

## CONDENSED GROUP INCOME STATEMENT

	2008 Audited Rm	2007 Audited Rm
Year ended 31 December		
Revenue	13 843	10 157
Operating expenses	(11 376)	(8 713)
<b>Net operating profit</b>	<b>2 467</b>	<b>1 444</b>
Net financing costs (note 4)	(241)	(215)
Share of income from investments and equity-accounted investments	1 665	730
<b>Profit before taxation (note 2)</b>	<b>3 891</b>	<b>1 959</b>
Income tax expense	(510)	(512)
<b>Profit for the year</b>	<b>3 381</b>	<b>1 447</b>
<b>Profit attributable to:</b>		
Owners of the parent	3 405	1 427
Minority interest	(24)	20
<b>Profit for the year</b>	<b>3 381</b>	<b>1 447</b>

## GROUP STATEMENT OF COMPREHENSIVE INCOME

	2008 Audited Rm	2007 Audited Rm
Year ended 31 December		
<b>Profit for the year</b>	<b>3 381</b>	<b>1 447</b>
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign operations	193	176
Cash flow hedges	520	(39)
Share of comprehensive income of associates	187	46
Share-based payment movement	92	133
Income tax relating to components of other comprehensive income	(115)	2
<b>Other comprehensive income for the year, net of tax</b>	<b>877</b>	<b>318</b>
<b>Total comprehensive income for the year</b>	<b>4 258</b>	<b>1 765</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	4 117	1 749
Minority interest	141	16
<b>Total comprehensive income for the year</b>	<b>4 258</b>	<b>1 765</b>
Ordinary shares (million)		
- in issue	355	353
- weighted average number of shares	343	341
- diluted weighted average number of shares	361	355
Attributable earnings per share (cents)		
- basic	993	418
- diluted	943	402

## CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	2008 Audited Rm	2007 Audited Rm	
At 31 December			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11 309	8 235	
Biological assets	34	30	
Intangible assets	79	76	
Investments in associates and joint ventures (note 6)			
- unlisted	1 849	757	
Deferred tax	1 083	732	
Other financial assets (note 6)	1 577	1 031	
	15 931	10 861	
<b>Current assets</b>			
Inventories	2 481	1 531	
Trade and other receivables	2 924	1 870	
Current tax receivable	2	61	
Cash and cash equivalents	1 769	850	
	7 176	4 312	
<b>Non-current assets classified as held for sale</b>	<b>78</b>	<b>2</b>	
<b>Total assets</b>	<b>23 185</b>	<b>15 175</b>	
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Equity attributable to owners of the parent	12 996	9 804	
Minority interest	128	19	
<b>Total equity</b>	<b>13 124</b>	<b>9 823</b>	
<b>Non-current liabilities</b>			
Interest-bearing borrowings	3 650	1 259	
Non-current provisions	1 746	1 329	
Financial liabilities	31		
Deferred tax	1 257	1 077	
	6 684	3 665	
<b>Current liabilities</b>			
Trade and other payables	2 366	1 449	
Interest-bearing borrowings	500	74	
Current tax payable	440	137	
Current provisions	21	27	
	3 327	1 687	
<b>Non-current liabilities classified as held for sale</b>	<b>50</b>	<b></b>	
<b>Total equity and liabilities</b>	<b>23 185</b>	<b>15 175</b>	
<b>Net debt (note 10)</b>	<b>2 381</b>	<b>483</b>	
Net asset value per share (cents)	3 697	2 783	
Capital expenditure			
- incurred	1 617	1 296	
- contracted	899	450	
- authorised but not contracted	2 711	1 278	
Capital expenditure contracted relating to captive mines, Tshikondeni, Amot and Matla, which will be financed by ArcelorMittal SA Limited and Eskom respectively	70	72	
Commitment relating to the acquisition of Namakwa Sands and a 26% interest in Black Mountain Mining (Pty) Limited from Anglo Operations Limited, subject to price adjustments		2 353	
Contingent liabilities (note 11)	587	201	
Contingent assets (note 12)	192		
Operating lease commitments	77	126	
Operating sublease rentals receivable		1	
<b>RECONCILIATION OF HEADLINE EARNINGS for year ended 31 December 2008</b>			
	Gross Rm	Tax Rm	Net Rm
Profit for the year attributable to 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
<b>Headline earnings</b>	<b>246</b>	<b>(21)</b>	<b>3 630</b>
<b>For the year ended 31 December 2007</b>			
Profit for the year attributable to equity holders of the parent			1 427
Adjusted for:			
- IAS 16 - Impairment of Property, plant and equipment	23		23
- IAS 16 - Gains or losses on disposal of property, plant and equipment	17	(5)	12
- IAS 28 - Share of associates' IAS 16 - Gains or losses on disposal of property, plant and equipment	(3)	1	(2)
- 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	(7)	1	(6)
- IAS 36 - Reversal of investment impairment	(6)		(6)
<b>Headline earnings</b>	<b>24</b>	<b>(3)</b>	<b>1 448</b>
		2008 Audited Rm	2007 Audited Rm
Year ended 31 December			
Headline earnings per share (cents)			
- basic		1 058	425
- diluted		1 006	408

