

**THE INAUGURAL TZMI CONGRESS 2007**

**Singapore 14 – 16 November**

# **EXXARO SANDS – INSIGHTS AND OUTLOOK**

**Presented by: Wim de Klerk Executive General Manager, Exxaro Sands**



**exxaro**

**POWERING POSSIBILITY**



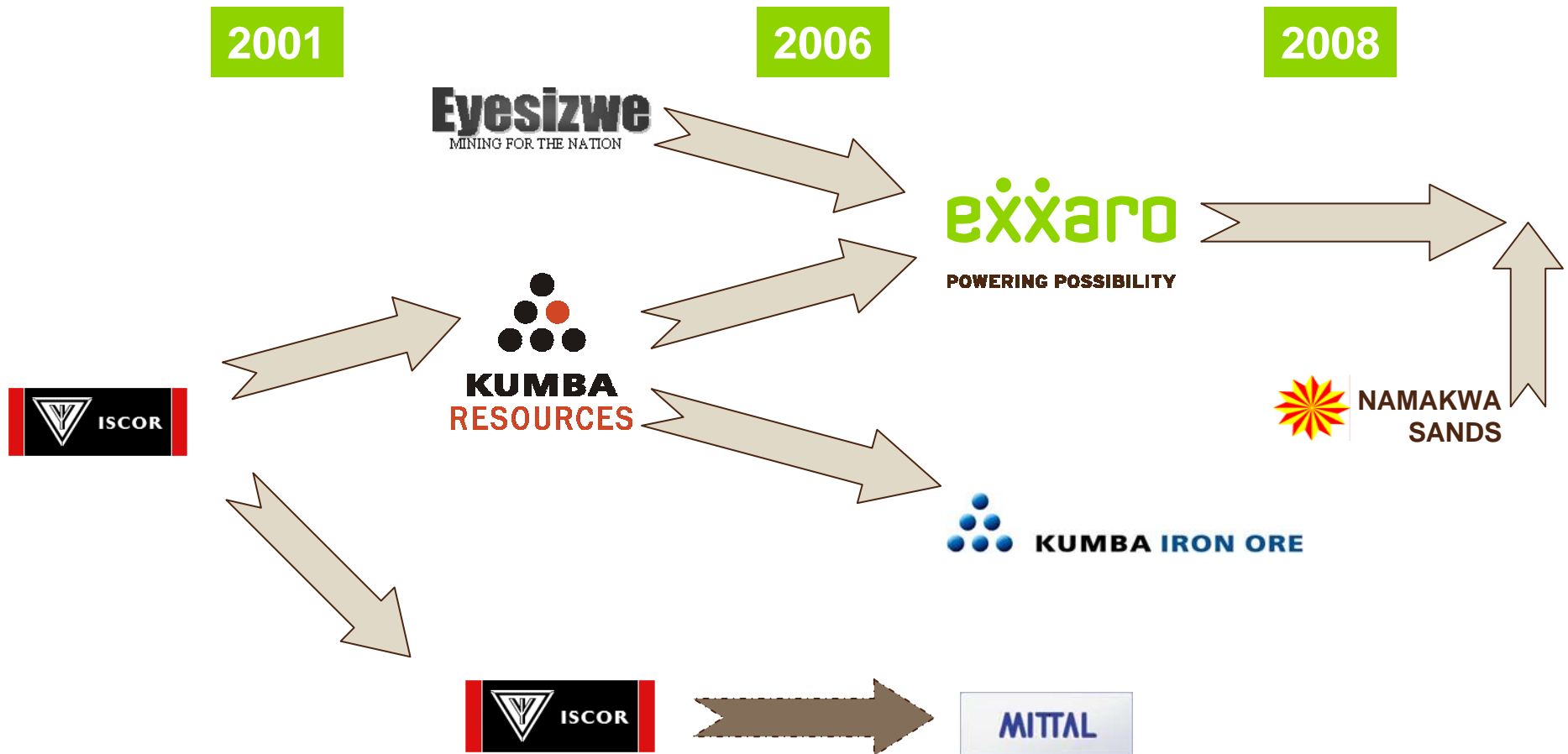
## DISCLAIMER

*This presentation includes certain information that is based on reasonable expectations and assumptions. These forward looking statements include, but are not limited to, statements regarding estimates, intentions and beliefs, as well as anticipated future productions, reserves, cost and market conditions. While Exxaro Sands has prepared this information using the best of its experience and judgment, in all good faith, there are risks and uncertainties involved which could cause results to differ from projections.*

- **Exxaro Resources**
- **Exxaro Sands**
- **Outlook**
  - **Supply/demand**
  - **Prices**
  - **Profitability**
- **Conclusion**



# Exxaro Resources : History

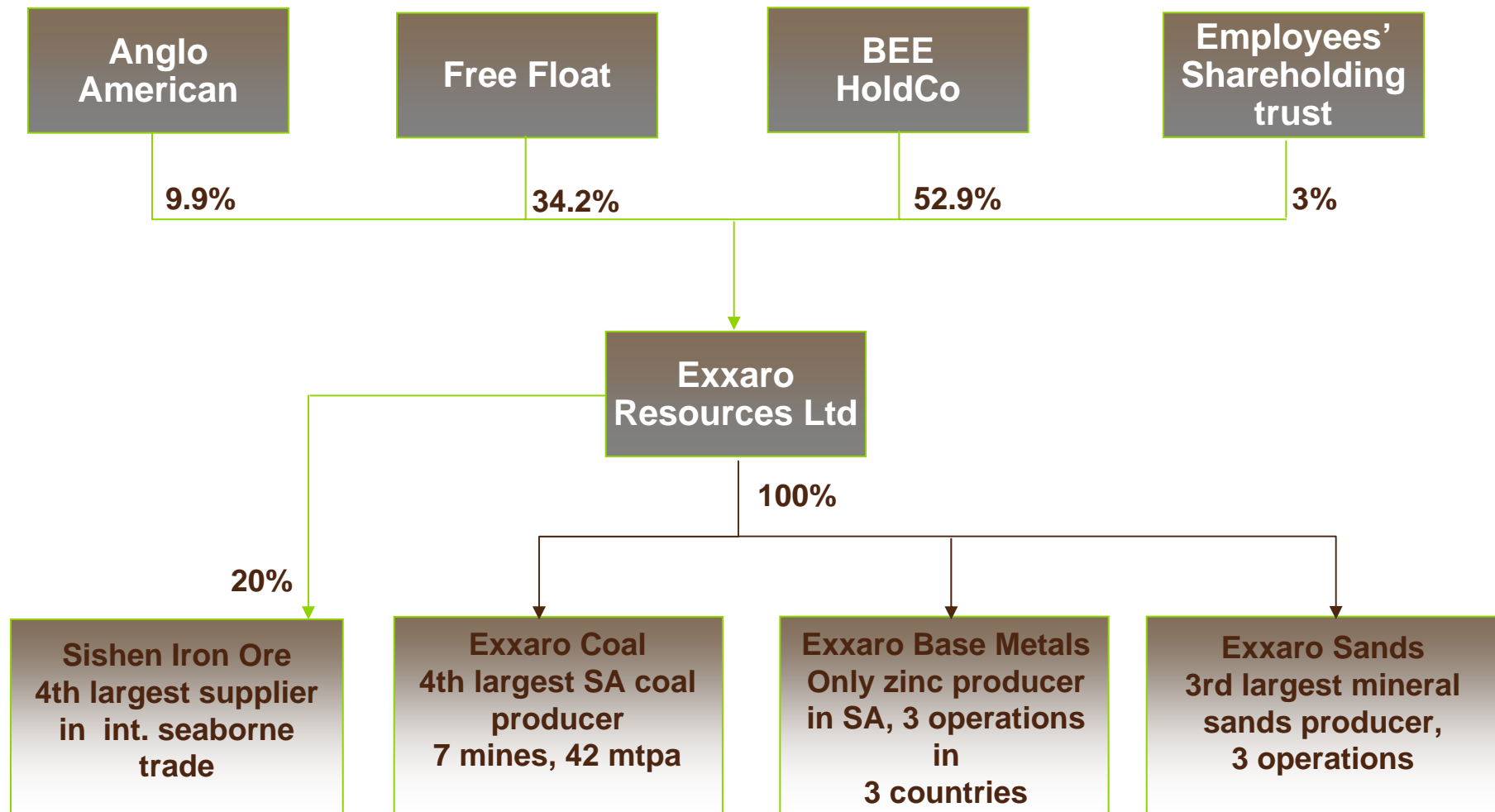


Restructuring ensures compliance to South Africa's new mining charter



# Exxaro Resources : Corporate structure

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SA's largest Black Empowered resources companies



