



POWERING POSSIBILITY

OVERVIEW

- Revenue increased 8% to R15 billion
- Net operating profit adversely impacted by R1 435 million impairment at KZN Sands
- Currency strength impacted negatively on earnings
- Headline earnings 31% lower at 729 cents per share
- Final dividend of 100 cents per share; total dividend of 200 cents per share
- Targeted savings realised through optimisation initiatives and prioritising capital expenditure

This report is available at: www.exxaro.com

Audited group financial results and physical information for the 12-month period ended 31 December 2009

Vision: through our innovation and growth, we will be a powerful source of endless possibilities.

Mission: we create unrivalled value for all stakeholders of our diversified resources business through our processes, thinking and passion.

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital Rm	Share premium Rm	Other components of equity				Attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
			Foreign currency translation Rm	Financial instruments revaluation Rm	Equity-settled Rm	Retained income Rm			
Balance at 1 January 2008	4	2 063	527	7	968	6 235	9 804	19	9 823
Total comprehensive income			437	138	113	3 429	4 117	141	4 258
Issue of share capital		31					31		31
Non-controlling interests additional contributions								2	2
Liquidation dividend from subsidiary						1	1		1
Net profit on dilution of interest in a subsidiary								(7)	(7)
Dividends paid						(957)	(957)	(27)	(984)
Balance at 31 December 2008	4	2 094	964	145	1 081	8 708	12 996	128	13 124
Total comprehensive income			(162)	(142)	160	1 063	919	(137)	782
Issue of share capital ¹		43					43		43
Non-controlling interests additional contributions								10	10
Dividends paid ²						(1 050)	(1 050)		(1 050)
Balance at 31 December 2009	4	2 137	802	3	1 241	8 721	12 908	1	12 909
Dividend paid per share (cents) in respect of the 2008 financial year						375			
Dividend paid per share (cents) in respect of the 2009 interim period						100			
Final dividend declared per share (cents) in respect of 2009 financial year						100			

¹ Issued to the Kumba Resources Management Share Trust due to options exercised.

² The STC on these dividends will amount to Rnil million after taking into account STC credits.

NOTES TO THE GROUP FINANCIAL STATEMENT

1. Basis of preparation

The format of the condensed report has been revised to bring it in line with the amendments to International Accounting Standard (IAS) 34, *Interim Financial Reporting*. IAS 34 has been amended following the revision of IAS 1 *Presentation of Financial Statements* and IFRS 8 *Operating Segments*. These amendments were early adopted in 2008.

This condensed report complies with International Accounting Standard 34, *Interim Financial Reporting*, and schedule 4 Part iv of the South African Companies Act. The financial statements from which these group financial results have been derived are prepared on the historical basis excluding financial instruments and biological assets, which are fair valued, and conform to International Financial Reporting Standards. The accounting policies adopted are consistent with those applied in the annual financial statements for the year ended 31 December 2008.

During 2009 the following accounting pronouncements became effective: Amended IFRS 2 *Share-based Payments*, Revised IAS 23 *Borrowing Costs*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 16 *Hedges of Net Investments in a Foreign Operation*, *Improvements to Financial Reporting Standards 2008* (amendments to various standards) and Circular 3/2009 *Headline Earnings*. These pronouncements had no material impact on the accounting of transactions or the disclosure thereof.