## CONDENSED GROUP STATEMENT OF CASH FLOWS

	2008 Audited Rm	2007 Audited Rm
Year ended 31 December		
Cash retained from operations	3 574	2 308
- net financing costs	(193)	(116)
- tax paid	(487)	(462)
- dividends paid (note 7)	(984)	(223)
<b>Cash used in investing activities</b>	<b>(1 617)</b>	<b>(1 296)</b>
- capital expenditure	29	50
- proceeds from disposal of property, plant and equipment	1 044	379
- investments acquired	(179)	(249)
- associate acquired (note 8)	(221)	
- acquisition of subsidiaries and other business operations (note 9)	(2 757)	(8)
- other	(5)	
Net cash (outflow)/inflow	(1 846)	388
- cash flows from issue of shares	31	114
- borrowings raised/repaid	2 734	(567)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>919</b>	<b>(65)</b>
<b>Special purpose entities consolidated</b>	<b>9</b>	<b>9</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>850</b>	<b>906</b>
<b>Cash and cash equivalents end of year</b>	<b>1 769</b>	<b>850</b>
<b>Calculation of movement in net debt:</b>		
Net cash (outflow)/inflow	(1 846)	388
- shares issued	31	114
- loans from minority shareholders	1	
- increase in net debt on acquisition of subsidiary		(25)
- special purpose entities consolidated		9
- non-cash flow movements in net debt applicable to currency translation differences of transactions denominated in foreign currency	(352)	59
- non-cash flow movements in net debt applicable to currency translation differences of net debt items of foreign entities	282	(107)
- hedging of share-based payment exposure	(14)	
<b>(Increase)/decrease in net debt</b>	<b>(1 898)</b>	<b>438</b>

## Audited group financial results and physical information for the 12-month period ended 31 December 2008



POWERING POSSIBILITY



## GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital Rm	Share premium Rm	Other components of equity			Retained income Rm	Attributable to owners of the parent Rm	Minority interest Rm	Total equity Rm
			Foreign currency translation Rm	Financial instruments revaluation Rm	Equity-settled reserve Rm				
<b>Balance at 1 January 2007</b>	4	5 135	379	24	802	1 798	8 142	27	8 169
Total comprehensive income			148	(17)	182	1 436	1 749	16	1 765
Issue of share capital <sup>1</sup>		23					23		23
Share placement <sup>2</sup>		91					91		91
- issue		640					640		640
- repurchase		(460)					(460)		(460)
- expenses		(89)					(89)		(89)
Transfer to retained income					(16)	16			
Minority share buy-out								(13)	(13)
Special purpose entities now consolidated						7	7		7
Dividends paid <sup>3</sup>						(208)	(208)	(11)	(219)
Prior year dividend in specie reclassification			(3 186)			3 186			
<b>Balance at 31 December 2007</b>	<b>4</b>	<b>2 063</b>	<b>527</b>	<b>7</b>	<b>968</b>	<b>6 235</b>	<b>9 804</b>	<b>19</b>	<b>9 823</b>
Total comprehensive income			437	138	113	3 429	4 117	141	4 258
Issue of share capital <sup>1</sup>		31					31		31
Minority share additional contributions								2	2
Liquidation dividend from subsidiary						1	1		1
Net profit on dilution of interest in a subsidiary								(7)	(7)
Dividends paid <sup>3</sup>						(957)	(957)	(27)	(984)
<b>Balance at 31 December 2008</b>	<b>4</b>	<b>2 094</b>	<b>964</b>	<b>145</b>	<b>1 081</b>	<b>8 708</b>	<b>12 996</b>	<b>128</b>	<b>13 124</b>
Dividend paid per share (cents) in respect of the 2007 financial year									160
Dividend paid per share (cents) in respect of the 2008 interim period									175
Final dividend declared per share (cents) in respect of 2008 financial year									200
<sup>1</sup> Issued to the Kumba Resources Management Share Trust due to options exercised.									
<sup>2</sup> Repurchase of 10 million shares from Anglo South Africa (Pty) Limited on 13 April 2007 at R45.99 per share and the subsequent re-issue of 10 million new Exxaro shares at R64 per share. STC on the share repurchase of R57.5 million is included in net profit.									
<sup>3</sup> The STC on these dividends will amount to Rml 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 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 have been early adopted.

