



Reviewed group interim financial results and
unaudited physical information for the six-month
period ended 30 June 2010

exxaro

POWERING POSSIBILITY

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.



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IBC	Administration

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OVERVIEW

Decrease in

LTIFR to 0,26

Revenue increased by 10% to

R7,9 billion

Net operating profit up 43% to

R1,4 billion

Headline earnings per share up 68% to

683 cents per share

Interim dividend of

200 cents per share

covered 3,5 times by attributable earnings



POWERING POSSIBILITY

Condensed group income statement

	6 months ended 30 June 2010 Reviewed Rm	6 months ended 30 June 2009 Reviewed Rm	12 months ended 31 Dec 2009 Audited Rm
Revenue	7 852	7 111	15 009
Operating expenses	(6 489)	(6 158)	(14 705)
Net operating profit (note 2)	1 363	953	304
Net financing costs (note 4)	(239)	(242)	(415)
Share of income from investments and equity-accounted investments	1 636	886	1 900
Profit before tax	2 760	1 597	1 789
Income tax expense	(386)	(214)	(766)
Profit for the period	2 374	1 383	1 023
Profit attributable to:			
Owners of the parent	2 408	1 390	1 023
Non-controlling interests	(34)	(7)	
Profit for the period	2 374	1 383	1 023

Condensed group statement of comprehensive income

	6 months ended 30 June 2010 Reviewed Rm	6 months ended 30 June 2009 Reviewed Rm	12 months ended 31 Dec 2009 Audited Rm
Profit for the period	2 374	1 383	1 023
Other comprehensive income (restated):			
Exchange differences on translating foreign operations	(49)	(183)	(35)
Cash flow hedges	288	(110)	(474)
Share of comprehensive income of associates	30	(48)	(34)
Income tax relating to components of other comprehensive income	(100)	78	142
Net gain/(loss) recognised in other comprehensive income	169	(263)	(401)
Total comprehensive income for the period	2 543	1 120	622
Total comprehensive income attributable to:			
Owners of the parent	2 590	1 186	759
Non-controlling interests	(47)	(66)	(137)
Total comprehensive income for the period	2 543	1 120	622
Ordinary shares (million)			
– in issue	358	356	357
– weighted average number of shares	346	345	345
– diluted weighted average number of shares	361	361	358
Attributable earnings per share (cents)			
– basic	696	403	297
– diluted	667	385	286

Condensed group statement of financial position

	At 30 June 2010 Reviewed Rm	At 30 June 2009 Reviewed Rm	At 31 Dec 2009 Audited Rm
ASSETS			
Non-current assets			
Property, plant and equipment	12 285	12 727	11 869
Biological assets	41	35	41
Intangible assets	78	90	87
Investments in unlisted associates and joint ventures (note 5)	3 009	1 544	1 966
Deferred tax	681	1 106	629
Other financial assets (note 5)	1 339	1 457	1 217
	17 433	16 959	15 809
Current assets			
Inventories	3 119	2 915	3 133
Trade and other receivables	3 175	2 799	3 121
Current tax receivable	71	40	57
Cash and cash equivalents	1 843	2 713	1 023
	8 208	8 467	7 334
Non-current assets classified as held for sale	80	85	86
Total assets	25 721	25 511	23 229
EQUITY AND LIABILITIES			
Capital and reserves			
Equity attributable to owners of the parent	15 215	13 575	12 908
Non-controlling interests	(46)	69	1
Total equity	15 169	13 644	12 909
Non-current liabilities			
Interest-bearing borrowings	4 210	4 918	4 347
Non-current provisions	2 011	1 842	1 853
Financial liabilities		33	75
Deferred tax	1 252	1 437	995
	7 473	8 230	7 270
Current liabilities			
Trade and other payables	2 338	3 244	2 510
Interest-bearing borrowings	507	250	407
Current tax payable	149	76	57
Current provisions	27	20	27
	3 021	3 590	3 001
Non-current liabilities classified as held for sale	58	47	49
Total equity and liabilities	25 721	25 511	23 229
Net debt (note 6)	2 874	2 455	3 731
Net asset value per share (cents)	4 250	3 814	3 616
Capital expenditure			
– incurred	1 042	686	1 982
– contracted	1 773	393	3 550
– authorised but not contracted	737	1 933	1 420
– share of associates' and joint ventures' contracted capital commitments not included above	419	584	456
Capital expenditure contracted relating to captive mines Tshikondeni, Arnot and Matla, which will be financed by ArcelorMittal SA Limited and Eskom, respectively	200	568	18
Contingent liabilities (note 7)	851	633	717
Contingent assets (note 8)	58	293	158
Operating lease commitments	98	97	92
Operating sublease rentals receivables	8		4

