

Table 8.2 Estimated Real Capital Expenditures – Scenario II

Material Property	Units	Sustaining Capital Real	Project Capital Real	Total Capital Real
Iron Ore				
Sishen Mine ⁽¹⁾	(ZARm)	6,968	4,014	10,982
Sishen South Project	(ZARm)	288	860	1,148
Thabazimbi Mine	(ZARm)	69		69
Coal				
Grootegeluk Mine	(ZARm)	5,174		5,174
Leeuwpan Mine	(ZARm)	776		776
Tshikondeni Mine	(ZARm)	210		210
Arnot Colliery	(ZARm)	491		491
Matla Colliery	(ZARm)	2,183		2,183
New Clydesdale Colliery	(ZARm)	61	76	137
North Block Complex	(ZARm)	12	20	32
Sintel Char Project	(ZARm)	43	152	195
Inyanda Project	(ZARm)	63	194	257
Mafube JV Phase II Project	(ZARm)	195	2,000	2,195
Belfast Project	(ZARm)	70	118	188
Ingcambu Project	(ZARm)			
Heavy Minerals				
Hillendale Mine and Fairbreeze Project	(ZARm)	1,104	545	1,649
Ticor Smelter	(ZARm)	1,714	347	2,062
Tiwest JV	(AUDm)	681		681
Base Metals				
Rosh Pinah	(NADm)	34		34
Zincor	(ZARm)	1,332		1,332
Chifeng	(RMBm)	410	276	686
Industrial Minerals				
Glen Douglas	(ZARm)	310		310
Kumba Ferroalloys	(ZARm)	48		48

(1) Includes SEP Phase I.

9. MANAGEMENT AND MANPOWER

9.1 Introduction

This section includes discussion and comment on the human resources related aspects associated with the Material Properties. Specifically, information as provided by Kumba and Eyesizwe is included on the following: current legislation; the current board, executive and operational management structures; recruitment, training, productivity initiatives and remuneration policies; industrial relations; and terminal benefits liabilities. SRK note that the following section, in certain instances, includes discussion and comment on public domain statements which have been made. Certain aspects of these have been independently audited by various companies, specifically where these relate to compliance with regulatory requirements including the Mining Charter. These items may not be strictly required in respect of compliance with the Listings Requirements or the SAMREC Code. SRK however recognise the increasing importance of these items in respect of the South African Material Properties and specifically in respect security of tenure and have included disclosure relating to these for this reason.

9.2 Legislation

Various regulatory authorities, in addition to mining and labour codes, govern labour legislation in the countries in which Exxaro operates. In general these are well-established in conjunction with Exxaro's operating policies and form the cornerstone of human resource management.

9.2.1 South Africa

Since 1995, the South African legislature has enacted various labour laws that enhance the rights of employees. For example, these laws:

- Confirm the right of employees to belong to trade unions and the right of unions to have access to the workplace;
- Guarantee employees the right to strike, the right to picket and the right to participate in secondary strikes in certain prescribed circumstances;
- Provide for mandatory compensation in the event of termination of employment for operational reasons;
- Reduce the maximum ordinary hours of work;
- Require large employers, such as Exxaro, to implement affirmative action policies to benefit historically disadvantaged groups and impose significant monetary penalties for non-compliance with the administrative and reporting requirements of the legislation; and
- Provide for the financing of training programmes by means of a levy grant system and a national skills fund.

The Labour Relations Act regulates the relationship between employers and trade unions, establishes dispute resolution mechanisms, promotes collective bargaining and protects employees from unfair dismissal. Separation may be carried out on the basis of genuine economic, technological, structural or similar needs of an employer. Consultation, with full disclosure of relevant information, is required with trade unions prior to employers effecting separation programmes.