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 2007, except for the early adoption of IFRS 8, *Operating Segments* and IAS 1, *Presentation of Financial Statements*. The implementation of IFRS 8 has led to differences in the basis of segmentation compared to previous periods. As a result, new operating segments have been identified. IAS 1 and IFRS 8 are disclosure standards and have no other impact on the measurement or recognition of items included in the condensed report and accordingly the adoption thereof has had no effect on the profit or equity for the year.

	2008 Audited Rm	2007 Audited Rm
Year ended 31 December		
<b>2. Profit before taxation is arrived at after</b>		
Depreciation and amortisation of intangible assets	(898)	(763)
Financing costs	(394)	(311)
Interest received	153	96
Net realised foreign currency exchange gains/(losses)	476	(42)
Net unrealised foreign currency exchange gains/(losses)	39	(32)
Derivative instruments held for trading (losses)/gains	(69)	61
Fair value adjustments on financial instruments	(26)	51
Impairment charges and reversals (note 3)	(20)	(17)
Net profit on disposal of investments	7	
Net deficit on disposal of property, plant and equipment	(66)	(17)
<b>3. Impairment charges and reversals</b>		
Impairment of property, plant and equipment	(21)	(23)
Reversal of impairment of property, plant and equipment	1	
Reversal of impairment of investments		6
Total impairments and reversals before and after tax	(20)	(17)
<b>4. Net financing cost</b>		
Interest expense and loan costs	283	153
Finance leases	63	59
Interest income	(153)	(96)
Net interest expense	193	116
Interest adjustment on non-current provisions	48	99
Net financing cost as per income statement	241	215
<b>5. Tax rate reconciliation</b>	%	%
Taxation as a percentage of profit before taxation	13.1	26.1
Taxation effect of:		
- assessed losses (not provided for)	(0.3)	(0.2)
- capital profits	0.2	0.5
- disallowable expenditure	(0.7)	(2.1)
- reclassification of previously disallowable expenditure	1.1	
- exempt income	1.0	0.3
- special tax allowances		0.2
- share of associates' and joint ventures'	11.9	10.8
- tax rate differences	0.4	(2.1)
- Secondary Tax on Companies (STC)	(0.1)	(2.9)
- withholding tax	(0.4)	(0.5)
- Controlled Foreign Company profits (CFC)	(0.1)	(0.3)
- foreign exchange differences	(0.1)	(0.1)
- prior year adjustment	1.7	(0.7)
- rate change on deferred tax balance	0.3	
	28.0	29.0
<b>6. Investments</b>	Rm	Rm
Unlisted investments in associates		
- directors' valuation	13 162	9 110
Unlisted investments included in other financial assets		
- directors' valuation	387	328
<b>7. Dividends paid</b>		
Cash dividends	957	211
Cash dividends paid to minorities	27	12
Total dividends paid	984	223

### 8. Acquisition of associate

On 1 November 2008, the group acquired 26% of the issued share capital of Black Mountain Mining (Pty) Limited, which is included in the other base metals segment results, for R221 million.