Condensed group statement of cash flows

	6 months ended 30 June 2010 Reviewed Rm	6 months ended 30 June 2009 Reviewed Rm	12 months ended 31 Dec 2009 Audited Rm
Cash retained from operations	1 930	832	2 117
– net financing costs	(164)	(192)	(381)
– tax paid	(189)	(488)	(892)
– dividends paid	(352)	(700)	(1 050)
Cash flows from investing activities			
– capital expenditure	(1 042)	(686)	(1 982)
– proceeds from disposal of property, plant and equipment	57	4	11
– increase in investments	(59)	(50)	(8)
– increase in joint venture			(1 082)
– dividends from investments and equity-accounted investments	638	1 124	1 754
– other	39	(123)	(107)
Net cash inflow/(outflow)	858	(279)	(1 620)
Net cash flow from financing activities			
– shares issued	16	20	43
– increase in non-controlling interests' loans		8	10
– net borrowings (repaid)/raised	(54)	1 195	821
Net increase/(decrease) in cash and cash equivalents	820	944	(746)
Cash and cash equivalents at beginning of period	1 023	1 769	1 769
Cash and cash equivalents end of period	1 843	2 713	1 023

Reconciliation of headline earnings

	Gross Rm	Tax Rm	Non- controlling interests Rm	Net Rm
6 months ended 30 June 2010 (reviewed)				
Profit attributable to owners of the parent				2 408
Adjusted for:				
– IAS 16: <i>Impairment of property, plant and equipment</i>	5	(1)		4
– IAS 16: <i>Gains or losses on disposal of property, plant and equipment</i>	(53)	4		(49)
Headline earnings	(48)	3		2 363
6 months ended 30 June 2009 (reviewed)				
Profit attributable to owners of the parent				1 390
Adjusted for:				
– IAS 16: <i>Gains or losses on disposal of property, plant and equipment</i>	18		(6)	12
– IAS 28: <i>Share of associates' IAS 16: Gains or losses on disposal of property, plant and equipment</i>	(4)		1	(3)
Headline earnings	14		(5)	1 399
Year ended 31 December 2009 (audited)				
Profit attributable to owners of the parent				1 023
Adjusted for:				
– IAS 16: <i>Impairment of property, plant and equipment</i>	1 435			1 435
– IAS 16: <i>Gains or losses on disposal of property, plant and equipment</i>	88	(24)	(2)	62
– IAS 28: <i>Share of associates' IAS 16: Gains or losses on disposal of property, plant and equipment</i>	(8)	2		(6)
Headline earnings	1 515	(22)	(2)	2 514
	6 months ended 30 June 2010 Reviewed	6 months ended 30 June 2009 Reviewed	12 months ended 31 Dec 2009 Audited	
Headline earnings per share (cents)				
– basic		683	406	729
– diluted		655	388	702

Group statement of changes in equity

	Share capital Rm	Share premium Rm
Balance at 31 December 2008 (audited)	4	2 094
Total comprehensive income (restated)		
Issue of share capital ⁽¹⁾		21
Share-based payments movements		
Non-controlling interests additional contributions		
Dividends paid		
Balance at 30 June 2009 (reviewed)	4	2 115
Total comprehensive income (restated)		
Issue of share capital ⁽¹⁾		22
Share-based payments movements		
Non-controlling interests additional contributions		
Dividends paid		
Balance at 31 December 2009 (audited)	4	2 137
Total comprehensive income (restated)		
Issue of share capital ⁽¹⁾		16
Share-based payments movements		
Dividends paid ⁽²⁾		
Balance at 30 June 2010 (reviewed)	4	2 153
Dividend paid per share (cents) in respect of the previous financial year	200	
Dividend paid per share (cents) in respect of this interim period	200	

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

⁽²⁾ The STC on these dividends amounted to Rnil after taking into account STC credits.