Year ended 31 December	2009 Audited Rm	2008 Audited Rm
2. Profit before tax is arrived at after		
Depreciation and amortisation of intangible assets	(1 136)	(898)
Financing costs	(560)	(394)
Interest received	145	153
Net realised foreign currency exchange (losses)/gains	(576)	476
Net unrealised foreign currency exchange (losses)/gains	(45)	39
Derivative instruments held for trading gains/(losses)	379	(69)
Fair value adjustments on financial instruments	26	(26)
Impairment charges and reversals (note 3)	(1 435)	(20)
Net profit on disposal of investments		7
Net deficit on disposal of property, plant and equipment	(88)	(66)
3. Impairment charges and reversals		
Impairment of property, plant and equipment	(1 435)	(21)
Reversal of impairment of investments		1
Total impairments and reversals before and after tax	(1 435)	(20)
4. Net financing cost		
Interest expense and loan costs	460	283
Finance leases	66	63
Interest income	(145)	(153)
Net interest expense	381	193
Interest adjustment on non-current provisions	34	48
Net financing cost as per income statement	415	241
5. Tax rate reconciliation		
Tax as a percentage of profit before tax	42,8	13,1
Tax effect of:		
– assessed losses not provided for	(1,5)	(0,3)
– capital (losses)/profits	(1,3)	0,2
– disallowable expenditure	(1,3)	(0,7)
– reclassification of previously disallowable expenditure		1,1
– exempt income	2,2	1,0
– special tax allowances	2,1	
– share of associates' and joint ventures'	29,6	11,9
– tax rate differences	0,5	0,4
– Secondary Tax on Companies (STC)		(0,1)
– withholding tax		(0,4)
– Controlled Foreign Company profits (CFC)	(0,8)	(0,1)
– foreign exchange differences		(0,1)
– prior year adjustment	1,7	1,7
– rate change on deferred tax balance		0,3
– derecognition of deferred tax asset	(46,0)	
	28,0	28,0

RECONCILIATION OF HEADLINE EARNINGS

	Gross Rm	Tax Rm	Non-controlling interest Rm	Net Rm
for year ended 31 December 2009				
Profit for the year attributable to owners of the parent				1 023
Adjusted for:				
– IAS 16 – Impairment of Property, plant and equipment	1 435			1 435
– IAS 16 – Gains or losses on disposal of property, plant and equipment	88	(24)	(2)	62
– IAS 28 – Share of associates' IAS 16 – Gains or losses on disposal of property, plant and equipment	(8)	2	(6)	
Headline earnings	1 515	(22)	(2)	2 514
For the year ended 31 December 2008				
Profit for the year attributable to equity owners of the parent				3 405
Adjusted for:				
– IAS 16 – Impairment of Property, plant and equipment	21			21
– IAS 16 – Gains or losses on disposal of property, plant and equipment	66	(20)		46
– IAS 16 – Reversal of impairment of property, plant and equipment	(1)		(1)	
– IAS 27 – Gains on disposal of subsidiary	(7)		(7)	
– IAS 28 – Share of associates' IAS 16 – Gains or losses on disposal of property, plant and equipment	2	(1)		1
– IAS 28 – Share of associates' IAS 39 – Recycling of remeasurements from equity to the income statement, including a hedge of net investment in a foreign entity but excluding cash flow hedges	4			4
– IAS 28 – Share of associates' IAS 16 – Impairment of property, plant and equipment	161			161
Headline earnings	246	(21)		3 630
Year ended 31 December				
Headline earnings per share (cents)				
– basic	729			1 058
– diluted	702			1 006

CONDENSED GROUP STATEMENT OF CASH FLOWS

Year ended 31 December	2009 Audited Rm	2008 Audited Rm
Cash retained from operations	2 117	3 574
– net financing costs	(381)	(193)
– tax paid	(892)	(487)
– dividends paid (note 7)	(1 050)	(984)
Cash used in investing activities	(1 982)	(1 617)
– capital expenditure	11	29
– proceeds from disposal of property, plant and equipment	11	29
– dividends from investments and equity accounted investments	1 754	1 044
– increase in investments	(8)	(179)
– increase in joint venture (note 8)	(1 082)	
– associate acquired		(221)
– acquisition of subsidiaries and other business operations		(2 757)
– other	(107)	(55)
Net cash outflow	(1 620)	(1 846)
Net cash flows from financing activities	43	31
– shares issued	10	
– increase in non-controlling interests' loans	821	2 734
– net borrowings raised		
Net (decrease)/increase in cash and cash equivalents	(746)	919
Cash and cash equivalents at beginning of year	1 769	850
Cash and cash equivalents end of year	1 023	1 769
Calculation of movement in net debt:		
Net cash outflow	(1 620)	(1 846)
– shares issued	43	31
– loans from non-controlling interests	10	1
– non-cash flow movements in net debt applicable to currency translation differences of transactions denominated in foreign currency	340	(352)
– non-cash flow movements in net debt applicable to currency translation differences of net debt items of foreign entities	(123)	282
– hedging of share-based payment exposure		(14)
Increase in net debt	(1 350)	(1 898)

