

# AN INDEPENDENT COMPETENT PERSONS' REPORT ON THE MATERIAL PROPERTIES OF EXXARO RESOURCES LIMITED – EXECUTIVE SUMMARY

## 1.0ES INTRODUCTION

### 1.1ES Background

SRK Consulting (South Africa) (Proprietary) Limited (“SRK”) is a subsidiary of the international group holding company, SRK Global Limited (the “SRK Group”). SRK has been commissioned by the directors of Kumba Resources Limited (“Kumba”) to prepare an independent competent person’s report (“CPR”) on the principal assets (the “Material Properties”) which will be incorporated into Exxaro Resources Limited (“Exxaro”) and Kumba Iron Ore Limited (“Kumba Iron Ore”).

On 13 October 2005, Kumba, Eyesizwe Coal (Proprietary) Limited (“Eyesizwe”) and Anglo American plc jointly announced a proposed transaction that would result in the establishment of:

- Exxaro, which will have significant coal, heavy minerals and zinc assets, together with a 20% holding in Sishen Iron Ore; and
- A newly listed company, Kumba Iron Ore, with a 74% interest in Sishen Iron Ore.

Pursuant to the transaction:

- Kumba’s 80% interest in Sishen Iron Ore will be transferred to Kumba Iron Ore, and unbundled to all existing Kumba shareholders (Kumba Iron Ore will own 74% of Sishen Iron Ore Company Limited, with the remaining 6% acquired by the Northern Cape Community Group and the Sishen Iron Ore Employee Share Option Plan); and
- Exxaro will acquire the entire issued share capital of Eyesizwe.

The conditions precedent stated in the transaction document include, *inter alia*, fulfilling certain obligations in respect of compliance with various sections of the listing requirements of the JSE (the “Listings Requirements”) and the Securities Regulation Code on Take-overs and Mergers and the Rules of the SRP issued in terms of the Corporation Act (the “SRP Code”).

SRK has been informed that a copy of this CPR will be filed with the JSE and the SRP (hereinafter referred to as the “Regulatory Authorities”) and distributed to shareholders.

The effective date (the “Effective Date”) of this CPR is deemed to be 8 June 2006 with the Valuation Date and cash flow projections incorporated effective 1 January 2006. The valuation of the Material Properties is dependent upon the following:

- Technical information as generated by Kumba, Eyesizwe and Ticor in accordance with their annual planning process defined as the Base Technical Information Date (“BID”), which is 1 January 2006.
- Appropriate adjustments made by SRK to technical information which, *inter alia*, includes depletion, historical performance and any additional material information provided by Exxaro from the BID to the Effective Date.

### 1.2ES Mining Assets

The Material Properties of Exxaro comprise the following:

- Iron Ore
  - A 20% interest in Sishen Iron Ore Company (Proprietary) Limited.
- Coal
  - A 100% interest in Kumba Coal (Proprietary) Limited.
  - A 100% interest in Eyesizwe Coal (Proprietary) Limited.
- Heavy Minerals
  - A 100% interest in Ticor South Africa KZN (Proprietary) Limited.
  - A 100% interest in Ticor South Africa (Proprietary) Limited.
  - A 100% interest in Ticor (Proprietary) Limited.

- Base Metals
  - A 89.5% interest in Rosh Pinah Zinc Corporation (Proprietary) Limited.
  - A 100% interest in Zincor, a division of Kumba Base Metals Limited.
  - A 100% interest in Kumba Base Metals China Limited (Hong Kong).
- Industrial Minerals
  - A 100% interest in Glen Douglas Dolomite (Proprietary) Limited.
  - A 100% interest in Kumba FerroAlloys (Proprietary) Limited.

Certain Material Properties incorporated within the above companies have been valued by SRK and incorporated into the Equity Value derived for Exxaro.

