



The South African Power Crunch

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POWERING POSSIBILITY



Content

- Who is Exxaro?
- Energy supply and demand in Southern Africa
- The Waterberg coal field as part of the medium to long term solution
- But what about the short to medium term?
- What are the solutions from a mining and government perspective?





Introduction to Exxaro

Our commodities



COAL

the fourth largest coal producer in South Africa. Largest supplier to Eskom



MINERAL SANDS

one of the world's top three producers of zircon and chlorinatable TiO_2 slag



BASE METALS AND INDUSTRIAL MINERALS

the only zinc producer in South Africa

IRON ORE

20% holding in Sishen Iron Ore Company

At a glance...

- One of South Africa's largest, diversified resources company
- One of the top 40 companies on the JSE
- 8 688 employees
- Head office in Pretoria, South Africa
- Market capitalisation ~R48bn
- Revenue: R10,16bn*
- Net operating profit: R1,44bn*

■ * for year-ended 31 December 2007





A robust project pipeline

Ownership (100% unless indicated otherwise)	Board approval	Scope	Estimated Capex	Status	Estimated start-up
Mafube Coal JV (50%)	Nov 2006	5Mtpa	R1.96bn	Construction	1Q08
Inyanda	Nov 2006	1.5Mtpa	R269m	Construction	2Q08
Blesbok expansion		2.4Mtpa	-	In progress	2008
Eerstelingsfontein		1.1Mtpa	R10m	Feasibility study	2008
Char project - Grootegeluk	Aug 2005	160ktpa	R340m	Construction	2Q08
Diepspruit	Nov 2007	1.3Mtpa	R136m	Feasibility study	3Q08
Belfast		1.8Mtpa	R350m	Pre-feasibility	3Q09
Market coke		380ktpa	R1.9bn	Feasibility study	2011
Medupi Phase 1	May 2006	8.5Mtpa	TBD	Awarded	2011
Medupi Phase 2		6.1Mtpa	TBD	Feasibility study	2013
Moranbah South (Australia)		3.5Mtpa	TBD	Pre-feasibility	2012
Kwinana (100% - 50% attributable)		40ktpa	US\$90m	Feasibility study	3Q09
Fairbreeze - Sands	May 2006	300ktpa	R734m	Planned 4Q08	3Q10
Toliara Sands (Madagascar)		560ktpa	TBD	Pre-feasibility	2014
Dongara (Australia 100%)		200ktpa	TBD	Pre-feasibility	2011
Port Durnford (51%)		TBD	TBD	Pre-feasibility	1Q12
AlloyStream - Furnace 1		20ktpa	TBD	Pre-feasibility	2011