## Exxaro Resources : Presence in China

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**1989**

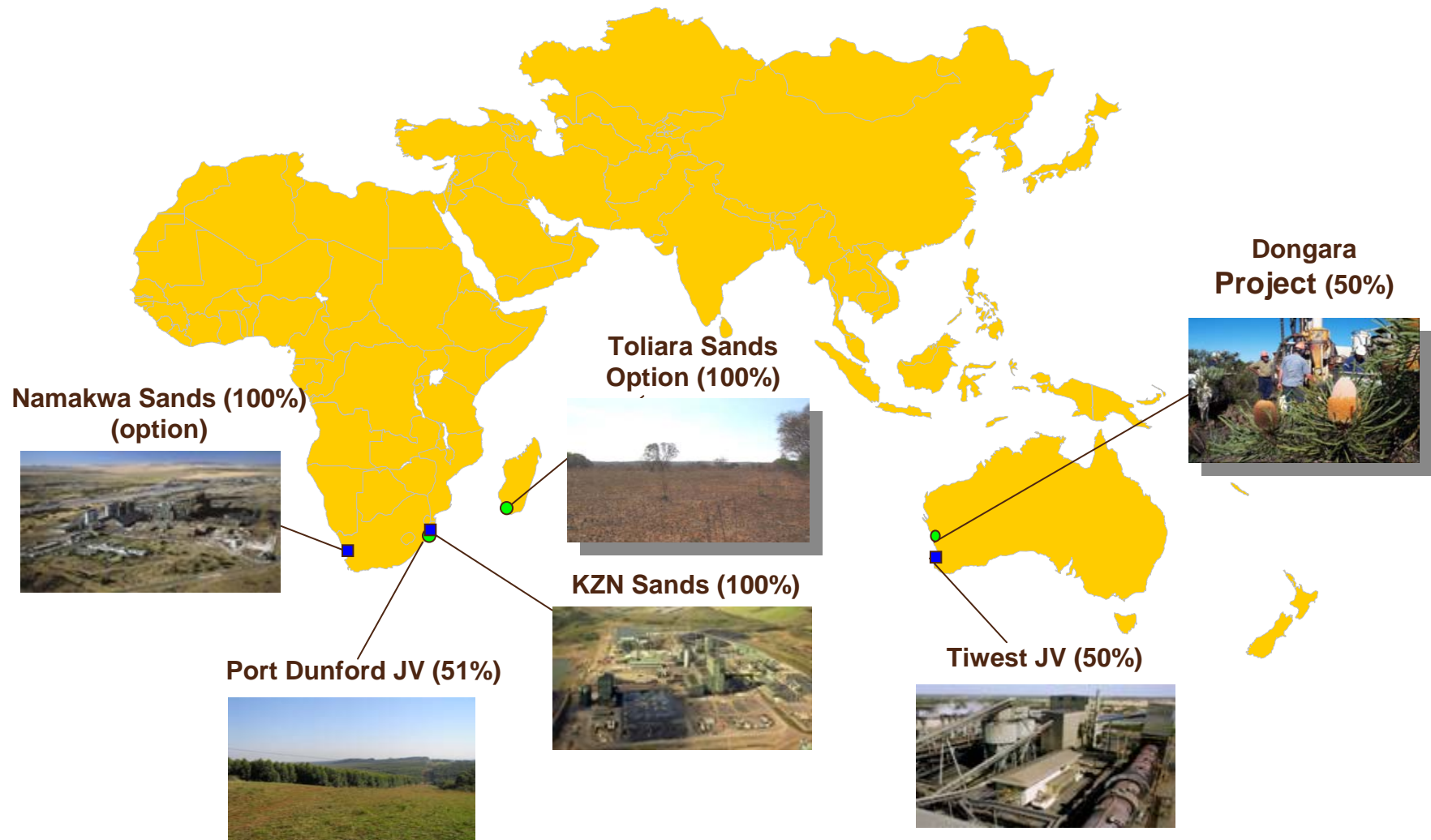
IsCOR shipped the  
first iron ore to  
China



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# Exxaro Sands : Operations and projects

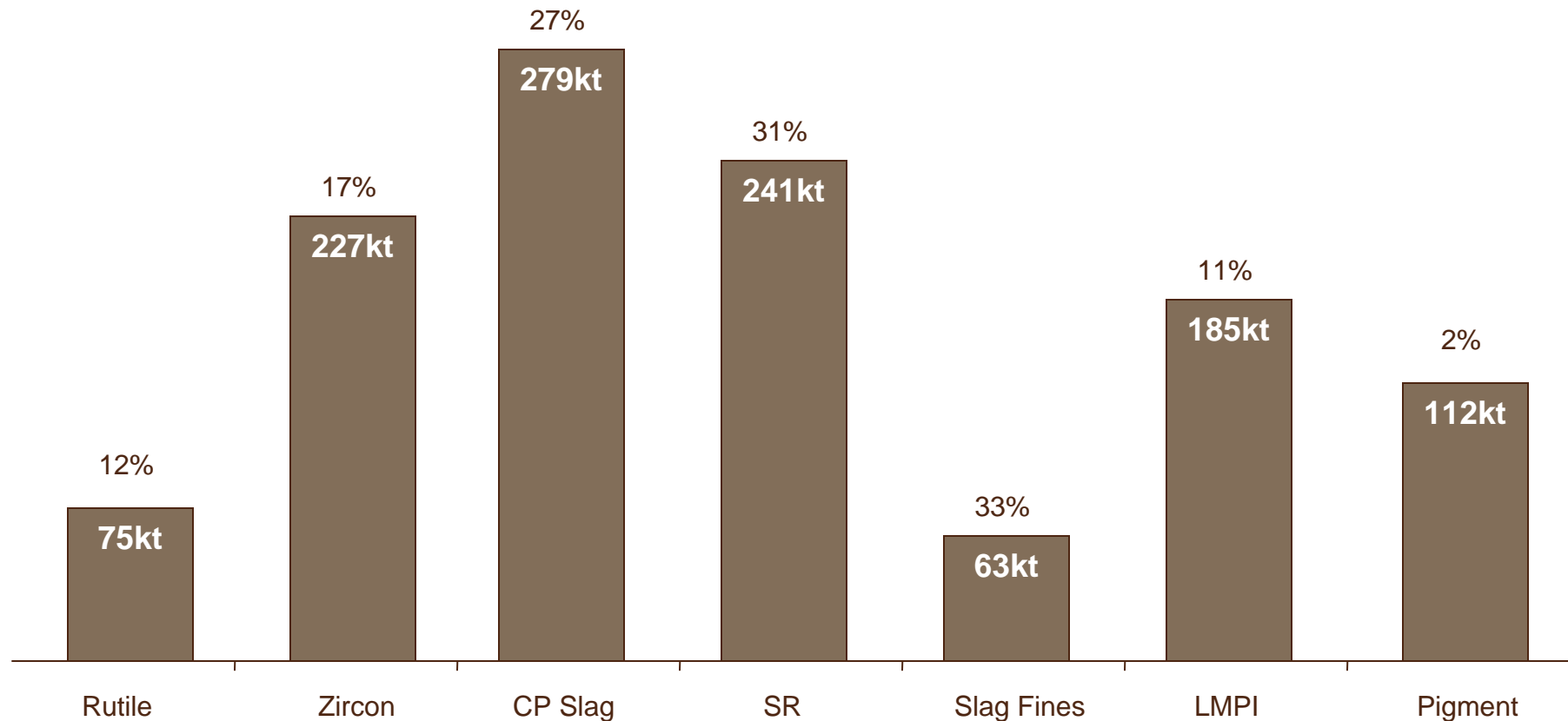


Global footprint and operations integrated from mine to pigment production



## Exxaro Sands : Market share (2007)

8



Source: Exxaro Sands

Include 100% production from KZN, Namakwa and Tiwest

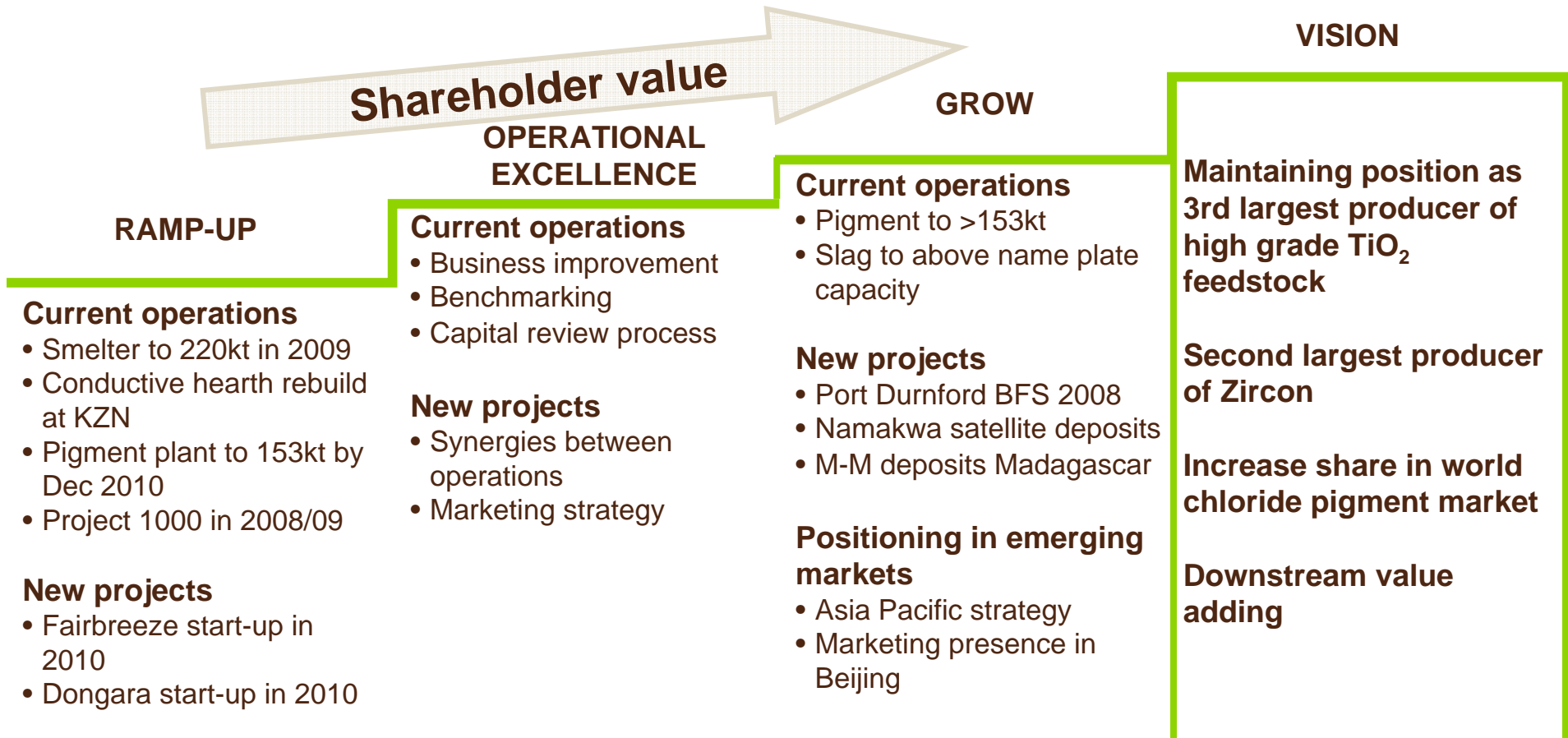
***2<sup>nd</sup> largest Zircon producer,  
3<sup>rd</sup> largest TiO<sub>2</sub> feedstock producer***

