports clearly indicate how well information assets are managed. Reporting to and review by the board must, however, be entrenched in 2013.
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities.		Refer principle 5.1

	Principle	Indicator	Comment
Compliance with laws, rules, codes and standards			
6.1	The board should ensure the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.		The board charter specifically refers to this duty and the board has adopted a compliance policy that sets out the compliance framework, which is in line with the standards of the Compliance Institute of South Africa. The SRC committee is charged, as per its terms of reference, to review all compliance risks as part of the enterprise risk management process. The risk impact matrix, adopted by the board, makes specific reference to compliance impacts that would prevent the group from achieving its strategic objectives. To ensure the best overall risk coverage, standardisation and discharging of the accountability of risk owners in this regard, implementation of all mitigation techniques is coordinated centrally. Significant progress was made in 2012 to ensure our combined assurance process is risk based. Specific emphasis has been placed on assurance activities covering our most important compliance controls that relate to 'licence to operate' issues. The following compliance assurance activities have been concluded, and findings reported: • Social and labour plans audits – all operations • Mining charter audits – all operations • Integrated water use licence audits – technical audits at all operations and legal audits at Matla and Leeuwpan. In 2012, material compliance key performance indicators or KPIs were developed. These form part of the overall sustainability KPIs developed as part of the SRC committee reporting guidelines and will now be included in integrated reporting to all management committees, the executive committee, SRC committee and the board.
6.2	The board and each director should have a working understanding of the effect of applicable laws, rules, codes and standards on the company and its business.		Information on laws, rules, codes and standards are shared with directors regularly through documentation and governance sessions – refer principle 2.20. The regulatory universe of Exxaro was updated in 2012 and executive summaries and compliance risk management plans compiled on all material laws and regulations. Control self-assessment questionnaires were developed and will be rolled out in 2013.
6.3	Compliance risk should form an integral part of the company's risk management process.		Refer principle 6.1 and 6.4.

	Principle	Indicator	Comment
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.		Implementation has been delegated to the governance, risk and compliance department. All management teams at our operations have received training on the enterprise risk management process, including compliance risk management. Compliance risks form part of the risk registers of all operations, including those of: • Regional management • Executive committee • The board. Combined assurance mapping has also been completed on all material compliance risks at every operation and results will now form part of their management action plans as well as the risk-based internal audit plan.
Internal audit			
7.1	The board should ensure there is an effective risk-based internal audit.		Ernst & Young (E&Y) was appointed as the company's independent internal auditor in 2012. E&Y works closely with the governance, risk and compliance department, specifically the chief audit executive, to ensure a risk-based approach to its plan.
7.2	Internal audit should follow a risk-based approach to its plan.		
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management.		The internal auditor submitted such assessment for 2012 to the audit committee at its meeting on 28 February 2013. Refer to the audit committee report for further details.
7.4	The audit committee should be responsible for overseeing internal audit.		Refer principle 3.7
7.5	Internal audit should be strategically positioned to achieve its objectives.		Internal audit reports to the chief audit executive, who is a standing invitee to meetings of the executive committee, audit committee, SRC committee and social and ethics committee.

	Principle	Indicator	Comment
Governing stakeholder relationships			
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation.		This is specifically acknowledged in the board charter and is one of our five key strategic thrusts: "protect and build Exxaro's reputation". In 2012, a number of negative press articles were published on Exxaro's mining activities, specifically at Leeuwpan mine, alleging that Exxaro was mining without a valid water use licence. The SRC committee and the board were acutely aware of the risk to the group's reputation and intimately involved in remedial actions taken to resolve the matter. Exxaro resultantly took urgent legal action against the Minister of Water Affairs (DWA) in the North Gauteng High Court and specifically requested a ruling on the following matters: • That directives issued by the DWA be suspended or, alternatively; • That the DWA be interdicted against taking any steps against Leeuwpan mine (ie executing the directives); and • That the DWA reinstate the Water Tribunal according to the provisions made in the National Water Act 36 of 1998 (NWA). On 7 December 2012, the court ruled in favour of Exxaro and, in brief, determined that: • The matter was urgent • The directives issued against Exxaro's Leeuwpan mine by the DWA be suspended immediately • The minister had no executive powers of authority outside the legislation of the NWA by placing the Water Tribunal in abeyance • The NWA obligates the minister under section 146 of the act to reinstate the Water Tribunal • Exxaro should have recourse to have its appeals heard by the Water Tribunal. The DWA had initially decided to appeal against the decision, but the application for leave to appeal was withdrawn on 19 March 2013. There can be no further appeal, thus the order granted in favour of Exxaro remains in full force and effect. Although legal action against government departments could also hurt a company's reputation, the board deemed it imperative to set the record straight and ensure Exxaro's reputation as a responsible and legally compliant corporate citizen is maintained.
8.2	The board should delegate to management to proactively deal with stakeholder relationships.		A number of departments are accountable for dealing with various stakeholder groupings, including corporate affairs, investor relations, corporate secretariat, human resources and sustainability. The group strives to engage openly and proactively with stakeholders. Issues and requests from stakeholders are managed as part of ongoing engagement programmes implemented by dedicated teams across the group.

	Principle	Indicator	Comment
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interest of the company.		The group has identified its stakeholder groups and appropriate management from various functions in the group are assigned to manage relationships with stakeholders. The intention is to promote two-way engagement so that the group and stakeholders understand one another. A communication strategy provides appropriate support and offers opportunities for effective engagement.
8.4	Companies should ensure equitable treatment of shareholders.		The group fully complies with the JSE Listings Requirements on disclosure of information to shareholders. A detailed securities dealing and information policy was approved by the board in November 2011 and sets out strict rules on material price-sensitive information and its disclosure. Any material price-sensitive information and other relevant information is published on SENS in accordance with the Listings Requirements. In addition, a Tronox Limited securities dealing and information policy was approved during 2012 to ensure full compliance with the United States of America federal and state securities laws in respect of our significant equity interest in Tronox. All queries from shareholders are handled by the group company secretary or investor relations and only information available in the public domain is disclosed.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.		The group's communications strategy is guided by principles including being approachable, genuine and ethical. The group strives for honest and clear communication and uses various channels such as media relations, advertising, integrated reporting and its website to reach as many stakeholders as possible timeously. The group's promotion of access to information manual is available on the website. One formal request (with related follow-up requests) for information in terms of the manual was received during the year and adhered to, except for the request to receive Leeuwpan mine's mining right, which was refused in accordance with section 5.1 of the manual dealing with confidential information.
8.6	The board should ensure disputes are resolved as effectively, efficiently and expeditiously as possible.		Dispute-resolution clauses are contained in all Exxaro's general contract conditions and are based on the principle of internal resolution between the parties as a first means of addressing disputes, after which arbitration would be used if the matter remained unresolved. The board considers serious disputes (as per the DWA court case referred to above) and considers the company's position and best legal recourse.

	Principle	Indicator	Comment
Integrated reporting and disclosure			
9.1	The board should ensure the integrity of the company's integrated report.	Applied	Both the audit committee and SRC committee review the integrated report and recommend approval of the report to the board. The board reviews and finally approves the content of the integrated report prior to publication.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	Applied	Although the process of integrated reporting is still maturing, the company has integrated its sustainability and financial reporting. Continuous efforts will be made to incorporate reporting best practice and improve the level of integration.
9.3	Sustainability reporting and disclosure should be independently assured.	Applied	PwC completed an independent assessment of key aspects of the sustainability reporting and disclosure. Refer page 326

Applied

Partial application

2012 meeting attendance

The tables below reflect attendance at board, special board and board committee meetings for the review period.

Board	16 Feb 12 (special)	21 Feb 12	18 Apr 12 (governance)	13 Jun 12	30 Jul 12	28 Sep 12 (special)	31 Oct 12 (governance)	29 Nov 12	12 Dec 12 (special)
D Konar (chairman)	P	P	P	P	P	P	P	P	P
WA de Klerk	P	P	P	A	P	P	P	P	T
S Dakile-Hlongwane	Not yet appointed	Not yet appointed	P	P	P	P	P	A	NR
JJ Geldenhuys	P	P	P	P	P	P	P	P	T
CI Griffith	T	P	P	A	T	P	P	A	NR
U Khumalo	P	A	P	P	P	P	A	A	NR
VZ Mntambo	P	P	A	A	P	Not present	A	A	NR
RP Mohring	P	P	P	P	P	P	P	P	P
SA Nkosi	P	P	P	P	P	P	P	P	P
MF Randera	Not yet appointed	Not yet appointed	Not yet appointed	Not yet appointed	A	P	P	P	NR
NL Sowazi	P	P	A	A	P	Not present	A	P	NR
J van Rooyen	P	T	A	P	P	P	P	P	T
D Zihlangu	P	A	P	P	P	Not present	A	P	NR

P present
A apology
T telecon
NR not required

Audit committee	16 Feb 12	23 May 12	26 Jul 12	27 Nov 12
J van Rooyen (chairman)	P	P	P	P
JJ Geldenhuys	Not yet appointed	Not yet appointed	P	P
RP Mohring	P	P	P	P
NL Sowazi	P	P	Non-member	Non-member

P present

Remuneration and nomination committee	16 Feb 12*	23 May 12*	14 Jun 12 (special)	16 Aug 12	28 Sep 12 (special)	7 Nov 12*
RP Mohring (chairman)	P	P	P	P	P	P
JJ Geldenhuys	P	P	P	P	P	A
CI Griffith	T	P	T	P	P	P
VZ Mntambo	P	P	P	P	Not present	A
D Konar	A (nomination)	Not yet appointed	P	P	P	T

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

Sustainability, risk and compliance committee	15 Feb 12	30 May 12	26 Jul 12	30 Oct 12
JJ Geldenhuys (chairman)	P	P	P	P
RP Mohring	P	P	P	P
D Zihlangu	P	P	A	P
S Dakile-Hlongwane	Not yet appointed	Not yet appointed	P	P

P present
A apology

Social and ethics committee	27 Mar 12	30 Oct 2
J van Rooyen (chairman)*	P	P
JJ Geldenhuys	P	P
RP Mohring	P	P
MF Randera	Not yet appointed	P

P present
** Dr MF Randera replaced Mr J van Rooyen as chairman with effect from 4 March 2013 and Mr van Rooyen resigned as a member with effect from the same date*

GROUP FINANCIAL PERFORMANCE IN BRIEF

Net debt: equity 8%

Return on capital employed 45% – down 2%

Return on equity 37% – down 8%

TOTAL ASSETS OF

R41,6bn

2ND LARGEST COAL PRODUCER IN SA

40Mtpa

COMMODITY PORTFOLIO

- COAL
- TiO_2
- FERROUS
- ENERGY

R60bn

MARKET CAPITALISATION

HEPS of **1 401** cents – down 33%
AEPS of **2 734** cents – up 24%

Final dividend of 150 cents per share – down 70%

Total dividend of 500 cents per share – down 38%

Revenue

R16,1bn

down 23%

Core net operation profit at

R2,9bn

down 16%

NAV per share

R80

up 19%

LTIFR

0,29

against group target of 0,15

Comparability of results

The comparability of the group's results for the year ended 31 December 2012 and 2011 is impacted by profits realised on the sale of mineral sands (R3 451 million), Rosh Pinah operations (R544 million) and other non-core assets (R42 million) in 2012, the partial impairment reversal of the carrying value of property, plant and equipment at KZN Sands of R103 million (2011: R869 million), as well as R516 million impairment of the carrying value of property, plant and equipment at the Zincor refinery in 2011. The disposal of the mineral sands, operations and Rosh Pinah businesses' financial results effectively being included in the annual results for approximately five and half and five months respectively, compared to the full 12 months period in 2011.

The group early adopted the revised suite of consolidation standards which included Internal Accounting Standards (IAS) 27 *Separate Financial Statements*, IAS 28 *Investments in Associates and Joint Ventures* (revised) as well as International Financial Reporting Standards (IFRS) 10 *Consolidated Financial Statements* (as amended), IFRS 11 *Joint Arrangements* (as amended) and IFRS 12 *Disclosure of Interests in Other Entities* (as amended). As such the Mafube Coal Proprietary Limited and South Dunes Coal Terminal Company Proprietary Limited (SDCT) joint ventures, which were previously proportionately consolidated, are now equity accounted. This has resulted in the restatement of the 2011 financial results to reflect the new accounting method treatment.

The group's statement of financial position and key financial metrics remain healthy and provide a solid platform for our growth aspirations.

Revenue

Group consolidated revenue decreased 23% to R16 122 million, mainly as a result of the inclusion of the mineral sands and Rosh Pinah businesses for, effectively, five and a half and five months, respectively, in the 2012 financial year compared to 12 months in 2011 as well as challenging coal trading conditions.

The combination of lower prices realised on domestic and export sales, coupled with lower volumes, translated into Coal revenue of R12 064 million being 3% lower than in 2011. This was partially offset by higher revenue from Eskom sales.

Net operating profit

Group consolidated net operating profit was R355 million lower at R3 417 million after exclusion of the R103 million (2011: R869 million) partial reversal of the impairment of property, plant and equipment at KZN Sands, the profits recognised on the sale of mineral sands, Rosh Pinah operation and other non-core assets of R3 451 million, R544 million and R42 million respectively, as well as the R516 million impairment of property, plant and equipment at the Zincor refinery in 2011.

The cessation of production at Zincor at the end of 2011 and the inclusion of Rosh Pinah in 2012 for only five months resulted in cost savings of approximately R2 143 million in 2012.

A 32% decrease in Coal's net operating profit to R2 105 million (at an operating margin of 17%) was recorded, mainly as a result of the decrease in export volumes (R213 million) and selling prices (R316 million), inflationary pressures (R365 million) and higher operating costs (R684 million). These were partially offset by the favourable impact of the ZAR weakness against the US$ in 2012 compared to 2011 (R486 million). Included in the cost increases were R207 million higher distribution costs, R223 million in price adjustments on the Mafube buy-ins as well as corporate service fee redirected to the coal business of R253 million, mainly as a result of the discontinuation of the mineral sands and Rosh Pinah operations. The estimated coal rehabilitation and decommissioning provisions were independently reviewed and standardised in 2012. This had a R102 million negative impact on the net operating profit from recorded scope changes for the coal operations.

Earnings

Attributable earnings, inclusive of Exxaro's equity-accounted investment in associates, amounted to R9 677 million or 2 734 cents per share, representing a 24% increase from 2011 mainly as a result of the profits realised on sale of subsidiaries and other non-core assets.

Headline earnings

Headline earnings recorded, which exclude, inter alia, the impact of impairments and impairment reversals as well as profits realised on the sale of subsidiaries, were R4 958 million or 1 401 cents per share. This represents a 33% decrease on the 2011 headline earnings per share.

Segmental results

	Year ended 31 December	
	2012	2011 Restated
Revenue (Rm)		
Coal operations	12 064	12 420
Tied[1]	3 449	3 140
Commercial	8 615	9 280
Mineral sands	3 594	6 587
KZN Sands[2]	855	1 196
Namakwa Sands	1 589	2 904
Australia Sands	1 150	2 487
Base metals	299	1 847
Rosh Pinah	218	698
Zincor[3]	81	1 550
Inter-segmental		(402)
Other	165	108
Total external revenue	16 122	20 962
Net operating profit (Rm)		
Coal	2 105	3 083
Tied[1]	285	309
Commercial	1 820	2 774
Mineral sands	1 925	2 678
KZN Sands[2]	680	753
Namakwa Sands	1 009	987
Australia Sands	236	938
Base metals	422	(1 145)
Rosh Pinah	(7)	102
Zincor[3]	(91)	(1 239)
Other[4]	520	(8)
Other[5]	3 105	(491)
Total net operating profit	7 557	4 125

1 *Tied operations refer to mines that supply their entire production to either Eskom or ArcelorMittal South Africa (AMSA) in terms of contractual agreements*
2 *Includes a partial impairment reversal of R103 million in 2012 (2011: R869 million) of the carrying value of property, plant and equipment at KZN Sands*
3 *Includes an impairment of R516 million of the carrying value of property, plant and equipment at Zincor refinery in 2011*
4 *Includes the profit on sale of subsidiaries of R544 million on the sale of the Rosh Pinah operation*
5 *Includes the profit on sale of subsidiaries of R3 451 million on the sale of mineral sands operations*

	Year ended 31 December	
Coal	2012	2011 Restated
Production ('000t)		
Power station coal	32 042	31 765
Tied	13 029	12 441
Commercial	19 013	19 324
Coking coal	2 367	2 161
Tied	339	299
Commercial	2 028	1 862
Steam coal	5 599	5 966
Char	43	142
Total production (excluding buy-ins)	40 051	40 034
Buy-ins	1 111	1 636
Total production (including buy-ins)	41 162	41 670
Sales ('000t)		
Power station coal	31 367	31 681
Tied	13 022	12 443
Commercial	18 345	19 238
Other domestic coal	4 994	4 841
Tied	283	325
Commercial	4 711	4 516
Export	3 894	4 898
Char	62	129
Total sales	40 317	41 549
Base metals		
Production ('000t)		
Zinc concentrate (Rosh Pinah)	33	89
Zinc metal (Zincor)	6	73
Lead concentrate (Rosh Pinah)		16
Sales ('000t)		
Zinc concentrate (Rosh Pinah)	37	
Zinc metal (Zincor)		86
Lead concentrate (Rosh Pinah)	4	18

Operational performance

Production and sales

Power station coal production from the tied mines was 588kt (5%) higher compared with 2011, mainly as a result of a 798kt increase at Matla, partially offset by the closure of the Mooifontein opencast mine and the ongoing difficult geological conditions which resulted in lower production volumes at Arnot.