Coal
 Mineral Sands
 Base Metals and Industrial Minerals

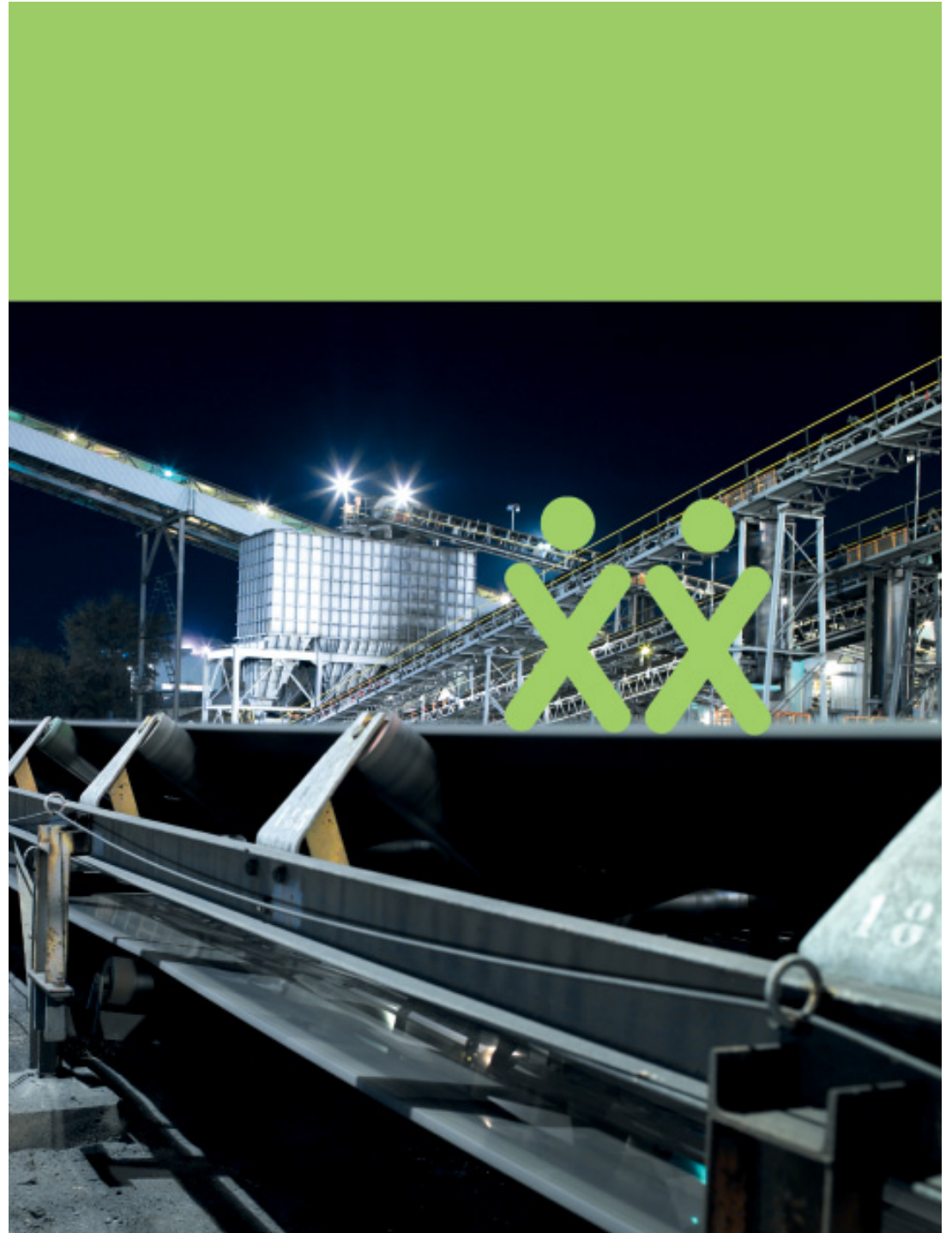


Our strategy

- Aim to become a significant world player in coal and mineral sands and a significant regional player in base metals and industrial minerals
- Focus on commodities and investments that offer above average growth and returns, while minimising risk by investing in a diversified portfolio of commodities and geographies
- Evaluate new business opportunities on an ongoing basis
- Strategic criteria of adding value on a sustainable basis and diversifying the income stream
- Seek opportunities to capitalise on centres of specific competence, utilising well-developed skills in project and risk management, value enhancement and continuous improvement techniques
- Focus to maintain and improve international competitiveness, adopt international best practices and optimize current operations
- Support government in safety initiatives to further reduce fatalities and injuries

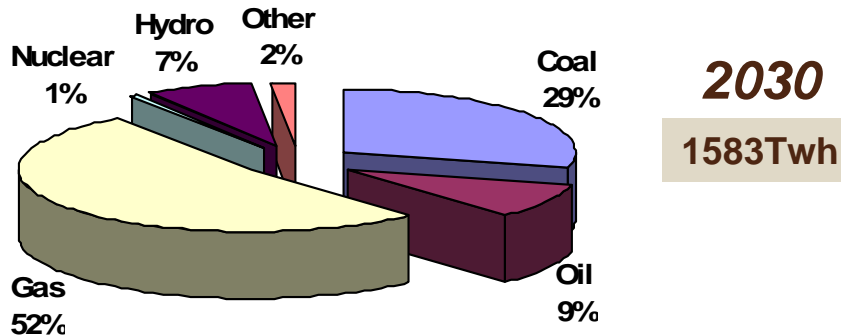
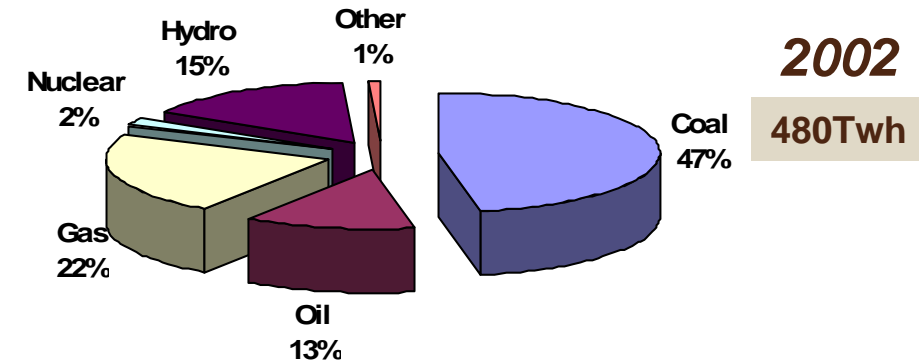
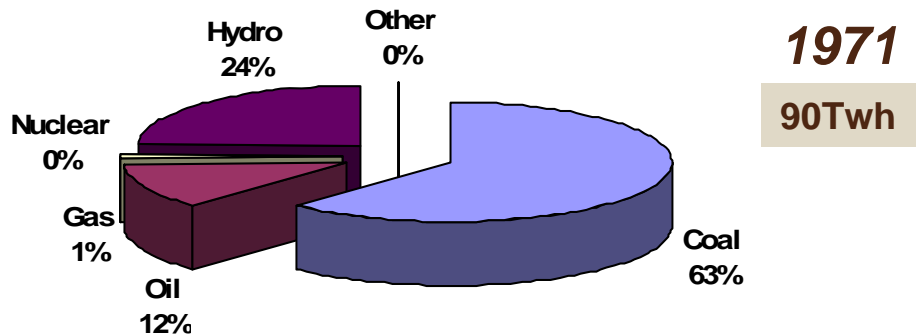