The acquired business contributed an equity accounted loss of R189 million to the group for the period from 1 November 2008 to 31 December 2008.

### 9. Business combinations

On 11 April 2008, the group acquired 76% of the issued share capital of Exxaro Madencilik Sanayi Ve Ticaret A.S., Turkey (Madencilik), which is included in the other segment results. The acquired business contributed nil revenue and R7 million operating loss to the group for the period from 11 April 2008 to 31 December 2008.

On 1 July 2008, the group acquired 100% of the issued share capital of Skyprops 112 (Pty) Limited, which is included in the other segment results. The acquired business contributed neither revenue nor operating profit to the group for the period from 1 July 2008 to 31 December 2008.

On 1 October 2008, the group acquired the assets and liabilities of the operations of Namakwa Sands which is included in the Mineral Sands segment results. The acquired business contributed R491 million revenue and R155 million operating profits to the group for the period from 1 October 2008 to 31 December 2008.

Details of assets acquired are as follow:

	Madencilik Rm	Skyprops Rm	Namakwa Sands Rm	Total Rm
- cash paid on acquisition	(30)	(65)	(2 662)	(2 757)
- purchase consideration outstanding			(121)	(121)
- fair value of assets acquired	30	65	2 783	2 878
Goodwill				
Fair value of assets acquired				
- property, plant and equipment		65	2 207	2 272
- intangible assets	30			30
- financial assets			16	16
- inventories</				

## HIGHLIGHTS

- Revenue increases 36% to **R13,8 billion**
- Net operating profit up 71% to **R2,5 billion**
- Significant maiden profit contribution from **Namakwa Sands**
- Headline earnings of **1 058 cents per share**
- **Final dividend of 200 cents per share; total dividend of 375 cents per share**

## REPORTED ACTUAL SEGMENT RESULTS

	2008 Audited Rm	2007 Audited Rm
12 months ended 31 December		
<b>REVENUE</b>		
<b>Coal</b>	<b>9 040</b>	<b>5 087</b>
Tied operations	2 492	1 768
Commercial operations	6 548	3 319
<b>Mineral Sands</b>	<b>2 776</b>	<b>2 172</b>
KZN Sands	974	984
Australia Sands	1 311	1 188
Namakwa Sands <sup>1</sup>	491	
<b>Base Metals</b>	<b>1 829</b>	<b>2 732</b>
Rosh Pinah	436	941
Zincor	1 733	2 558
Inter-segmental	(340)	(767)
<b>Other</b>	<b>198</b>	<b>166</b>
<b>Total – external revenue</b>	<b>13 843</b>	<b>10 157</b>
<b>NET OPERATING PROFIT</b>		
<b>Coal</b>	<b>2 654</b>	<b>885</b>
Tied operations	83	88
Commercial operations	2 571	797
<b>Mineral Sands</b>	<b>104</b>	<b>(97)</b>
KZN Sands	31	(157)
Australia Sands	(82)	60
Namakwa Sands <sup>1</sup>	155	
<b>Base Metals</b>	<b>(172)</b>	<b>688</b>
Rosh Pinah	(14)	457
Zincor	(95)	298
Other	(63)	(67)
<b>Other</b>	<b>(119)</b>	<b>(32)</b>
<b>Total</b>	<b>2 467</b>	<b>1 444</b>

<sup>1</sup> Revenue and net operating profit included from effective date of acquisition of 1 October 2008.