The higher sales volumes from the tied mines were mainly due to higher production at Matla and increased demand from Eskom.

The commercial mines' power station coal production was lower by 311kt (2%) compared with 2011 due to 933kt lower production at Grootegeluk. The dispatch conveyor belt to Eskom Matimba power station broke down early in 2012, resulting in production cut-backs. This was partially offset by 452kt higher production at NBC due to improved yields achieved. Leeuwpan production increased by 170kt as a result of improved demand.

Grootegeluk's coking coal production was 166kt (9%) higher as a result of increased off-take from Eskom coupled with an improved logistics process. This resulted in 137kt (5%) higher sales, partially offset by lower off-take by AMSA.

Steam coal production was 367kt (6%) lower mainly due to 355kt lower production at Leeuwpan as a result of lower yields achieved, coupled with lower demand from AMSA.

The char plant production was 70% lower mainly due to the downturn in the ferrochrome industry, with production deliberately reduced to manage high stock levels. This industry downturn translated into decreased sales compared to 2011.

Export sales were 21% lower mainly due to Transnet Freight Rail performing at a lower level compared to the previous year, lower exports via Maputo due to the lower average price realised, as well as production difficulties predominantly at Mafube. Some of the steam coal was successfully redirected to the domestic market mainly from Leeuwpan and NCC, albeit at lower prices.

Income from equity-accounted investments – net of tax

Equity-accounted investments in the post-tax profits of associates consist of Exxaro's interest in SIOC of R3 202 million, in Black Mountain Mining Proprietary Limited (Black Mountain) of R101 million and in Tronox's effective losses of R250 million. After the completion of the purchase price allocation process, a total of R470 million was accounted for as the excess of fair value of the net asset value over the cost of the investment in Tronox.

	Year ended 31 December	
	2012 Rm	2011 Restated Rm
SIOC	3 202	4 456
Tronox	(250)	
Black Mountain	101	210
Mafube	144	76
Cennergi	(65)	
Chifeng[1]		3
Total equity income	3 132	4 745

1 *Exxaro's effective shareholding in Chifeng Zinc refinery has been diluted from 22% to 11,97%. Chifeng is no longer accounted for as an associate but rather as a financial asset*

Dividends

Total dividends paid in 2012 amounted to R3 012 million, made up of a dividend of R1 771 million that relates to the period to 31 December 2011, which was paid in April 2012, as well as an interim dividend of R1 241 million paid in September 2012.

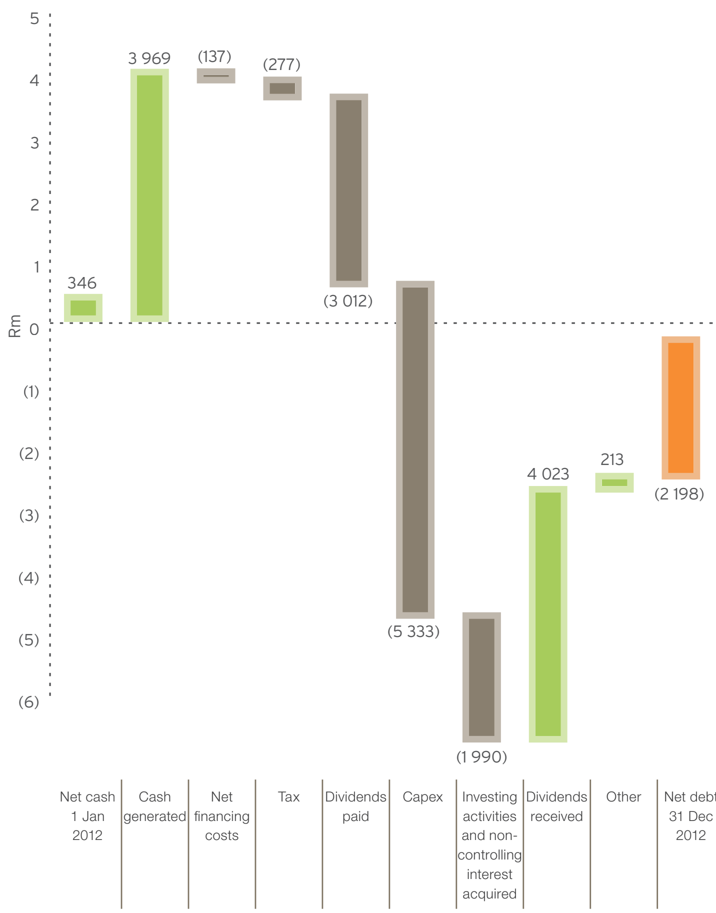
A final dividend for 2012 of 150 cents per share (2011: 500 cents per share) was approved by the board of directors on 6 March 2013.

Since inception, Exxaro has declared dividends of R4,7 billion to its BEE HoldCo, Main Street 333 Proprietary Limited shareholders.

Cash flows

Cash retained from operations was R3 969 million for the group. This was primarily used to fund net financing charges of R137 million, taxation payments of R277 million and dividends paid of R3 012 million. A total of R3 761 million of capital expenditure was invested in new capacity, with R1 572 million applied towards sustaining and environmental capital. A total of R3 154 million of the capital investment in new capacity was for the Grootegeluk Medupi Expansion Project.

Net cash/(debt) variance (Rm)



Debt structure and financial covenants

Ratios	2012	2011
Net financing cost cover (times): EBITDA	11	22
Return on equity: attributable income (%)	37	37
Return on capital employed (%)	45	46

The group's debt structure at 31 December 2012

	Facilities available	
	Drawn Rm	Undrawn Rm
Interest-bearing borrowings	2 800	5 749
Capitalised transaction cost	(49)	
Total interest-bearing borrowings	2 751	
Cash and cash equivalents	(553)	
Net debt	2 198	
Net debt/equity ratio (%)	8	

Maturity profile of debt (Rm)

Repayment year	
2015	333
2016	333
After 2016	2 134
	2 800

Capital expenditure

	Estimate		Actual	
	2014 Rm	2013 Rm	2012 Rm	2011 Rm
Sustaining and environmental	1 978	2 386	1 572	1 591
– Coal	1 863	1 971	1 009	566
– Mineral sands			335	621
– Base metals			33	109
– Other	115	415	195	295
Expansion	4 582	4 602	3 761	3 267
– Coal	1 170	509	203	151
– GMEP	516	1 939	3 013	3 070
– Mineral sands			80	44
– Ferrous	2 613	2 087	422	
– Other	283	67	43	2
Total capital expenditure	6 560	6 988	5 333	4 858

Exxaro's growth initiatives continue to focus on diversifying the business with carbon, reductants, ferrous and energy projects, aligned with the group's approved commodity strategy.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

To the shareholders 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 group as well as to develop and maintain a sound system of internal controls to safeguard shareholders' investments and group and company'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 controls 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 independent non-executive directors, meet periodically with the external and internal auditors, as well as executive management to evaluate matters concerning accounting policies, internal controls, auditing, financial reporting and risk management. The group's internal auditors independently evaluate the internal controls and coordinate their audit coverage with the independent external auditors. The independent external auditors are responsible for reporting on the company and consolidated group 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 have reviewed the company and consolidated group financial budgets along with the underlying business plans for the period to 31 December 2013. In light of the current company and consolidated financial position and existing borrowing facilities, they consider it appropriate that the company and consolidated group annual financial statements be prepared on the going-concern basis.

The independent external auditors are responsible for reporting on whether the company and consolidated group annual financial statements are fairly represented in accordance with International Financial Reporting Standards. The independent external auditors have audited the annual financial statements of the company and group and their unmodified report appears on page 252.

Against this background, the directors of the company accept responsibility for the company and consolidated group annual financial statements, which were approved by the board of directors on 28 March 2013 and are signed on its behalf by:

SA Nkosi
Chief executive officer

WA de Klerk
Finance director

CERTIFICATE BY GROUP COMPANY SECRETARY

In terms of section 88(e) of the Companies Act No. 71 of 2008, as amended (Companies Act), I, CH Wessels, in my capacity as group company secretary, confirm that, to the best of my knowledge and belief, for the year ended 31 December 2012, Exxaro Resources Limited has filed with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.

CH Wessels
Group company secretary
28 March 2013

AUDIT COMMITTEE REPORT

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

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

The committee consists of three independent non-executive directors and the chairman of the board is not a member of the audit committee. It meets four times a year and details of attendance are contained in the Governance Report.

The group's independent external auditors are PricewaterhouseCoopers Incorporated (PwC). Fees paid to the auditors are disclosed in note 5 to the annual financial statements.

Exxaro has an approved board policy to regulate the use of non-audit services by the group's independent auditors. The policy differentiates between permitted and prohibited non-audit services, and specifies a monetary threshold by which approvals are considered. During the year under review, fees paid to PwC amounted to R75 million in total, which included R46 million for the 2012 statutory audit and related activities and R29 million for non-audit services. Non-audit services rendered by the independent external auditors during the period comprised tax advisory and tax compliance services, due-diligence reviews, accounting opinions and other advisory services. As reported in 2011, the higher than ideal value of non-audit services rendered was mostly as a result of consulting work completed as part of the Tronox Limited transaction, which had started and was approved prior to appointing PwC as independent external auditors. The audit committee is satisfied with the level and extent of non-audit services rendered during the year by PwC as well as their continued independence.

The committee annually assesses the independence of the external auditors and again completed such assessment at its meeting on 28 February 2013. PwC were required to confirm that:

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

Based on the above assessment, the committee re-nominated PwC as independent external auditors for the 2013 financial year. Shareholders will therefore be requested to re-elect PwC as independent auditors for the 2013 financial year at the annual general meeting of 24 May 2013.

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

The committee, with input and reports from the internal and external auditors, reviewed the company's system of internal financial control during the year under review. As a result of the implementation of a new operating model and associated technological enabler, certain deficiencies in the system of internal control have been identified. These deficiencies are being adequately addressed by management. In the interim, manual verification processes have been implemented, where relevant, and the independent external auditors have applied appropriate substantive procedures in order to mitigate potential risks. The chief audit executive and the committee will continue monitoring progress and maturity improvement in the internal control environment on a regular basis.

Further information on the activities of the committee is contained in the Governance Report.

J van Rooyen
Audit committee chairman

Pretoria
28 March 2013

INDEPENDENT AUDITOR'S REPORT ON THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Exxaro Resources Limited

The abridged consolidated financial statements, which comprise the abridged consolidated statement of financial position as at 31 December 2012 and the abridged consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, as set out on pages 290 to 310, are derived from the audited consolidated financial statements of Exxaro Resources Limited for the year ended 31 December 2012 . We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 5 April 2013. Our auditor's report on the audited consolidated financial statements contained an other matter paragraph (refer below).

The abridged consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the abridged consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Exxaro Resources Limited.

Directors' responsibility for the abridged consolidated financial statements

The company's directors are responsible for the preparation of an abridged version of the audited consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in note 1 to the abridged consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on the abridged consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the abridged consolidated financial statements derived from the audited consolidated financial statements of Exxaro Resources Limited for the year ended 31 December 2012 are consistent, in all material respects, with those consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in note 1 to the abridged consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

The other matter paragraph in our audit report dated 5 April 2013 states that as part of our audit of the consolidated financial statements for the year ended 31 December 2012 , we have read the Directors' report, the Audit Committee's report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The other matter paragraph states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The other matter paragraph does not have an effect on the abridged consolidated financial statements or our opinion thereon.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: TD Shango
Registered Auditor

Johannesburg
5 April 2013

DIRECTORS' REPORT

The directors have pleasure in presenting the annual financial statements of Exxaro Resources Limited (Exxaro) and the group for the year ended 31 December 2012.

Nature of business

Exxaro, a public company incorporated in South Africa, is one of the largest South African-based diversified resources groups, with interests in the coal (controlled and non-controlled), mineral sands/titanium dioxide (non-controlled), iron ore (controlled and non-controlled) and energy (controlled and non-controlled) markets. Exxaro is listed on the JSE Limited and is a constituent of the JSE's Top 40 index.

Exxaro's assets vary between controlled and operated assets and equity investments. The major controlled assets include its coal operations and its iron ore prospecting operations in the Republic of the Congo, whereas the major equity investments include its 44,65% interest in Tronox Limited, the world's largest fully integrated producer of titanium ore and titanium dioxide, the third-largest titanium feedstock producer and the second-largest producer of zircon, its 26% interest in Tronox's SA mineral sands operations and UK Limited Liability Partnership entity, its 19,98% interest in Sishen Iron Ore Company Proprietary Limited, which extracts and processes iron ore and its 50% interest in Cennergi Proprietary Limited, an energy company which aims to be the leading cleaner energy independent power producer in South Africa.

Integrated report

Summarised information on the activities and performance of the group and the various divisions of the group is contained in pages 73 to 75 of this report as well as in the group performance in brief on pages 242 to 249 of the integrated report (printed version). These reports are unaudited. The board of directors acknowledges its responsibility to ensure the integrity of the integrated report. The board has accordingly applied its mind to the integrated report and in the opinion of the board the integrated report addresses all material issues, and presents fairly the integrated performance, sustainability of the organisation and its impacts. The integrated report has been prepared in line with corporate governance best practice.

Corporate governance

The board of directors endorses the principles contained in the King report on governance for South Africa 2009 (King III). Full details on how these principles were applied in Exxaro are set out in the Corporate Governance report on page 214.

Change in accounting policies

The accounting policies applied during the year ended 31 December 2012 are consistent, in all material respects, with those applied in the annual financial statements for the year ended 31 December 2011, except for the early adoption of the revised consolidating standards as well as IAS 19 *Employee benefits (revised)* as detailed in note 36 of the group annual financial statements 2012. This early adoption of the new suite of consolidation standards has resulted in the restatement of prior year numbers as presented in the remainder of the report.

Registration details

The company registration number is 2000/011076/06. The registered office is Roger Dyason Road, Pretoria West, 0183, Republic of South Africa.

Activities and financial results

The company and group financial results for the year ended 31 December 2012 and 2011 are not comparable due to the profits realised on the sale of the mineral sands, Rosh Pinah and other assets of R4 127 million in 2012, the partial impairment reversal of the carrying value of property, plant and equipment at KZN Sands of R103 million in 2012 (2011: R869 million), as well as R516 million impairment of the carrying value of property, plant and equipment at the Zincor refinery in 2011. The conclusion of these two sales transactions resulted in the mineral sands and Rosh Pinah businesses' financial results effectively being included in these financial results for approximately five and five and a half months, respectively, compared to the full 12-month period in 2011.

Capital management

The board of directors is ultimately responsible to monitor debt levels, return on capital, total shareholders' return as well as compliance with contractually agreed loan covenants. These key metrics are detailed on page 72 of the integrated report. The group aims to cover its annual net funding requirements through long-term loan facilities with maturities spread evenly over time.

During the year, the group complied with all its contractually agreed loan covenants. Neither the company nor any of its subsidiaries are subject to externally imposed regulatory capital requirements. 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 the capital structure remains robust to withstand any economic downturn.

Property, plant and equipment

Although the intention is to progress to distributing 50% of attributable earnings to shareholders, adequate provision is made for future capital commitments and working capital requirements in determining the level of interim and final dividends to shareholders.

Capital expenditure for the period amounted to R5 333 million (2011: R4 858 million).

Share buy-back

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 based on specific transaction requirements. The group does not, however, have a defined share buy-back plan.