CONDENSED GROUP INCOME STATEMENT

Year ended 31 December	2009 Audited Rm	2008 Audited Rm
Revenue	15 009	13 843
Operating expenses	(14 705)	(11 376)
Net operating profit	304	2 467
Net financing cost (note 4)	(415)	(241)
Share of income from investments and equity-accounted investments	1 900	1 665
Profit before tax (note 2)	1 789	3 891
Income tax expense	(766)	(510)
Profit for the year	1 023	3 381
Profit attributable to:		
Owners of the parent	1 023	3 405
Non-controlling interests		(24)
Profit for the year	1 023	3 381

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December	2009 Audited Rm	2008 Audited Rm
Profit for the year	1 023	3 381
Other comprehensive income:		
Exchange differences on translating foreign operations	(35)	193
Cash flow hedges	(474)	520
Share of comprehensive income of associates	8	187
Share-based payment movements	118	92
Income tax relating to components of other comprehensive income	142	(115)
Net (loss)/gain recognised in other comprehensive income	(241)	877
Total comprehensive income for the year	782	4 258
Total comprehensive income attributable to:		
Owners of the parent	919	4 117
Non-controlling interests	(137)	141
Total comprehensive income for the year	782	4 258
Ordinary shares (million)		
– in issue	357	355
– weighted average number of shares	345	343
– diluted weighted average number of shares	358	361
Attributable earnings per share (cents)		
– basic	297	993
– diluted	286	943

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

At 31 December	2009 Audited Rm	2008 Audited Rm
ASSETS		
Non-current assets		
Property, plant and equipment	11 869	11 309
Biological assets	41	34
Intangible assets	87	79
Investments in unlisted associates and joint ventures (note 6)	1 966	1 849
Deferred tax	629	1 083
Other financial assets (note 6)	1 217	1 577
	15 809	15 931
Current assets		
Inventories	3 133	2 481
Trade and other receivables	3 121	2 924
Current tax receivable	57	2
Cash and cash equivalents	1 023	1 769
	7 334	7 176
Non-current assets classified as held for sale	86	78
Total assets	23 229	23 185
EQUITY AND LIABILITIES		
Capital and reserves		
Equity attributable to owners of the parent	12 908	12 996
Non-controlling interests	1	128
Total equity	12 909	13 124
Non-current liabilities		
Interest-bearing borrowings	4 347	3 650
Non-current provisions	1 853	1 746
Financial liabilities	75	31
Deferred tax	995	1 257
	7 270	6 684
Current liabilities		
Trade and other payables	2 510	2 366
Interest-bearing borrowings	407	500
Current tax payable	57	440
Current provisions	27	21
	3 001	3 327
Non-current liabilities classified as held for sale	49	50
Total equity and liabilities	23 229	23 185
Net debt (note 9)	3 731	2 381
Net asset value per share (cents)	3 616	3 697
Capital expenditure		
– incurred	1 982	1 617
– contracted	3 550	889
– authorised but not contracted	1 420	2 711
Capital expenditure contracted relating to captive mines, Tshikondeni, Amot and Matla, which will be financed by ArcelorMittal SA Limited and Eskom respectively	18	70
Contingent liabilities (note 10)	717	587
Contingent assets (note 11)	158	192
Operating lease commitments	92	77
Operating sublease rentals receivable	4	

REPORTED ACTUAL SEGMENT RESULTS

12 months ended 31 December	2009 Audited Rm	2008 Audited Rm
REVENUE		
Coal	9 731	9 040
Tied operations	2 681	2 492
Commercial operations	7 050	6 548
Mineral Sands	3 508	2 776
KZN Sands	705	974
Australia Sands	1 469	1 311
Namakwa Sands ¹	1 334	491
Base Metals	1 582	1 829
Rosh Pinah	566	436
Zincor	1 413	1 733
Inter-segmental	(397)	(340)
Other	188	198
Total external revenue	15 009	13 843

NET OPERATING PROFIT		
Coal	1 905	2 654
Tied operations	75	83
Commercial operations	1 830	2 571
Mineral Sands	(1 559)	104
KZN Sands	(1 447)	31
Australia Sands	(2)	(82)
Namakwa Sands ¹	(110)	155
Base Metals	(8)	(172)
Rosh Pinah	105	(14)
Zincor	(47)	(95)
Other	(66)	(63)
Other	(34)	(119)
Total	304	2 467

¹ Revenue and net operating profit included from effective date of acquisition of 1 October 2008.