## COMPARABLE UNAUDITED SUPPLEMENTARY RESULTS

	2008 Rm	2007 Rm
12 months ended 31 December		
<b>REVENUE</b>		
<b>Coal</b>	<b>9 040</b>	<b>5 087</b>
Tied operations	2 492	1 768
Commercial operations	6 548	3 319
<b>Mineral Sands</b>	<b>4 142</b>	<b>3 464</b>
KZN Sands	974	984
Australia Sands	1 311	1 188
Namakwa Sands <sup>1</sup>	1 857	1 292
<b>Base Metals</b>	<b>1 829</b>	<b>2 732</b>
Rosh Pinah	436	941
Zincor	1 733	2 558
Inter-segmental	(340)	(767)
<b>Other</b>	<b>198</b>	<b>166</b>
<b>Total comparable revenue</b>	<b>15 209</b>	<b>11 449</b>
<b>NET OPERATING PROFIT</b>		
<b>Coal</b>	<b>2 654</b>	<b>885</b>
Tied operations	83	88
Commercial operations	2 571	797
<b>Mineral Sands</b>	<b>448</b>	<b>99</b>
KZN Sands	31	(157)
Australia Sands	(82)	60
Namakwa Sands <sup>1</sup>	499	196
<b>Base Metals</b>	<b>(172)</b>	<b>688</b>
Rosh Pinah	(14)	457
Zincor	(95)	298
Other	(63)	(67)
<b>Other</b>	<b>(119)</b>	<b>(32)</b>
<b>Total comparable net operating profit</b>	<b>2 811</b>	<b>1 640</b>
Net financing costs <sup>1</sup>	(457)	(453)
Income from investments	2	2
Equity accounted income <sup>2</sup>	1 601	683
Taxation <sup>1</sup>	(546)	(500)
Minority interest	24	(20)
<b>Comparable attributable earnings</b>	<b>3 435</b>	<b>1 352</b>
Post tax adjustments	228	22
<b>Comparable headline earnings</b>	<b>3 663</b>	<b>1 374</b>
<b>Comparable attributable earnings per share (cents)</b>	<b>1 002</b>	<b>396</b>
<b>Comparable headline earnings per share (cents)</b>	<b>1 068</b>	<b>403</b>

<sup>1</sup> Taken into account Namakwa Sands from 1 January 2007, for comparable purposes.

<sup>2</sup> Includes 26% of Black Mountain's post tax earnings from 1 January 2007, for comparable purposes.

## COMMENTS

**REPORTED RESULTS NOT COMPARABLE** The group's audited financial results and actual physical information for the 12-month periods ended 31 December 2008 and 2007 are not comparable as a result of the acquisition of Namakwa Sands and a 26% interest in Black Mountain Mining (Pty) Limited (Black Mountain) effective from 1 October and 1 November 2008 respectively.

The audited financial results for the 12-month period ended 31 December 2008 include Namakwa Sands fully consolidated for the last three months with Black Mountain equity accounted for the final two months of the period.

**COMPARABLE SUPPLEMENTARY RESULTS** Comparable unaudited supplementary financial results together with physical information are provided for information purposes only, on the assumption that both the acquisition of Namakwa Sands and the 26% interest in Black Mountain took place on 1 January 2007.

Comments are for comparable purposes based on an analysis of the unaudited comparable supplementary financial results and physical information compiled for the 12-month periods to 31 December 2008 and 2007 respectively.

**COMPARABLE OPERATING RESULTS** The coal business reported record revenue and net operating profit as strong demand resulted in increased sales at higher prices despite a significant softening in international prices in the last quarter of 2008 following the global economic meltdown. The sands business reported a higher consolidated net operating profit compared to 2007 as a profit contribution from KZN Sands and a substantially higher profit from Namakwa Sands more than offset a loss in the Australian operation. Significantly lower average zinc prices and an increased environmental provision resulted in the base metals business recording a net operating loss.

Group consolidated revenue increased by 33% to R15,2 billion with net operating profit R1,2 billion higher at R2,8 billion.

An average exchange rate of R8,10 to the US dollar was realised compared to R7,26 for the corresponding period in 2007. The consistent strength of the Australian dollar at 0,84 US cents to AU\$1 realised in 2008, continued to impact negatively on the financial results of the mineral sands operations in Australia, despite the weakening of the Australian dollar in the last quarter of 2008.

**COMPARABLE EARNINGS** Attributable earnings for the period are R3 435 million or 1 002 cents per share representing a 154% increase on the comparable 2007 attributable earnings of R1 352 million or 396 cents per share. This includes Exaro's 20% share of the after-tax profits of Sishen Iron Ore Company (Pty) Limited (SIOC) amounting to R1 856 million, a negative contribution of R4 million from the effective 22% interest in the Chifeng zinc refinery and an equity accounted loss of R251 million from the 26% interest in Black Mountain.