Energy in South Africa





African energy outlook



Africa energy needs to treble by 2030!

- Although coal's contribution is expected to decline, the absolute volume will more than double
- The expected increase in the contribution of natural gas in Africa is even more marked than for the world in total
- SA needs to double its generating capacity by 2025 to support current GDP growth rates of 6%

Source: IEA from ABSA

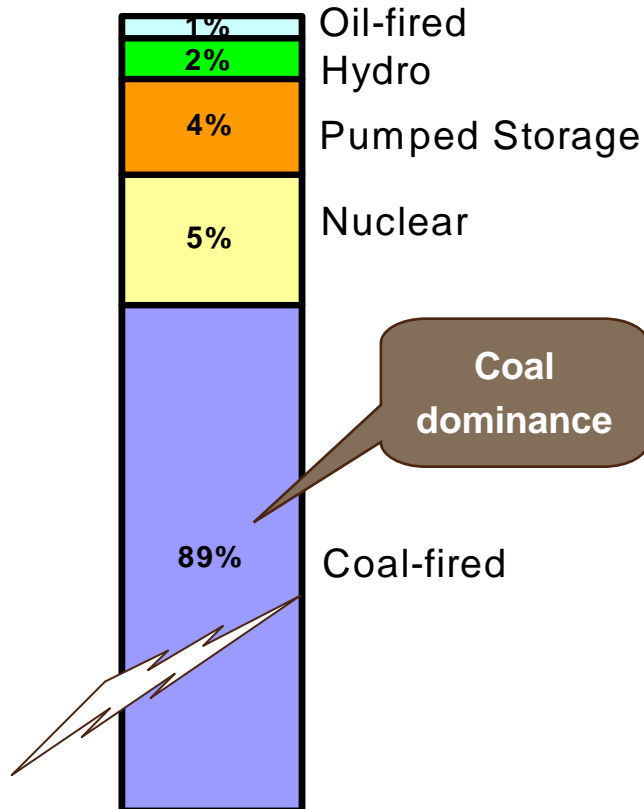


Energy supply demand context in SA

- Electricity demand is outstripping electricity supply
- 2000 – 2008:
 - Installed capacity grown marginally from 40 000 MW to 42 000 MW
 - Operational capacity also expanded from 36 500 MW to 40 250 MW
 - BUT, the reserve margin shrunk from 25% to around 8% today!
- Exponential long term demand growth scenario:
 - Approx 40 000 MW needs to be added to current capacity
(new target of 78 000 MW by 2025)
 - Based on 4% electricity growth supporting 6% GDP expansion
- The first new base load station, Medupi, will come on line in 2012 – 1st of 6 units
- SA needs to move out of its current power generation mix paradigm

South Africa power supply mix

Eskom's installed power generation capacity: 42,011 MW



Source: Eskom

- South Africa's energy needs are met overwhelmingly from the use of coal as a primary energy source
- Due to long hiatus in electricity generation capacity investment during the last decade or two, a significant backlog has developed
- Considerable investment required in the decades ahead with an expected impact on prices
- Government growth ambition of 6% per year
- Current reserve margin at between 8% and 10%, far below the global benchmark of 15%
- Eskom is planning to move to a 30% nuclear mix within the next 15 years
- We believe that coal will still play a significant role in power generation



