

## NEWS RELEASE

For immediate release

24 February 2011

### **CONDENSED GROUP FINANCIAL RESULTS AND PHYSICAL INFORMATION FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2010**

#### **HIGHLIGHTS**

- Improvement in safety with lost time injury frequency rate down 24% to 0.25
- Revenue increased by 14% to R17,2 billion
- Net operating profit up 52% to R2,6 billion, excluding the 2009 KZN Sands impairment
- Headline earnings per share up 105% to 1 495 cents per share
- Final dividend of 300 cents per share; total dividend of 500 cents per share covered three times by attributable earnings
- Net cash inflow of R1,4 billion
- Net debt to equity of 13%

**Diversified South African-based resources group Exxaro Resources Limited (Exxaro) today reported group consolidated revenue of R17,2 billion for the 12 months ended 31 December 2010, an increase of 14% when compared with the same period in 2009.**

---

#### **COMPARABILITY OF RESULTS**

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

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

Comments are based on a comparison of the group's audited financial results and unaudited physical information for the 12-month periods ended 31 December 2010 and 2009 respectively.

An average exchange rate of R7,72 (spot average of R7,30) to the US dollar (USD) was realised compared to R8,39 for the corresponding period. Moreover, unrealised foreign currency losses on the revaluation of monetary items denominated in a foreign currency were recorded based on the relative strength of the local currency to the USD on 31 December 2010. The relative strength of the Australian dollar (AUD), most notably in the second half of 2010 when the AUD traded around parity against the USD, continued to impact negatively on the financial results of the mineral sands operation in Australia. An average rate of USD 0,87 cents (spot average of USD0,92 cents) to the AUD was realised compared with USD 0,76 cents in 2009.

## **REVENUE**

“Group consolidated revenue increased by 14% to R17,2 billion due to generally higher sales volumes and commodity prices despite the impact of a stronger local and Australian currency,” said Siphon Nkosi, Exxaro’s chief executive officer.

“The coal business revenue was 8% higher due to higher domestic sales volumes at lower realised prices being only partially offset by lower export sales volumes at higher export prices.

“The mineral sands business increased revenue by 32% to more than R4,6 billion with increased sales volumes realising at higher prices,” said Nkosi.

“Base metals revenue increased by 13% mainly as a result of the higher zinc price at an average zinc price for 2010 of USD 2 161 per tonne, 30% higher than in 2009 when an average price of USD 1 665 per tonne was realised,” he added.

## **NET OPERATING PROFIT**

“Group consolidated net operating profit was R897 million or 52% higher at R2,6 billion after exclusion of the R1 435 million impairment of the carrying value of the assets at KZN Sands in 2009,” said Nkosi.

“The coal business reported a 41% increase in net operating profit to R2,7 billion at an operating margin of 26% with higher export selling prices, higher sales volumes to ArcelorMittal SA Limited (AMSA) and Eskom offset by lower sales prices domestically, lower export volumes and a stronger average realised local currency.”

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

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

The increase in mineral sands revenue assisted in the achievement of a consolidated net operating profit increasing from a loss of R124 million, excluding the impairment of the carrying value of the KZN Sands assets in 2009, to a profit of R179 million. Unlike 2009 where all three businesses reported net operating losses, only KZN Sands reported a loss in 2010.

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

## **EARNINGS**

Attributable earnings, inclusive of Exxaro’s equity accounted investment in associates, amounted to R5,21 billion or 1 501 cents per share, up 406% (111% excluding the 2009 KZN Sands impairment).

Equity accounted investments in the post-tax profits of associates consists of Exxaro's 20% interest in Sishen Iron Ore Company (Pty) Limited (SIOC) of R3,62 billion, 26% in Black Mountain (Pty) Ltd (Black Mountain) of R86 million and 22% in the Chifeng zinc refinery of R8 million.

Headline earnings which exclude inter alia the impact of the impairment of the carrying value of assets were R5,2 billion or 1 495 cents per share. This represents a 105% increase on the comparative 2009 earnings of R2,5 billion at 729 cents per share.

## **CASH FLOW**

Cash retained from operations was R4,1 billion for the group. This was primarily used to fund net financing charges of R256 million, taxation payments of R430 million, dividend payments of R1,06 billion and capital expenditure of R2,7 billion of which R1,5 billion was invested in new capacity and R1,16 billion applied to sustaining and environmental capital.

Of the expansion capacity expenditure, R918 million was for the Grootegeluk mine expansion for Medupi. After the receipt of R1,8 billion in dividends, primarily from SIOC, the group had a net cash inflow of R1,4 billion for the financial year. The final dividend for payment in April 2011 will amount to a further cash outflow of R1,07 billion offset by the dividend inflow from SIOC of R1,62 billion.

Net debt of R3,73 billion at 31 December 2009 accordingly decreased to R2,22 billion at a net debt to equity ratio of 13% at 31 December 2010.