UNAUDITED PHYSICAL INFORMATION ('000 TONNES)

	12 months ended 31 December		6 months ended 30 June	
	2009	2008	2009	2008
Coal				
Production				
– Power station coal	36 562	36 700	18 583	18 118
* Tied operations ¹	16 486	18 095	8 704	8 962
* Commercial operations	20 076	18 605	9 879	9 156
– Coking coal	2 020	2 560	922	1 370
* Tied operations ¹	268	327	129	171
* Commercial operations	1 752	2 233	793	1 199
– Other coal	6 638	5 574	3 061	2 427
– Char	38			
Coal buy-ins	759	733	430	131
Total	46 017	45 567	22 996	22 046
Sales				
– Eskom coal	36 299	36 255	18 494	17 880
* Tied operations ¹	16 473	18 054	8 700	8 942
* Commercial operations	19 826	18 201	9 794	8 938
– Other domestic coal	4 587	5 481	1 920	2 607
* Tied operations ¹	259	352	130	200
* Commercial operations	4 328	5 129	1 790	2 407
– Coal export ²	4 715	3 276	2 389	1 284
– Char	31			
Total	45 632	45 012	22 803	21 771
KZN Sands				
Production				
– Ilmenite	368	229	185	133
– Zircon	36	34	18	16
– Rutile	20	19	10	7
– Pig iron	108	50	54	29
– Scrap pig iron	15	16	7	8
– Slag tapped	205	112	100	63
– Chloride slag	104	95	51	56
– Sulphate slag	24	18	9	10
Sales				
– Ilmenite		40		20
– Zircon	21	36	4	22
– Rutile	14	14	3	7
– Pig iron	52	64	17	39
– Scrap pig iron	6	7	4	6
– Chloride slag	68	101	30	49
– Sulphate slag	25	17	13	6

Namakwa Sands³				
Production				
– Ilmenite	244	315	141	159
– Zircon	116	130	64	65
– Rutile	26	27	15	13
– Pig iron	73	103	41	52
– Scrap pig iron		6		2
– Slag tapped	126	166	71	86
– Chloride slag	97	135	53	64
– Sulphate slag	20	24	10	14
Sales				
– Zircon	95	135	37	64
– Rutile	23	27	11	14
– Pig iron	86	82	47	58
– Scrap pig iron		1		
– Chloride slag	76	145	37	77
– Sulphate slag	19	26	1	5

Australia Sands⁴				
Production				
– Ilmenite	207	174	98	85
– Zircon	33	29	15	13
– Rutile	16	13	8	6
– Synthetic rutile	109	113	54	56
– Leucocene	14	16	7	6
– Pigment	53	43	25	22
Sales				
– Zircon	30	35	6	14
– Rutile	14	14	5	5
– Synthetic rutile	50	62	24	27
– Leucocene	15	17	1	8
– Pigment	54	44	23	24

Base Metals				
Production				
– Zinc concentrate	108	109	53	51
* Rosh Pinah	94	94	47	47
* Black Mountain ⁵	14	15	6	4
– Zinc metal	116	110	54	60
* Zincor	87	87	44	47
* Chifeng ⁶	29	23	10	13
– Lead concentrate	38	37	20	18
* Rosh Pinah	20	20	12	12
* Black Mountain ⁵	18	17	8	6
– Zinc metal sales	122	126	58	66
* Domestic	93	93	44	51
* Export	29	33	14	15

Lead concentrate sales				
– Export	19	22	6	7

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

² Includes steam coal exports from Exxaro's 50% share of the Matube joint venture.

³ Namakwa Sands is included from 1 January 2008, for comparable purposes.

⁴ Exxaro Sands Australia's 50% interest in its Tiwest joint venture is disclosed.

⁵ Exxaro's 26% interest in Black Mountain has been disclosed from 1 January 2008, for comparable purposes.

⁶ Exxaro's effective interest in the Chifeng refinery is disclosed.

COMMENTS

REPORTED RESULTS NOT COMPARABLE

The group's audited financial results and actual physical information for the 12-month period ended 31 December 2009 includes a proportionally consolidated 50% interest in the Matube Coal Mining (Pty) Limited (Matube) from 1 June 2009. The results are not comparable with the corresponding 12-month period in 2008 which only includes the acquisition of Namakwa Sands and a 26% interest in Black Mountain Mining (Pty) Limited (Black Mountain) with effect from 1 October and 1 November 2008 respectively.