Shareholders' resolutions

At the eleventh annual general meeting of shareholders, held on Tuesday, 22 May 2012, the following resolutions were passed:

- Approval of group financial statements;
- Re-election of directors;
- Appointment of group audit committee members;
- Appointment of group social and ethics committee members;
- Approval of the company's remuneration policy and its implementation;
- Appointment of group independent auditors and noting TD Shango as designated audit partner;
- Renewal of the authority that unissued shares be placed under the control of the directors;
- General authority to issue shares for cash;
- Authorisation of directors and/or secretary to implement the above resolutions;
- Special resolution to approve directors' fees for 2012;
- Special resolution to authorise directors to repurchase the company's shares; and
- Special resolution to approve financial assistance for the subscription of securities.

At a general meeting of shareholders held on Tuesday, 22 May 2012, the following resolutions were passed:

- Approval of a specific issue of initial subscription shares for cash;
- Approval of a specific issue of further subscription shares for cash;
- Authorisation of directors and/or secretary to implement the above resolutions; and
- Special resolution to approve a new memorandum of incorporation.

Other than various resolutions by subsidiary companies in relation to the implementation of the Tronox transaction, whereby Exxaro sold its mineral sands operations in exchange for a 39,2% (31 December 2012: 44,65%) interest in Tronox Limited, Exxaro and its subsidiaries have passed no other special or ordinary shareholders' resolutions of material interest or of a substantive nature.

Share capital

Authorised

500 000 000 ordinary shares of R0,01 each.

Issued

357 787 785 (2011: 354 234 548) ordinary shares of R0,01 each.

The increase can be summarised as follows:

	Date of issue	Number of shares
Opening balance		354 234 548
Issued in terms of the Kumba Management Share Option Scheme due to options offered at prices ranging from R18,38 to R47,73.	24 February 2012 to 13 December 2012	532 720
Mpower 2012 issue offered at R193,37	28 June 2012	3 020 517
Closing balance		357 787 785

Shareholders

An analysis of shareholders and shareholdings appears in Annexure 5 of the annual report.

Dividend payments

Dividend number 19

Interim dividend number 19 of 350 cents per share was declared in South African currency in respect of the period ended 30 June 2012. The dividend was paid in South African currency on Tuesday, 25 September 2012 to shareholders recorded in the register of the company at close of business on Friday, 21 September 2012. In order to comply with the requirements of STRATE, the last day to trade cum dividend was Friday, 14 September 2012. The shares commenced trading ex dividend on Monday, 17 September 2012 and the record date was Friday, 21 September 2012.

Dividend number 20

Final dividend number 20 of 150 cents per share was approved by the board on 6 March 2013 and declared in South African currency in respect of the period ended 31 December 2012.

The dividend payment date is Monday, 15 April 2013 to shareholders recorded in the register of the company at close of business on Friday, 12 April 2013. To comply with the requirements of STRATE, the last day to trade cum dividend is Friday, 5 April 2013. The shares will commence trading ex dividend on Monday, 8 April 2013 and the record date is Friday, 12 April 2013.

The total STC credits available for offsetting against the new dividend tax (effective 1 April 2012) amount to R2 024 million. The number of ordinary shares in issue at the date of this declaration is 357 787 785. Although the local dividend tax rate is 15%, no dividends tax will be due as a result of the STC credits utilised (150 cents per share). Exxaro Resources Limited's tax reference number is 9218/098/14/4.

Investments and subsidiaries

The financial information in respect of investments and interests in subsidiaries of the company is disclosed in Annexures 2 and 3 to the financial statements.

Events after the reporting period

The directors are not aware of any matter or circumstance that has arisen since the end of the financial period not dealt with in this report or in the company and consolidated group financial statements that would significantly affect the operations or the results of the group.

Directorate and shareholdings

The names of the directors in office at the date of this report are set out on pages 210 to 213.

Details of directors' shareholding are contained on pages 262 and 263 of this report.

Mr CI Griffith resigned as non-executive director effective 29 November 2012. Mr NB Mbazima was subsequently appointed to succeed Mr Griffith as non-executive director of the board with effect 30 November 2012. Mr U Khumalo resigned as non-executive director effective 31 January 2013. The board expressed its sincere appreciation to Mr Griffith and Mr Khumalo, for their contributions during their respective terms of office.

The following directors are required to retire by rotation in terms of clauses 6.2 (1) and (2) 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 JJ Geldenhuys;
- Mr NB Mbazima;
- Mr VZ Mntambo; and
- Dr MF Randera.

Group company secretary

The group company secretary is Ms CH Wessels and details of the registered office and postal address appear on the administration sheet included in the integrated report.

Independent external auditors

PwC was re-elected as independent external auditors on 22 May 2012 in accordance with section 90 of the Companies Act.

Audit committee

The audit committee report appears on page 251.

Borrowing powers and financial assistance

Borrowing capacity is determined by the directors in terms of the memorandum of incorporation, from time to time:

	Group	
	2 012 Rm	2 011 Restated Rm
Amount approved (per memorandum of incorporation)	36 008	29 510
Total borrowings	2 751	3 772
Unutilised borrowing capacity	33 257	25 738

The borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2012 and 2011 financial years.

Pursuant to the authorisation granted at the general meeting of the company held on 29 November 2011, the board of directors of the company, at its meeting held on 21 February 2012, had approved, in accordance with section 45 of the Companies Act and the JSE Limited Listings Requirements, the giving of financial assistance to related and inter-related companies of the company up to an amount not exceeding R40 billion, at any time and from time to time during the period 21 February 2012 to 31 December 2012.

The company had satisfied the solvency and liquidity test, as contemplated in section 45 of the Companies Act and detailed in section 4 of the Companies Act post such assistance and the terms under which such assistance was provided were fair and reasonable to the company.

Going concern

The board of directors believes 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 of directors is not aware of any new material changes that may adversely impact the group or any material non-compliance with statutory or regulatory requirements.

Employee incentive schemes

Details of the group's employee incentive schemes are set out in note 36 of the group annual financial statements 2012.

Annual general meeting

The 12th annual general meeting of shareholders of Exxaro will be held at the Corporate Office, Roger Dyason Road, Pretoria West, Republic of South Africa, at 10:00 on Friday, 24 May 2013. Refer to pages 336 to 338 of this report for further details of the ordinary and special business for consideration at this meeting.

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

This report on remuneration and related matters covers issues which are the concern of the board as a whole, in addition to those which were dealt with by the remuneration and nomination committee (Remco).

Remuneration policy

The Remco has a clearly defined mandate from the board aimed at:

- ensuring that the company's chairman, directors and senior executives are fairly rewarded for their individual contributions to the company's overall performance;
- 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 in note 34 of the group annual financial statements 2012.

Summary of remuneration paid or payable to directors and prescribed officers

Year ended 31 December 2012	Basic salary R	Fees for services R	Performance bonuses[1] R
Executive directors			
SA Nkosi	6 859 647		2 517 124
WA de Klerk	4 217 225		1 054 030
	11 076 872		3 571 154
Less: gains on share scheme			
Add: share-based payment expense			
Total remuneration paid by Exxaro			
Non-executive directors			
S Dakile-Hlongwane[3]		246 310	
JJ Geldenhuys		634 733	
CI Griffith[4]		346 283	
U Khumalo[5]		255 971	
Dr D Konar (chairman)		1 060 666	
N Langeni[6]			
NB Mbazima[7]			
VZ Mntambo		327 293	
RP Mohring		683 001	
MF Randera[8]		153 173	
NL Sowazi[5]		303 864	
J van Rooyen		577 748	
D Zihlangu		327 293	
Total remuneration paid by Exxaro		4 916 335	
Prescribed officers			
PT Arran[9]	2 155 841		813 255
MDM Mgojo	3 843 865		1 097 830
M Piater	2 637 818		998 345
WH van Niekerk[9]	2 310 253		809 289
PE Venter	3 985 326		1 544 291
M Veti	2 159 470		768 333
CH Wessels	1 236 864		397 176
	18 329 437		6 428 519
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 21 February 2012*
4 *Resigned on 29 November 2012*
5 *Fees paid to the respective employer and not the individual*
6 *Resigned on 18 January 2012*
7 *Appointed on 30 November 2012*
8 *Appointed on 13 June 2012*
9 *Services terminated effective 15 June 2012 as part of the sale of the mineral sands business to Tronox Limited*

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

Benefits and allowances[2] R	Retirement fund contributions R	Gains on management share option scheme R	Other R	Total R
81 401	595 683	15 187 718		25 241 573
163 515	346 373	8 448 242		14 229 385
244 916	942 056	23 635 960		39 470 958
				(23 635 960)
				7 645 042
				23 480 040
				246 310
32 513				667 246
				346 283
				255 971
				1 060 666
				327 293
26 756				709 757
				153 173
				303 864
				577 748
				327 293
59 269				4 975 604
	116 939	3 003 003		6 089 038
88 594	295 323	6 123 824		11 449 436
112 558	261 812	3 794 997	574	7 806 104
78 056	151 367	5 951 570		9 300 535
163 182	297 142	10 336 711		16 326 652
41 374	214 909	4 327 759		7 511 845
44 030	100 286			1 778 356
527 794	1 437 778	33 537 864	574	60 261 966
				(33 537 864)
				9 277 994
				36 002 096

Summary of remuneration paid or payable to directors and prescribed officers (continued)

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
CH 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 group company secretary effective 30 June 2011)
5 Appointed effective 1 June 2011 (as group company secretary effective 1 July 2011)

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

Benefits and allowances[2] R	Retirement fund contributions R	Gains on management share option scheme R	Other R	Total 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

Beneficial interest

Directors' beneficial interest in Exxaro shares	At 31 December 2012	
	Direct	Indirect
Director		
SA Nkosi[1]	37 362	9 852 845
WA de Klerk[1]	1 462	8 932
S Dakile-Hlongwane		
JJ Geldenhuys		
U Khumalo		
Dr D Konar (chairman)	6 168	
NB Mbazima		
VZ Mntambo		5 529 881
RP Mohring	1 000	
MF Randera		
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		61 082
S Dakile-Hlongwane		
JJ Geldenhuys		
U Khumalo		
Dr D Konar (chairman)		
NB Mbazima		
VZ Mntambo		
RP Mohring		
MF Randera		
NL Sowazi		
J van Rooyen		
D Zihlangu		

1 *The indirect beneficial interest includes shares held in terms of the company's deferred bonus plan disclosed on page 257*

Directors' beneficial interest in Exxaro shares	At 31 December 2011	
Director	**Direct**	**Indirect**
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		

There has been no change to the interest of directors in share capital since 31 December 2012 to the date of this report.

On 31 December 2012 Mr SA Nkosi held 2,8% (2011: 2,8%), Mr VZ Mntambo held 1,5% (2011: 1,6%), Mr NL Sowazi held 0,8% (2011: 0,9%) and Mr D Zihlangu held 0,8% (2011: 0,8%) directly or indirectly in the share capital of the company.

Directors' and prescribed officers' share options and restricted share awards

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

Management share option scheme

Year ended 31 December 2012	Options held at 31 December 2012	Exercise price	Exercisable period	Proceeds if exercisable at 31 December 2012	Pre-tax gain if exercisable at 31 December 2012
		R		R	R
Executive director					
WA de Klerk					
Prescribed officer					
M Piater					
WH van Niekerk[1]					

[1] *Services terminated effective 15 June 2012 as part of the sale of the mineral sands business to Tronox Limited*

	Options exercised during the year	Exercise price	Sale price/ market price	Pre-tax gain	Date exercised
		R	R	R	
	8 750	19,62	212,80	1 690 325	17/04/2012
	8 750			1 690 325	
	4 510	19,62	213,00	872 144	13/04/2012
	4 510			872 144	
	1 330	19,62	199,53	239 280	22/03/2012
	583	19,62	199,51	104 876	22/03/2012
	2 976	19,62	199,50	535 323	22/03/2012
	280	19,62	199,79	50 448	22/03/2012
	253	19,62	199,85	45 598	22/03/2012
	413	19,62	199,86	74 439	22/03/2012
	253	19,62	199,87	45 603	22/03/2012
	119	19,62	199,91	21 455	22/03/2012
	253	19,62	200,25	45 699	22/03/2012
	6 460			1 162 721	

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	Exercisable period	Proceeds if exercisable at 31 December 2011	Pre-tax gain if exercisable at 31 December 2011[1]
		R		R	R
Executive director					
WA de Klerk					
	8 750	19,62	22/04/2012	1 470 000	1 298 325
	8 750			1 470 000	1 298 325
Prescribed officer					
M Piater					
	4 510	19,62	22/04/2011	757 680	669 194
	4 510			757 680	669 194
WH van Niekerk					
	6 460	19,62	22/04/2011	1 085 280	958 535
	6 460			1 085 280	958 535

[1] *Based on a share price of R168,00 which prevailed on 31 December 2011*

Options exercised during the year	Exercise price	Sale price/ market price	Pre-tax gain	Date exercised
	R	R	R	
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
32 360			4 604 531	
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
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
19 620			2 797 438	

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	Pre-tax gain if exercisable at 31 December 2011 R
Prescribed officer					
PE Venter					

Management share appreciation right scheme

Year ended 31 December 2012	Rights held at 31 December 2012	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2012 R	Pre-tax gain if exercisable at 31 December 2012[1] R
Executive director					
SA Nkosi	38 680	60,60	01/03/2014	6 536 920	4 192 912
	41 780	112,35	01/04/2015	7 060 820	2 366 837
	67 430	67,07	01/04/2016	11 395 670	6 873 140
	45 474	126,77	01/04/2017	7 685 106	1 920 367
	36 538	163,95	01/04/2018	6 174 922	184 517
	229 902			38 853 438	15 537 773
WA de Klerk	19 330	60,60	01/03/2014	3 266 770	2 095 372
	16 410	112,35	01/04/2015	2 773 290	929 627
	37 760	67,07	01/04/2016	6 381 440	3 848 877
	21 478	126,77	01/04/2017	3 629 782	907 016
	18 268	163,95	01/04/2018	3 087 292	92 253
	113 246			19 138 574	7 873 145
Prescribed officer					
PT Arran[2]	10 190	60,60	01/03/2014	1 722 110	1 104 596
	9 470	112,35	01/04/2015	1 600 430	536 476
	15 200	67,07	01/04/2016	2 568 800	1 549 336
	16 358	126,77	01/04/2017	2 764 502	690 798
	14 084	163,95	01/04/2018	2 380 196	71 124
	65 302			11 036 038	3 952 330

[1] *Based on a share price of R169,00 which prevailed on 31 December 2012*
[2] *Services terminated effective 15 June 2012 as part of the sale of the mineral sands business to Tronox Limited*

Options exercised during the year	Exercise price	Sale price/ market price	Pre-tax gain	Date exercised
	R	R	R	
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	

Options exercised during the year	Exercise price	Sale price/ market price	Pre-tax gain	Date exercised
	R	R	R	

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

Management share appreciation right scheme (continued)

Year ended 31 December 2012	Rights held at 31 December 2012	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2012 R	Pre-tax gain if exercisable at 31 December 2012[1] R
Prescribed officer					
MDM Mgojo	18 340	60,60	01/03/2014	3 099 460	1 988 056
	15 720	112,35	01/04/2015	2 656 680	890 538
	27 530	67,07	01/04/2016	4 652 570	2 806 133
	16 358	126,77	01/04/2017	2 764 502	690 798
	14 084	163,95	01/04/2018	2 380 196	71 124
	92 032			15 553 408	6 446 649
M Piater	9 840	60,60	01/03/2014	1 662 960	1 066 656
	9 420	112,35	01/04/2015	1 591 980	533 643
	16 330	67,07	01/04/2016	2 759 770	1 664 517
	9 380	126,77	01/04/2017	1 585 220	396 117
	8 542	163,95	01/04/2018	1 443 598	43 137
	53 512			9 043 528	3 704 070
WH van Niekerk[2]	7 980	60,60	01/03/2014	1 348 620	865 032
	8 990	112,35	01/04/2015	1 519 310	509 284
	14 080	67,07	01/04/2016	2 379 520	1 435 174
	12 190	63,45	04/05/2016	2 060 110	1 286 655
	16 358	126,77	01/04/2017	2 764 502	690 798
	14 084	163,95	01/04/2018	2 380 196	71 124
	73 682			12 452 258	4 858 067
PE Venter	17 376	126,77	01/04/2017	2 936 544	733 788
	14 104	163,95	01/04/2018	2 383 576	71 225
	31 480			5 320 120	805 013
M Veti					
	11 590	67,07	01/04/2016	1 958 710	1 181 369
	7 624	126,77	01/04/2017	1 288 456	321 962
	6 168	163,95	01/04/2018	1 042 392	31 148
	25 382			4 289 558	1 534 479
CH Wessels	2 936	163,95	01/04/2018	496 184	14 827