Other components of equity

Foreign currency transla- tions Rm	Financial instru- ments revalua- tion Rm	Equity- settled Rm	Retained income Rm	Attri- butable to owners of the parent Rm	Non- control- ling interests Rm	Total equity Rm
964	145	1 081	8 708	12 996	128	13 124
(196)	(8)		1 390	1 186	(66)	1 120
				21		21
		72		72		72
					7	7
			(700)	(700)		(700)
768	137	1 153	9 398	13 575	69	13 644
34	(134)		(327)	(427)	(71)	(498)
				22		22
		88		88		88
					3	3
			(350)	(350)		(350)
802	3	1 241	8 721	12 908	1	12 909
(19)	188		2 421	2 590	(47)	2 543
				16		16
		53		53		53
			(352)	(352)		(352)
783	191	1 294	10 790	15 215	(46)	15 169

Notes to the reviewed financial statements

1. Basis of preparation

This condensed interim report complies with International Accounting Standard 34, *Interim Financial Reporting*, the AC 500 standards as issued by the Accounting Practices Board or its successor and Schedule 4 Part iv of the South African Companies Act. The group financial statements have been prepared on the historical cost 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 2009.

The disclosure of share-based payments movements has previously been disclosed as other comprehensive income; it is now disclosed directly in the statement of changes in equity; the disclosure has been applied to the prior period and year.

During 2010 the following accounting pronouncements became effective:

Amended IFRS 1 *First-time Adoption of International Financial Reporting*, Amended IFRS 2 *Share-based Payments*, Revised IFRS 3 *Business Combinations*, Amended IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, Amended IFRS 8 *Operating Segments*, Amended IAS 1 *Presentation of Financial Statements*, Amended IAS 7 *Statement of Cash Flows*, Amended IAS 17 *Leases*, Revised IAS 27 *Consolidated and Separate Financial Statements*, Revised IAS 28 *Investments in Associates*, Revised IAS 31 *Interests in Joint Ventures*, Amended IAS 36 *Impairment of Assets*, Amended IAS 38 *Intangible Assets*, Amended IAS 39 *Financial Instruments: Recognition and Measurement*, Amended IFRIC 9 *Reassessment of Embedded Derivatives*, IFRIC 17 *Distributions of Non-cash Assets to Owners*, IFRIC 18 *Transfers of Assets from Customers*. These pronouncements had no material impact on the accounting of transactions or the disclosure thereof. The application of IFRS 3, together with IAS 27, IAS 28 and IAS 31 will have a significant impact on the accounting and disclosure of business combinations and the accounting for the carrying value of investments on partial disposals of investments for such transactions in the future.

	6 months ended 30 June 2010 Reviewed Rm	6 months ended 30 June 2009 Reviewed Rm	12 months ended 31 Dec 2009 Audited Rm
2. Net operating profit is arrived at after including:			
Depreciation, and amortisation of intangible assets	(657)	(531)	(1 136)
Net realised foreign currency exchange gains/(losses)	5	(434)	(576)
Net unrealised foreign exchange gains/(losses)	43	(76)	(45)
Derivative instruments held for trading: gains	115	335	379
Fair value adjustment on financial instruments: gains	6	11	26
Impairment charges (note 3)	(5)		(1 435)
Net surplus/(deficit) on disposal of property, plant and equipment	53	(22)	(88)
3. Impairment charges			
Impairment of property, plant and equipment	(5)		(1 435)
Total impairments before and after tax	(5)		(1 435)
4. Net financing costs			
Interest expense and loan costs	184	245	460
Finance leases	33	33	66
Interest income	(53)	(86)	(145)
Net interest expense	164	192	381
Interest adjustment on non-current provisions	75	50	34
Net financing cost as per income statement	239	242	415

	6 months ended 30 June 2010 Reviewed Rm	6 months ended 30 June 2009 Reviewed Rm	12 months ended 31 Dec 2009 Audited Rm
5. Investments			
Unlisted investments in associates			
– directors' valuation	20 137	14 001	14 165
Unlisted investments included in other financial assets			
– directors' valuation	423	413	408

6. Net debt

Net debt is calculated as being interest-bearing borrowings less cash and cash equivalents.

7. 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 increase in 2010 is mainly due to Exxaro's share of guarantees issued by associates to the Department of Mineral Resources in respect of rehabilitation and decommissioning obligations.

8. Contingent assets

A surrender fee of R58 million in exchange for the exclusive right to prospect, explore, investigate and mine for coal within a designated area in central Queensland and Moranbah conditional on the grant of a mining lease, is disclosed as a contingent asset.

9. Related party transactions

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.

10. JSE Limited Listings Requirements

The interim results announcement has been prepared in accordance with the Listings Requirements of the JSE Limited.

11. Corporate governance

Sound corporate governance processes are being applied at Exxaro. They are regularly reviewed and adapted to accommodate internal corporate developments and to reflect national and international best practice. Exxaro endorses the principles of the King Code of Governance Principles for South Africa 2009 ("King III Code"). The board of Exxaro is considering the implications and effect of the King III Code and will report on the implementation and application thereof in its annual financial statements for the year ending 31 December 2011.