Headline earnings which exclude the impact of the impairment of the carrying value of assets in the earnings of Black Mountain, are R3 663 million or 1 068 cents per share, this is 167% higher than R1 374 million or 403 cents per share in the previous corresponding period.

**CASH FLOW** Cash retained from operations was R3 574 million. This was primarily used to fund taxation payments of R487 million, dividend payments of R984 million and capital expenditure of R1 617 million of which R470 million was invested in new capacity and R1 147 million applied to sustaining and environmental capital. After the payments of R2 662 and R221 million respectively for the acquisition of Namakwa Sands and a 26% interest in Black Mountain, the group had a net cash outflow of R1 846 million for the financial year. The final dividend for payment in March 2009 will amount to a further cash outflow of R170 million offset by the dividend inflow from SIOC of R1 123 million.

Net debt of R483 million at 31 December 2007 accordingly increased to R2 381 million at a net debt to equity ratio of 18% at 31 December 2008.

**SAFETY, HEALTH AND ENVIRONMENT** The group remains committed to achieving a working environment that is fatality and injury free. Despite excellent safety achievements at several business units, regrettably five employees lost their lives in 2008 compared to a similar number reported in 2007. The lost time injury frequency rate (LTIFR) per 200 000 man-hours worked in 2008 was 0,39 against a target of 0,21 and compared to 0,36 in 2007.

In a further measure to strengthen its safety awareness and preventative programmes, various safety improvement interventions focusing on pre-work Hazard Identification Risk Analysis and intensive training on Exaro's / Care Risk Controls, Vehicle Safety and Visible Felt Leadership, have been implemented.

Exaro has reviewed its HIV/AIDS strategy with the objective of improving employee understanding of preventive behaviour of the contracting and spread of HIV/AIDS and increasing the number of employees who test and enrol for treatment. At the end of 2008, the cumulative voluntary counselling and testing enrolment improved to 50% from 30% at the end of 2007.

## UNAUDITED PHYSICAL INFORMATION ('000 TONNES)

	12 months ended 31 December		6 months ended 31 December	
	2008	2007	2008	2007
<b>Coal</b>				
Production				
– Power station	36 700	34 246	18 118	16 830
* Tied operations <sup>1</sup>	18 095	16 732	8 962	8 353
* Commercial operations	18 605	17 514	9 156	8 477
– Coking	2 560	2 962	1 370	1 479
* Tied operations <sup>1</sup>	327	463	171	242
* Commercial operations	2 233	2 499	1 199	1 237
– Other	5 574	4 112	2 427	2 016
<b>Total</b>	<b>44 834</b>	<b>41 320</b>	<b>21 915</b>	<b>20 325</b>
Sales				
– Eskom	36 255	34 226	17 880	16 604
* Tied operations <sup>1</sup>	18 054	16 699	8 942	8 337
* Commercial operations	18 201	17 527	8 938	8 267
– Other domestic	5 481	5 237	2 607	2 572
* Tied operations <sup>1</sup>	352	449	200	214
* Commercial operations	5 129	4 788	2 407	2 358
– Export <sup>2</sup>	3 276	1 821	1 284	813
<b>Total</b>	<b>45 012</b>	<b>41 284</b>	<b>21 771</b>	<b>19 989</b>
<b>KZN Sands</b>				
Production				
– Ilmenite	229	367	133	187
– Zircon	34	34	16	19
– Rutile	19	17	7	9
– Pig iron	50	90	29	48
– Scrap pig iron	16	20	8	9
– Chloride slag	95	150	56	77
– Sulphate slag	18	26	10	14
Sales				
– Ilmenite	40	50	20	30
– Zircon	36	27	22	14
– Rutile	14	16	7	9
– Pig iron	64	91	39	45
– Scrap pig iron	7	8	6	4
– Chloride slag	101	163	49	81
– Sulphate slag	17	29	6	8
<b>Namakwa Sands<sup>1</sup></b>				
Production				
– Ilmenite	315	300	159	140
– Zircon	130	115	65	48
– Rutile	27	24	13	10
– Pig iron	103	91	52	44
– Scrap pig iron	6	11	2	6
– Chloride slag	135	126	64	63
– Sulphate slag	24	27	14	12
Sales				
– Zircon	135	115	64	55
– Rutile	27	26	14	13
– Pig iron	82	86	58	37
– Scrap pig iron	1	1		1
– Chloride slag	145	124	77	51
– Sulphate slag	26	30	5	11
<b>Australia Sands<sup>4</sup></b>				
Production				
– Ilmenite	174	216	85	111
– Zircon	29	36	13	19
– Rutile	13	17	6	8
– Synthetic rutile	113	100	56	48
– Leucocoxene	16	16	6	8
– Pigment	43	54	22	26
Sales				
– Zircon	35	29	14	16
– Rutile	14	16	5	2
– Synthetic rutile	62	57	27	21
– Leucocoxene	17	17	8	7
<b>Base Metals</b>				
Production				
– Zinc concentrate	109	110	51	61
* Rosh Pinah	94	95	47	53
* Black Mountain <sup>5</sup>	15	15	4	8
– Zinc metal	110	124	60	61
* Zincor	87	101	47	51
* Chifeng <sup>6</sup>	23	23	13	10
– Lead concentrate	37	37	18	19
* Rosh Pinah	20	22	12	11
* Black Mountain <sup>5</sup>	17	15	6	8
– Zinc metal sales	126	122	66	57
* Domestic	93	93	51	45
* Export	33	29	15	12
Lead concentrate sales				
– Export	32	19	7	7

