

## NEWS RELEASE

For immediate release

12 August 2010

### **EXXARO'S REVIEWED GROUP INTERIM FINANCIAL RESULTS AND UNAUDITED PHYSICAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010**

#### **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

**Diversified South African-based resources group Exxaro Resources Limited (Exxaro) today reported group revenue of R7,9 billion for the six months ended 30 June 2010, an increase of 10% when compared with the same period in 2009.**

---

*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.*

---

"Net operating profit increased by R410 million to R1,4 billion as the group benefited from a global economic recovery," said Siphon Nkosi, Exxaro's chief executive officer.

"The coal business reported a 16% increase in net operating profit to R1,19 billion 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 the results. The base metals business remained profitable on the back of higher average zinc prices and higher demand," said Nkosi.

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

#### **EARNINGS**

Attributable earnings, inclusive of Exxaro's 20% interest in the post-tax profits of Sishen Iron Ore Company (Pty) Ltd (SIOC) amounting to R1,62 billion, increased by 73% from R1,39 billion to R2,41 billion or 696 cents per share.

Headline earnings were R2,36 billion or 683 cents per share. This represents a 68% increase on the comparative 2009 earnings of R1,39 billion at 406 cents per share.

## **CASH FLOW**

Cash retained from operations was R1,93 billion from which taxation payments of R189 million, the final dividend for the 2009 financial year of R352 million and capital expenditure payments of R1,04 billion 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 R3,73 billion at 31 December 2009 decreased to R2,87 billion 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 R1,17 billion from SIOC.

## **SAFETY & SUSTAINABLE DEVELOPMENT**

“Safety and health of all employees continues to be an important value for Exxaro and is reflected in the adoption of the group-wide ‘Safety Always All The Way’ campaign,” added Nkosi.

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.

“Following the CEO Safety Summit on 30 April 2010, the Exxaro Safety Improvement Plan (ESIP) is being rolled out at all business units with a focus on training of visible leadership change champions, communication of Exxaro zero tolerance safety rules, rolling out of the safety training matrix, safety communication guidelines and the mini Hazard Identification and Risk Assessments,” he said.

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 on to 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.

## **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 the 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 to the US dollar for the Australian operations. Continued strength in the zircon market is expected to prevail thereby supporting current price trends.

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

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

“On the back of 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,” said Nkosi.

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

#### **INTERIM DIVIDEND**

The board of directors has 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.

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**

Total production was marginally higher than the previous year as lower power station coal production was 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 partially offset by higher production at Matla.

Power station coal production at the commercial mines was marginally higher as lower demand at the Grootegeluk and North Block Complex (NBC) mines was negated 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 South Africa, 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 R1,19 billion 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 higher 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 costs at Leeuwpan mine for the removal of overburden, and higher than inflation increases in electricity, diesel and labour costs.

#### **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. Furnace 1 at Namakwa Sands was idled for longer than the corresponding period in 2009, further compounded by the Furnace 2 reline in the current period.

Lower grades at the Hillendale mine led to reduced 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.

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 R2,13 billion 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 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 of 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 US\$2 157 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 US\$2 215 to US\$1 887 per tonne for zinc and US\$2 385 to US\$1 771 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; 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 fulfillment of a number of suspensive conditions which are expected to be met in the second half of 2010.

### **ADDENDUM 2:**

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

Although the economic downturn necessitated a review of the group'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, roads 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 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 Sintel Char plant to produce a further 140ktpa as well as a study to produce market 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 at Lephalale has been completed. The pre-feasibility study is expected be finalised by end August 2010.

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

Investigation into other opportunities continues as part of the company'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.