[1] *Based on a share price of R169,00 which prevailed on 31 December 2012*
[2] *Services terminated effective 15 June 2012 as part of the sale of the mineral sands business to Tronox Limited*

Options exercised during the year	Exercise price	Sale price/ market price	Pre-tax gain	Date exercised
	R	R	R	
30 540	67,07	207,93	4 301 864	02/05/2012
30 540			4 301 864	
7 100	60,60	199,97	989 527	28/02/2012
7 020	112,35	199,97	615 092	28/02/2012
14 120			1 604 619	

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

Management share appreciation right scheme (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	Pre-tax gain if exercisable at 31 December 2011[1] R
Executive director					
SA Nkosi	38 680	60,60	01/03/2014	6 498 240	4 154 232
	41 780	112,35	01/04/2015	7 019 040	2 325 057
	67 430	67,07	01/04/2016	11 328 240	6 805 710
	45 474	126,77	01/04/2017	7 639 632	1 874 893
	36 538	163,95	01/04/2018	6 138 384	147 979
	229 902			38 623 536	15 307 871
WA de Klerk	19 330	60,60	01/03/2014	3 247 440	2 076 042
	16 410	112,35	01/04/2015	2 756 880	913 217
	37 760	67,07	01/04/2016	6 343 680	3 811 117
	21 478	126,77	01/04/2017	3 608 304	885 538
	18 268	163,95	01/04/2018	3 069 024	73 985
	113 246			19 025 328	7 759 899
Prescribed officer					
PT Arran	10 190	60,60	01/03/2014	1 711 920	1 094 406
	9 470	112,35	01/04/2015	1 590 960	527 006
	15 200	67,07	01/04/2016	2 553 600	1 534 136
	16 358	126,77	01/04/2017	2 748 144	674 440
	14 084	163,95	01/04/2018	2 366 112	57 040
	65 302			10 970 736	3 887 028
MDM Mgojo	18 340	60,60	01/03/2014	3 081 120	1 969 716
	15 720	112,35	01/04/2015	2 640 960	874 818
	27 530	67,07	01/04/2016	4 625 040	2 778 603
	16 358	126,77	01/04/2017	2 748 144	674 440
	14 084	163,95	01/04/2018	2 366 112	57 040
	92 032			15 461 376	6 354 617
M Piater	9 840	60,60	01/03/2014	1 653 120	1 056 816
	9 420	112,35	01/04/2015	1 582 560	524 223
	16 330	67,07	01/04/2016	2 743 440	1 648 187
	9 380	126,77	01/04/2017	1 575 840	386 737
	8 542	163,95	01/04/2018	1 435 056	34 595
	53 512			8 990 016	3 650 558
WH van Niekerk	7 980	60,60	01/03/2014	1 340 640	857 052
	8 990	112,35	01/04/2015	1 510 320	500 294
	14 080	67,07	01/04/2016	2 365 440	1 421 094
	12 190	63,45	04/05/2016	2 047 920	1 274 465
	16 358	126,77	01/04/2017	2 748 144	674 440
	14 084	163,95	01/04/2018	2 366 112	57 040
	73 682			12 378 576	4 784 385

[1] *Based on a share price of R168,00 which prevailed on 31 December 2011*

Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised

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

Management share appreciation right scheme (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	Pre-tax gain if exercisable at 31 December 2011[1] R
Prescribed officer					
PE Venter					
	30 540	67,07	01/04/2016	5 130 720	3 082 402
	17 376	126,77	01/04/2017	2 919 168	716 412
	14 104	163,95	01/04/2018	2 369 472	57 121
	62 020			10 419 360	3 855 935
M Veti	7 100	60,60	01/03/2014	1 192 800	762 540
	7 020	112,35	01/04/2015	1 179 360	390 663
	11 590	67,07	01/04/2016	1 947 120	1 169 779
	7 624	126,77	01/04/2017	1 280 832	314 338
	6 168	163,95	01/04/2018	1 036 224	24 980
	39 502			6 636 336	2 662 300
CH Wessels[2]	2 936	163,95	01/04/2018	493 248	11 891

[1] *Based on a share price of R168,00 which prevailed on 31 December 2011*

[2] *Appointed effective 1 June 2011 (as group company secretary effective 1 July 2011)*

Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
19 330	60,60	172,27	2 158 581	06/04/2011
18 110	112,35	172,27	1 085 151	06/04/2011
37 440			3 243 732	

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

Management share scheme – long-term incentive plan

Year ended 31 December 2012	Rights held at 31 December 2012	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2012 R
Executive director				
SA Nkosi				
	47 412		01/04/2013	8 012 628
	36 538		01/04/2014	6 174 922
	68 565		01/04/2015	11 587 485
	152 515			25 775 035
WA de Klerk				
	21 478		01/04/2013	3 629 782
	18 268		01/04/2014	3 087 292
	34 689		01/04/2015	5 862 441
	74 435			12 579 515
Prescribed officer				
PT Arran[2]				
	16 358		01/04/2013	2 764 502
	14 084		01/04/2014	2 380 196
	28 255		01/04/2015	4 775 095
	58 697			9 919 793
MDM Mgojo				
	16 358		01/04/2013	2 764 502
	14 084		01/04/2014	2 380 196
	27 812		01/04/2015	4 700 228
	58 254			9 844 926

1 *Based on a share price of R169,00 which prevailed on 31 December 2012*

2 *Services terminated effective 15 June 2012 as part of the sale of the mineral sands business to Tronox Limited*

Pre-tax gain if exercisable at 31 December 2012[1] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
	67 438		197,54	13 321 703	13/04/2012
8 012 628					
6 174 922					
11 587 485					
25 775 035	67 438			13 321 703	
	37 764		197,54	7 459 901	03/04/2012
3 629 782					
3 087 292					
5 862 441					
12 579 515	37 764			7 459 901	
	15 202		197,54	3 003 003	13/04/2012
2 764 502					
2 380 196					
4 775 095					
9 919 793	15 202			3 003 003	
	27 536		197,54	5 439 461	05/04/2012
2 764 502					
2 380 196					
4 700 228					
9 844 926	27 536			5 439 461	

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

Management share scheme – long-term incentive plan (continued)

Year ended 31 December 2012	Rights held at 31 December 2012	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2012 R
Prescribed officer				
M Piater				
	9 380		01/04/2013	1 585 220
	8 542		01/04/2014	1 443 598
	15 632		01/04/2015	2 641 808
	8 606		01/11/2015	1 454 414
	42 160			7 125 040
WH van Niekerk[2]				
	16 358		01/04/2013	2 764 502
	14 084		01/04/2014	2 380 196
	28 283		01/04/2015	4 779 827
	58 725			9 924 525
PE Venter	17 376		01/04/2013	2 936 544
	14 104		01/04/2014	2 383 576
	28 318		01/04/2015	4 785 742
	59 798			10 105 862
M Veti	7 624		01/04/2013	1 288 456
	6 168		01/04/2014	1 042 392
	12 424		01/04/2015	2 099 656
	26 216			4 430 504
CH Wessels	2 936		01/06/2014	496 184
	5 345		01/04/2015	903 305
	8 281			1 399 489

1 *Based on a share price of R169,00 which prevailed on 31 December 2012*
2 *Services terminated effective 15 June 2012 as part of the sale of the mineral sands business to Tronox Limited*

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

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

Pre-tax gain if exercisable at 31 December 2012[1] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
	16 340		197,54	3 227 804	13/04/2012
1 585 220					
1 443 598					
2 641 808					
1 454 414					
7 125 040	16 340			3 227 804	
	14 090		197,54	2 783 339	13/04/2012
	12 112		212,65	2 575 617	17/05/2012
2 764 502					
2 380 196					
4 779 827					
9 924 525	26 202			5 358 956	
	30 550		197,54	6 034 847	03/04/2012
2 936 544					
2 383 576					
4 785 742					
10 105 862	30 550			6 034 847	
	11 596		197,54	2 290 674	13/04/2012
1 288 456					
1 042 392					
2 099 656					
4 430 504	11 596			2 290 674	
496 184					
903 305					
1 399 489					

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
	41 782		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	

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

Management share scheme – long-term incentive 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
Executive director				
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] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
	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' share options and restricted share awards (continued)

Management share scheme – deferred bonus plan

Year ended 31 December 2012	Rights held at 31 December 2012	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2012 R
Executive director				
SA Nkosi				
	1 433		01/03/2013	242 177
	3 527		31/03/2013	596 063
	420		31/08/2013	70 980
	1 492		28/02/2014	252 148
	2 934		31/03/2014	495 846
	569		11/11/2014	96 161
	1 346		28/02/2015	227 474
	3 099		31/03/2015	523 731
	370		31/08/2015	62 530
	15 190			2 567 110
WA de Klerk				
	1 003		01/03/2013	169 507
	2 083		31/03/2013	352 027
	262		31/08/2013	44 278
	932		28/02/2014	157 508
	1 542		31/03/2014	260 598
	355		11/11/2014	59 995
	842		28/02/2015	142 298
	1 679		31/03/2015	283 751
	234		31/08/2015	39 546
	8 932			1 509 508
Prescribed officer				
PT Arran[2]	247		31/08/2012	41 743
MDM Mgojo				
	832		01/03/2013	140 608
	1 530		31/03/2013	258 570
	223		31/08/2013	37 687
	600		28/02/2014	101 400
	1 186		31/03/2014	200 434
	252		11/11/2014	42 588
	558		28/02/2015	94 302
	1 455		31/03/2015	245 895
	104		31/08/2015	17 576
	6 740			1 139 060

1 Based on a share price of R169,00 which prevailed on 31 December 2012
2 Services terminated effective 15 June 2012 as part of the sale of the mineral sands business to Tronox Limited

Pre-tax gain if exercisable at 31 December 2012[1] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
	2 315		210,29	486 821	12/03/2012
	6 620		197,54	1 307 715	13/03/2012
	466		153,39	71 480	12/09/2012
242 177					
596 063					
70 980					
252 148					
495 846					
96 161					
227 474					
523 731					
62 530					
2 567 110	9 401			1 866 016	
	1 644		210,29	345 717	09/03/2012
	3 000		197,54	592 620	04/04/2012
	326		153,39	50 005	06/09/2012
169 507					
352 027					
44 278					
157 508					
260 598					
59 995					
142 298					
283 751					
39 546					
1 509 508	4 970			988 342	
41 743					
	645		210,29	135 637	12/03/2012
	2 586		197,54	510 838	05/04/2012
	247		153,39	37 887	12/09/2012
140 608					
258 570					
37 687					
101 400					
200 434					
42 588					
94 302					
245 895					
17 576					
1 139 060	3 478			684 362	

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

Management share scheme – deferred bonus plan (continued)

Year ended 31 December 2012	Rights held at 31 December 2012	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2012 R
Prescribed officer				
M Piater				
	688		01/03/2013	116 272
	1 058		31/03/2013	178 802
	181		31/08/2013	30 589
	644		28/02/2014	108 836
	794		31/03/2014	134 186
	250		11/11/2014	42 250
	609		28/02/2015	102 921
	947		31/03/2015	160 043
	167		31/08/2015	28 223
	5 338			902 122
WH van Niekerk[2]				
	247		31/08/2012	41 743
	761		01/03/2013	128 609
	1 357		31/03/2013	229 333
	223		31/08/2013	37 687
	794		28/02/2014	134 186
	1 319		31/03/2014	222 911
	304		11/11/2014	51 376
	749		28/02/2015	126 581
	1 483		31/03/2015	250 627
	7 237			1 223 053
PE Venter	908		01/03/2013	153 452
	213		31/08/2015	35 997
	1 121			189 449
M Veti				
	498		01/03/2013	84 162
	675		31/03/2013	114 075
	147		31/08/2013	24 843
	510		28/02/2014	86 190
	637		31/03/2014	107 653
	197		11/11/2014	33 293
	134		31/08/2015	22 646
	2 798			472 862

1 *Based on a share price of R169,00 which prevailed on 31 December 2012*
2 *Services terminated effective 15 June 2012 as part of the sale of the mineral sands business to Tronox Limited*

Pre-tax gain if exercisable at 31 December 2012[1] R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
	947		210,29	199 145	12/03/2012
	1 690		197,54	333 843	13/04/2012
	223		153,39	34 206	10/09/2012
116 272					
178 802					
30 589					
108 836					
134 186					
42 250					
102 921					
160 043					
28 223					
902 122	2 860			567 194	
	1 301		210,29	273 587	09/03/2012
	1 615		197,54	319 027	10/04/2012
41 743					
128 609					
229 333					
37 687					
134 186					
222 911					
51 376					
126 581					
250 627					
1 223 053	2 916			592 614	
153 452					
35 997					
189 449					
	766		210,29	161 082	12/03/2012
	1 262		197,54	249 295	13/04/2012
	144		153,39	22 088	12/09/2012
84 162					
114 075					
24 843					
86 190					
107 653					
33 293					
22 646					
472 862	2 172			432 465	

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
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
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

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	
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	

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				
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		31/03/2 012	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
	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	08/03/2011
	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	

ABRIDGED GROUP ANNUAL FINANCIAL STATEMENTS

Audited condensed group statement of comprehensive income

for the year ended 31 December

	Notes	2012 Rm	2011 Restated Rm
Revenue		12 229	12 126
Operating expenses		(10 533)	(9 575)
Operating profit		1 696	2 551
Gains on disposal of non-core assets	9	42	1
Net operating profit	5	1 738	2 552
Interest income	7	138	261
Interest expense	7	(325)	(628)
Income from investments		3	4
Share of income from equity-accounted investments		3 602	4 745
Profit before tax		5 156	6 934
Income tax expense		(537)	(871)
Profit for the year from continuing operations		4 619	6 063
Profit for the year from discontinued operations	8	5 028	1 594
Profit for the year		9 647	7 657
Gain/(loss) recognised in other comprehensive income for the year, net of tax		68	541
Exchange differences on translating foreign operations		(33)	800
Cash flow hedges		(21)	(40)
Share of comprehensive income/(loss) of associates		122	(254)
Share of comprehensive income of non-controlling interests			35
Total comprehensive income for the year		9 715	8 198
Profit attributable to:			
Owners of the parent		9 677	7 653
– continuing operations		4 634	6 073
– discontinued operations		5 043	1 580
Non-controlling interests		(30)	4
– continuing operations		(15)	(10)
– discontinued operations		(15)	14
Profit for the year		9 647	7 657

	2012 Rm	2011 Restated Rm
Total comprehensive income attributable to:		
Owners of the parent	9 745	8 159
– continuing operations	5 706	6 641
– discontinued operations	4 039	1 518
Non-controlling interests	(30)	39
– continuing operations	(15)	(6)
– discontinued operations	(15)	45
Total comprehensive income for the year	9 715	8 198
Attributable earnings per share: aggregate (cents)		
– basic	2 734	2 199
– diluted	2 726	2 168
Attributable earnings per share: continuing operations (cents)		
– basic	1 309	1 745
– diluted	1 305	1 720
Attributable earnings per share: discontinued operations (cents)		
– basic	1 425	454
– diluted	1 421	448

Refer to note 11 for details regarding the number of shares.