**Diversified product portfolio with significant market share**



# Exxaro Sands : Strategy

**Vision: Mineral Sands is a substantial and integrated producer of titanium and associated products**



**People: Innovative High Performance Culture, Retention and Leadership**  
**SHEQ Excellence, Risk Management, Customer Relationship Management, Value in Use & Transformation**

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# Exxaro Commodity Ranking (Feb 2007)

Criteria	Pt	Fe Ore	Oil	Cu	Metall. Coal	Titanium Pigment	Zr	Ni	SA Cement	Mn Ore	U <sub>3</sub> O <sub>8</sub>	Titanium Feedstock	Steam Coal	Zn
Market Demand	3	4	4	4	4	3	3	2	2	3	2	3	4	4
Historical returns	5	4	4	5	4	4	4	4	4	3	4	4	4	4
Price	5	5	4	3	3	3	3	3	3	4	2	3	3	2
Barriers to entry	4	4	4	4	3	3	4	4	4	3	3	3	3	3
Industry structure	4	4	4	3	4	5	4	3	4	4	3	4	3	3
Momentum	4	4	4	3	4	4	3	4	4	4	3	3	3	2
Substitution	5	5	4	3	4	3	4	4	4	4	5	3	4	4
Cost Curve	4	4	3	3	3	4	4	4	4	3	4	3	3	4
Environmental	4	4	4	5	4	3	3	4	3	4	4	3	4	3
<b>Total</b>	<b>42</b>	<b>41</b>	<b>37</b>	<b>36</b>	<b>36</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>32</b>
<b>Ranking</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>14</b>

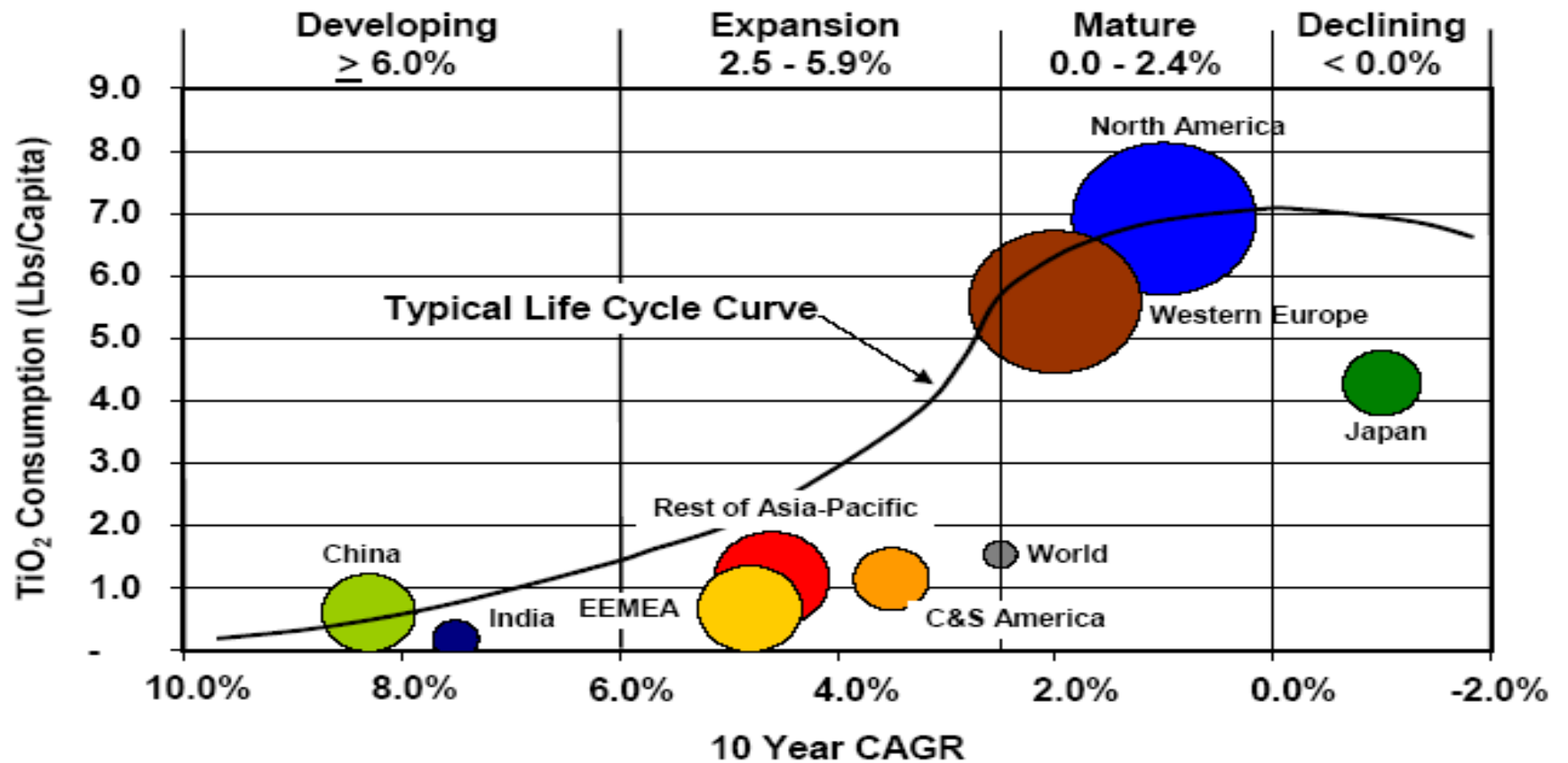
Ranking confirmed by Deutsche Bank (March 2007)

Favourable rating on some products



# Life cycle

(Bubble Size Proportional to World Consumption)



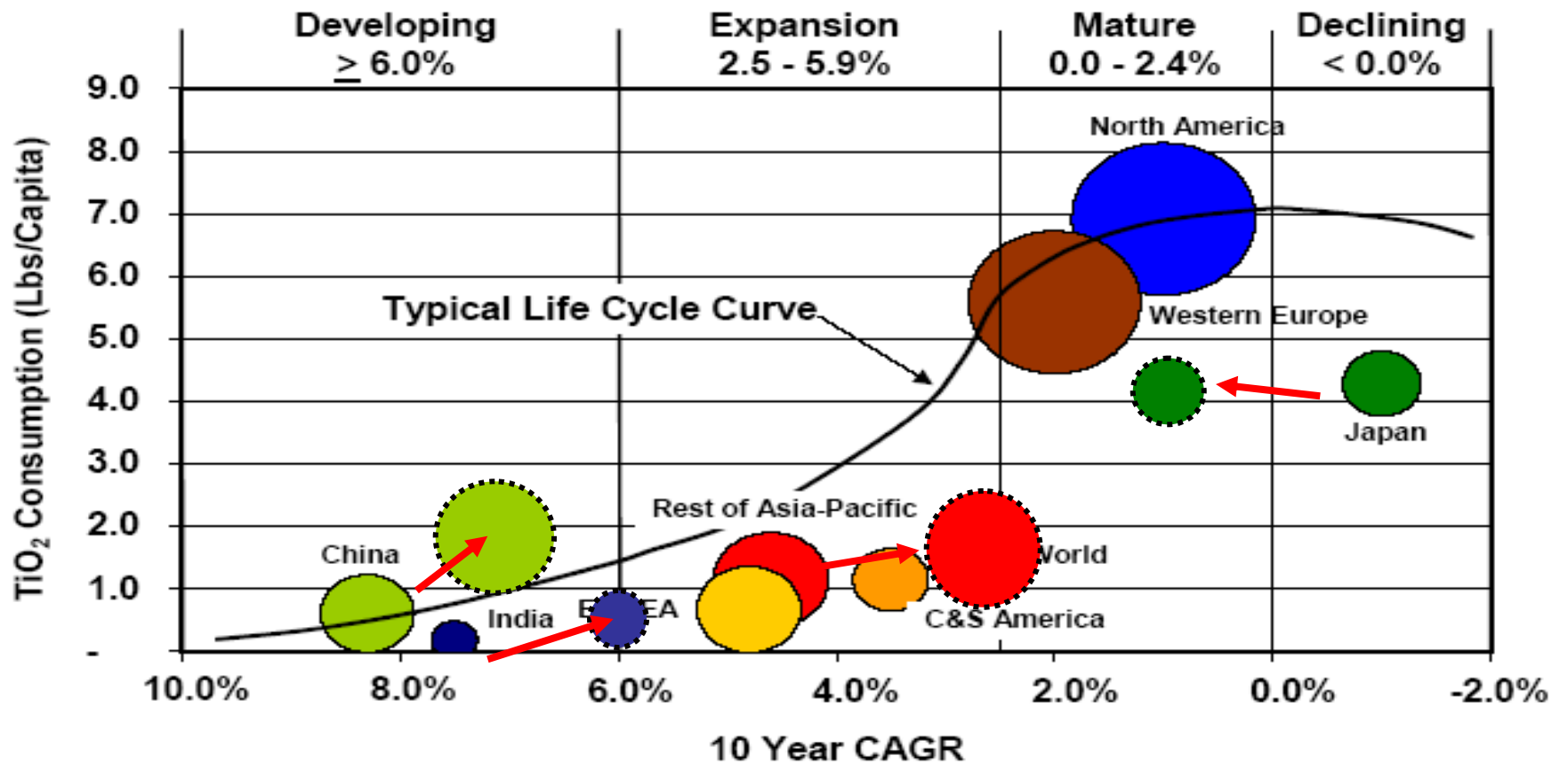
Source : Millennium & Lyondell

Pockets of substantial growth potential



# Life cycle

(Bubble Size Proportional to World Consumption)