Comparable supplementary financial results have not been disclosed therefore comments are based on an analysis of the financial results and physical information compiled for the 12-month periods to 31 December 2009 and 2008 respectively.

OPERATING RESULTS

Group consolidated revenue increased by 8% to R15 billion with net operating profit reducing by R728 million to R1 739 million before the impairment of the carrying value of assets at KZN Sands is taken into account.

Export sales were recorded at weaker average exchange rate levels than in 2008. However, realised currency losses were incurred as foreign currency proceeds on export sales were repatriated at stronger exchange rate levels. Unrealised foreign currency losses were also incurred on the revaluation of monetary items in foreign currency at 31 December 2009.

The coal business reported lower net operating profit as an increase in revenue mainly due to higher export and local power station sales volumes was more than offset by lower international coal prices and above inflationary increases in the cost of electricity, rail tariffs and labour costs as well as realised and unrealised foreign currency losses.

All three units within the mineral sands business reported operating losses on the back of lower demand for their products at softer prices. The two local operations, KZN Sands and Namakwa Sands, were adversely impacted by realised and unrealised foreign currency losses while the Australia Sands operation was affected by the Australian dollar (AUD) persisting at strong levels against the US dollar (USD). The operating results of KZN Sands were also severely impacted by a R1 435 million impairment to the carrying value of the assets following the decision to not proceed with the development of the Fairbreeze mine.

Lower realised zinc prices as well as a lower demand for products resulted in the base metals business recording a small net operating loss.

EARNINGS

Attributable earnings for the period were R1 023 million (297 cents per share). This is significantly lower than the comparable 2008 attributable earnings of R3 405 million (993 cents per share) primarily due to the lower operating results and the impairment of the carrying value of the assets of KZN Sands. Attributable earnings include Exxaro's 20% share of the after tax profits of Sishen Iron Ore Company (Pty) Limited (SIOC) amounting to R1 762 million, a contribution of R13 million from the effective 22% interest in the Chifeng zinc refinery and an equity accounted profit of R123 million from the 26% interest in Black Mountain.

Headline earnings which exclude the impact of the impairment of the carrying value of assets in KZN Sands, were R2 514 million (729 cents per share), which is 31% lower than the R3 630 million (1 058 cents per share) for the corresponding period in 2008.

CASH FLOW

Cash retained from operations was R2 118 million. This was primarily used to fund net financing charges of R382 million, tax payments of R892 million, dividend payments of R1 050 million and capital expenditure of R1 982 million of which R990 million was invested in new capacity and R992 million applied to sustaining and environmental capital. After the receipt of R1 754 million in dividends, primarily from SIOC, and the R1 082 million outflow to finalise the acquisition of the 50% interest in Matube, the group had a net cash outflow of R1 620 million for the financial year. The final dividend for payment in April 2010 will amount to a further cash outflow of R357 million offset by the dividend inflow from SIOC of approximately R600 million.

Net debt of R2 381 million at 31 December 2008 accordingly increased to R3 731 million at a net debt to equity ratio of 29% at 31 December 2009.

SAFETY, HEALTH AND ENVIRONMENT

Regrettably, an explosion in the maintenance contractor's storage area situated at the Zincor business unit occurred on 10 September 2009, resulting in the deaths of three contractors and injuries to 12 others.

The average lost time injury frequency rate (LTIFR) per 200 000 man-hours worked improved by 15% from 0,39 in 2008 to 0,33 in 2009.

Thirteen business units are now ISO 14001 and OHSAS 18001 certified. The business units that did not achieve certification by end of 2009 will ensure that their programmes result in certification in 2010.

OPERATIONS

COAL

Total coal production volumes were marginally higher than the previous year.

Power station coal production at the Eskom tied mines was 9% lower at 16,486Mtpa mainly as a result of an inrush of water at Matla's number 2 mine which impacted negatively on production for several months, but which has subsequently been rectified. This was partially offset by increased production at Arnot mine after ramping up the opencast mining operations to full production. The commercial mines increased production by 8% to over 20Mtpa to meet the increased demand from Eskom.