The other major statutes in force in South Africa relating to Human Resources include:

- The Basic Conditions of Employment Act, 75 of 1997, which prescribes minimum conditions of employment, excluding wages;
- The Occupational Diseases in Mines and Works Act, 78 of 1973, and the Compensation for Occupational Injuries and Diseases Act, 130 of 1993, which provide mechanisms for compensating employees who have been incapacitated as a result of injury or disease arising from the performance of work;
- The Occupational Health and Safety Act, 85 of 1993, and Mine Health and Safety Act, 29 of 1996, which impose a duty on employers to provide a safe and healthy working environment; and
- The Employment Equity Act, 55 of 1998, which prohibits unfair discrimination and places an obligation on employers to implement affirmative action measures.

The Mineral and Petroleum Resources Development Act, 28 of 2002, and the Broad-Based Socio-Economic Empowerment Charter, developed in terms of the Act, prescribe requirements, *inter alia*, in terms of human resources development, employment equity, housing and nutrition, and community upliftment, all of which inform Human Resources policies and procedures. Compliance with the scorecard against which progress with the Charter is measured, is a prerequisite for the conversion of old order mining rights to new order mining rights.

Some Material Properties have submitted Social and Labour Plans to give effect to the Charter to the authorities. Appropriate fora have been established with all representative unions in an effort not only to give effect to the Employment Equity Act and the Charter, as well as to address, through appropriate policies, procedures and structures the total development of human resources. Through a process of consultation and negotiation with regulatory authorities and representative bodies, including organised labour, mine management has initiated various programmes to ensure compliance with the various regulatory statutes.

Kumba and Eyesizwe have informed SRK that the Material Properties are materially compliant with all South African labour legislation, with appropriate exemptions obtained where necessary by agreement with organised labour.

9.2.2 Australia

Employee relations in Western Australia are regulated by a combination of federal and state statutes, which stipulate minimum standards and provide the basis for collective bargaining and action.

All employment contracts with the Exxaro's staff are Australian Workplace Agreements ("AWA") under federal legislation. The workforces at the Australian Operations are not unionised.

9.2.3 Namibia

Labour legislation in Namibia is governed by the various regulatory authorities and mining and labour codes within Namibia. Rosh Pinah has informed SRK that the Mine are materially compliant with all Namibian labour legislation, with appropriate exemptions obtained where necessary by agreement with organised labour.

9.3 Industrial Relations

The Material Properties are planned to employ and contract (“TEC”) some 10,000 people with approximately 80% being registered members of trade unions. Industrial relations at the Material Properties are managed in accordance with key driving factors. These include the prevailing legislative requirements, regulatory bodies, labour representation including registered and unregistered organisations, collective bargaining arrangements and specific employee/employer agreements.

Historically, trade unions in South Africa have, due to links with political parties, had a significant influence over social and political reform and in the collective bargaining process. Presently the situation is manageable, however it is uncertain whether labour disruptions will be used to advocate such political causes in the future.

Mine management has initiated a process involving all labour representatives (unions and management) to ensure appropriate and timely interaction to resolve industrial relations issues, including communication, consultation and collaboration, bonus allocation and policies and procedures. Depending on fluctuations in international commodity prices and exchange rates, future workforce reductions may be required. In this instance SRK consider that appropriate procedures are in place and, other than periodic action during wage negotiations, industrial relations risks are manageable.

9.4 Board, Executive and Management Structure

During 2005 the Board of Exxaro (formerly Kumba) consisted of 18 directors, comprising both executive and non-executive directors. Exxaro will continue to implement the Kumba corporate governance structures. However, it is anticipated that the Board will be restructured to include Eyesizwe representatives as well as representatives from its major Black Economic Empowerment shareholders.