## **SAFETY & SUSTAINABLE DEVELOPMENT**

"As a result of the programme of continuous engagement of employees and the ongoing pursuit of Exxaro's safety goals and objectives, Exxaro recorded a decline in fatalities as well as a record improvement in lost time injury frequency rate (LTIFR) per 200 000 man-hours worked of 24% from 0,33 in 2009 to 0,25 at 31 December 2010. Exxaro, however, continues to strive for an injury- and fatality-free organisation," said Nkosi.

Two CEO Safety Summits were held in 2010 in which the Safety and Sustainable Development vision for Exxaro was shared and disseminated throughout the organisation. Exxaro will continue with this programme in 2011, however, health, environment and other sustainable development issues will be introduced to enhance awareness and participation.

Aligned with Exxaro's internal target, 70% of employees have now undergone HIV prevalence testing. The prevalence rate is estimated at 13% compared to an industry average of 25%, 38% of whom are voluntarily enrolled onto the HIV management programme.

Water management and related issues have been identified as a key sustainability issue for Exxaro and as such a dedicated water management program has been initiated to address these issues in an integrated manner.

Fourteen business units are ISO 14001 and OHSAS 18001 certified with certification for the remaining three business units being awaited.

## **CONVERSION OF MINING RIGHTS**

The conversion of all old mining rights has been granted except for Arnot and Glisa (a part of North Block Complex) which continue to receive priority attention. Of the old mining rights converted, five still await execution by the DMR.

Except for Belfast all new order mining rights have been granted and executed.

### **CHANGES TO THE BOARD**

Ms Noluthando Langeni was appointed to the board with effect from 23 February 2010. The acting chairman, Dr Len Konar, was elected as chairman of the board with effect from 23 February 2010.

### **OUTLOOK**

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

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

It is expected that base metal prices will remain under pressure during the first half of 2011. Production and sales volumes should be in line with those achieved in 2010 with the logistical chain to Zincor remaining a challenge.

The group will continue with prudent capital prioritisation, judicious working capital management and the pursuit of business improvement initiatives.

The group's consolidated results for 2011 will continue to be impacted by the trading levels of the local currency and the AUD against the USD. On 31 December 2010 Exxaro had USD106 million of hedging in place at an average exchange rate of R7.19 for the local operations as well as USD52 million at an average rate of USD 0.87c to the AUD for the Australian operation.

### **FINAL DIVIDEND**

The board of directors has declared a final cash dividend number 16 of 300 cents per share in respect of the 2010 financial year end. The dividend has been declared in South African currency and is payable to shareholders recorded in the register of the company at close of business on Friday, 8 April 2011.

Last date to trade <i>cum</i> dividend	Friday, 1 April 2011
Shares trade ex dividend	Monday, 4 April 2011
Record date	Friday, 8 April 2011
Payment date	Monday, 11 April 2011

Ends

- **View or download the full results announcement on [www.exxaro.com](http://www.exxaro.com)**
- **See Addendum 1 for Operational highlights; Addendum 2 for Capital expenditure and project pipeline**

**Editor's Note:**

Exxaro is one of the largest South African-based diversified resources groups, with interests in the coal, mineral sands, base metals, industrial minerals and iron ore commodities. [www.exxaro.com](http://www.exxaro.com)

**Enquiries:**

Wim de Klerk  
Finance director  
Tel: + 27 12 307 4848  
Mobile: +27 82 652 5145  
Email: [wim.deklerk@exxaro.com](mailto:wim.deklerk@exxaro.com)

**ADDENDUM 1:****OPERATIONAL HIGHLIGHTS****Coal***Production*

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

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

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

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

The Char plant production was 200% higher than the previous year due to the plant only starting production in the middle of 2009.

## *Sales*

Power station and coking coal sales to Eskom and AMSA respectively were marginally higher than the previous year. Other domestic sales were however 10% higher than in 2009 based on higher demand from AMSA which higher demand was met by re-directing sales destined for the export market from Grooteegeluk; this being possible as a result of lower availability of trains and leased in export entitlement.

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

Sales of reductants from the Char plant improved threefold as 2010 was the first full production and sales year.

## **Mineral Sands**

### *Production*

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

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

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

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

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

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

The Kwinana pigment plant expansion in Australia was successfully commissioned in late June 2010 and achieved nameplate production capacity of 40ktpa in October of the same year. Significant supply interruptions from a key raw material supplier and

an 11-day shut in May to complete all the tie-ins for the expansion, led to lower pigment production.

#### *Sales*

Sands volumes at all three businesses generally increased on the back of stronger markets and were further supported by higher selling prices. The high stockpile levels at the end of 2009 were reduced significantly thus improving cash flow.

### **Base Metals**

#### *Production*

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

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

Zinc production at the Chifeng refinery was marginally higher than in 2009.