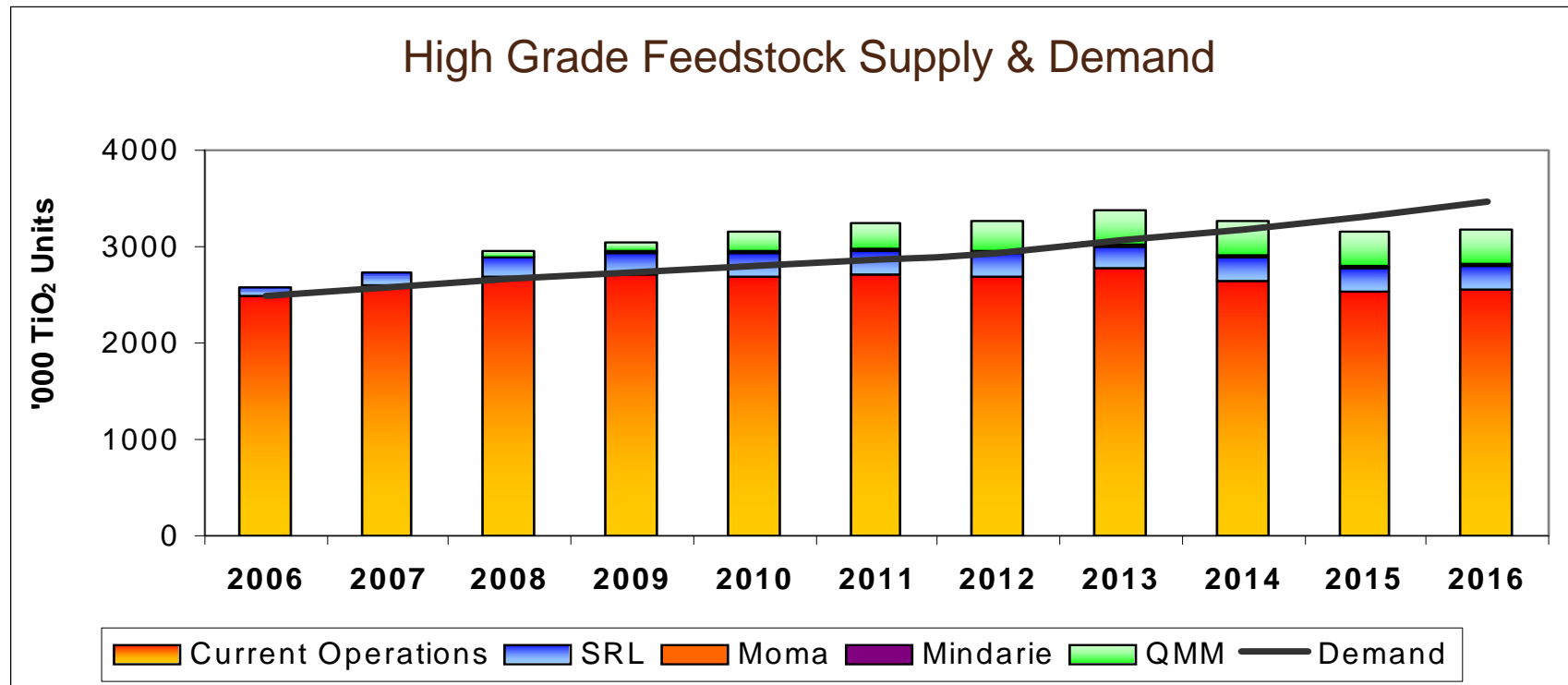
Source : Millennium & Lyondell

Pockets of substantial growth potential



## Feedstock supply & demand

14



Source : Exxaro Sands

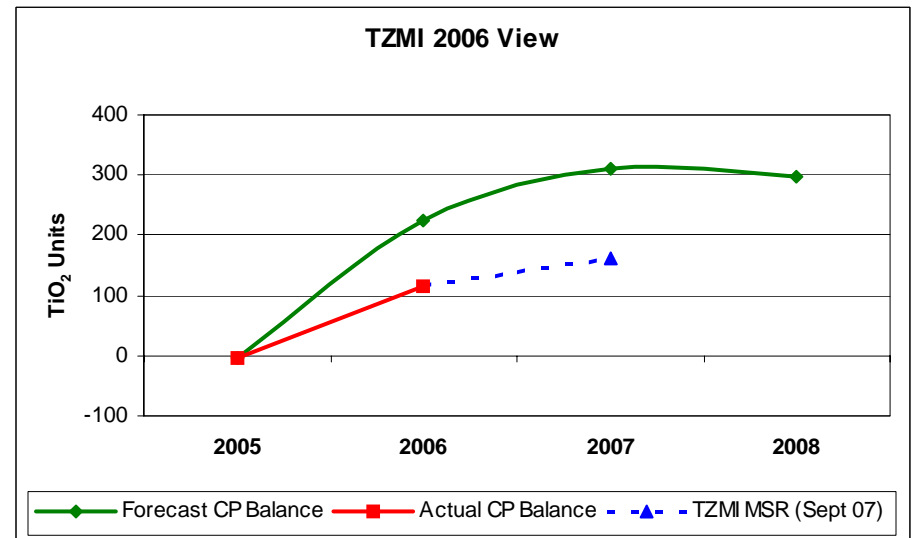
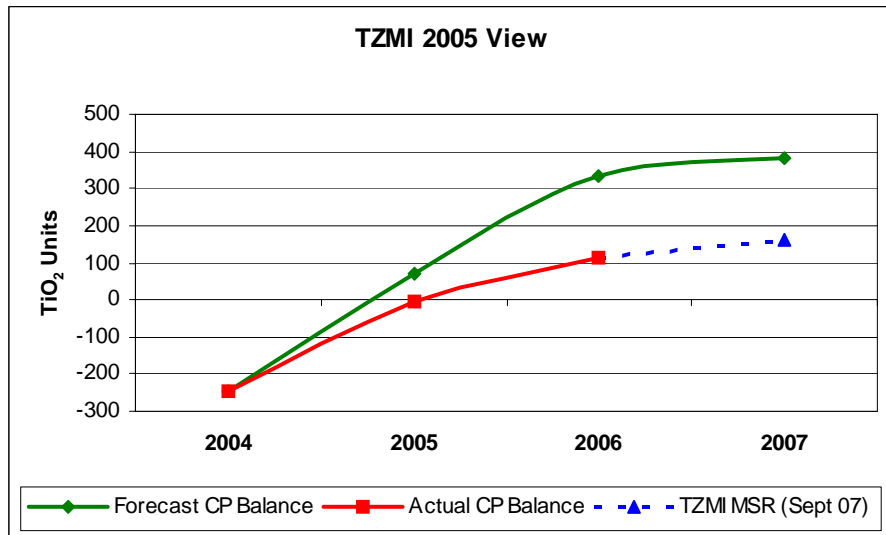
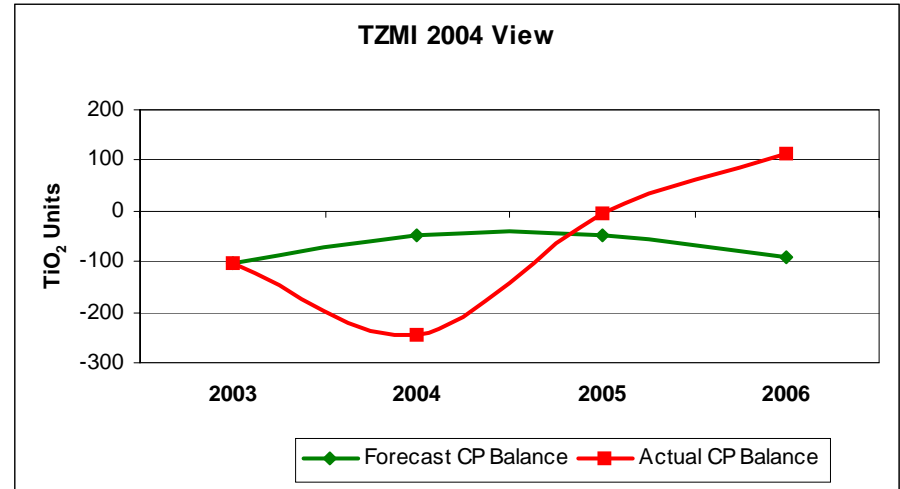
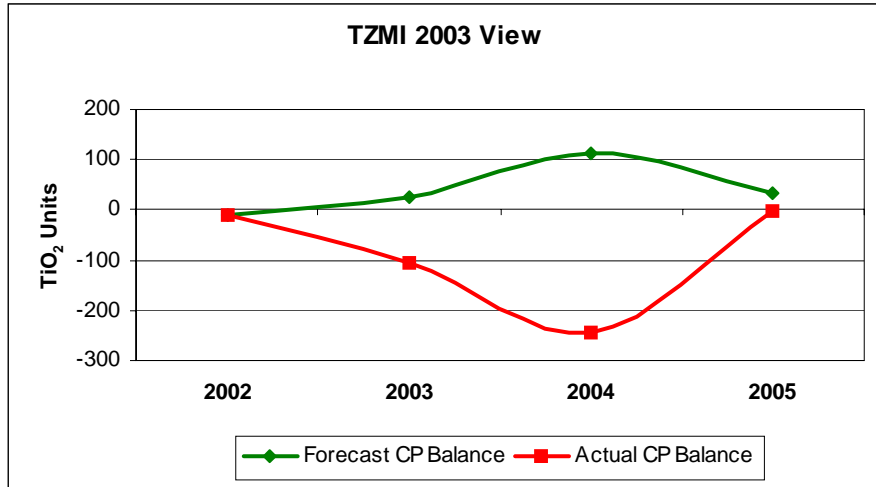
### High Grade Feedstock

- Growth follows pigment trends
- Feedstocks surplus as a result of **new projects**
- Historically oversupply was always less than anticipated.