Audited reconciliation of headline earnings
for the year ended 31 December

	Gross Rm	Tax Rm	Net Rm
2012			
Profit for the year attributable to owners of the parent			9 677
Adjusted for:			
– IAS 36 Reversal of Impairment of Property, Plant and Equipment	(103)	29	(74)
– IAS 16 Gains or Losses on Disposal of Property, Plant and Equipment	(65)	4	(61)
– IFRS 10 Gains on Disposal of Subsidiaries and Other Assets	(4 034)		(4 034)
– IAS 28 Excess of Fair Value Over Cost of Investment in Associates	(470)		(470)
– IAS 38 Gains on Disposal of Intangible Assets	(77)		(77)
– IAS 28 Share of Associates' Gains or Losses on Disposal of Property, Plant and Equipment	(4)	1	(3)
Headline earnings	(4 753)	34	4 958
– continuing operations			3 999
– discontinued operations			959
2011			
Profit for the year attributable to owners of the parent			7 653
Adjusted for:			
– IAS 36 Impairment of Property, Plant and Equipment	516		516
– IAS 36 Reversal of Impairment of Property, Plant and Equipment	(869)		(869)
– IFRS 10 Gains on Disposal of Subsidiaries	(1)		(1)
– IAS 16 Losses on Disposal of Property, Plant and Equipment	3	(2)	1
– IAS 28 Share of Associates' Gains or Losses on Disposal of Property, Plant and Equipment	2		2
Headline earnings	(349)	(2)	7 302
– continuing operations			6 048
– discontinued operations			1 254

	2012	2011 Restated
Headline earnings per share: aggregate (cents)		
– basic	1 401	2 098
– diluted	1 397	2 069
Headline earnings per share: continuing operations (cents)		
– basic	1 130	1 738
– diluted	1 127	1 714
Headline earnings per share: discontinued operations (cents)		
– basic	271	360
– diluted	270	355

Audited condensed group statement of financial position

as at 31 December and 1 January

		At 31 December		1 January
	Notes	2012 Rm	2011 Restated Rm	2011 Restated Rm
Assets				
Non-current assets				
Property, plant and equipment		15 881	9 584	12 194
Biological assets		55	66	46
Intangible assets		962	128	75
Investments in unlisted associates		17 154	4 545	3 662
Investments in joint ventures		425	243	168
Deferred tax		241	227	724
Financial assets		2 727	2 360	2 390
		37 445	17 153	19 259
Current assets				
Inventories		776	560	3 081
Trade and other receivables		2 642	2 624	3 505
Current tax receivable		190	105	105
Cash and cash equivalents		1 364	1 018	2 077
		4 972	4 307	8 768
Non-current assets classified as held-for-sale	12		14 979	85
Total assets		42 417	36 439	28 112
Equity and liabilities				
Capital and reserves				
Equity attributable to owners of the parent		28 794	23 588	17 437
Non-controlling interests		12	20	(23)
Total equity		28 806	23 608	17 414
Non-current liabilities				
Interest-bearing borrowings		2 761	2 102	3 504
Non-current provisions		2 842	2 111	2 065
Post-retirement employee obligations		142	133	96
Finance lease		106		
Deferred tax		2 566	1 702	1 323
		8 417	6 048	6 988
Current liabilities				
Trade and other payables		4 099	3 181	2 796
Interest-bearing borrowings		(9)	836	688
Current tax payable		172	50	144
Current provisions		121	151	30
Overdraft		811		
		5 194	4 218	3 658
Non-current liabilities classified as held-for-sale	12		2 565	52
Total equity and liabilities		42 417	36 439	28 112

Audited group statement of changes in equity

	Share capital and premium Rm	Other components of equity Foreign currency translations Rm	Financial instruments revaluation Rm	Equity-settled reserve Rm
Opening balance at 1 January 2011	2 170	716	216	1 389
Profit for the year				
Other comprehensive income		800	(40)	
Share of comprehensive income of associates		72	20	
Issue of share capital[1]	15			
Mpower vesting shares	174			
Share-based payments movements				23
Non-controlling interests additional contributions				
Dividends paid				
Disposal of subsidiaries		(3)		
Balance at 31 December 2011	2 359	1 585	196	1 412
Profit for the year				
Other comprehensive income		(33)	(21)	
Share of comprehensive income of associates		118	(17)	94
Issue of share capital[1]	15			
Share-based payments movement				(183)
Dividends paid				
Acquisition of subsidiaries				
Disposal of subsidiaries		(459)	(137)	(23)
Acquisition of non-controlling interest				
Balance at 31 December 2012	2 374	1 211	21	1 300

[1] *Issued to the Kumba Resources Management Share Trust due to options exercised*

Final dividend paid per share (cents) in respect of the 2011 financial year	500
Dividend paid per share (cents) in respect of the 2012 interim period	350
Final dividend payable per share (cents) in respect of 2012 financial year	150

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.

Retirement benefit obligation reserves Rm	Other reserves Rm	Retained income Rm	Attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
		12 946	17 437	(23)	17 414
		7 653	7 653	4	7 657
			760	35	795
1	8	(355)	(254)		(254)
			15		15
			174		174
			23	2	25
				8	8
		(2 217)	(2 217)	(6)	(2 223)
			(3)		(3)
1	8	18 027	23 588	20	23 608
		9 677	9 677	(30)	9 647
			(54)		(54)
(164)	(1)	92	122		122
			15		15
			(183)		(183)
		(3 012)	(3 012)		(3 012)
				468	468
			(619)	(5)	(624)
	(740)		(740)	(441)	(1 181)
(163)	733	24 784	28 794	12	28 806

Audited condensed group statement of cash flows

for the year ended 31 December

	Group 2012 Rm	Group 2011 Restated Rm
Cash flows from operating activities		
Cash generated by/(utilised in) operations	3 969	6 189
Interest paid	(345)	(566)
Interest received	208	532
Tax paid	(277)	(499)
Dividends paid	(3 012)	(2 123)
	543	3 533
Cash flows from investing activities		
Property, plant and equipment to maintain operations	(1 571)	(1 591)
Property, plant and equipment to expand operations	(3 762)	(3 267)
Investment in intangible assets	(36)	(119)
Proceeds from disposal of intangible assets	77	
Proceeds from disposal of property, plant and equipment	77	483
Increase in investments in other non-current assets	(16)	(110)
Proceeds from disposal of subsidiaries	81	50
Increase in joint ventures and associates	(396)	
Acquisition of subsidiaries	(1 421)	
Proceeds from disposal of financial assets designated through profit or loss	5	
Income from equity-accounted investments	4 019	3 516
Income from investments	3	9
Other investing activities		(13)
	(2 940)	(1 042)
Cash flows from financing activities		
Interest-bearing borrowings raised	5 800	338
Interest-bearing borrowings repaid	(5 925)	(953)
Consideration paid to non-controlling interests	(1 181)	
Proceeds from issuance of share capital	15	15
Increase in loans from non-controlling interests		11
	(1 291)	(589)
Net (decrease)/increase in cash and cash equivalents	(3 688)	1 902
Cash and cash equivalents at the beginning of the year	4 118	2 077
– Cash and cash equivalents before restatement	4 118	2 140
– IFRS 11 early adoption restatement		(63)
Translation difference on movement in cash and cash equivalents	123	139
Cash and cash equivalents at end of the year	553	4 118
Cash and cash equivalents classified as held-for-sale at end of the period		3 100
Cash and cash equivalents per statement of financial position	553	1 018
Cash and cash equivalents at end of the period	553	4 118

NOTES TO THE CONDENSED GROUP ANNUAL FINANCIAL RESULTS (Audited)

for the year ended 31 December

1. Basis of preparation

The audited condensed group annual financial results for the year ended 31 December 2012 have been prepared under the supervision of WA de Klerk CA(SA), reg no: 00133273, in accordance with International Standard on Review Engagements (ISRE) 2410, International Accounting Standard (IAS) 34 *Interim Financial Reporting*, the requirements of the South African Companies Act No. 71 of 2008, as amended, the AC 500 standards issued by the Accounting Practices Board or its successor and the South African Institute of Charted Accountants (SAICA), Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in compliance with the Listings Requirements of the JSE Limited (JSE). These condensed group annual financial statements have also been prepared in accordance with the framework concepts, measurement and recognition requirements of the International Financial Reporting Standards (IFRS) as required by the JSE.

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

During 2012 the following accounting pronouncements became effective:	Effective date
• Amendment to IFRS 7 *Financial Instruments: Disclosure*	1 July 2011
• Amendment to IFRS 1 *First Time Adoption*	1 July 2011
• Amendment to IAS 12 *Income Taxes*	1 January 2012

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

During 2012, Exxaro early adopted the suite of consolidation standards issued in 2011, effective 1 January 2013.

The early adoption incorporated the following standards:
- IFRS 10 *Consolidated Financial Statements* (as amended)
- IFRS 11 *Joint Arrangements* (as amended)
- IFRS 12 *Disclosures of Interest in Other Entities* (as amended)
- IAS 27 *Separate Financial Statements* (revised)
- IAS 28 *Investments in Associates and Joint Ventures* (revised)

The impact of the early adoption of these standards is disclosed in the notes of these condensed group annual financial results (refer to note 3).

The group has early adopted IAS 19 *Employee Benefits* (revised) in 2012. The impact of the early adoption on the prior year was considered by management to be immaterial.

The accounting standards and amendments issued to accounting standards and interpretations, other than those early adopted, which are relevant to the group, but not yet effective at 31 December 2012, have not been adopted. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date, except where specifically identified. There has been no impact on the group by applying IFRS 10 retrospectively.

2. Accounting policies

The accounting policies, methods of computation and presentation adopted are consistent with those applied in the annual financial statements for the year ended 31 December 2011, except as described below in note 3, where joint ventures previously proportionately consolidated are now equity accounted.

The group has early adopted the following standards, together with the consequential amendments to other IFRS, for the financial year ended 31 December 2012:

IFRS 10 *Consolidated Financial Statements* (as amended)

IFRS 10 was issued in May 2011 (and subsequently amended) and replaces all the guidance on control and consolidation in IAS 27 *Consolidated and Separate Financial Statements*, and SIC-12 *Consolidation – Special Purpose Entities*. Under IFRS 10, subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The group has applied IFRS 10 retrospectively in accordance with the transition provisions of IFRS 10.

IFRS 11 *Joint Arrangements* (as amended)

IFRS 11 was issued in May 2011 (and subsequently amended) and supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Ventures*. On transition, adjustments in accordance with the transition provisions of the standard are recorded at the beginning of the earliest period presented.

Before 1 January 2012, the group's interest in its jointly controlled entities was accounted for using the proportional consolidation method. The investments affected by the early adoption of this IFRS are Mafube Coal Mining Proprietary Limited and South Dunes Coal Terminal Company Proprietary Limited.

IAS 19 *Employee Benefits* (revised)

These amendments eliminate the corridor approach and calculate finance cost based on net funding basis. There was no impact on the prior year as a result of the early adoption of IAS 19 (revised).

Changes in accounting policy

The group early adopted IFRS 11 *Joint Arrangements (as amended)*, on 1 January 2012. This resulted in the group changing its accounting policy for its interests in the jointly controlled entities. Under IFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than just the legal structure of the joint arrangement. Under IFRS 11, the above-mentioned jointly controlled arrangements have been assessed and classified to be joint ventures. Refer to note 3 for further details.

In respect of its interest in the joint operation, the group recognises its share of assets, liabilities, revenues and expenses. The group accounts for the assets, liabilities, revenues and expenses in accordance with the IFRS applicable to the pa ticular assets, liabilities, revenues and expenses.

The financial effects of the change in accounting policies at 1 January 2011 and 31 December 2011 are shown in note 3 below.

3. Early adoption of IFRS 11

Joint arrangements

The group had several interests in joint arrangements established as limited liability companies. Under IAS 31, these were assessed as jointly controlled entities and were proportionately consolidated in terms of IAS 31. The group has reassessed the classification of its joint arrangements under IFRS 11.

	Exxaro shareholding interest (%)	Previous treatment	Revised treatment
Mafube Coal Proprietary Limited – joint venture with Anglo Operations Limited	50	Proportionately consolidated	Equity accounted
South Dunes Coal Terminal Company Proprietary Limited – joint venture with Eskom Enterprises Proprietary Limited and Golang Coal Proprietary Limited	33	Proportionately consolidated	Equity accounted
Moranbah joint arrangement – joint operation with Anglo American	50	Share of net income, assets and liabilities	Share of net income, assets and liabilities
Cennergi Proprietary Limited (note 14)	50	Acquired in 2012	Equity accounted

Impact of change in accounting policy on the statement of comprehensive income	**For the period ended 31 December 2011 as previously presented Rm**	**For the period ended 31 December 2011 Restated Rm**	**Impact of change in accounting policy Rm**
Revenues	21 305	20 962	(343)
Operating expenses	(16 924)	(16 838)	86
Net financing cost	(291)	(226)	65
Income from investments	9	9	
Share of income from equity accounted investments	4 668	4 745	77
Profit before tax	8 767	8 652	(115)
Tax expense	(1 110)	(995)	115
Profit after tax	7 657	7 657	

3. Early adoption of IFRS 11 (continued)

Impact of change in accounting policy on the statement of financial position	For the period ended 31 December 2011 as previously presented Rm	For the period ended 31 December 2011 Restated Rm	Impact of change in accounting policy Rm
Assets			
– Property, plant and equipment	10 695	9 584	(1 111)
– Financial assets	1 757	2 360	603
– Deferred tax	228	227	(1)
– Investments in joint ventures*		243	243
– Trade and other receivables	2 763	2 624	(139)
– Cash and cash equivalents	1 065	1 018	(47)
– Inventories	589	560	(29)
			(481)
Liabilities			
– Interest-bearing borrowings	2 202	2 102	(100)
– Non-current provisions	2 166	2 111	(55)
– Deferred tax	1 845	1 702	(143)
– Trade and other payables	3 334	3 181	(153)
– Current interest-bearing borrowings	866	836	(30)
			(481)

* *Relates to investments in joint arrangement classified as joint ventures in terms of IFRS 11 (as amended)*

Impact of change in accounting policy on the statement of financial position	For the period ended 1 January 2011 as previously presented Rm	For the period ended 1 January 2011 Restated Rm	Impact of change in accounting policy Rm
Assets			
– Property, plant and equipment	13 305	12 194	(1 111)
– Financial assets	1 589	2 390	801
– Deferred tax	726	724	(2)
– Investments in joint ventures*		168	168
– Trade and other receivables	3 752	3 505	(247)
– Cash and cash equivalents	2 140	2 077	(63)
– Inventories	3 120	3 080	(39)
			(493)
Liabilities			
– Interest-bearing borrowings	3 644	3 504	(140)
– Non-current provisions	2 097	2 065	(32)
– Deferred tax	1 352	1 323	(29)
– Trade and other payables	3 057	2 796	(261)
– Current provisions	33	30	(3)
– Current interest-bearing borrowings	716	688	(28)
			(493)

* *Relates to investments in joint arrangement classified as joint ventures in terms of IFRS 11 (as amended)*

Impact on statement of cash flows	For the period ended 31 December 2011 as previously presented Rm	For the period ended 31 December 2011 Restated Rm	Impact of change in accounting policy Rm
Cash flows from operating activities	3 802	3 533	(269)
Cash flows from investing activities	(1 313)	(1 042)	271
Cash flows from financing activities	(603)	(589)	14
Net increase in cash and cash equivalents	1 886	1 902	16

4. Restatement of comparative periods

The early adoption of the new suite of consolidation standards has resulted in the restatement of comparative periods. Prior periods have also been represented for discontinued operations.

5. Net operating profit is arrived at after

	Year ended 31 December	
	2012 Rm	2011 Restated Rm
Continuing operations		
Depreciation, and amortisation of intangible assets	(700)	(665)
Net realised foreign currency exchange gains	60	177
Net unrealised foreign exchange losses	(79)	(20)
Losses on derivative instruments held for trading	(1)	(154)
Impairment reversals of trade and other receivables	6	228
Royalties	(124)	(33)
Gains on disposal of non-core assets	42	1
Profit on disposal of property, plant and equipment	139	35

6. Segmental information

Reported segments are based on the group's different products and operations as well as the physical location of these operations and associated products. The numbers below include both the continuing and discontinued operations.

	Year ended 31 December	
	2012 Rm	2011 Restated Rm
Revenue		
Coal	12 064	12 420
Tied	3 449	3 140
Commercial	8 615	9 280
Mineral sands	3 594	6 587
KZN Sands	855	1 196
Namakwa Sands	1 589	2 904
Australia Sands	1 150	2 487
Base metals	299	1 847
Rosh Pinah	218	698
Zincor	81	1 551
Inter-segmental		(402)
Other	165	108
Total external revenue	16 122	20 962
Continuing operations	12 229	12 126
Discontinued operations	3 893	8 836
Net operating profit/(loss)		
Coal	2 105	3 083
Tied	285	309
Commercial	1 820	2 774
Mineral sands	1 925	2 678
KZN Sands[1]	680	753
Namakwa Sands	1 009	987
Australia Sands	236	938
Base metals	422	(1 145)
Rosh Pinah	(7)	102
Zincor[2]	(91)	(1 239)
Other[3]	520	(8)
Other	3 105	(491)
Total net operating profit	7 557	4 125
Continuing operations	1 738	2 552
Discontinued operations	5 819	1 573

[1] *Includes a partial impairment reversal of R103 million (2011: R869 million) of the carrying value of property, plant and equipment at KZN Sands, of which the impairment was initially accounted for in 2009*

[2] *Includes an impairment of R516 million of the carrying value of property, plant and equipment at Zincor refinery in 2011*

[3] *Includes profit on sale of R544 million in 2012*

7. Net financing costs

Continuing operations	Year ended 31 December 2012 Rm	2011 Restated Rm
Total interest income	138	261
Interest income	81	203
Interest received from joint ventures	42	58
Finance leases	15	
Total interest expense	(325)	(628)
Interest expense and loan costs	(249)	(281)
Interest adjustment on non-current provisions and post-retirement obligations	(404)	(347)
Other	(2)	
Borrowing costs capitalised	330	
Net financing costs	(187)	(367)

8. Discontinued operations

Rosh Pinah sale

On 1 June 2012, the conditions precedent to the sale of Exxaro's 50,04% shareholding in Rosh Pinah mine operations to a subsidiary of Glencore International plc, were met. Proceeds of the sale transaction (R931 million) were received on 16 June 2012.