Coking coal production showed a marked decrease year on year, down 21% to 2,020Mtpa, due to difficult geological conditions at Tshikondeni mine while semi-soft coking coal production decreased significantly at Grootegeluk mine as a result of lower demand from the steel and related industries.

Steam coal production was 19% higher at 6,638Mtpa mainly due to the inclusion of production from Matube of some 816kt following the acquisition of a 50% interest in the joint venture in June 2009. Higher production at the Inyanda and North Block Complex (NBC) mines was offset by lower production at Grootegeluk and Lœuwpan mines due to lower domestic steam coal demand. Production at New Clydesdale's (NCC) new Diepspruit shaft also ramped up slower than anticipated.

38kt of char was produced at the four new retorts that were successfully commissioned at Grootegeluk mine. Ramp-up to full production is expected in the second half of 2010.

Sales to Eskom were in line with the previous year as increased sales volumes from the commercial operations were offset by lower sales volumes from the tied operations mainly due to production challenges at the Matla mine.

Domestic sales were 16% lower at 4,587Mtpa due to lower demand during the recessionary climate.

In line with Exxaro Coal's strategy, export volumes increased 44% year on year to 4,715Mtpa as Exxaro was able to secure additional export allocation at Richards Bay Coal Terminal (RBCT) from other RBCT users.

Revenue increased by 8% to R9 731 million as higher export volumes combined with increased domestic power station coal sales at higher prices were partially offset by lower domestic metallurgical and steam coal sales and lower export prices realised.

Despite the higher revenue, net operating profit decreased by 28% to R1 905 million, at an operating margin of 20%, as above inflationary increases in electricity, rail tariffs and labour increased the cost of sales. Costs were further impacted by realised and unrealised exchange rate losses and an increase in exploration expenditure for the Moranbah South project in Australia.

The operating profit from the tied operations was slightly down year on year as the environmental rehabilitation provision was reduced after extension of the life of mine at Matla mine.

MINERAL SANDS

KZN Sands

KZN Sands had significantly higher production volumes with both furnaces operational compared to one furnace being down for 10 months in 2008 after the water ingress incident in February 2008. Titanium slag tapped was 93kt higher at 205kt as both furnaces tapped more than 100kt of titanium slag. Low manganese pig iron and ilmenite production were respectively 58kt and 139kt higher than in 2008, in line with the increased slag production. Zircon and rutile production remained in line with 2008 despite the decrease in run of mine tonnes as a result of higher grades mined.

Despite the increased production, revenue reduced by R269 million to R705 million as lower sales volumes of zircon, pig iron and chloride slag were recorded at softer prices.

Net operating profit before impairments, was R43 million lower than for the corresponding period as the lower revenue combined with realised and unrealised foreign currency losses were only partially offset by improvements in production efficiencies and cost savings.

The impairment of R1 435 million of the carrying value of the assets is mainly as a result of the decision taken in the latter part of 2009 not to proceed with the development of the Fairbreeze mine as a replacement feedstock producer for Hillendale mine. Hillendale is planned to close during the last quarter of 2012.

Australia Sands

Improvement initiatives led to pigment production returning to 2007 levels with 2009 production a 23% improvement on the 2008 year. Zircon and rutile production increased as a result of higher grades and various improvement projects. Synthetic rutile production was slightly lower as a result of maintenance-related problems predominantly experienced in the second quarter of 2009.

Revenue increased 12% to R1 469 million while net operating results improved from a loss of R82 million in 2008 to a loss of R2 million in 2009. This was achieved on the back of a much stronger production performance, higher pigment sales and higher average prices for both mineral and pigment products at a realised rate of USD0,79 to the AUD when compared with USD0,84 in 2008.

Namakwa Sands

The impact of the global recession on operations resulted in the postponement of the Furnace 1 start-up which was shut down for a reline at the end of March 2009. Furthermore, production activities at the mine and separation plants were temporarily halted during August to preserve cash flow and avoid the build up of stocks.

Total annual sales of 299kt were down 28% on the previous year's record of 416kt.

Net operating profit for only three months in 2008 of R155 million was followed by a loss in the 2009 financial year of R110 million. Softer prices albeit at a marginally weaker local currency, realised and unrealised exchange rate losses, and the R55 million derecognition of the preheaters due to their deteriorated condition, all added to the weaker financial results.