12. Mineral Resources and Mineral Reserves

The group's Mineral Resources and Ore Reserves are under review to provide updated estimations for 2010, however no material changes to the Mineral Resources and Ore Reserves disclosed in the Exxaro annual report for the year ended 31 December 2009 are expected other than depletion due to continued mining activities.

13. Events after the reporting period

On 10 July 2010, Furnace 2 at Namakwa Sands was shut down as a precautionary measure after a hot spot was detected. After extensive investigations it was decided to continue with the start-up of the furnace on 24 July 2010, with a reline planned for February 2011. If there is any indication of safety concerns, the furnace will be taken out of service and prepared for an earlier reline.

Kumba Iron Ore Limited announced that it has reached an interim pricing agreement on 21 July 2010 in respect to the supply of iron ore to ArcelorMittal South Africa Limited from its subsidiary Sishen Iron Ore Company (Pty) Limited (SIOC). The duration of the interim agreement will be retrospective to 1 March 2010, and will endure until 31 July 2011. The difference between the revenue recognised and amounts outstanding under the interim agreement for the period ended 30 June 2010 amounted to R398 million of which R79.5 million is attributable to Exxaro. Upon completion of the necessary documentation, the R398 million will be recognised as revenue by SIOC within the second half of 2010 and Exxaro will account for its proportionate after-tax portion as income from equity-accounted investments.

The directors are not aware of any other matter or circumstance arising after the reporting period up to the date of this report not otherwise dealt with in this report.

14. Auditors' review

The interim results have been reviewed by the company's auditors, Deloitte & Touche. Their unmodified review opinion is available for inspection at the company's registered office.

Comments

OPERATING RESULTS

Comments are based on a comparison of the group's reviewed financial results and unaudited physical information for the six-month periods ended 30 June 2010 and 2009 respectively. The earnings reported for the six-month period to 30 June 2010 includes results from the Mafube joint venture (Mafube) for the full period under review while the comparative period to 30 June 2009 only includes Mafube from the effective date of acquisition of 1 June 2009 i.e. one month.

The coal business reported a 16% increase in net operating profit to R1 199 million as lower export volumes at higher international selling prices were offset by higher local sales volumes but at lower prices. All the mineral sands businesses reported a net operating profit as generally higher sales volumes at higher prices supported by disciplined cost management underpinned the results. The base metals business remained profitable on the back of higher average zinc prices and higher demand.

Group revenue increased by 10% to R7 852 million while net operating profit increased by R410 million to R1 363 million as the group benefited from the global economic recovery.

Revenue was recorded at a significantly stronger average exchange rate of R7,81 to the US dollar compared with R9,40 in the comparative period in 2009.

EARNINGS

Attributable earnings, inclusive of Exxaro's 20% interest in the post-tax profits of Sishen Iron Ore Company (Pty) Limited (SIOC) amounting to R1 624 million, increased by 73% from R1 390 million to R2 408 million or 696 cents per share.

Headline earnings were R2 363 million or 683 cents per share. This represents a 68% increase on the comparative 2009 earnings of R1 399 million at 406 cents per share.

CASH FLOW

Cash retained from operations was R1 930 million from which taxation payments of R189 million, the final dividend for the 2009 financial year of R352 million and capital expenditure payments of R1 042 million were made. A total of R681 million of the capital expenditure was invested in new capacity while R361 million was for sustaining and environmental purposes.

After accounting for R638 million of dividends received from associate companies, a net cash inflow of R858 million was recorded and contributed to the significant reduction in net debt in the six months to 30 June 2010.

Net debt of R3 731 million at 31 December 2009 decreased to R2 874 million at 30 June 2010 at a debt to equity ratio of 19%.

Subsequent to the interim reporting date, Exxaro will pay the interim dividend of R716 million and received a dividend of R1 173 million from SIOC.

SAFETY AND SUSTAINABLE DEVELOPMENT

Safety and health of all employees continues to be a priority at Exxaro which is reflected in the adoption of the "Safety Always All The Way" campaign.

Regrettably, one fatality was reported at Tshikondeni on 10 March 2010. The lost time injury frequency rate (LTIFR) per 200 000 man-hours worked is 0,26, an improvement from 0,30 recorded at 30 June 2009 and 0,33 at 31 December 2009.

Comments continued

Following on the CEO Safety Summit that was held on 30 April 2010, the Exxaro Safety Improvement Plan (ESIP) is being rolled out at all business units focusing on the training of visible felt leadership change champions, communication of Exxaro zero tolerance safety rules, rolling out of the safety training matrix, safety communication guidelines and mini Hazard Identification and Risk Assessments (HIRA).