#### *Sales*

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

A total of 60% of Rosh Pinah's projected zinc and lead concentrate sales were hedged during 2008 for the period July 2008 to December 2011 at forward prices ranging from USD 2 215 to USD 1 887 per tonne for zinc and USD 2 385 to USD 1 771 per tonne for lead. Taking the favourable currency hedging in place in respect of these hedged prices, the average ZAR price equates to R19 976 per tonne. These hedges will mature in 2011.

## **ADDENDUM 2:**

### **CAPITAL EXPENDITURE AND PROJECT PIPELINE**

The strong recovery in commodity markets and overall faster than anticipated recovery in the global economy resulted in renewed focus on carbon, reductants, ferrous and energy growth projects in line with the group's approved strategy.

#### **Coal**

The Medupi Coal Supply and Offtake Agreement (CSA) became unconditional and binding on Exxaro and Eskom on 24 June 2010. In terms of the CSA, Exxaro will supply 14,6Mtpa of coal to Medupi power station for a 40 year period post ramp-up. The total capital cost of the Grootegeluk mine expansion is forecast at R9,5 billion. First coal delivery will commence in May 2012 and full commissioning is expected during 2014/15. Project detailed design is nearing completion and the design will be largely completed by the end of February 2011. Ninety percent of the major construction packages and the plant equipment packages have already been placed with the remainder to be placed during the first quarter of 2011. On-site construction has commenced with most of the bulk earthworks nearing completion. Civil work is underway with major structural work having commenced in February 2011. Current indications are that the project will be completed within schedule and budget.

The R4,5 billion Bridge Loan Facility for the Grootegeluk expansion was secured in the first half of 2010 with a consortium of local and international financial institutions. First draw-down of the loan is only expected in the second quarter of 2011.

Thabametsi is a prospective greenfields mine adjacent to Grootegeluk mine in the Waterberg, Limpopo province. The development of the project was originally planned to coincide with Eskom's future developments in the Waterberg as well as the Department of Energy's formalisation and establishment of an appropriate enabling environment, governed by the National Integrated Resource Plan 2010 (NIRP 2010), to allow for new generation capacity in terms of Eskom's multi-site base load Independent Power Producer (IPP) programme. The draft NIRP 2010, released during October 2010, does not cater for any new coal-fired power generation development until 2027. The draft NIRP 2010 was subjected to a public review process in December 2010 and is expected to be finalised early in 2011 after receiving comments from all stakeholders. Due to the delays in the above initiatives, the focus is now on first developing a smaller mine for the coal supply to the Limpopo IPP. A bankable feasibility study as well as the public consultation required for environmental approvals will commence once the scope for the Limpopo IPP has been determined and the final NIRP 2010 promulgated. First coal production could be expected by 2015/16, but is dependent on the Limpopo IPP and water supply development schedules.

Exxaro entered into a prospecting joint venture agreement with Sasol Mining to investigate the commercial viability of the development of a new coal mine in the Waterberg to supply Sasol's potential new 80 000 barrels per day inland coal to liquids facility (Project Mafutha). The study is still in an extended pre-feasibility stage. The mining of the 170kt bulk sample for large scale gasification testing at the Sasol Synfuels Secunda plant commenced in August 2009 and was completed during the second quarter of 2010. It is envisaged that the gasification tests will be completed during the first quarter of 2011.

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

The Sintel char plant at Grootegeluk mine to produce reductants for the ferroalloy industry has been fully commissioned with all four retorts in operation. The plant reached its overall design capacity in the last quarter of 2010. Exxaro is currently evaluating the Phase II expansion to produce a further 140ktpa of char as well as a study to produce market coke from semi-soft coking coal at Grootegeluk mine as part of its strategy of downstream integration and beneficiation. These studies are expected to be completed during 2011.

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

Exploration of the hard coking coal resource on the Moranbah South property in the Bowen Basin of Queensland Australia is progressing well and results obtained during the pre-feasibility study remain encouraging. It is anticipated that a feasibility study

will be concluded during the second half of 2012 with first production anticipated in 2015. Moranbah South, which is a 50% joint venture with Anglo American, has the potential to produce premium-quality hard coking coal of approximately 6Mtpa.

## **Energy**

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

Development of the first five-spot test for the coal bed methane project in Botswana, with the aim of testing for economic gas flow, is in the final stages of completion. The drilling of the five wells and the fracturing of four of the five wells has been completed. De-watering of the well field is underway and gas flow is steadily increasing with time. The wells will be operated during 2011 until economical gas flow levels have been obtained.

Clean energy initiatives include:

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

## **Ferrous**

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

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

## **Mineral Sands**

A final decision will be taken by the Exxaro Board on the development of the Fairbreeze mine as a replacement feedstock producer for Hillendale mine at KZN Sands during the first half of 2011. A possible reversal or partial reversal of the previous impairments of the carrying value of the assets will be considered simultaneously by the Board.

**Base Metals**

Activities are continuing on the optimisation of its zinc asset portfolio to ultimately extract the most value in the divestment process, which is earmarked to commence in 2011.

Ends