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

<sup>2</sup> Includes steam coal exports from Exaro's 50% share of the Matube expansion project.

<sup>3</sup> Namakwa Sands has been included from 1 January 2007 for comparable purposes.

<sup>4</sup> Exaro Sands Australia's 50% interest in its Tiwest joint venture is disclosed.

<sup>5</sup> Exaro's 26% interest in Black Mountain has been disclosed from 1 January 2007, for comparable purposes.

<sup>6</sup> Exaro's effective interest in the Chifeng refinery is disclosed.

The environmental programme for 2008 focused on ensuring that all its mining operations have fully compliant Environmental Management Programmes required under the Mineral and Petroleum Resources Development Act as well as the National Environmental Management Act. Exaro is reviewing its processes to determine the impact of its activities on natural resources.

Nine business units are certified under both the international health and safety (OHSAS 18001) and environmental (ISO 14001) standards. The remaining six business units have implemented certification programmes with the target to have all operations fully compliant in 2009.

## OPERATIONS

**Coal** Production volumes for the coal commodity business overall were 9% higher than the previous year.

Power station coal production at the Eskom tied mines was significantly higher due to a good turnaround at Arnot mine after successful implementation of improvement initiatives. The commercial mines, most notably North Block Complex (NBC) and Inyanda, increased production to supply higher demand from Eskom. NBC started mining new reserves and increased overall capacity.

Coking coal production, however, decreased by 402kt in 2008 due to challenging geological and mining conditions at Tshikondeni. In addition, Grootegeluk mine used its no 6 plant tipping capacity to channel run of mine tonnages to the production of additional power station coal from the no 2 washing plant, thereby contributing to the reduction in coking coal production.

Steam coal production was significantly higher than the previous year mainly due to Inyanda ramping up during 2008, good production levels at Leeuwan resulting from additional overburden removal in 2007, as well as increased production at NBC.

Sales of power station coal to Eskom increased by 2Mt to 36,3Mt as a result of improved production performance at the tied operations and demand from the electricity utility to increase stock levels at various power stations.

Other domestic sales were negatively affected by the lower production at Tshikondeni as well as a 13% decrease in sales to ArcelorMittal SA Limited in line with reduced demand in the steel and ferroalloy industry in the last quarter of 2008. The coal business was able to fully offset these lower sales volumes through additional sales from Leeuwan and NBC to the domestic market.

Export volumes increased from 1,8Mt in 2007 to 3,3Mt in 2008 as a result of increased export allocation at the Richards Bay Coal Terminal (RBCT) and production volumes from the new mines, Matube and Inyanda.