HIV testing and counselling continue to be an important focus for the group. Since the beginning of 2009, 66% of employees have undergone HIV prevalence testing against a target of 70%. The prevalence rate in the group is estimated at about 12% with 43% of HIV positive employees already voluntarily enrolled onto the HIV management programme.

Fourteen business units are now ISO 14001 and OHSAS 18001 certified with the remaining three business units having programmes in place to be certified during 2010.

REPORTED SEGMENT RESULTS

Reported segments are based on the group's different products and operations as well as the physical location of these operations and associated products.

	Reviewed 6 months ended 30 June 2010 Rm	Reviewed 6 months ended 30 June 2009 Rm	Audited 12 months ended 31 Dec 2009 Rm
REVENUE			
Coal	4 730	4 797	9 731
Tied operations	1 320	1 276	2 681
Commercial operations	3 410	3 521	7 050
Mineral Sands	2 130	1 550	3 508
KZN Sands	535	273	705
Namakwa Sands	893	644	1 468
Australia Sands	702	633	1 334
Base Metals	895	674	1 582
Rosh Pinah	283	206	566
Zincor	851	630	1 413
Intra-segmental	(239)	(162)	(397)
Other	97	90	188
Total revenue	7 852	7 111	15 009
SEGMENT NET OPERATING PROFIT/(LOSS)			
Coal	1 199	1 032	1 905
Tied operations	97	71	75
Commercial operations	1 102	961	1 830
Mineral Sands	148	(67)	(1 559)
KZN Sands ⁽¹⁾	61	(110)	(1 447)
Namakwa Sands	33	24	(110)
Australia Sands	54	19	(2)
Base Metals	12	9	(8)
Rosh Pinah	48	35	105
Zincor	(18)	3	(47)
Intra-segmental and other	(18)	(29)	(66)
Other	4	(21)	(34)
Total	1 363	953	304

⁽¹⁾ Includes a R1 435 million impairment of the carrying value of assets in the 12-month period ended 31 December 2009.

UNAUDITED PHYSICAL INFORMATION ('000 tonnes)

	6 months ended 30 June 2010	6 months ended 30 June 2009	12 months ended 31 Dec 2009
Coal			
Production			
- Power station coal	18 269	18 583	36 562
* Tied operations ⁽¹⁾	8 365	8 704	16 486
* Commercial operations	9 904	9 879	20 076
- Coking coal	1 187	922	2 020
* Tied operations	124	129	268
* Commercial operations	1 063	793	1 752
- Other coal	3 518	3 061	6 638
- Char	49		38
- Coal buy-ins	464	430	759
Total	23 487	22 996	46 017
Sales			
- Eskom coal	18 379	18 494	36 299
* Tied operations	8 356	8 700	16 473
* Commercial operations	10 023	9 794	19 826
- Other domestic coal	2 447	1 920	4 587
* Tied operations	117	130	259
* Commercial operations	2 330	1 790	4 328
- Coal export	1 842	2 389	4 715
- Char	52		31
Total	22 720	22 803	45 632
Mineral Sands⁽²⁾			
Production			
- Ilmenite	367	424	819
- Zircon	94	97	185
- Rutile	28	33	62
- Synthetic Rutile	51	54	109
- Pig iron (LMPi)	81	95	181
- Scrap iron	8	7	15
- Slag tapped	141	171	331
- Chloride slag	84	104	201
- Sulphate slag	16	19	44
- Leucoxene	7	7	14
- Pigment	25	25	53
Total	902	1 036	2 014

Comments continued

UNAUDITED PHYSICAL INFORMATION ('000 tonnes) continued

	6 months ended 30 June 2010	6 months ended 30 June 2009	12 months ended 31 Dec 2009
Sales			
– Zircon	124	47	146
– Rutile	35	19	51
– Synthetic Rutile	23	24	50
– Pig iron (LMPi)	107	64	138
– Scrap iron	1	4	6
– Chloride slag	98	67	144
– Sulphate slag	7	14	44
– Leucoxene	7	1	15
– Pigment	24	23	54
Total	426	263	648
Base metals			
Production			
– Zinc concentrate	60	53	108
* Rosh Pinah	52	47	94
* Black Mountain	8	6	14
– Zinc metal	54	54	116
* Zincor	43	44	87
* Chifeng ⁽³⁾	11	10	29
– Lead concentrate	17	20	38
* Rosh Pinah	9	12	20
* Black Mountain	8	8	18
Zinc metal sales	59	58	122
– Domestic	46	44	93
– Export	13	14	29
Lead concentrate sales			
– Export	7	6	19

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

⁽²⁾ Includes Exxaro Sands Australia's 50% interest in the Tiwest joint venture.