Lowest cost electricity

- To maintain SA's cost competitiveness we would need to continue to rely on coal being the cheapest source of power generation
- Catalyst for energy-intensive industry investment
 - Aluminium smelters
 - Ferrochrome and motor industry
- Enabler for national economic growth ambition
- Cost of new generation capacity will drive energy cost higher
- But even if cost of electricity increases significantly, as proposed by the NER, it will still be among the cheapest tariffs in the world

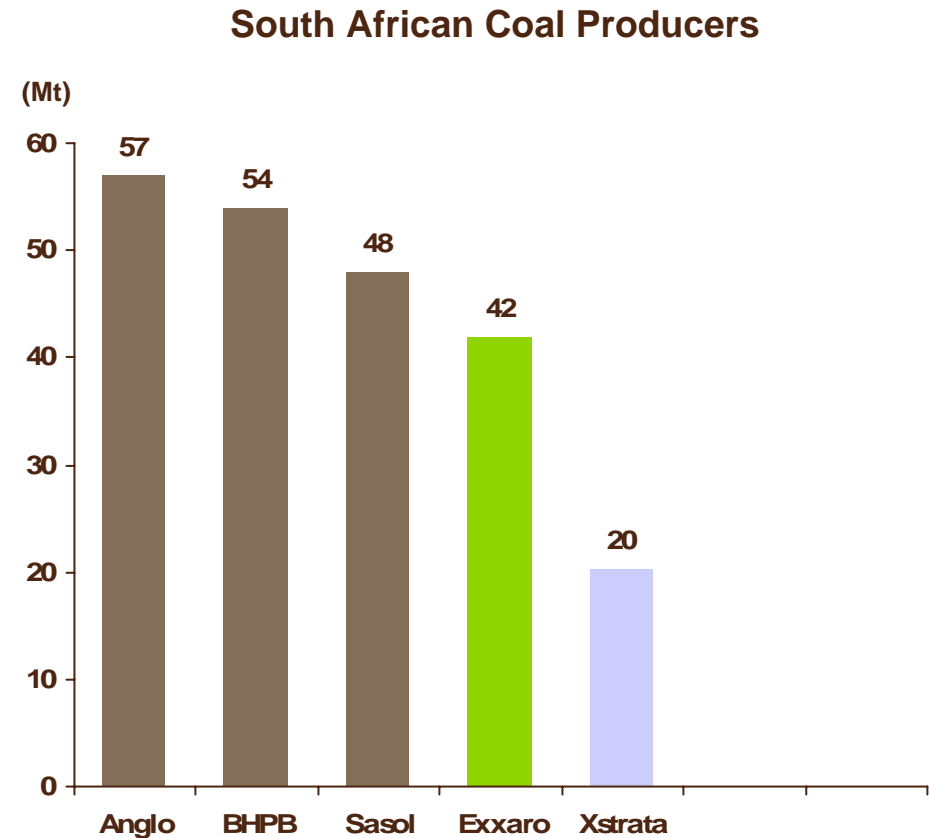
Challenges:

- Race against time
- Gas reserves too small and expensive
- Depleting coal reserves in the Highveld
- Clean coal technology
- Transmission infrastructure must be upgraded



Exxaro is the fourth largest coal producer in SA

- Potential to become the largest coal producer in South Africa, with planned expansions in the Waterberg and elsewhere
- Current combined annual production of 41,5Mtpa – on par with South Africa's largest producers
- Various projects to boost production to ~80Mtpa by 2014