### 1.3ES Valuation Basis and Methodology

The Equity Valuation of Exxaro comprises the following:

- The LoM Plans as provided and NPVs at Exxaro's respective discount rate;
- Enterprise Values for each of the Material Properties. The Enterprise Values are derived using discounted cash flow ("DCF") techniques applied to post-tax pre-finance cash flows (commencing 1 January 2006 and reported in financial years ending 31 December) derived from the underlying LoM Plans and the associated Technical Economic Parameters ("TEPs"). The Enterprise Values are reported as Net Present Values ("NPVs") quoted at Exxaro's discount rate;
- Valuation of certain Exploration Projects; and
- Valuation Adjustments including unallocated corporate expenses, Eyesizwe purchase consideration, net (debt)/cash, mark to market value of derivative instruments and other liabilities as at 1 January 2006.

Two valuation scenarios are presented:

- Scenario I (the Base Case Scenario)
  - Sishen Mine
    - The SRK TEM for Scenario I excludes: Inferred Resources in the LoM Plan; ore from selective mining and various surface stockpiles.
  - Grootegeluk Mine
    - 19-year LoM. Exxaro will not have a coal supply contract with the Matimba Power Station which extends for an additional 20 years to 40 years, and therefore SRK consider it prudent to investigate a 19-year LoM option up to the year the current Matimba Power Station contract expires (Scenario I) and a 40-year option (Scenario II).
  - Mafube Joint Venture Project Phase II
    - Excluding Nooitgedacht Inferred Resources.
- Scenario II
  - Sishen Mine
    - The SRK TEM for Scenario II includes: Inferred Resources in the LoM Plan; ore from selective mining and various surface stockpiles.
  - Grootegeluk Mine
    - 40-year LoM. Assumes that the mine will supply Matimba Power Station with coal for 40 years up to 2045.
  - Mafube Joint Venture Project Phase II
    - Including Nooitgedacht Inferred Resources.

### 1.4ES Qualifications of Consultants

This CPR has been prepared based on a technical and economic review by a team of 35 consultants sourced from the SRK Group's offices in South Africa, the United Kingdom and Australia over a seven-month period. These consultants are specialists in the fields of geology, resource and reserve estimation and classification, underground and open pit mining, rock engineering, metallurgical processing, hydrogeology and hydrology, tailings management, infrastructure, environmental management and mineral economics.

### 1.5ES Mineral Resources and Reserves

SRK provides comment and opinion on the reasonableness of the Mineral Resource and Reserve estimates provided by Kumba and Eyesizwe, and presents SRK-Audited Mineral Resource and Mineral Reserve statements as appropriate. In addition, SRK sets out its view regarding the potential for proving up further Mineral Resources and Mineral Reserves at the Material Properties. Minerals Resources stated are inclusive of Mineral Reserves.

## 1.6ES Equity Value

The equity value of the company is based on the sum of the parts approach combining: the valuation of the Material Properties as represented by the sum of Enterprise Values, Valuation of Mineral Rights, Exploration Properties, and Non-LoM Resources and Valuation Adjustments.

In addition and based on the 306 million fully diluted ordinary shares in issue as at 1 January 2006, SRK has derived an Equity Value per share which can be compared to the latest available market price as at 31 December 2005, which was ZAR102.00 for Kumba. The 306 million shares does not take into account the issues of new shares, the *pro rata* repurchase of shares and the proposed issue of management incentive shares by Exxaro on the effective date of the transaction. Details regarding these share issues are contained in the circular to shareholders. The resulting ratio relating Equity Value to share price is included for presentation purposes only, and no detailed analysis is included as to the rational or appropriateness of such a ratio. Furthermore, SRK notes that the Equity Value as presented is done so in accordance with the Listings Requirements and is not intended to constitute an opinion or recommendation as would normally be expected in terms of a "fair and reasonable" statement.