⁽³⁾ Exxaro's effective interest in the Chifeng refinery is disclosed.

OPERATIONS

Coal

Total production was marginally higher than the previous year as lower power station coal production was more than offset by higher coking coal and steam coal production.

Power station coal production at the Eskom tied mines was 339kt lower than the corresponding period as lower production at Arnot, due to geological conditions and technical challenges, was offset by higher production at Matla.

Power station coal production at the commercial mines was marginally higher as lower demand at Grootegeluk and North Block Complex (NBC) mines was offset by higher production at Leeuwpan after the crush and screen plant commissioning during 2010 as well as the first full six-month's contribution from Mafube.

Coking Coal production was 29% or 265kt higher as increased demand, mainly from ArcelorMittal, led to higher production at Grootegeluk.

Steam Coal production was 15% higher at 3 518kt as the inclusion of production from Mafube was complemented by higher production from Grootegeluk and Leeuwpan due to higher demand.

Sales volumes to Eskom were in line with the previous year however domestic sales of metallurgical coal were higher due to higher demand from ArcelorMittal. This increased demand was met by re-directing sales destined for the export market from Grootegeluk as a result of low availability of trains.

Exxaro Coal's strategy to increase export volumes was hampered by lower availability of trains, compounded by the Transnet Freight Rail strike during the period.

Revenue is in line with the previous year, however, at a different sales mix with lower export sales volumes at higher international prices offset by higher domestic sales volumes at lower realised prices.

Net operating income for the six months ended 30 June 2010 increased by 16% to R1 199 million at an improved operating margin of 25% resulting from the different sales mix yet reduced somewhat by a stronger average realised local currency as well as increased costs. The increased costs were most notably operating costs from the full six months inclusion of the results of the Mafube joint venture, higher depreciation charges, higher contractor cost at Leeuwpan mine for the removal of overburden, and higher than inflation increases in electricity, diesel and labour cost.

Mineral Sands

Lower heavy minerals concentrate production was reported due to anticipated lower grades from the KZN Sands Hillendale mine. Slag tapped, low manganese pig iron production as well as chloride and sulphate slag production was also lower as a result of ancillary equipment failure at KZN Sands affecting both furnaces, while Furnace 1 at Namakwa Sands was idled for longer than the comparative period in 2009, further compounded by the planned Furnace 2 reline in the current period.

Lower grades at the Hillendale mine led to lower overall zircon and rutile production despite being partially offset by higher overall Zircon recoveries at Namakwa Sands and higher production at the Australian operations based on higher grades and increased overall utilisation of the dredge mine.

Comments continued

Synthetic rutile (SR) production decreased as a result of non-recurring maintenance related issues. The SR plant at Chandala in Australia will be shut for 38 days in the fourth quarter of 2010 for planned maintenance.

The 40kt pigment expansion at the Kwinana pigment plant in Australia was successfully commissioned in late June with progressively ramped up production anticipated from July 2010 onwards. Pigment production was in line with the corresponding period notwithstanding an 11 day shut to complete all the tie-ins for the expansion.

Despite the lower production volumes and a stronger Rand and Australian dollar compared with the US dollar, revenue was R580 million higher at R2 130 million as higher demand was satisfied from stockpiles at more favourable prices. Demand for both chloride and sulphate feedstock was strong as pigment producers raised output to meet the growth in consumption. The zircon market was positive as strong demand and tight supply supported an upward trend in prices. Demand and pricing for pig iron were also favourable due to the recovery in the global steel and foundry sectors.

Based on the higher revenue, net operating profit of R148 million was reported; a pleasing turnaround from the R67 million loss in the corresponding period in 2009. Included in the recorded net operating profit is the final R98 million insurance proceeds received relating to the Furnace 2 water ingress incident at KZN Sands in February 2008, the benefits of disciplined cost management and cost improvement initiatives, as well as favourable hedging to mitigate the relative strength of the Australian dollar.

Base Metals

Zinc concentrate production at a higher grade at the Rosh Pinah mine in Namibia increased by 5kt over the equivalent period in 2009. Production of zinc metal at the Zincor refinery of 43kt was however 965 tonnes lower and can be attributed to downtime on the acid plant, throughput limitations on the purification circuit and disruption of the incoming water supply.

Domestic zinc metal sales were 4% higher at 46kt and were realised at a higher average price of USD2 157 per tonne.