Mineral sands operations

Further regulatory and other approvals related to the transaction between Exxaro and Tronox Incorporated were obtained and the transaction became effective on 15 June 2012. The transaction entailed the combination of Exxaro's mineral sands operations with the businesses of Tronox under a new Australian holding company, Tronox Limited, which listed on the New York Stock Exchange on 18 June 2012 under the ticker symbol TROX. As part of the Tronox transaction, 74% of the South African mineral sands operations and Exxaro's 50% interest in the Tiwest joint venture in Australia.

Financial information relating to the discontinued operations for the period to the date of disposal is set out below.

The financial performance and cash flow information	Year ended 31 December 2012 Rm	2011 Restated Rm
Revenue	3 893	8 836
Operating expenses	(2 069)	(7 263)
Profit on sale of subsidiaries (note 9)	3 995	
Net operating profit	5 819	1 573
Interest income	64	64
Interest expense	(230)	76
Income from investments		5
Profit before tax	5 653	1 718
Income tax expense	(625)	(124)
Profit for the period from discontinued operations	5 028	1 594
Cash flow attributable to operating activities	1 036	927
Cash flow attributable to investing activities	(1 358)	(286)
Cash flow attributable to financing activities	(2 778)	1 979
Cash flow attributable to discontinued operations	(3 100)	2 620

9. Gains on the disposal of investments and non-core assets

9.1 Discontinued operations

	Year ended 31 December 2012		
	Mineral sands Rm	Rosh Pinah Rm	Total Rm
Consideration received or receivable			
Cash[1]	202	931	1 133
39,2% shares in Tronox Limited at fair value	10 605		10 605
26% shares in SA mineral sands operations at fair value	1 181		1 181
26% members' interest in Tronox Sands LLP at fair value	1 091		1 091
Total disposal consideration	13 079	931	14 010
Foreign currency translation reserve realised	459		459
Hedging reserves realised	137		137
Carrying amount of net assets sold	(10 224)	(387)	(10 611)
Gain on sale[2]	3 451	544	3 995

[1] *After net working capital adjustments*

[2] *After tax of Rnil*

9.2 Other non-core assets

	Year ended 31 December 2012		
	Ndzalama Rm	Northfield Rm	Total Rm
Consideration received or receivable:			
Cash	5		5
Total disposal consideration	5		5
Carrying amount of net assets sold	(3)	40	37
Gain on sale[1]	2	40	42

[1] *After tax of Rnil*

	Year ended 31 December 2011		
	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[1]	5	(4)	1

[1] *After tax of Rnil*

10. Dividends

Total dividends paid in 2012 amounted to R3 012 million, made up of a dividend of R1 771 million that relates to the period to 31 December 2011, which was paid in April 2012, as well as an interim dividend of R1 241 million paid in September 2012.

A final dividend for 2012 of 150 cents per share (2011: 500 cents per share) was approved by the board of directors on 6 March 2013. The dividend is payable on 15 April 2013 to shareholders who were on the register at 12 April 2013. This final dividend, amounting to approximately R537 million (2011: R1 771 million), has not been recognised as a liability in this year-end financial information. It will be recognised in shareholders' equity in the year ending 31 December 2013.

Dividend tax of 15% (effective 1 April 2012) is payable by shareholders on the dividends paid during the year. As a result of the STC credits available to the company, the shareholders will not have to pay the dividend tax on the dividends.

	Year ended 31 December	
	2012	2011 Audited
Issued share capital as at declaration date (number)	357 787 785	
Company tax reference number	9218/098/14/4	

11. Share capital

Ordinary shares (million)		
– in issue	358	354
– weighted average number of shares	354	348
– diluted weighted average number of shares	355	353

12. Non-current assets classified as held-for-sale

	Year ended 31 December	
	2012 Rm	2011 Rm
The major classes of assets and liabilities classified as held-for-sale		
Assets		
Property, plant and equipment		6 771
Intangible assets		132
Deferred tax		465
Financial assets		158
Inventories		2 404
Trade and other receivables		1 931
Current tax receivable		18
Cash and cash equivalents		3 100
		14 979
Liabilities		
Interest-bearing borrowings		(834)
Non-current provisions		(682)
Current provisions		(10)
Deferred tax		(69)
Trade and other payables		(967)
Current tax payable		(3)
		(2 565)
Total at end of the year		12 414

Included in 2011 were the assets and liabilities of Rosh Pinah, the Australian and South African mineral sands operations which were effectively sold in 2012.

13. Business combinations

On 14 February 2012, the group acquired a controlling interest of 67% of the share capital of African Iron Ore Limited (AKI), for AU$190 million (R1 562 million), which is included in the "other" business segment. The acquisition is classified as an acquisition of a business.

AKI is a junior mining, exploration and development company previously listed on the Australian Stock Exchange, working on the development and exploration of the Mayoko Iron Ore Ngoubou-Ngoubou Projects in the Republic of Congo in Central West Africa.

The acquired business is still in development state, and thus has not contributed any revenues to the group results. It has also contributed R9 million losses to the group's operating profit for the period from 14 February 2012 to 31 December 2012. If the date of acquisition was 1 January 2012, revenue contribution from this business would have been Rnil, while the net operating loss would have been R21,8 million.

The goodwill of AU$102 million (R827 million) at acquisition, arising from the acquisition relates to the future potential upside of the business and deferred tax on the mineral asset.

The following summarises the consideration paid for the AKI group, the fair value of the assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Details of the acquired assets

	Year ended 31 December 2012 Rm
Purchase consideration:	
Cash consideration at 14 February 2012	1 562
Total consideration transferred	1 562
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	141
Property, plant and equipment	1 537
Trade and other receivables	6
Trade and other payables	(25)
Deferred tax liabilities	(456)
Total identifiable net assets	1 203
Non-controlling interest	(468)
Goodwill	827
Total	1 562
Total purchase consideration	1 562
Less: cash and cash equivalents in subsidiary acquired	(141)
Cash outflow on acquisition of subsidiary	1 421

As part of the acquisition, Exxaro acquired AKI's duty to pay a deferred consideration in the form of a production royalty of AU$1/tonne of iron ore shipped.

Acquisition-related costs of R41 million have been charged to operating expenses in the consolidated statement of comprehensive income for the period ended 31 December 2012.

Non-controlling interest has been measured using the proportionate share of the acquiree's net identifiable assets. At acquisition, non-controlling interests were identified as the remaining 33% in AKI and 8% in DMC Iron Congo SA.

There are no contingent consideration arrangements with the former owners of AKI.

The fair value of trade and other receivables is R6 million and includes no trade receivables as the business is still in exploration and development phase.

The gross contractual amount for other receivables due is R6 million, all of which is expected to be collectible.

Transactions with non-controlling interests

During March 2012, the group acquired the remaining 33% of the issued shares of the AKI for a purchase consideration of AU$123 million (R1 049 million). The group now holds 100% of the equity share capital of AKI. The carrying amount of the 33% non-controlling interests in AKI on the date of acquisition was R397 million.

During June 2012, the group acquired an additional 5% of the issued share capital of DMC Iron Congo SA for a purchase consideration of AU$16,5 million (R133 million). The carrying amount of the 5% non-controlling interests of DMC Iron Congo SA on the date of acquisition was R44 million. The group now holds 97% of the equity share capital of DMC Iron Congo SA.

The group derecognised non-controlling interests of R441 million and recorded a decrease in equity attributable to owners of the parent of R740 million. The effect of changes in the ownership interest of AKI and DMC Iron Congo SA on the equity attributable to owners of the company during the year is summarised as follows:

	Year ended 31 December 2012 Rm
Carrying amount of non-controlling interests acquired	(441)
Excess of consideration paid recognised in parent's equity	(740)
Consideration paid for non-controlling interest	(1 181)

14. Investments

	Year ended 31 December	
	2012 Rm	2011 Restated Rm
Market value of listed investments	52	44
Fair value of unlisted investments in associates and joint ventures	29 963	23 698
Market value of listed investments in associates	7 911	
Fair value of unlisted investments included in other financial assets	716	389
Fair value of unlisted investments in non-current assets held-for-sale		4

14. Investments (continued)

On 2 March 2012, Exxaro Resources Limited and The Tata Power Company Limited (Tata Power), through its subsidiary Khopoli Investments, announced the formation of a 50:50 joint venture to create a new energy company, Cennergi Proprietary Limited.

Cennergi, which will be based in South Africa and will focus on the investigation of feasibility, development, ownership, operation, maintenance, acquisition and management of electricity generation projects in South Africa, Botswana and Namibia. The initial project pipeline focuses on renewable energy projects in South Africa and Cennergi's strategy is to create a balanced portfolio of generation assets.

On 15 June 2012, Exxaro Resources Limited acquired 39,2% of the shares in Tronox Limited (an Australian holding company) and a 26% members interest in Tronox Sands LLP. The consideration comprised the transfer of the following to Tronox Limited and Tronox Sands LLP:

- 74% of the shares and intercompany debt in Exxaro's South African mineral sands operations (Namakwa Sands and KZN Sands mines and smelters); and
- Exxaro's 50% interest in the Tiwest joint venture in Australia.

Exxaro retained a direct 26% shareholding in each of the South African operations.

In addition to the initial investment, Exxaro has since increased its shareholding to 44,65% as at 31 December 2012.

The investments in Tronox Limited and Tronox Sands LLP have been accounted for as an investment in an associate using the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures*.

15. Net (debt)/cash[1]

	Year ended 31 December	
	2012 Rm	2011 Restated Rm
Calculation of movement in net debt:		
Net cash (outflow)/inflow	(2 397)	2 491
– shares issued	15	15
– loans from non-controlling interests		11
– share-based payments		(2)
– consideration paid to non-controlling interests	(1 181)	
– net debt of subsidiaries disposed	820	125
– non-cash flow movements in net debt applicable to currency translation differences of transactions denominated in foreign currency	(70)	(8)
– non-cash flow movements in net debt applicable to currency translation differences of net debt items of foreign entities	268	(151)
– cash flow changes relating to change in accounting policy		64
(Increase)/decrease in net debt	(2 545)	2 546

[1] *Non-IFRS information*

Net (debt)/cash is calculated as being interest-bearing borrowings, less cash and cash equivalents, including those classified as non-current assets held-for-sale.

16. Contingent liabilities

	Year ended 31 December	
	2012 Rm	2011 Restated Rm
Contingent liabilities	1 055	1 197

Contingent liabilities include guarantees in the normal course of business from which it is anticipated that no material liabilities will arise. This includes guarantees to banks and other institutions. The decrease in possible claims from ongoing litigation as well as operational guarantees in 2012 is mainly attributable to the sale of the mineral sands operations and Rosh Pinah, partially offset by the increase in the group's share of contingent liabilities of associates and joint ventures.

This includes the group's share of contingent liabilities of associates and joint ventures of R276 million (2011: R198 million). These contingent liabilities have no tax impact. The timing and occurrence of any possible outflows are uncertain.

17. Contingent assets

	Year ended 31 December	
	2012 Rm	2011 Restated Rm
Contingent assets	85	82

A surrender fee of R85 million (2011: R82 million) in exchange for the exclusive right to prospect, explore, investigate and mine for coal within a designated area in Central Queensland and Moranbah, Australia, conditional on the grant of a mining lease.

18. Related party transactions

During the period the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions were subject to terms that are no less favourable than those arranged with third parties.

19. Financial instruments

No reclassification of financial instruments occurred during the period under review.

20. Going concern

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

21. JSE Limited Listings Requirements

The financial year-end results announcement has been prepared in accordance with the Listings Requirements of the JSE Limited.

22. Corporate governance

During 2012, the company again reviewed its application of the principles contained in the King Report on Governance for South Africa 2009 (King III), which application and explanation has been disclosed in detail in this Integrated Report. Other than the board of directors not consisting of a majority of independent directors, which will be fully explained in the Integrated Report, and some improvements required in respect of full application of the principles dealing with the Governance of Information Technology, the company applies the King III principles.

23. Mineral resources and mineral reserves

The annual revision of Exxaro's mineral resources and mineral reserves is in process. This includes the compilation of updated geological models as well as audits done on information, estimation methods, modifying factors resources and the modelling. The revised estimated mineral resources and mineral reserves has been published in the annual report.

24. Events after the reporting period

Subsequent to the reporting date of 31 December 2012, Mr U Khumalo resigned as non-executive director effective 31 January 2013. The directors are not aware of any significant matter or circumstance arising after the statement of financial position date up to the date of this report, not otherwise dealt with in this report.

25. Independent external auditor opinion

The abridged consolidated financial statements derived from the audited consolidated financial statements of Exxaro Resources Limited for the year ended 31 December 2012 as set out page 290 to 311, are consistent, in all material respects, with those consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in note 1 to the abridged consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.
The independent external auditors, PricewaterhouseCoopers, have audited the abridged consolidated financial statements as set out on page 290 to 311 in accordance with International Standards on Auditing 810 — "Engagements to report on summary financial statements". Their unqualified audit report is available for inspection at the company's registered office.

26. Salient features[1]

	Year ended 31 December	
	2012 Rm	2011 Restated Rm
Net asset value per share (Rand)	80	67
Capital expenditure		
– incurred	5 333	4 858
– contracted	6 283	7 614
– authorised, but not contracted	4 208	2 413
Capital expenditure contracted relating to captive mines, Tshikondeni, Arnot and Matla, which will be financed by ArcelorMittal SA Limited and Eskom, respectively	116	90
Operating lease commitments	18	59
Operating sublease rentals receivable	1	4

[1] *Non-IFRS numbers*

12

additional information

Secondary crusher for the Dense Medium Separation plant at Leeuwpan

MINING CHARTER SCORECARD

Element	Description	Measure
Reporting	Has the company reported the level of compliance with the charter for the calendar year	Documentary proof of receipt from the department
Ownership	Minimum target for effective HDSA ownership	Meaningful economic participation Full shareholder rights
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
	Conversion and upgrading of hostels into family units	Percentage conversion of hostels into family units
Procurement and enterprise development	Procurement spent on BEE entity	Capital goods Services Consumable goods
	Multinational suppliers contribution to the social fund	Annual spend on procurement from multinational suppliers
Employment equity	Diversification of the workplace to reflect the country's demographics to attain competitiveness	Top management (board) Senior management Middle management Junior management
Human resources development	Developing requisite skills, including support for South Africa-based research and development initiatives intended to develop solutions in exploration, mining, processing, technology mining, beneficiation as well as environmental conservation	HRD expenditure as percentage of total annual payroll (excluding mandatory skills development levy)

Compliance target for 2011	Progress
Annually	Reports submitted annually per mining right to the DMR
15% 15%	52,14% 52,14%
Occupancy rate of one person per room by 2014 Family units established by 2014	**Accommodation** • Exxaro provides accommodation to 22% of its employees • Number of people in hostel rooms – 6 • Number of employees accommodated in single quarters (one person per room) – 1 038 • Number of employees staying in family units – 740 • Number of company houses sold to employees – 606 **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.
5% 30% 10% 0,5%	59% 37% 47%
20% 20% 30% 40%	60% 34% 54% 64%
3%	5,5%

Element	Description	Measure
Mine community development	Conduct ethnographic community consultative and collaborative processes to delineate community needs analysis	Implement approved community projects
Sustainable development and growth	Improvement of the industry's environmental management	Implement approved environmental management programmes (EMPs)
	Improvement of the industry's mine health and safety performance	Implementation of tripartite action plan on health and safety
	Utilisation of South Africa-based research facilities for analysis of samples across the mining value	Percentage of samples in South African facilities

Compliance target for 2011	Progress
Up-to-date project implementation by 2014	• Continual engagement with all stakeholders (ie authorities, interested and affected parties) ensures a collaborative approach in implementing Exxaro's community projects • Total spend on socio-economic development in 2012 was 1,79% of adjusted net profit after tax
100% by 2014	Implementation of approved EMPs: Exxaro assesses progress towards achieving objectives, monitors environmental changes and updates EMPs, performs audits, and assesses financial provision. All operations with EMPs are committed to concurrent rehabilitation and closure planning. Programmes are in place to achieve the compliance target by 2014.
100% by 2014	**Culture transformation** • Leadership strategies (programmes implemented) • Risk management (programmes implemented) • Bonuses and performance incentives (programmes implemented) • Leading practices (programmes implemented) • Elimination of discrimination (programmes developed). **MOSH leading practices adopted at Exxaro** • Dust suppression (adoption and rollout) • Hearing protective devices (setting up an adoption site) • Fall of ground (adopted) • Collision avoidance system (adopted). In 2012, Exxaro started investigating adoption of a dust and noise audit tool (MHSC). **Health:** 100% of mandatory reports submitted. **HIV/Aids:** ongoing testing, provision of treatment or access to treatment. **TB:** implementing a management standard aligned with the departments of mineral resources and health.
100% by 2014	Exxaro's operations, its research and development department and its projects generate large volumes of samples for analyses. These were predominantly analysed in South Africa at in-house or contracted off-site South Africa-based laboratories during 2012. Exxaro funds four tertiary chairs as part of its research-support initiatives: • Exxaro chair in global change and sustainability at University of the Witwatersrand (Wits) • Exxaro chair in business and climate change at the University of South Africa (Unisa) • Exxaro chair in biodiversity and business at University of Pretoria • Exxaro chair in energy efficiency at the University of Pretoria.