Revenue increased by 78% to more than R9 billion due to significantly higher average international coal prices linked to global oil and energy price increases, and stronger demand. Domestic prices followed this upward trend with international prices, however, declining in the last quarter of 2008 following the global economic crisis.

The commodity business reported an annual record net operating income of R2 654 million, an increase of 200% compared to 2007 despite inflationary pressures, especially in respect of labour and diesel costs, exploration costs for Moranbah South in Australia and higher expenditure on projects in the Waterberg and Mpumalanga province.

## MINERAL SANDS

### KZN Sands

KZN Sands reported lower production volumes as a result of the Furnace 2 water ingress incident at the end of February 2008 with only Furnace 1 being operational for the remainder of the year. Titanium slag produced was 63kt lower at 113kt than for the comparable period in 2007. Furnace 1 performed well by producing more than 95kt of slag equivalent to 87% of cold feed capacity. Low manganese pig iron production was in line with the decreased slag throughput while ilmenite production was aligned with the lower smelter feed requirements at 138kt lower than the corresponding period in 2007.

Revenue was R10 million lower but net operating profit increased by R188 million compared to the corresponding period in 2007 due to improved prices, a weaker local currency and cost savings.

Continued improvement initiatives are impacting positively on production with the Furnace 2 start-up in early December 2008, ramping up according to plan.

### Australia Sands

Record synthetic rutile production was achieved during 2008 resulting from more stable operating conditions following the kiln shut in 2007. Although mineral production was lower as a result of the dredging operations moving through lower ore grades, successful business improvement initiatives to increase yield and recoveries partly offset the negative variance. The 2009 mine plan indicates a higher grade than 2008 which should positively impact on mineral production in 2009.

Pigment production was substantially lower than the comparative period in 2007 as a result of maintenance-related issues, an emergency shut at one of the critical raw material suppliers, the rebuild of all four chlorinators and interruptions in gas supply during the first quarter of 2008 as previously reported. Several initiatives have been implemented to improve the performance of the pigment plant and in December 2008 pigment production improved to pre-2008 levels. A stronger pigment production performance is expected in 2009.

The lower production, increased maintenance cost at the pigment plant and a rapid escalation in process chemical costs and energy consumables, combined with the strong Australian dollar in the first half of 2008, led to a R142 million decrease in net operating profit compared to the previous year. The decline in operating profit was partially offset by stronger pigment prices and the weakening of the Australian dollar during the last quarter of 2008.

The Australian dollar weakened from an average of 0,87 US cents to the Australian dollar for the six months ended 31 December 2007 to an average rate for the six months ended 31 December 2008 of 0,77 US cents. The improved mineral production and weaker Australian dollar in the second half of 2008 led to a net operating profit of R57 million, compared to a loss of R139 million in the first half of 2008.

At 31 December 2008, currency hedging of AU\$51 million was in place at an average rate of 0,76 US cents to the Australian dollar.

## Namakwa Sands

Exaro acquired effective ownership of Namakwa Sands on 1 October 2008 for an adjusted consideration of R2 783 million, consisting of the cash price of R2 015 million, a working capital adjustment of R199 million, capital expenditure on the mineral separation project (MSP Project 1000) of R448 million and R121 million to compensate Anglo Operations Limited for its taxation recoupment. The capitalised price adjustments result in either a subsequent cash inflow or additional future deduction from taxable income for Exaro KZN Sands.

Annual records were achieved for zircon, titanium slag and pig iron production. The record zircon production was attributable to higher grades and improved plant efficiencies. The record smelter production resulted from Furnace 2 operating on full power of 35MW following the de-bottlenecking of process difficulties which increased slag and iron tapped despite the power cutbacks in the first quarter of 2008.

Efficiency improvements at the smelter operations include annual records reported for the chlorinatable (CP) slag ratio at 84,5% compared to a previous best 82,5%, and iron recovery at 91,3% compared to the previous record of 90,3%.

The 44% increase in revenue is due to record product sales of 416kt at stronger zircon and average pig iron prices and a weaker local currency. A record net operating profit of R499 million was recorded for the year at an operating margin of 27%.