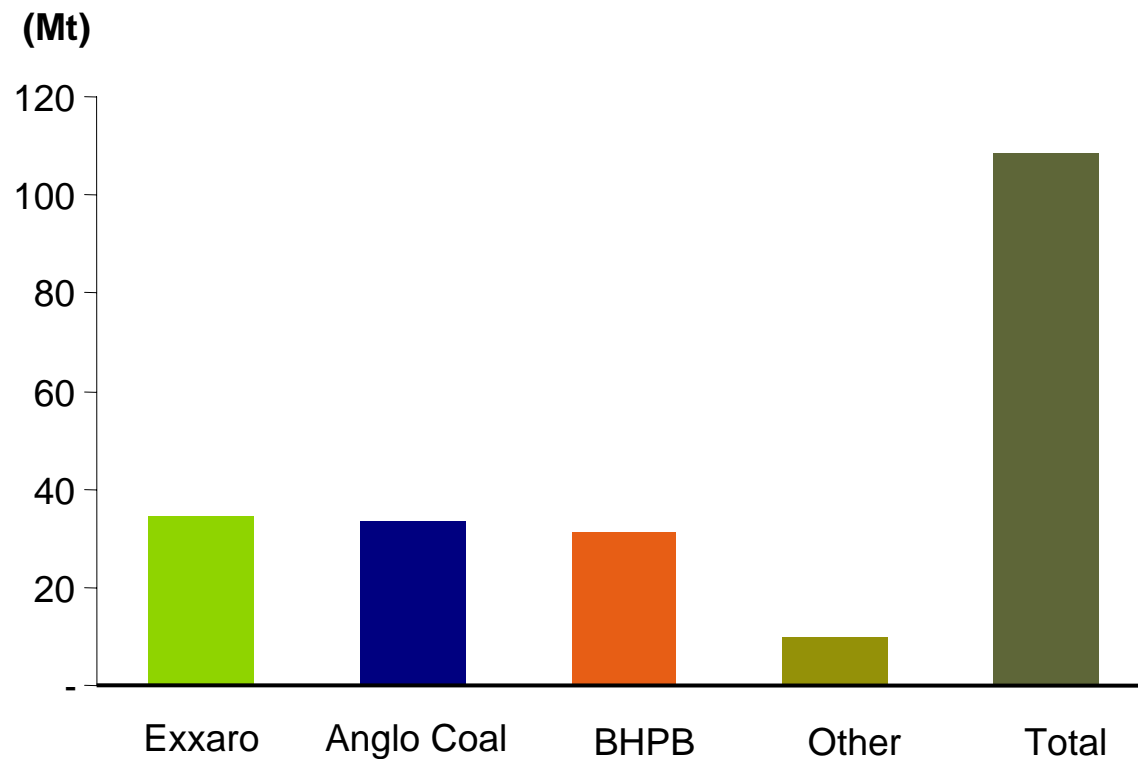


Source: Company websites and reports



... but one of the biggest suppliers to Eskom

- 30,9% of total power station demand in South Africa in 2006
- Exxaro is significant supplier of coal to Eskom in 2007 with 34,6Mt coal sold to Eskom
- Supply to Eskom is split between supply from Mpumalanga Highveld and the Waterberg, but growth is significantly skewed to Waterberg over the next 8 years