Oversupply forecast until 2014



# Actual vs forecast chloride feedstock supply & demand

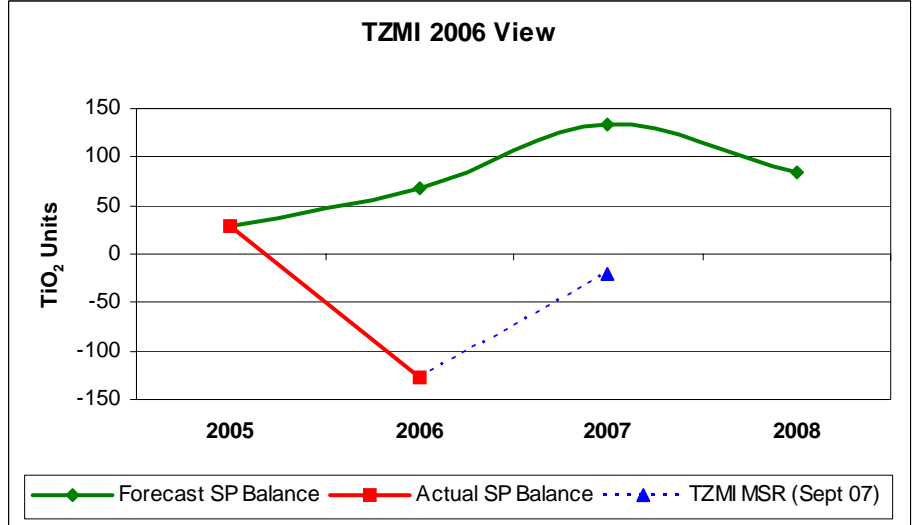
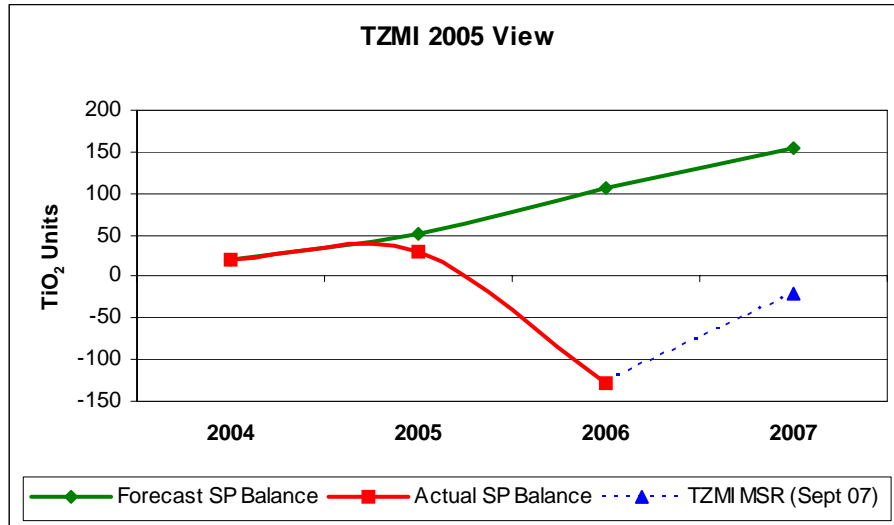
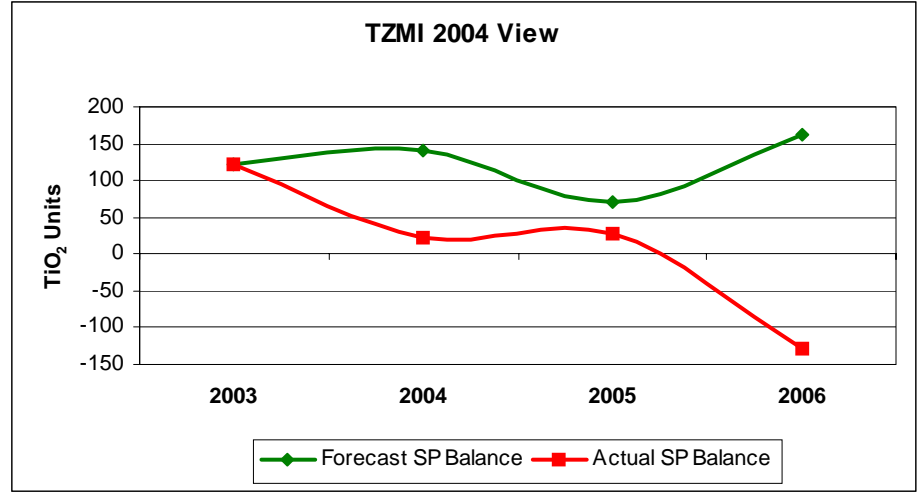
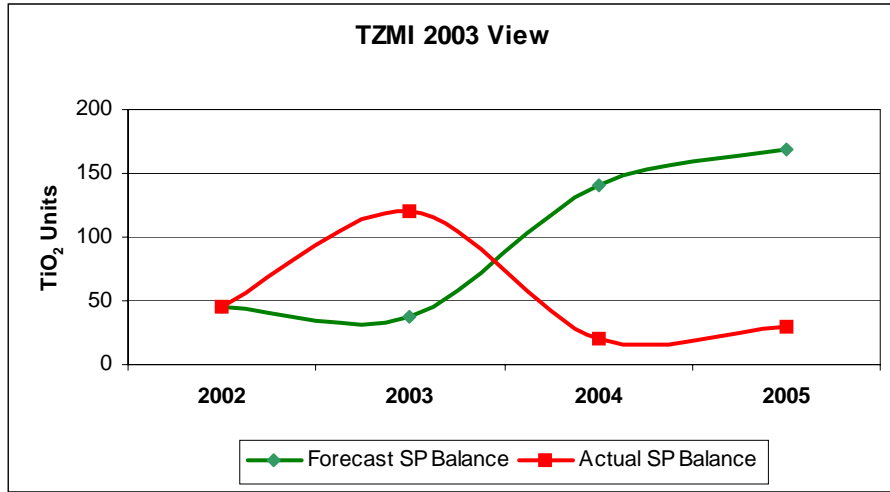