**Table ES1 Kumba Equity Value Analysis – Scenario I**

Valuation Components	Units	Attributable Value (ZARm)
Mineral Rights, Exploration Properties and Non-LoM Resources	(ZARm)	1,682
Value of Material Properties	(ZARm)	34,982
Valuation Adjustments	(ZARm)	(4,078)
Equity Value	(ZARm)	32,586
Ordinary Shares in Issue on 1 January 2006	(No)	306,000,000
Equity Value Per Share	(ZAR/share)	106.49

**Table ES2 Kumba Equity Value Analysis – Scenario II**

Valuation Components	Units	Attributable Value (ZARm)
Mineral Rights, Exploration Properties and Non-LoM Resources	(ZARm)	1,682
Value of Material Properties	(ZARm)	37,747
Valuation Adjustments	(ZARm)	(4,078)
Equity Value	(ZARm)	35,351
Ordinary Shares in Issue on 1 January 2006	(No)	306,000,000
Equity Value Per Share	(ZAR/share)	115.53

**Table ES3 Eyesizwe Equity Value Analysis – Scenario I**

Valuation Components	Units	Attributable Value (ZARm)
Mineral Rights, Exploration Properties and Non-LoM Resources	(ZARm)	268
Value of Material Properties	(ZARm)	1,928
Valuation Adjustments	(ZARm)	(187)
Equity Value	(ZARm)	2,009

**Table ES4 Eyesizwe Equity Value Analysis – Scenario II**

Valuation Components	Units	Attributable Value (ZARm)
Mineral Rights, Exploration Properties and Non-LoM Resources	(ZARm)	268
Value of Material Properties	(ZARm)	2,147
Valuation Adjustments	(ZARm)	(187)
Equity Value	(ZARm)	2,228

**Table ES5 Exxaro Equity Value Analysis – Scenario I**

Valuation Components	Units	Attributable Value (ZARm)
Mineral Rights, Exploration Properties and Non-LoM Resources	(ZARm)	1,426
Value of Material Properties	(ZARm)	18,741
Valuation Adjustments	(ZARm)	(5,813)
Equity Value	(ZARm)	14,354
Ordinary Shares in Issue on 1 January 2006	(No)	306,000,000
Equity Value Per Share	(ZAR/share)	46.90

**Table ES6 Exxaro Equity Value Analysis – Scenario II**

Valuation Components	Units	Attributable Value (ZARm)
Mineral Rights, Exploration Properties and Non-LoM Resources	(ZARm)	1,426
Value of Material Properties	(ZARm)	20,923
Valuation Adjustments	(ZARm)	(5,813)
Equity Value	(ZARm)	16,536
Ordinary Shares in Issue on 1 January 2006	(No)	306,000,000
Equity Value Per Share	(ZAR/share)	54.04

### 1.7ES Conclusion

SRK has conducted a comprehensive review and assessment of all material issues likely to influence the future operations of the Material Properties. The LoM Plans for the Material Properties, as provided to and taken in good faith by SRK, have been reviewed and adjusted by SRK where considered appropriate. SRK also note that the impact of any adjustments (both positive and negative) made by SRK to the underlying LoM Plans have not been subjected to re-planning.

SRK note the relatively low impact of the valuation of Mineral Rights, Exploration Properties and non-LoM Mineral Resources. The valuation of such assets is highly subjective and SRK note that a lower level of certainty must be ascribed to this as compared with the Enterprise Values as reported herein.

**Table ES7 Summary Equity Value and Share Price: Equity Value ratios for Kumba**

<b>Valuation Scenarios</b>	<b>Units</b>	<b>Equity Value</b>
Scenario I	(ZAR/share)	106.49
Scenario II	(ZAR/share)	115.53

  

<b>Share Price/Equity Value</b>		
Kumba Share Price – 1 January 2006	(ZAR)	102.00
Scenario I	Ratio	0.96
Scenario II	Ratio	0.88

**Table ES7 Summary Equity Value: Equity Value for Eyesizwe**

<b>Valuation Scenarios</b>	<b>Units</b>	
Scenario I	(ZARm)	2,009
Scenario II	(ZARm)	2,228

**Table ES8 Summary Equity Value: Equity Value for Exxaro**

<b>Valuation Scenarios</b>	<b>Units</b>	
Scenario I	(ZARm)	14,354
Scenario II	(ZARm)	16,536