9.5 Recruitment, Training, Productivity Initiatives and Remuneration Policies

Recruitment, Training, Productivity Initiatives and Remuneration Policies are in general, typical of operating practices and strategies as implemented within the South African, Australian and Namibian mining industries:

- **Recruitment:** Recruitment policies are in line with the standard procedures within the South African, Namibian Mining and Australian industries;
- **Training:** Managerial training initiatives have focused on the development of both technical and managerial skills of senior and middle management. At the operational level training initiatives include mine managements commitment to the Adult Basic Education and Training (“ABET”) initiatives, as well as accredited technical operational and safety training;
- **Productivity Initiatives:** Mine management continually review and implement productivity initiatives which are in line with the standard procedures within the mining industry and reflect the operational conditions and remuneration policies within the individual labour markets; and
- **Remuneration Policies:** Remuneration policies are in line with the standard operating practices within the South African and Namibian mining industries and levels generally comply with industry-wide salary scales. In addition to basic components, employees receive additional entitlements, which are related to accommodation, medical, and employee benefit plans in the form of pension/provident schemes.

In addition to the above and subsequent to the various re-engineering programmes undertaken since 1998, Exxaro has, through a series of initiatives, developed various staff development and motivation programmes within a streamlined organisational structure. These initiatives include:

- The retention and development of high quality personnel through comprehensive organisational planning;
- The enhancement of strategic leadership through leadership development programmes, seeking to enhance the skills of individuals capable of achieving and maintaining competitive advantage;
- Improvement in the competency of operational staff by means of Mining Qualifications Authority accredited learning initiatives; and
- Development of a performance-reward culture for management and specialist staff, where commensurate compensation accompanies the achievement of measured results through an integrated performance system.

9.6 Organisational Structures and Operational Management

Exxaro has informed SRK that, come completion of the Transaction, Exxaro will in the short term continue with the organisational structure as indicated in Figure 1.3. In effect this will include the Exxaro Board, supported by various corporate services, the individual commodity business units and operational management at the various Material Properties. The TEPs as presented in this report do not assume any fundamental change to this structure, however SRK notes that it is likely that Exxaro will revisit this structure and associated costs in line with future requirements of its operational portfolio.

Table 9.1 Historical and Current Workforce Deployment for the Material Properties

Material Property⁽¹⁾	2001 (No.)	2002 (No.)	2003 (No.)	2004 (No.)	2005 (No.)
Iron Ore					
Sishen Mine	3,025	3,047	3,061	2,996	3,034
Thabazimbi Mine	946	933	910	889	848
Coal					
Grootegeluk Mine	2,151	2,134	1,935	1,925	1,860
Leeuwan Mine	398	350	366	380	494
Tshikondeni Mine	818	769	764	776	767
Arnot Colliery	764	836	770	753	840
Matla Colliery	1,549	1,495	1,393	1,335	1,439
New Clydesdale Colliery	231	211	186	281	381
North Block Complex	86	86	86	157	163
Heavy Minerals					
Hillendale Mine	22	47	128	117	217
Tiwest JV			970	978	963
Base Metals					
Rosh Pinah	493	486	489	502	536
Zincor	793	808	794	761	760
Industrial Minerals					
Glen Douglas	135	136	133	133	157
Industrial Minerals – Kumba FerroAlloys	28	36	28	39	40
Total	11,439	11,374	12,013	12,022	12,499

⁽¹⁾ Includes all employees and contractors and generally based on those included in the safety statistics.