Element	Description	Measure
Beneficiation	Contribution towards beneficiation (effective from 2012)	Added production volume contributory to local value addition beyond the baseline

Compliance target for 2011	Progress
Section 26 of MRPDA (% above baseline)	Exxaro is in the business of mining and beneficiating minerals. Most of its coal is sold as final product for use by customers to generate electricity and as reagent in metallurgical processes. Exxaro does not benefit from incentives in the mining charter for beneficiation as the group cannot offset ownership with beneficiation initiatives; it is black-owned. Exxaro is a founder member of South African Minerals to Metals Research Institute (SAMMRI) which is an industry- and government-supported 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. The first full production year for the Exxaro char plant was 2008. Grootegeluk beneficiates its coal in the char plant and the product is sold locally to ferroalloy 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. In 2012, char production was reduced due to electricity buy-backs by Eskom from the ferroalloy industry, reducing demand for char by Exxaro's ferroalloy customers. Tronox (in which Exxaro has a large shareholding) 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. Exxaro has been developing the AlloyStream™ process and associated technology as reported on page 204.

ASSURANCE STATEMENT

Independent assurance report to the Directors of Exxaro Resources Limited

We have been engaged by the directors of Exxaro Resources Limited ("Exxaro" or the "Company") to perform an assurance engagement in respect of Selected Identified Sustainability Information reported in Exxaro's Integrated Annual Report for the year ended 31 December 2012 (the "Report"). This report is produced in accordance with the terms of our contract with the Company dated 27 September 2012.

Independence and expertise

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

Scope and subject matter

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

Reasonable assurance

The following identified sustainability information in the report was selected for an expression of reasonable assurance:

(a) Number of fatalities (pages 72, 75, 78, 90, 91, 92)

(b) Number of lost-time injuries (LTIs) – employees (page 92)

(c) Number of lost-time injuries (LTIs) – employees and contractors (page 89)

(d) Lost-time injury frequency rate (LTIFR) – employees (pages 72, 75, 78, 90, 91, 92)

(e) Lost-time injury frequency rate (LTIFR) – employees and contractors (pages 72, 75, 78, 90, 91, 92)

(f) Total diesel used (GJ) (page 152)

(g) Total Sasol gas used (GJ) (page 152)

(h) Total electricity used (GJ) (page 152)

(i) Scope 2 emissions (CO_2 tonnes) (pages 128, 154)

(j) Status of integrated water user license (IWUL) applications (pages 120, 132)

(k) Number of amendments made to the approved environmental management programme reports (EMPRs) (page 120)

(l) Ownership (% ownership by historically disadvantaged South Africans (HDSAs) (page 72)

(m) Procurement from HDSA suppliers (R-value and % spend of total procurement) (pages 72, 198)

(n) Employment equity (total number of employees per race, gender and grade) (page 96)

(o) Percentage conversion of hostels into family units (page 102)

Limited assurance

The following identified sustainable development information in the report was selected for an expression of limited assurance:

(a) Total number of people participating in voluntary counselling and testing (VCT) (page 107)

(b) Number of employees tested positive for HIV – prevalence (%) (pages 58, 78, 107)
(c) Number of reported cases of pneumoconiosis (page 105)
(d) Number of reported cases of occupational TB (page 105)
(e) Number of reported cases of noise induced hearing loss (NIHL) (page 105)
(f) Scope 1 emissions (CO_2 tonnes) (page 128)
(g) Scope 3 emissions (CO_2 tonnes) (page 128)
(h) Number of level 2 and 3 environmental incidents (page 125)
(i) Total water withdrawal by source (m^3) (page 132)
(j) Environmental fallout dust: Number of sites (single bucket points) (page 123)
(k) Environmental fallout dust: Number of months exceeding 600mg/m^2/day (page 123)
(l) Environmental fallout dust: Number of months exceeding 1200mg/m^2/day (page 123)
(m) Disturbances versus land rehabilitation (hectares) (page 148)
(n) Hazardous waste generated from managed coal operations (tonnes) (page 151)
(o) Radioactive waste (compliance to National Nuclear Regulator) (page 151)

The self declared B+ GRI application level (page 01) was also selected for an expression of limited assurance.

We refer to information described above as the Selected Identified Sustainability Information.

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

Respective responsibilities of the directors and PricewaterhouseCoopers Inc.

The directors of Exxaro are responsible for selection, preparation and presentation of the Selected Identified Sustainability Information in accordance with the criteria set out in Exxaro's internal corporate reporting policies and procedures and the Global Reporting Initiative's (GRI) G3 guidelines, collectively referred to as the "Reporting Criteria". The directors of Exxaro are also responsible for such internal control as the directors determine is necessary to enable the preparation of the Selected Identified Sustainability Information that are free from material misstatements, whether due to fraud or error.

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

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

This report, including the conclusions, has been prepared solely for the directors of the Company as a body, to assist the directors in reporting on the Company's sustainability performance and activities. We permit the disclosure of this report within the Report for the year ended 31 December 2012, to enable the directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors as a body and the Company for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Assurance work performed

We conduct assurance engagements in accordance with International Standard on Assurance Engagements 3000 – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ("ISAE 3000"). This standard requires that we comply with ethical requirements and that we plan and perform the assurance engagement to obtain either reasonable or limited assurance on the Selected Identified Sustainability Information as per the terms of our engagement.

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

Our work consisted of:

- reviewing processes that Exxaro have in place for determining the identified sustainability information included in the report;
- obtaining an understanding of the systems used to generate, aggregate and report the Selected Identified Sustainability Information;
- conducting interviews with management at the sampled operations and at head office;
- applying the assurance criteria in evaluating the data generation and reporting processes;
- performing control walkthroughs;
- testing the accuracy of data reported on a sample basis for *limited* and *reasonable* assurance;
- reviewing the consolidation of the data at head office to obtain an understanding of the consistency of the reporting processes compared with prior years and to obtain explanations for deviations in performance trends;
- reviewing the consistency between the identified sustainability information and related statements in Exxaro's Report; and
- reviewing the accuracy of Exxaro's self-declaration of the GRI (G3) application level in the Report.

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

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

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

Inherent limitations

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

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

Conclusions

Reasonable assurance

Based on the results of our procedures, in our opinion, the identified sustainability information selected for reasonable assurance for the year ended 31 December 2012, has been prepared, in all material respects, in accordance with the Reporting Criteria.

Limited assurance

Based on the results of our procedures nothing has come to our attention that causes us to believe that the identified sustainability information selected for limited assurance for the year ended 31 December 2012, has not been prepared, in all material respects, in accordance with the Reporting Criteria.

Other matters

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Marthie Crafford
Registered Auditor
Johannesburg

28 March 2013

SHAREHOLDERS ANALYSIS

Registered shareholder spread as at 31 December 2012

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	36 341	87,37	9 021 687	2,52
1 001 – 10 000 shares	4 456	10,72	12 734 653	3,56
10 001 – 100 000 shares	643	1,55	19 627 552	5,49
100 001 – 1 000 000 shares	131	0,32	33 137 074	9,26
1 000 001 shares and above	21	0,04	283 266 819	79,17
Total	41 592[1]	100,00	357 787 785	100,00

[1] *The large increase in number of holders (2011: 23 853) is due to some nominee holdings having previously been consolidated, whereas disclosure is now based on beneficial holders*

Public and non-public shareholdings

Shareholder	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	25	0,06	231 534 911	64,7
Main Street 333 Proprietary Limited	1	0,00	186 550 873	52,14
Anglo South Africa Capital Proprietary Limited	1	0,00	34 730 282	9,71
Kumba Management Share Trust	1	0,00	159 038	0,04
Exxaro Employee Empowerment Share Trust	1	0,00	3 020 517	0,85
Konar L	1	0,00	6 168	0,00
Mohring RP	1	0,00	1 000	0,00
De Klerk WA	1	0,00	71 476	0,02[4]
Nkosi SA[2]	1	0,00	9 890 207	0,01[5]
Mntambo VZ[3]	1	0,00	5 529 881	
Sowazi NL[3]	1	0,00	3 038 387	
Zihlangu R[3]	1	0,00	2 818 552	
Subsidiary directors	14	0,03	6 958 195	1,94
Public shareholders	41,567	99,94	126 252 874	35,30
Total	41,592	100,00	357 787 785	100,00

[2] *Includes 9 837 655 indirectly through Main Street 333 Proprietary Limited and 15 190 indirectly through the Kumba Management Share Trust*
[3] *Shares held indirectly through Main Street 333 Proprietary Limited*
[4] *Includes direct and indirect holding*
[5] *Excludes 9 837 655 held indirectly through Main Street 333 Proprietary Limited*

Substantial investment management and beneficial interests above 3%

Beneficial shareholdings	Total shareholding	%
Main Street 333 Proprietary Limited	186 550 873	52,14
Anglo American South Africa Limited	34 730 282	9,71
Government Employees Pension Fund (PIC)	26 099 964	7,29
Total	247 381 119	69,14

Beneficial shareholder categories

Category	Total shareholding	% of issued capital
Black economic empowerment	186 550 873	52,14
Pension funds	38 750 015	10,83
Unit trusts/mutual fund	39 385 094	11,01
Corporate holding	35 038 500	9,79
Private investors	17 093 603	4,78
Other managed funds	14 092 693	3,94
Insurance companies	9 356 021	2,61
Sovereign wealth	6 785 290	1,90
Employees	3 020 517	0,84
Custodians	1 412 229	0,39
American depository receipts	923 395	0,26
Exchange-traded fund	581 899	0,16
Investment trust	437 300	0,12
Local authority	407 292	0,11
Hedge fund	380 857	0,11
Stock brokers	92 901	0,03
University	89 336	0,02
Charity	47 660	0,01
Remainder	3 342 310	0,95
Total	357 787 785	100,00

NOTICE OF ANNUAL GENERAL MEETING

Exxaro Resources Limited

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

Notice is hereby given that the 12th annual general meeting of shareholders of Exxaro will be held at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, South Africa, at 10:00 on Friday, 24 May 2013 to consider, and if deemed fit, pass with or without modification, the following resolutions as set out in this notice.

The board of directors of the company has determined, in accordance with section 59 of the Companies Act No. 71 of 2008, as amended (Companies Act), that the record date for shareholders to receive the notice of annual general meeting (the posting record date) is Friday, 12 April 2013 and the record date for shareholders to be recorded as such in the shareholders' register, maintained by the transfer secretaries of the company, to be able to attend, participate in and vote at the annual general meeting (the voting record date) is Friday, 17 May 2013. Therefore the last day to trade in the company's shares on the JSE to be recorded in the share register on the voting record date is Friday, 10 May 2013.

1 Presentation of audited annual financial statements

The annual financial statements of the company and the consolidated group, including the reports of the directors, group audit committee and independent auditors for the year ended 31 December 2012 will be presented to shareholders as required in terms of section 30(3)(d) of the Companies Act.

2 Presentation of group social and ethics committee report

A report of the members of the group social and ethics committee for the year ended 31 December 2012 will be presented to shareholders as required in terms of regulation 43 of the Companies Regulations, 2011.

3 Ordinary resolution number 1: election of directors

To elect by separate resolutions the following directors: Messrs JJ Geldenhuys, NB Mbazima, VZ Mntambo and Dr MF Randera. Brief résumés for these directors appear on page 343 of this report.

The board of directors has assessed the performance of the directors standing for re-election and has found them suitable for reappointment.

Mr NB Mbazima and Dr MF Randera, having been appointed since the last annual general meeting of the company, are, in accordance with the provisions of clause 6.2(2) of the company's memorandum of incorporation, obliged to retire at this annual general meeting and, being eligible, offer themselves for re-election.

Ordinary resolution number 1.1

"**RESOLVED** that Mr NB Mbazima be and is hereby re-elected as a director of the company with effect from 24 May 2013."

Ordinary resolution number 1.2

"**RESOLVED** that Dr MF Randera be and is hereby re-elected as a director of the company with effect from 24 May 2013."

Messrs JJ Geldenhuys and VZ Mntambo are obliged to retire by rotation at this annual general meeting in accordance with the provisions of clause 6.2(1) of the company's memorandum of incorporation. Having so retired and being eligible, they offer themselves for re-election.

Ordinary resolution number 1.3

"**RESOLVED** that Mr JJ Geldenhuys be and is hereby re-elected as a director of the company with effect from 24 May 2013."

Ordinary resolution number 1.4

"**RESOLVED** that Mr VZ Mntambo be and is hereby re-elected as a director of the company with effect from 24 May 2013."

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

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

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

The board of directors has assessed the performance of the group audit committee members standing for re-election and has found them suitable for reappointment. Brief résumés for these directors appear on page 208 of this report.

Ordinary resolution number 2.1

"**RESOLVED** that Mr JJ Geldenhuys be and is hereby re-elected as a member of the group audit committee with effect from 24 May 2013."

Ordinary resolution number 2.2

"**RESOLVED** that Mr RP Mohring be and is hereby re-elected as a member of the group audit committee with effect from 24 May 2013."

Ordinary resolution number 2.3

"**RESOLVED** that Mr J van Rooyen be and is hereby re-elected as a member and chairman of the group audit committee with effect from 24 May 2013."

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

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

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

The board of directors has assessed the performance of the group social and ethics committee members standing for re-election and has found them suitable for reappointment. Brief résumés for these directors appear on page 208 of this report.

Ordinary resolution number 3.1

"**RESOLVED** that Mr JJ Geldenhuys be and is hereby re-elected as a member of the group social and ethics committee with effect from 24 May 2013."

Ordinary resolution number 3.2

"**RESOLVED** that Mr RP Mohring be and is hereby re-elected as a member of the group social and ethics committee with effect from 24 May 2013."

Ordinary resolution number 3.3

"**RESOLVED** that Dr MF Randera be and is hereby re-elected as a member of the group social and ethics committee with effect from 24 May 2013."

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

6 Ordinary resolution number 4: approval of the remuneration policy

"**RESOLVED**, through a non-binding advisory vote, that the company's remuneration policy and its implementation for the year ended 31 December 2012, as set out in the remuneration report on page 110, be and is hereby approved."

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

7 Ordinary resolution number 5: reappointment of independent external auditors

As set out in the group audit committee report on page 251, the group audit committee has assessed PricewaterhouseCoopers Incorporated's performance, independence and suitability and has nominated them for reappointment as independent external auditors of the group, to hold office until the next annual general meeting.

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

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

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

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

At present, the directors have no specific intention to use this authority, other than for issues pursuant to the company's approved employee share incentive schemes and will thus only be used if circumstances are appropriate.

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

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

"**RESOLVED** that the directors of the company be and are hereby authorised, by way of a general authority, to issue the authorised but unissued shares in the capital of the company (and/or any options/convertible securities that are convertible into ordinary shares) for cash, as and when they in their discretion deem fit, subject to clause 3.1(3) of the memorandum of incorporation of the company, the Companies Act No. 71 of 2008, as amended, 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 will not in the aggregate in the current financial year exceed 5% (five percent) of the company's issued share capital of ordinary shares (for purposes of determining securities comprising the 5% (five percent) 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 will 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, 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 percent) 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 percent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities."