Source: TZMI MSAR 2002 – 2006, MSR Sept 07

**Envisaged oversupply does not materialize as expected**



# Actual vs forecast sulphate feedstock supply & demand

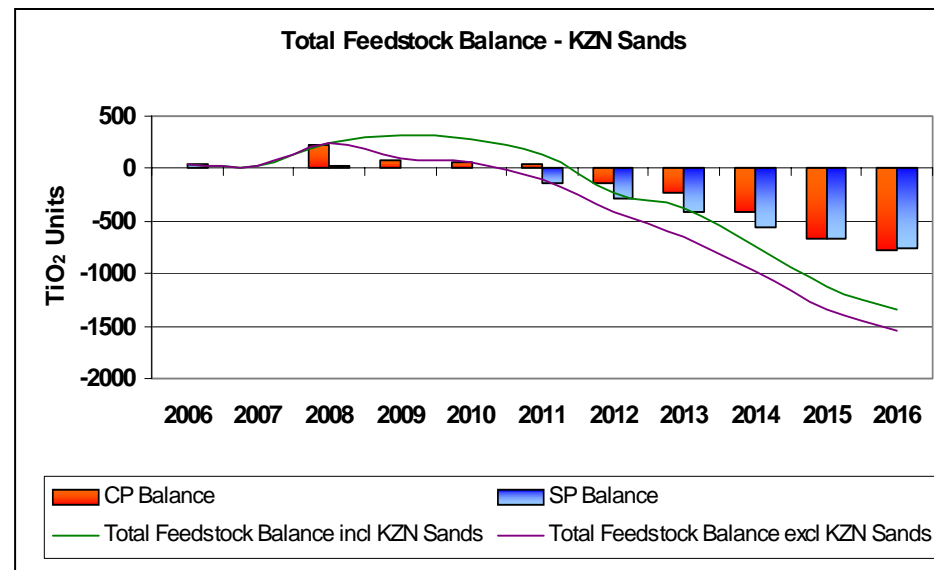
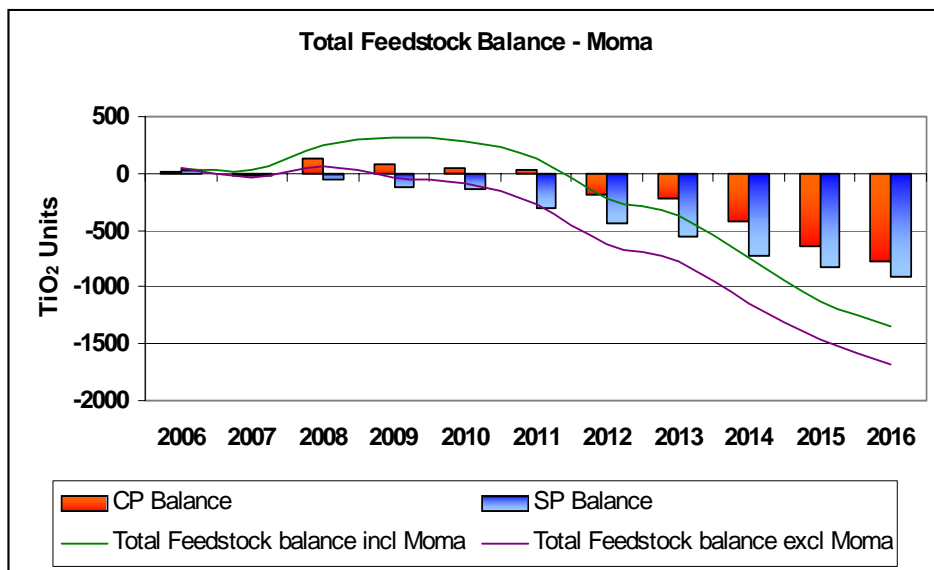
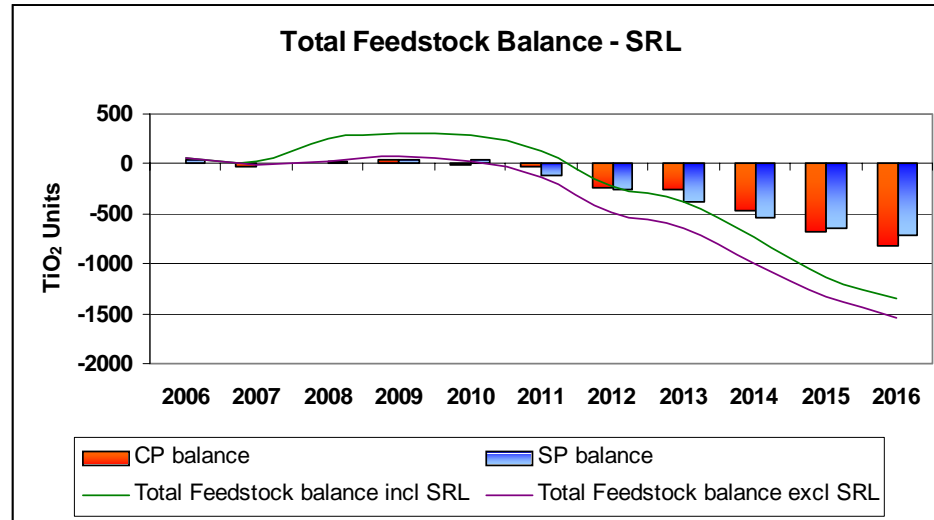
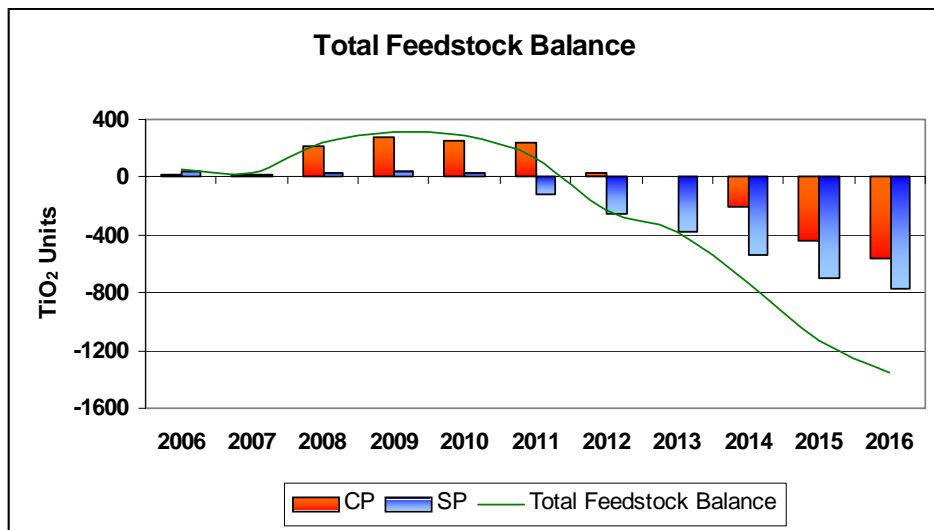


Source: TZMI MSAR 2002 – 2006, MSR Sept 07

**Envisaged oversupply does not materialize as expected**



# Projects' impact on supply and demand

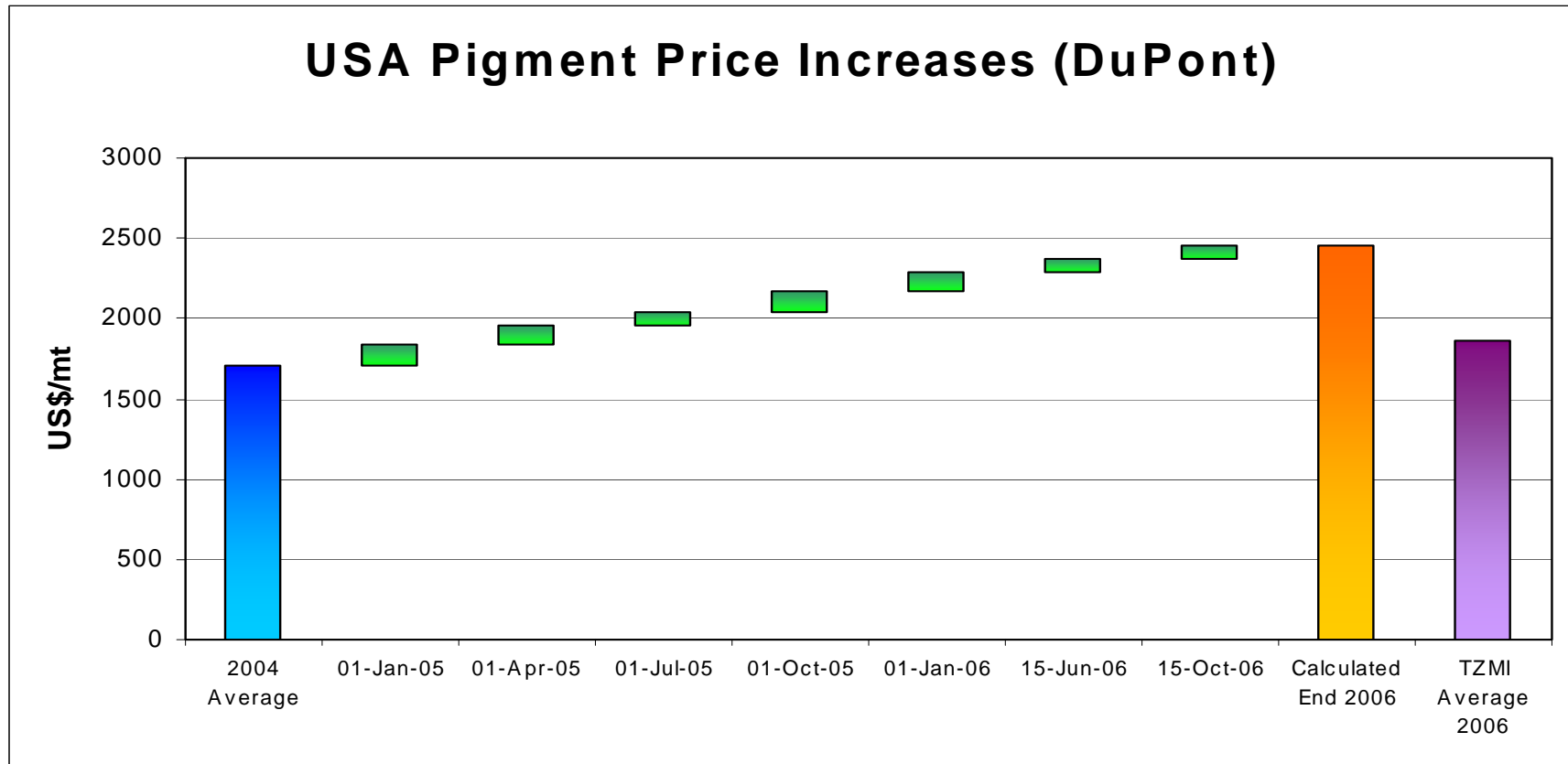


**“Oversupply” very dependant on ramp up of projects**



## Pigment prices

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**Theoretical price end of 2006: US\$ 2,459 (FOB, US Exports)**