Revenue for the six months to 30 June 2010 increased by 32% as a result of the higher average realised zinc price and increased volumes sold.

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 USD2 215 to USD1 887 per tonne for zinc and USD2 385 to USD1 771 per tonne for lead.

The higher revenue and cost saving initiatives contributed to the recording of a net operating profit despite the impact of higher than inflation increases in electricity and maintenance expenses.

Production at the Chifeng refinery was 3% higher compared to the equivalent period in 2009. Equity accounted income was however only R2 million.

Production of zinc concentrate at Black Mountain Mining (Pty) Limited (Black Mountain) was 33% higher at 8kt compared to the equivalent period in 2009. The 26% equity interest in Black Mountain delivered R9 million in equity income; some 40% less than the previous corresponding period due to lower sales volumes and a higher tax charge.

Other, including Industrial Minerals

As announced on 5 May 2010, the Glen Douglas dolomite mine was sold for R35 million to Afrimat Limited. Completion of the disposal now awaits the fulfilment of a number of suspensive conditions which are expected to be met in the second half of 2010.

CAPITAL EXPENDITURE AND PROJECT PIPELINE

Although the economic downturn necessitated a review of the company's capital expenditure and project pipeline in 2009, cognisance is being taken of the recovery in the global economy resulting in a renewed focus on carbon, reductants, ferrous and energy projects in line with the group's approved commodity strategy.

Coal

Construction of the R9,5 billion brownfields expansion at the Grootegeluk mine to supply Eskom's Medupi power station with 14,6Mtpa of power station coal for 40 years has commenced and is progressing well to supply the first coal to Eskom during the second quarter in 2012, aligned with the start-up of the power station. The bulk of the front end detailed engineering design has been completed and orders for long lead capital items have been placed.

Exxaro and Eskom signed a revised agreement on 26 March 2010 and the R4,5 billion bridge loan facility has been secured with a consortium of local and international financial institutions.

A pre-feasibility study on the Thabametsi Project, a potential greenfields mine adjacent to the Grootegeluk mine, with the capability of supplying the market with power station and metallurgical coal, has now been completed. The implementation and development of this project is planned to coincide with Eskom's future developments in the Waterberg together with the Department of Energy's formalisation and establishment of an appropriate enabling environment governed by the National Integrated Resource Plan to allow for new generation capacity in terms of Eskom's multi-site base load Independent Power Producer programme. The scope of the bankable feasibility for the Thabametsi study will only be finalised after the details of the new generation capacity are determined, whereupon the required technical studies will commence.

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 in an extended pre-feasibility stage and a decision to proceed to a bankable feasibility study is expected by mid 2011. The mining of the 170 000 tonne bulk sample for 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 by the end of 2010.

An integrated infrastructure plan is being implemented for the Waterberg coal fields together with the relevant stakeholders. Focus areas include key enablers such as the supply of raw water to the area, rail, road and housing.

Exxaro's application for a mining right at its Belfast project has been accepted by the Department of Mineral Resources (DMR) and now awaits the record of decision on the awarding of the mining right from the DMR. The specialist environmental studies for Belfast as required by National Environmental Management Act and National Water Act are in process and will be submitted to the relevant authorities during the fourth quarter of 2010. The project is in a pre-feasibility stage; depending on the outcome, start-up is anticipated in 2014.

The Sintel Char plant at Grootegeluk mine for the production of reductants for the ferroalloy industry has been fully commissioned with all four retorts in operation. The plant is expected to reach its overall design capacity in the last quarter of 2010. Exxaro is also currently evaluating the phase 2 expansion to the facility to produce another 140ktpa of char as well as a study to produce market

Comments continued

coke from semi-soft coking coal at Grootegeluk. These studies are expected to be concluded in the first half of 2011.

Results from exploration activities of the hard coking coal resource on the Moranbah South properties in the Bowen Basin of Queensland Australia remain encouraging. Due to the high value entrenched in the potential long wall operation, it was decided to revise the current bord and pillar study and evaluate a combination of bord and pillar and a long wall operation. The concept study was completed in January 2010, and the pre-feasibility study commenced during the second quarter of 2010. Moranbah South, which is a 50% joint venture with Anglo American Metallurgical Coal, has the potential to produce premium quality hard coking coal.

Energy

The development of Exxaro's energy portfolio and the formation of a separate company to house Exxaro's energy interests is progressing. In parallel a process to secure an equity funding partner is underway with targeted investors.

A desktop study report for a solar power station has been completed. The pre-feasibility study is expected to be finalised by end August 2010.