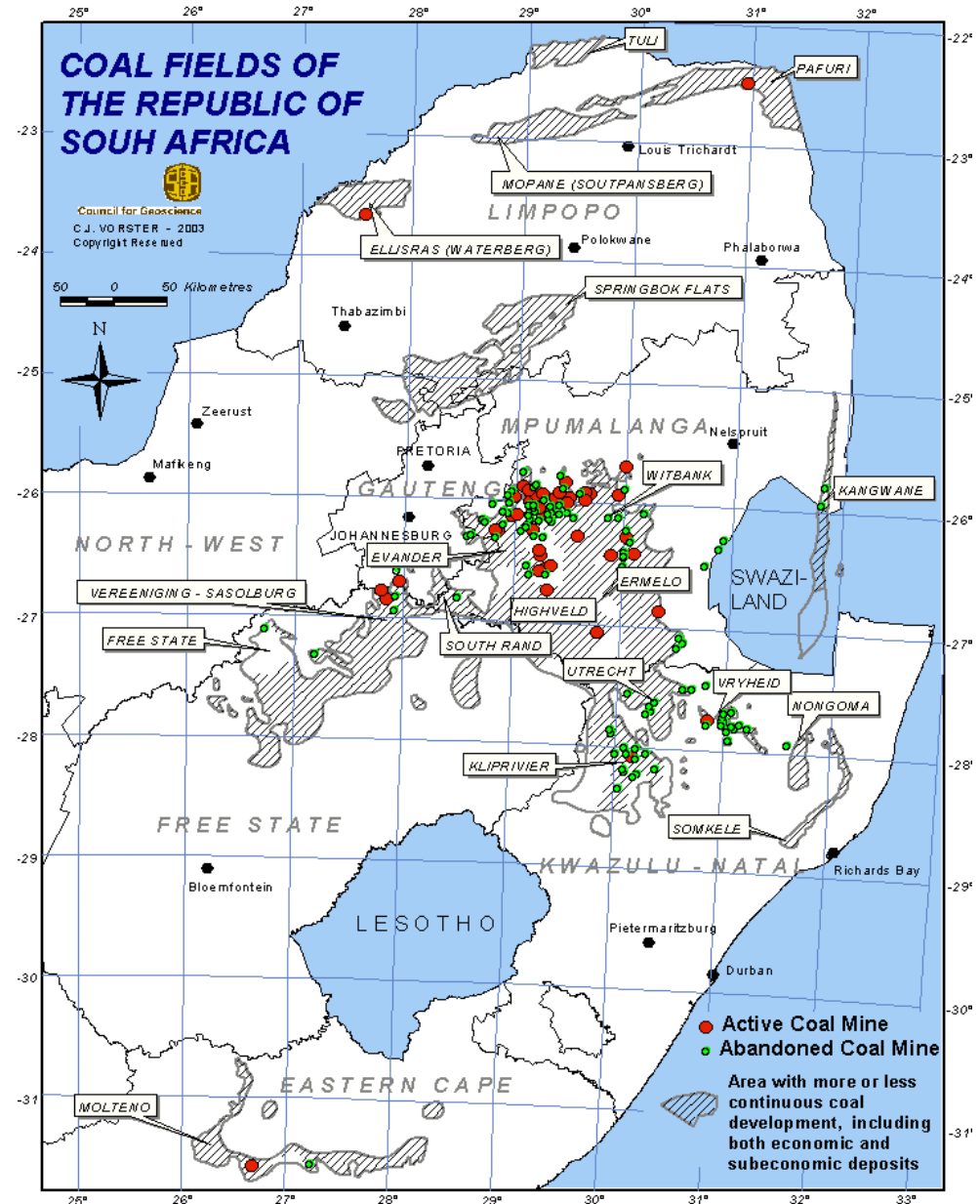
The Waterberg ... The future for SA's coal-fired energy needs





What is the Waterberg coalfield?

- Situated in Limpopo province
- 40% of remaining reserves in SA
- Significant coal deposit with good quality power station and metallurgical coals
- Exxaro is the only company mining in this area
- Exxaro's total resources in mineral rights area : 6,016bn tons
- LOM : > 75 years
- We believe the coalfield could support 8 to 10 additional new power stations
- Medupi is currently being constructed, one of the first such new power stations
- Challenges – infrastructure, environmental stewardship
- Clean Energy programme – cleaner technologies; energy efficiency; low carbon economy





What can the mining industry do to be part of the energy solution?

- Become more energy efficient and thereby also reducing our carbon footprint. There is a lot of short term quick wins in this regard
- Utilise and exploit co-generation possibilities to reduce emissions and enhance energy efficiencies
- Promote the use of clean technologies
- Ensure stable and reliable supply of coal to power stations i.t.o. quantity and quality
- Exxaro committed to supply 13.5Mt of Eskom's short-term requirements of 45Mt over next 18-24 months
- Exxaro to fast track coal mining projects to support short and long-term needs
- Ensure skills availability



What can government do to create an energy solution?

- Provide a context for private investors to develop IPPs
- Provide a context which ensures that there are incentives when private investors want to invest in renewable clean energy
- Ensure that we create the skills capacity to allow us to execute all these growth initiatives
- Provide incentives for skills development
- Ensure approval of mining rights and conversions
- Accelerated approval and build programme, particularly coal-fired stations



So what does all of this mean ...

- South African economy continues to grow
- Sustained growth at above average historical rates – projected to accelerate
- Concerted drive to improve and construct new infrastructure – Gautrain, Soccer World Cup 2010, King Shaka airport, ports, power stations ...
- Translates into enormous power growth scenario
- Coal-fired power generation still an economically preferred option
- Exxaro is the largest supplier to Eskom and will continue to grow coal supply to the utility
- Exxaro and its Waterberg coalfield are well placed to responsibly meet the country's future needs for coal-fired power generation



Concluding remarks

- Exxaro is optimally placed in the SA coal production market
- Destined to play a significant role in the growth of SA's energy industry
- The Waterberg coal field provides a long term sustainable solution to new coal fired base load stations
- Industry is faced with issues, particularly around safety of employees, and Exxaro is committed to supporting government initiatives in this arena to further reduce fatalities and injuries

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