At present, the directors have no specific intention to use this authority, other than for issues pursuant to the company's approved employee share incentive schemes and will thus only be used if circumstances are appropriate.

This ordinary resolution is required, under the JSE Listings Requirements, to be passed by achieving a 75% majority of the votes cast in favour by all shareholders present or represented by proxy and entitled to vote, at the annual general meeting.

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

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

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

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

Approval in terms of section 66 of the Companies Act is required to authorise the company to remunerate non-executive directors for services as directors. Furthermore, in terms of 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.

"**RESOLVED** as a special resolution in terms of the Companies Act No. 71 of 2008, as amended, that the remuneration of non-executive directors for the period 1 January 2013* until the next annual general meeting, be and is hereby approved on the basis set out as follows:

	Current R	Proposed R
Chairman of the board	900 000	1 062 000
Members of the board	234 502	250 917
Audit committee chairman	216 642	231 807
Audit committee members	114 425	122 435
Other board committees chairman	167 828	179 576
Other board committees members	80 084	85 690
Social and ethics committee chairman	83 914	89 788
Social and ethics committee member	40 042	42 845
Ad hoc meeting fees		
Board meeting	10 850	11 610
Committee meeting	8 140	8 710

* *If the proposed resolution is approved, directors will receive back pay based on the increased fee with effect from 1 January 2013*

The proposed directors' fees equate to a 7% increase. The chairman's proposed fee reflects a larger percentage increase than the directors at 18%. 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.

Post the proposed increase, the chairman's fee will equate to 70% of the comparable market average, whereas the directors' fee will equate to 90% of the same average.

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

12 Special resolution number 2: general authority to repurchase shares

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

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

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

At present, the directors have no specific intention to use this authority which will only be used if circumstances are appropriate. The directors undertake that they will not implement the repurchase as contemplated in this special resolution while this general authority is valid, unless:

- after such repurchases the company passes the solvency and liquidity test as contained in section 4 of the Companies Act and that from the time the solvency and liquidity test is done, there will be no material changes to the financial position of the group;
- the consolidated assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards and in accordance with the accounting policies used in the company and the group annual financial statements for the year ended 31 December 2012, 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 percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made;
- the company at any time only appoints one agent to effect any repurchase(s) on its behalf; 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 must represent at least 75% of all votes cast and/or exercised at the meeting.

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

"**RESOLVED** as a special resolution in terms of the Companies Act No. 71 of 2008, as amended, (Companies Act), that the provision by the company of any direct or indirect financial assistance as contemplated in section 44 of the Companies Act to any 1 (one) or more related or inter-related 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/s of such financial assistance;
   (ii) the form, nature and extent of such financial assistance;
   (iii) the terms and conditions under which such financial assistance is provided, are determined by the board of directors of the company from time to time;
2. the board has satisfied the requirements of section 44 of the Companies Act in relation to the provision of any financial assistance;

3. such financial assistance to a recipient is in the opinion of the board of directors of the company, required for a purpose, which in the opinion of the board of directors of the company, is directly or indirectly in the interest of the company; and
4. the authority granted in terms of this special resolution will remain valid for 2 (two) years or until the next annual general meeting."

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

14 Special resolution number 4: financial assistance to a related or inter-related company or companies

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

1. (i) the specific recipient/s of such financial assistance;
   (ii) the form, nature and extent of such financial assistance;
   (iii) the terms and conditions under which such financial assistance is provided, are determined by the board of directors of the company from time to time;
2. the board has satisfied the requirements of section 45 of the Companies Act in relation to the provision of any financial assistance;
3. such financial assistance to a recipient is in the opinion of the board of directors of the company, required for a purpose which, in the opinion of the board of directors of the company, is directly or indirectly in the interest of the company; and
4. the authority granted in terms of this special resolution will remain valid for 2 (two) years or until the next annual general meeting."

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

15 Special resolution number 5: amendments to the memorandum of incorporation

Resulting from changes to schedule 10 of the JSE Listings Requirements relating to requirements for listed companies' memorandums of incorporation, as well as other minor changes to be made, the company wishes to amend the memorandum of incorporation slightly as approved at the general meeting held on 22 May 2012.

"**RESOLVED** as a special resolution in terms of the Companies Act No. 71 of 2008, as amended, that the following amendments to the company's memorandum of incorporation be and are hereby approved:
- deletion of clause 5.5(4);
- deletion of clause 5.11(4)(b) and subsequent renumbering of remaining subsections; and
- deletion of clause 6.2(3)."

Clause 5.5(4): Deletion of section 10.6(h) from the JSE Listings Requirements has resulted in this clause no longer being required:

"(4) In addition to clause 5.5(1) to (3):

(a) the Company may deliver a notice to Shareholders inviting written nominations for Directors prior to any meeting at which an election of Directors is to occur (Nomination Notice);

(b) the minimum number of days for the Company to deliver a Nomination Notice to Shareholders is 30 days before the date on which the notice of such meeting is delivered to Shareholders in terms of clause 5.5(1) (or such lesser period as the Directors may determine in relation to any particular meeting); and

(c) the written nominations by Shareholders must be delivered to the Company at its registered address or any branch office located in the Republic not less than 15 days after the Nomination Notice is delivered (or such lesser period as the Directors may determine in relation to any particular meeting) or the nomination shall not be treated as valid."

Clause 5.11(4)(b): Deletion of section 10.11(g) from the JSE Listings Requirements has resulted in this clause no longer being required:

"(b) declaration or sanctioning of dividends."

Clause 6.2(3): Although the company fully subscribes to the principles contained in the King III Report and therefore will take the recommendation, that directors having served on the board for nine years should be subject to a particularly rigorous review by the board, into consideration, the board does not regard it necessary to entrench the requirement of forced retirement after nine years into the memorandum of incorporation.

Until November 2016 very specific requirements in respect of the board composition and nomination prevail in order to protect the company's initial founding shareholders' black empowerment credentials, as well as the company's black empowerment status. A large portion of the directors have been involved since the company's inception and it would not be in the company's best interests, especially in respect of continuity and corporate knowledge, to force this group of directors to simultaneously retire in 2015 when the restrictive directorate requirements would terminate in 2016.

"(c) Retiring Directors are eligible for re-election, provided that any Director who on previous occasion has been re-elected and as a result has held office for three consecutive periods of three years, is not eligible for re-election before the expiry of at least three years from the expiry of the last three-year period of holding office."

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

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

Disclosure required in terms of the JSE listings requirements

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

Litigation statement

Other than disclosed or accounted for in the annual financial statements, the directors of the company, whose names appear on page 210 of the integrated report, are not aware of any legal or arbitration proceedings, pending or threatened against the group, which may have or have had a material effect on the group's financial position in the 12 months preceding the date of this notice of annual general meeting.

Directors' responsibility statement

The directors, whose names are appear on page 210 of the integrated report, collectively and individually accept full responsibility for the accuracy of the information given in special resolution number 2, and certify that to the best of their knowledge and belief 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 contain all information required by law and the JSE Listings Requirements.

Material changes

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

Further disclosure required in terms of the JSE Listings Requirements are set out in accordance with the reference pages in the annual financial statements of which this notice forms part:

- directors and management – refer to pages 208 to 213 of the integrated report;
- major shareholders of the company – refer to page 02 of the integrated report;
- directors' interest in the company's shares – refer page 262 of the integrated report; and
- share capital of the company – refer page 254 of the integrated 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 shareholder or as proxy for a shareholder) has been reasonably verified. Suitable forms of identification will include the presentation of valid identity documentation, driver's licences and passports.

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

A form of proxy is attached for the convenience of any certificated or dematerialised Exxaro shareholders with own-name registrations who cannot attend the annual general meeting, but who wish to be represented. To be valid, completed forms of proxy must be received by the transfer secretaries of the company, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than 10:00 on Wednesday, 22 May 2013.

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

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

Electronic participation by shareholders

Should any shareholder (or representative or proxy for a shareholder) wish to participate in the annual general meeting by way of electronic participation, that shareholder should apply in writing (including details on how the shareholder or representative (including proxy) can be contacted) to so participate, to the transfer secretaries, at their address above, to be received by the transfer secretaries at least seven business days prior to the annual general meeting (thus Tuesday, 15 May 2013) for the transfer secretaries to arrange for the shareholder (or representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or representative or proxy) with details on how to access the annual general meeting by means of electronic participation. The company reserves the right not to provide for electronic participation at the annual general meeting 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
22 April 2013

Short biographies of directors seeking re-election

Mr JJ Geldenhuys – Jurie (70)

BSc (Eng)(Elec), BSc (Eng)(Min), MBA (Stanford), professional engineer

Experience: From 1965 to 1980, Jurie held production and managerial positions on the gold, platinum and copper zinc mines of the Anglovaal Group. From 1981 until retirement, he served in technical and executive capacities involving gold, base metals, coal, ferrous metals and industrial minerals. He retired as managing director of Avgold Limited in 2000 and 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 to 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).

Dr MF Randera – Fazel (64)

MRCS, LRCP; DRCOG

Experience: Fazel was appointed as non-executive director of Exxaro Resources Limited on 13 June 2012. He served on the board and was a council member of the World Medical Association from 1997 to 2000. He participated on the WHO, international enquiry into the tobacco industry between 1998 and 1999. He served as the chairman of the global initiative on reporting on HIV/Aids during 2004. He specialised in medicine and held positions in various hospitals and facilities in the UK and South Africa and specialised in a broad range of medical disciplines, including occupational health and HIV/Aids. He was appointed as a commissioner of the Truth and Reconciliation Commission (TRC) during 1995 to 1998. He is the founding member of the Ethics Institute of South Africa and served as the chairman from 1997 to 2000. He served on the Human Rights Commission of South Africa from 1997 to 1999. He was Chairman of the Private Healthcare Forum from 2004 to 2007. He was appointed as a member of the South African Centre for Survivors of Torture from 2006 to 2011. He was Inspector General for Intelligence Services from 1999 to 2001; and served on a number of Ministerial advisory committees eg, the Empowerment Evaluation Committee, the Health Charter committee, the Ministerial Sanitation Task Team, the Nomination Committee (Defence Force) and the National Council for Correctional Services. He was the Health Advisor at the Chamber of Mines and is the present Deputy Chairman of Nehawu Investment Holdings.

Mr NB Mbazima – Norman (54)
Fellow of the Association of Chartered Certified Accountants (FCCA), Fellow of the Zambia Institute of Chartered Accountants (FZICA)

Experience: Norman joined Kumba Iron Ore as CEO from 1 September 2012. As CEO of Thermal Coal since October 2009, he oversaw this business unit's record operating profit in 2011, combined with an improved safety performance. Under his leadership, the Zibulo mine in South Africa reached commercial operating levels ahead of schedule, and Thermal Coal has actively participated in the pursuit of cleaner coal solutions for the world's energy needs. A chartered accountant by profession, Norman began his career with accounting roles at Zambia Consolidated Copper Mines, before spending 17 years with Deloitte & Touche, also in Zambia. He has extensive experience of the Anglo American Group, having joined in 2001 and been CEO of Scaw Metals, both finance director and acting CEO of its platinum business; CFO of Anglo Coal and CFO of Konkola Copper mines.

Mr VZ Mntambo – Zwelibanzi (55)
BJuris, LLB (UNW), 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 Proprietary Limited and Mainstreet 333 Proprietary Limited. He is also a director of SA Tourism Proprietary Limited and a trustee of the Paleo-Anthropologial Scientific Trust.

Short biographies of audit committee and social and ethics committee members seeking re-election and not included above.

RP Mohring – Rick (66)
BSc (Eng)(Mining), MDP, professional engineer

Experience: From 1972 to 1998, Rick held production, managerial and executive positions in the gold and coal divisions of the Rand Mines and Billiton groups. From 1998 until 2000, he was CEO 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 CEO of Eyesizwe Coal, 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.

J van Rooyen – Jeff (63)
BCom, BCompt (Hons), CA(SA)

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

FORM OF PROXY

EXXARO RESOURCES LIMITED

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

POWERING POSSIBILITY

To be completed by certificated shareholders and dematerialised shareholders with 'own-name' registration only

For completion by registered shareholders of Exxaro unable to attend the twelfth annual general meeting of shareholders of the company to be held at 10:00 on Friday, 24 May 2013, at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, South Africa or at any adjournment of that meeting.

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

I/We (please print names in full) ____________________

of (address) ____________________

being the holder/s of [   ] shares in the company, do hereby appoint:

1 ____________________ or, failing him/her

2 ____________________ or, failing him/her

the chairman of the annual general meeting, as my/our proxy to attend, participate in, speak and, on a poll, vote on my/our behalf at the annual general meeting of shareholders to be held at 10:00 on Friday, 24 May 2013 at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, South Africa or at any adjournment of that meeting, and to vote or abstain from voting as follows on the ordinary and special resolutions to be proposed at such meeting:

	For	Against	Abstain
Ordinary resolutions			
1 Resolution to re-elect directors			
1.1 Re-election of Mr NB Mbazima as a director			
1.2 Re-election of Dr MF Randera as a director			
1.3 Re-election of Mr JJ Geldenhuys as a director			
1.4 Re-election of Mr VZ Mntambo as a director			
2 Resolution to re-elect group audit committee members			
2.1 Re-election of Mr JJ Geldenhuys as a member of the group audit committee			
2.2 Re-election of Mr RP Mohring as a member of the group audit committee			
2.3 Re-election of Mr J van Rooyen as a member of the group audit committee			

	For	Against	Abstain
3 Resolution to re-elect group social and ethics committee members			
3.1 Re-election of Mr JJ Geldenhuys as a member of the group social and ethics committee			
3.2 Re-election of Mr RP Mohring as a member of the group social and ethics committee			
3.3 Re-election of Dr MF Randera as a member of the group social and ethics committee			
4 Resolution to approve, through a non-binding advisory vote, the company's remuneration policy			
5 Resolution to reappoint PricewaterhouseCoopers Incorporated as independent external auditors			
6 Resolution to place authorised but unissued shares under the control of the directors			
7 Resolution to authorise directors to issue shares for cash			
8 Resolution to authorise directors and/or group company secretary to implement the resolutions set out in the notice convening the annual general meeting			
Special resolutions			
1 Special resolution to approve non-executive directors' fees for the period 1 January 2013 to the next annual general meeting			
2 Special resolution to authorise directors to repurchase company shares			
3 Special resolution to authorise financial assistance for the subscription of securities			
4 Special resolution to authorise financial assistance to related or inter-related companies			
5 Special resolution to approve amendments to the memorandum of incorporation			

Please indicate with an 'X' in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain as he/she sees fit.

Signed at this day of 2013

Signature

Assisted by me, where applicable (name and signature)

Please read the notes that follow.

NOTES TO THE FORM OF PROXY

Notes to the form of proxy

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

1 A form of proxy is only to be completed by those ordinary shareholders who are:

1.1 holding ordinary shares in certificated form; or

1.2 recorded on subregister 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 exercising any rights as a shareholder; and
- revocable unless the proxy appointment expressly states otherwise, and if the appointment is revocable, a shareholder may revoke the proxy appointment by:
  - cancelling it in writing, or making a later inconsistent appointment of a proxy; and
  - delivering a copy of the revocation instrument to the proxy, and to the transfer secretaries of the company.

8 The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:

- the date stated in the revocation instrument, if any; or
- the date on which the revocation instrument was delivered.

9 If the instrument appointing a proxy or proxies has been delivered, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's memorandum of incorporation to be delivered by the company to the shareholder must be delivered to:

- the shareholder; or
- the proxy or proxies, if the shareholder has directed the company to do so, in writing, and paid any reasonable fee charged by the company for doing so.

10 The proxy appointment remains valid only until the end of the annual general meeting or any adjournment 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), thus by 10:00 on 22 May 2013.

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, if deemed reasonable, waive any formalities that would otherwise be a prerequisite for a valid proxy.

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

ADMINISTRATION

Group company secretary and registered office
CH Wessels
Exxaro Resources Limited
Roger Dyason Road
Pretoria West, 0183
(PO Box 9229, Pretoria, 0001)
South Africa
Telephone +27 12 307 5000

Company registration number: 2000/011076/06
JSE share code: EXX
ISIN code: ZAE000084992

Auditors
PricewaterhouseCoopers Incorporated
2 Eglin Road
Sunninghill, 2157

Commercial Bankers
Absa Bank Limited

Corporate Law advisers
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) Propriety 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	March
Annual report	April
Interim report for the half-year ending 30 June	August
Distribution	
Final dividend declaration	March
Payment	April
Interim dividend declaration	August
Payment	September/October