**Actual average price for 2006: US\$ 1,864 (FOB, US Exports)**

Source: Price increases :TZMI TiO<sub>2</sub> Review 2004 – 2006

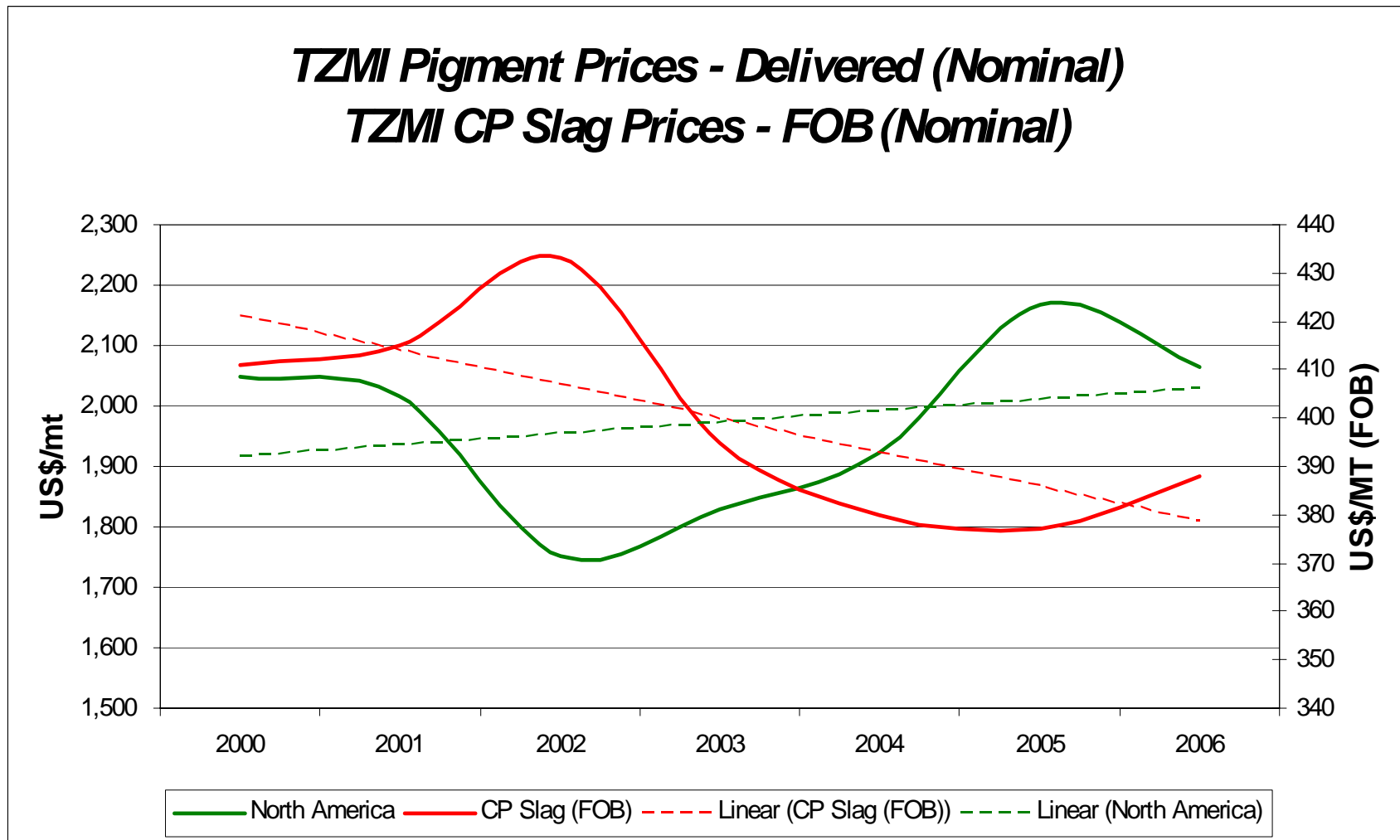
FOB Prices :TZMI Mineral Sands Reports (April 2005 and April 2007)

Base Price: DuPont US Export FOB (majority of export from USA comes from DuPont)

**Market discipline is poor - price increases do not materialize**



## Pigment and slag prices



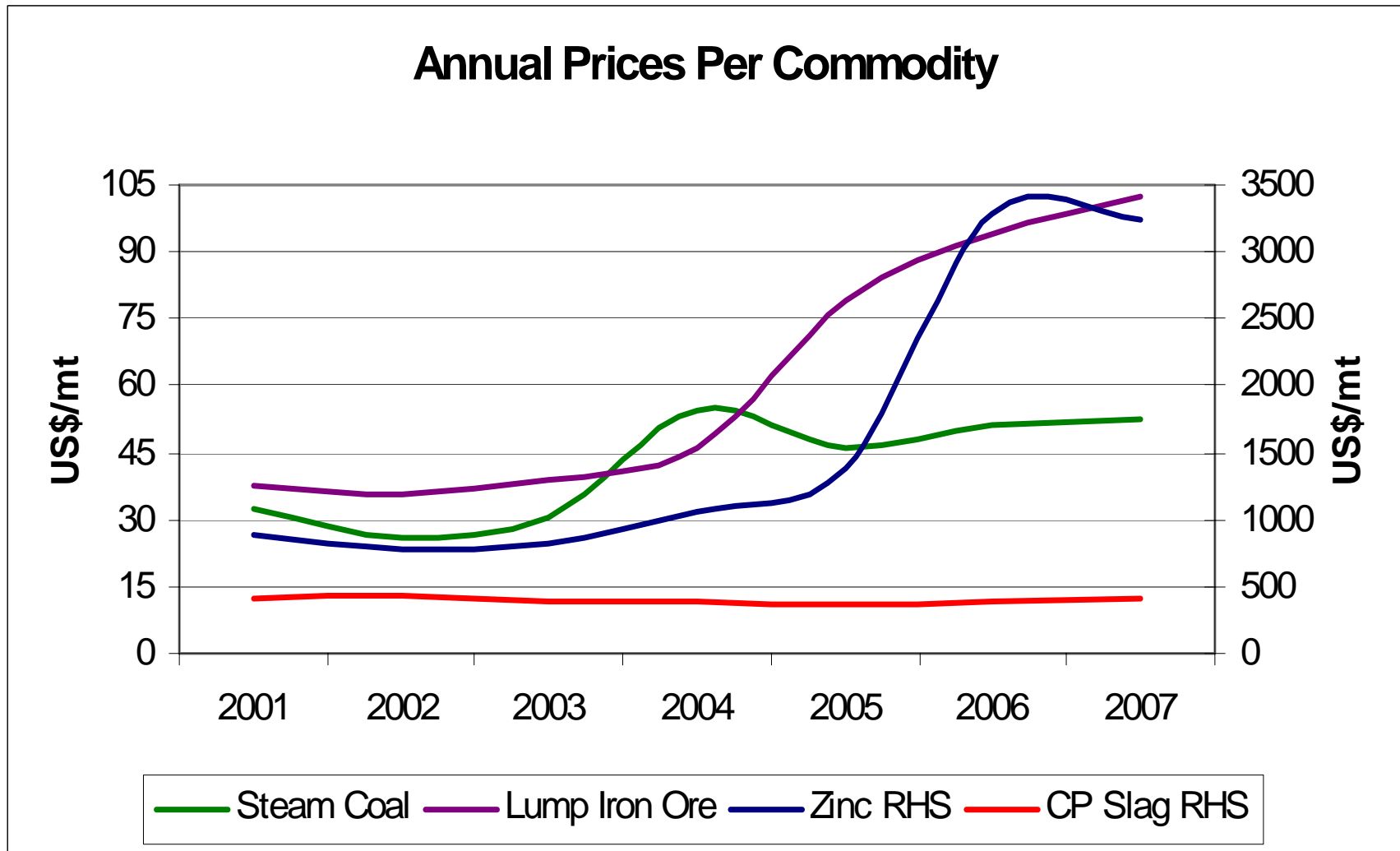
Source : TZMI

**Current price levels are lower than 5 years ago**



## Other commodity price trends

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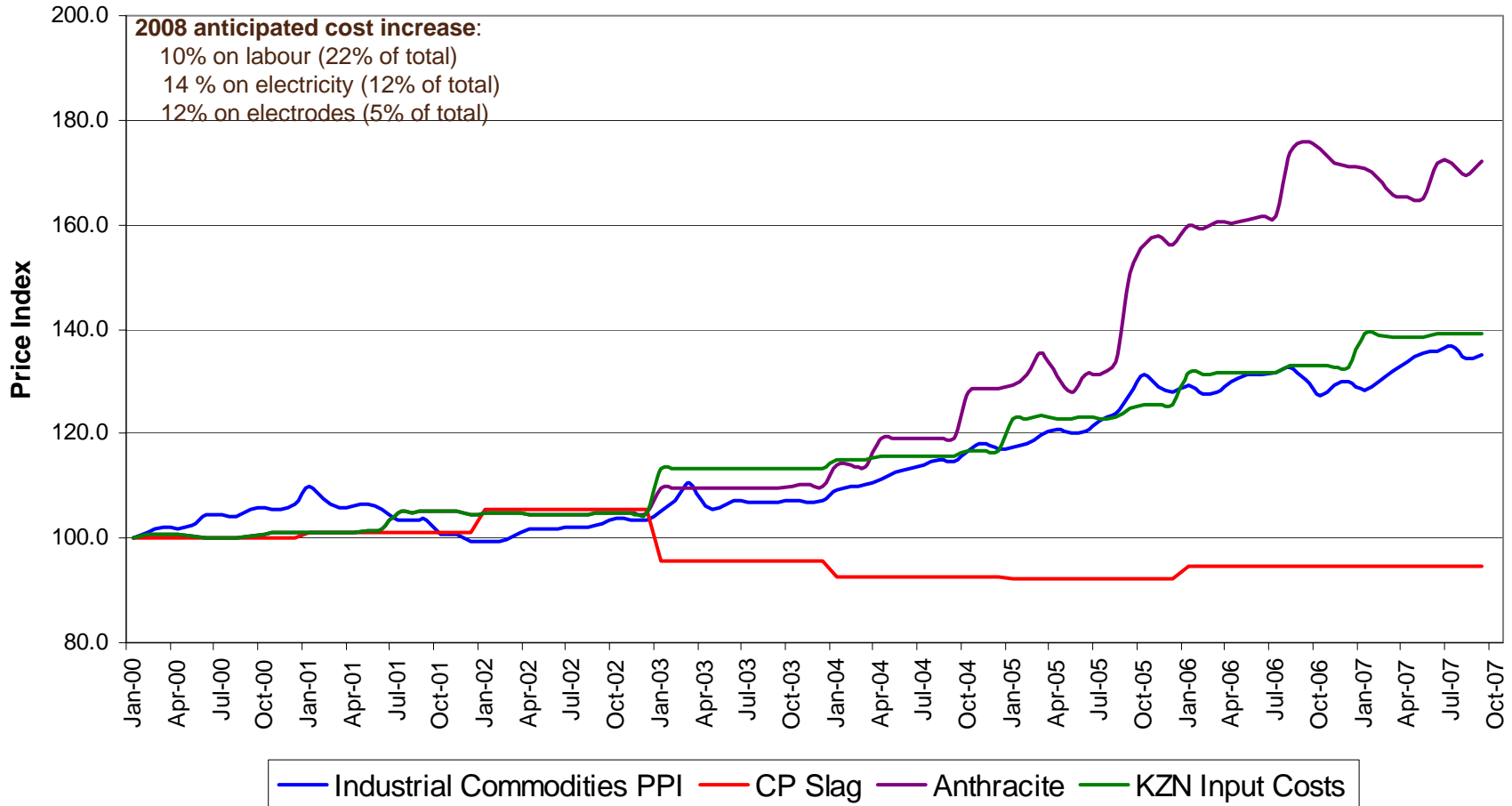
Source: Exxaro Resources, TZMI