Table 9.2 Exxaro: Historical LoM Productivity Statistic

Material Property⁽¹⁾		2001	2002	2003	2004	2005
Iron Ore						
Sishen Mine	(TEC/Mt-treated)	97.8	95.4	94.0	91.4	95.3
Thabazimbi Mine	(TEC/Mt-treated)	347.8	338.0	297.4	287.7	277.1
Coal						
Grootegeluk Mine	(TEC/Mt-treated)	66.7	65.9	54.9	54.6	54.2
Leeuwan Mine	(TEC/Mt-treated)	147.4	127.7	129.8	134.3	156.8
Tshikondeni Mine	(TEC/Mt-treated)	997.6	1,025.3	1,005.3	934.9	983.3
Arnot Colliery	(TEC/Mt-treated)	161.2	163.6	125.2	125.1	168.8
Matla Colliery	(TEC/Mt-treated)	125.9	116.8	89.3	85.6	115.1
New Clydesdale Colliery	(TEC/Mt-treated)	192.5	162.3	77.5	104.1	254.0
North Block Complex	(TEC/Mt-treated)	103.6	82.7	50.6	62.8	54.7
Heavy Minerals						
Hillendale Mine	(TEC/Mt-treated)	6.4	6.5	15.0	12.6	26.0
Tiwest JV	(TEC/Mt-treated)			48.3	45.3	40.1
Base Metals						
Rosh Pinah	(TEC/Mt-treated)	821.7	725.4	666.2	717.1	751.8
Zincor	(TEC/Mt-treated)	2,822.1	2,666.7	2,835.7	2,767.3	2,814.8
Industrial Minerals						
Glen Douglas	(TEC/Mt-treated)	99.5	95.8	92.4	59.5	108.2
Industrial Minerals – Kumba FerroAlloys	(TEC/Mt-treated)	6,462.0	6,729.0	5,179.4	6,899.0	6,595.2

⁽¹⁾ Includes all employees and contractors and generally based on those included in the safety statistics.

9.7 Terminal Benefits

The total terminal benefits liability (“TBL”) for the Material Properties has been determined by consideration of the TBL as at 1 January 2006 and the various employee requirements of the LoM profiles as included in the various operating options. The amounts stated as TBL⁽²⁾ in Table 9.3 below do not however allow for increased length of service over the various LoM Plans and assumes that the current unit TBL per employee is equally applicable on closure. TBL⁽²⁾ has been included in the FMs as presented in Section 14 of this CPR.

Table 9.3 Material Properties Terminal Benefits Liabilities

Operation	Unit	Terminal Benefits Liability ⁽¹⁾ (ZARm)	Terminal Benefits Liability ⁽²⁾ (ZARm)
Iron Ore			
Sishen Mine	(ZARm)	54	126
Thabazimbi Mine	(ZARm)	14	36
Coal			
Grootegeeluk Mine	(ZARm)	28	229
Leeuwpan Mine	(ZARm)	3	11
Tshikondeni Mine	(ZARm)	9	19
Arnot Colliery	(ZARm)		41
Matla Colliery	(ZARm)		207
New Clydesdale Colliery	(ZARm)		13
North Block Complex	(ZARm)		2
Heavy Minerals			
Ticor SA	(ZARm)	7	25
Ticor Smelter	(ZARm)	3	70
Tiwest JV	(AUDm)	26	100
Base Metals			
Rosh Pinah	(ZARm)	7	13
Zincor	(ZARm)	11	44
Chifeng ⁽³⁾	(RMBm)		2
Industrial Minerals			
Glen Douglas	(ZARm)	2	14
Kumba FerroAlloys	(ZARm)	1	6

⁽¹⁾ TBL estimates as at 1 January 2006.

⁽²⁾ TBL estimates assuming execution of current LoM Plans.

⁽³⁾ Nominal amounts have been included as there is no requirement in Chinese Law governing terminal benefits.

10. OCCUPATIONAL HEALTH AND SAFETY

10.1 Introduction

This section includes discussion and comment on the occupational health and safety related aspects associated with the Material Properties. Current and historical occupational health and safety statistics are presented with discussion on the more significant measures in progress to deal with identified risks, including risk management and occupational health and safety measures. Given the concentration of employees in the South African operations, detail in this section focuses on the South African operating environment in respect of occupational health and safety.

10.2 Occupational Health and Safety Management

Health and safety management of the Material Properties is focused on the development of company wide health and safety policies, taking cognisance of the legislation and regulatory environment. Kumba and Eyesizwe Health and Safety policies are broadly aligned and state that Exxaro will endeavour to:

- Comply with all applicable laws, regulations and standards and where adequate laws do not exist, develop and apply standards that reflect their commitment to safety and health;
- Manage risk by implementing systems to identify, assess, monitor and control hazards and to review performance;