A desktop study report has been completed for a wind project on the West coast. An 80m mast has been installed at Brand se Baai during March 2010. In addition to this a memorandum of understanding was signed between Exxaro, Watt Energy, the Tsitsikamma Community and other Danish parties to develop a 40MW wind farm in the Tsitsikamma district. The project is currently in a desktop study phase. Installation of an 80m mast is planned for the last quarter of 2010.

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 progressing well. The drilling has been completed and fracturing is in process. The five-spot test work should be completed by September 2010 after which the wells will be operated until economic gas flow has been attained.

Mineral Sands

As a result of the improved fundamentals of the mineral sands industry a bankable feasibility study will be undertaken on the Fairbreeze project at KZN Sands. Depending on the outcome of the study and according to the current project schedule, construction could commence by mid 2011 with commissioning scheduled for the second half of 2013.

Ferrous

The final evaluation of the Turkey iron ore project concluded that it did not meet Exxaro's investment criteria with respect to size. The subsequent divestment of its 76% share in the project JV is expected to be finalised during 2010.

Investigation into other opportunities continues as part of the group's entry strategy into the iron ore market. These include major iron ore projects as well as the leveraging of unique beneficiation technology.

Exxaro has secured a technology partner to participate in the commercialisation of its AlloyStream™ technology to produce high carbon ferromanganese. The technology will allow for the processing of raw materials that were previously difficult to utilise in conventional processes. Agreements are in the process of being finalised and commissioning of a large demonstration facility is planned for 2012.

Base Metals

Activities are currently focused on optimisation of assets in order to extract maximum value for all stakeholders during the envisaged divestment, planned for 2011.

CONVERSION OF MINING RIGHTS

Engagement with the relevant stakeholders continues in order to process the registration of new order mining rights granted as well as the converted old order mining rights of the former Kumba Resources Limited. Approval of the conversion of the old order mining rights of the former Eyesizwe Coal (Pty) Limited submitted to the DMR in 2008 is also still awaited.

CHANGES TO THE BOARD

Consequent to the election of Dr Len Konar as chairman of the board with effect from 23 February 2010, Mr Jeff van Rooyen was appointed as chairman of the audit, risk and compliance committee.

OUTLOOK

Coal export volumes should increase when compared with the first half of 2010 due to the anticipated commissioning of Richards Bay Coal Terminal Phase V, subject to availability of rail capacity. International demand for hard coking coal is set to remain strong and should support an increase in semi-soft coking coal prices.

The current shortage of pigment should lead to an increase in prices while demand for mineral sands products is generally anticipated to further improve. The downside however remains the relative strength of the Australian dollar and the Rand to the US dollar for the Australian and South African operations. Continued strength in the zircon market is expected to prevail thus supporting current price trends.

High zinc concentrate and metal stock levels are expected to result in downwards pressure and a lower average realised zinc price in the second half of 2010. The logistical challenge to transport concentrate from Rosh Pinah to Zincor is expected to remain in the second half.

The equity accounted contribution from SIOC should be positively impacted by anticipated higher prices and continued strong demand.

On the back of the current economic recovery, earnings in the second half of 2010 should increase however renewed fears of a slower than expected recovery could impact negatively on the outlook. The relative strength of the local and Australian currencies could further impact on the results for the second half of 2010 as well.

The financial information on which the outlook statement is based has not been reviewed nor reported on by the group's auditors.

Comments continued

INTERIM DIVIDEND

The board of directors have declared an interim cash dividend number 15 of 200 cents per share in respect of the 2010 interim period. 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, 1 October 2010.

In compliance with the requirements of Strate, the electronic and custody system used by the JSE, the following dates are applicable:

Last date to trade <i>cum</i> dividend	Thursday, 23 September 2010
Shares trade <i>ex</i> dividend	Monday, 27 September 2010
Record date	Friday, 1 October 2010
Payment date	Monday, 4 October 2010

Share certificates may not be dematerialised or rematerialised during the period Monday, 27 September 2010 and Friday, 1 October 2010, both days inclusive.

On Monday, 4 October 2010 the cash dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. Where electronic fund transfer is not available or desired, cheques dated 4 October 2010 will be posted on that date. Shareholders who have dematerialised their share certificates will have their accounts at their CSDP or broker credited on Monday, 4 October 2010.

On behalf of the board

Len Konar

Chairman

Sipho Nkosi

Chief Executive Officer

Wim de Klerk

Financial Director

11 August 2010

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("Exxaro" or "the company" or "the group")

If you have any queries regarding your shareholding in Exxaro Resources Limited,
please contact the Transfer Secretaries at +27 11 370 5000.



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