Significant price increases in most other commodities, except CP Slag



# Exxaro KZN Sands major cost buckets

## Price Increases For Cost Elements

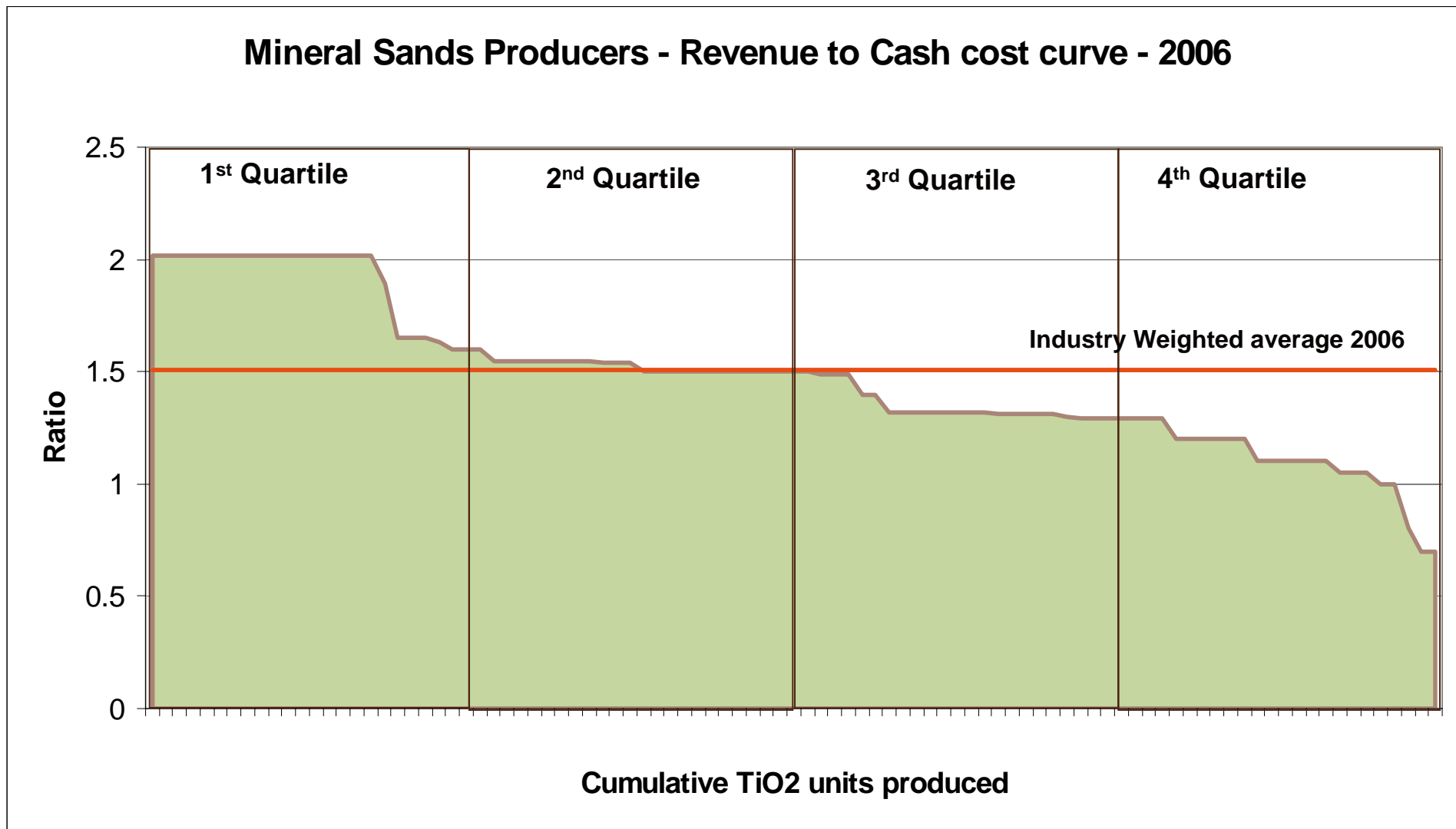


Source: Exxaro Resources, US Bureau of Labour Statistics, TZMI

**Significant price increases on major cost elements**



## Profitability of major feedstock producers

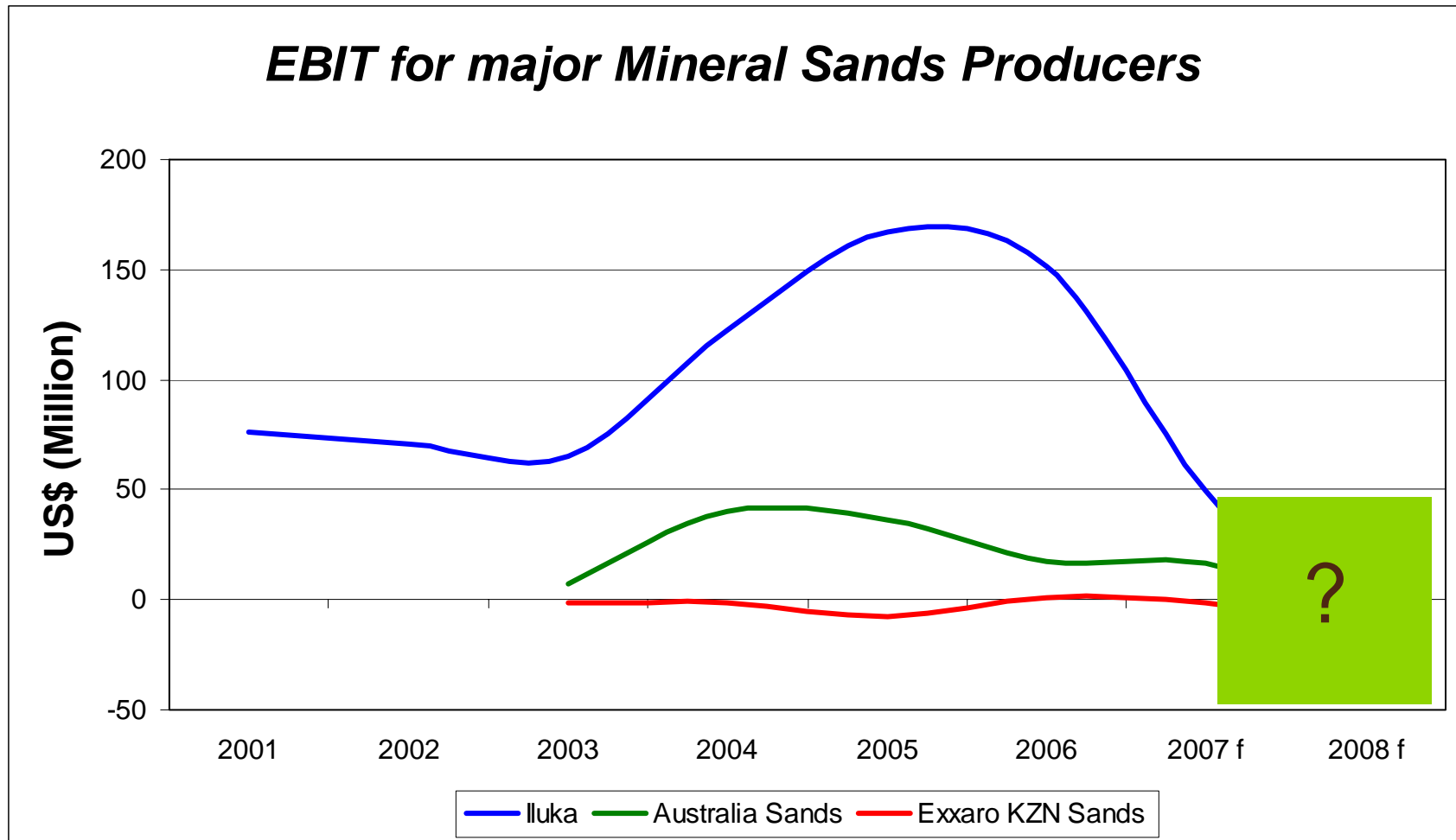


The revenue to cost ratio is at lowest level in 9 years : TZMI 2007



## Profitability of major feedstock producers




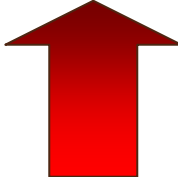
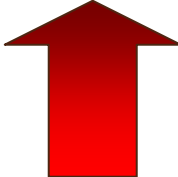
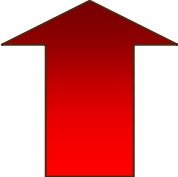
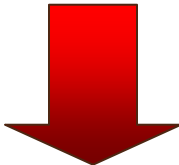
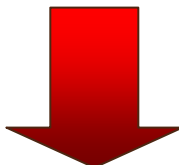
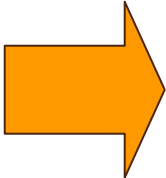
23



Source : Exxaro Sands, Iluka's Annual Reports

**Marked decline in profitability of major feedstock producers**

# Future trend?

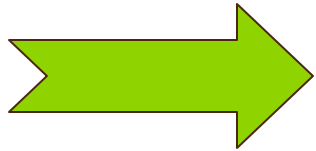
	FEEDSTOCK PRODUCERS	PIGMENT PRODUCERS	PAINT PRODUCERS
Feedstock prices			
Input costs			
Profitability			

- Exxaro Resources
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## Conclusion

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**Feedstock producers and pigment producers need price increases to survive**



**Exxaro Sands is committed to the Mineral Sands industry, however, **SUBSTANTIAL** price corrections need to take place**



**The pigment industry and feedstock producers need discipline and patience to secure announced price increases**



**Someone is making money in this industry and it isn't us!!!**

# xx Questions?



It's not fun being at the bottom of the cycle!!