BASE METALS

Lead and zinc production at the Rosh Pinah mine was in line with 2008 with lead concentrate exports 14% lower than the corresponding period in 2008.

Production of zinc metal at the Zincor refinery of 87kt was 338 tonnes more than in 2008, but was adversely affected by downtime on the acid plant as well as the disruption caused by the explosion in September 2009. Domestic zinc metal sales were in line with 2008.

A total of 60% of Rosh Pinah's projected zinc and lead concentrate sales are hedged to December 2011 at average forward prices ranging from USD2 216 to USD2 061 for zinc and USD1 967 to USD1 713 for lead. Hedging gains realised were Namibian dollars 25 million more than in 2008.

Revenue for the 12 months to 31 December 2009 decreased by 14% mainly as a result of the lower average realised US dollar zinc price. The average zinc price for 2009 of USD1 658 is 12% lower than in 2008 and was only partially offset by the slightly weaker local currency.

A turnaround from a net operating loss in 2008 of R172 million to a loss of R8 million was reported due to cost savings initiatives implemented as well as the upwards revaluation of inventories at the Zincor refinery at year end. The impact of above inflationary increases in electricity and maintenance expenses are however still being experienced.

Production at the Chifeng refinery was in line with 2008. Equity accounted income from this operation increased by R17 million to R13 million mainly due to reduced production costs as well as a reduction in the rates of the environmental duties paid.

Exxaro's 26% share in Black Mountain, acquired in the last quarter of 2008, contributed R123 million to equity income due mainly to increased sales volumes.

OTHER

Production volumes at the FerroAlloys plant were slightly higher while Glen Douglas production volumes were lower due to unplanned plant stoppages.

Revenue for 2009 decreased marginally when compared to the previous year due to the lower demand and selling prices. Sales volumes were lower at both Glen Douglas and FerroAlloys.

CAPITAL EXPENDITURE AND PROJECT PIPELINE

As announced on 1 December 2009, Exxaro reviewed its commodity portfolio and growth pipeline against the background of the prevailing economic climate to align resources with a commodity strategy best positioned to release optimal value for all stakeholders.

Following this review Exxaro plans to reconfigure its zinc assets in order to ultimately divest from them in an optimal manner. The portfolio of zinc assets includes the Zincor refinery in Springs, Gauteng, a 50,04% interest in the Rosh Pinah zinc and lead mine in Namibia, a 26% interest in Black Mountain which owns the Black Mountain zinc and lead mine and the Gamsberg zinc project in the Northern Cape, and an effective 22% interest in the Chifeng zinc smelter in China.

COAL

Detail engineering on the expansion of the Grootegeluk mine to supply Eskom's new Medupi power station with 14,6Mtpa of power station coal for 40 years is progressing in order to be able to supply the first coal to Eskom during the second quarter of 2012 which coincides with the start-up of the power station. Full production from 2015 is anticipated.

As previously reported, Exxaro received notice from Eskom, in the third quarter of 2009, that it was seeking to review certain commercial terms contained in the Medupi Coal Supply and Off-take Agreement (CSA) signed on 19 September 2008, including the coal price escalation mechanism and the coal delivery ramp-up. Pending the outcome of the review process, Exxaro's funding programme was temporarily suspended in December 2009 as well as the placement of additional contracts associated with the project. It is expected that the review process will be concluded in the first quarter of 2010. Due to the delays in the project execution, it is expected that the capital cost associated with the project will now increase from R9 billion to R9,5 billion.

The Thabametsi Project pre-feasibility study to develop a potential green fields mine adjacent to the Grootegeluk mine, with the capability of supplying the market with power station and metallurgical coal, is scheduled for completion by end March 2010. Implementation of this project is linked to Eskom's future developments in the Waterberg together with the establishment by the Department of Energy of an appropriate enabling environment to allow for new generation capacity in terms of Eskom's multi-site base load Independent Power Producer (IPP) programme. The scope of the bankable feasibility study will only be finalised after the details of potential new generation capacity has been determined, whereafter the required technical studies will commence. The environmental studies have commenced at the end of 2009 and are due to be completed during 2011. First coal production could be expected by 2015.

Exxaro entered into a prospecting joint venture agreement with Sasol Mining for the development of