

## vision

Through our innovation and growth we will be a powerful source of endless possibilities.

## mission

We create unrivalled value for all stakeholders of our diversified resources business through our processes, thinking and passion.



EXXARO BELIEVES IN CREATING  
LEADERS AT EVERY LEVEL,  
ALLOWING EVERY EMPLOYEE THE  
FREEDOM TO GROW AND DEVELOP.



Short-wall mining section at Matla mine, Mpumalanga

## values

### EMPOWERED TO GROW AND CONTRIBUTE



*Developing and deploying our knowledge and ingenuity to achieve our vision. We focus on people, create freedom to innovate and collaborate, respect individuality, have fun and rise to challenges.*

### TEAMWORK



*We succeed together through a climate of respect and equality.*

### COMMITTED TO EXCELLENCE



*We take ownership, provide visible leadership and encourage collaboration, commitment and creativity for the benefit of all.*

### HONEST RESPONSIBILITY



*We speak the truth and accept accountability for our actions.*

Exxaro produces an integrated annual report which details our economic, social and environmental performance. Feedback from consultation with stakeholders has determined the structure of this report, and cross-referencing guides readers to their particular areas of interest.

# FOURTH-LARGEST COAL PRODUCER IN SOUTH AFRICA

## business objectives

	Exxaro		Kumba			
	Target 2008	Actual 2007	Actual 2006	Actual 2005	Actual 2004	Actual 2003
<b>FINANCIAL TARGETS<sup>1</sup></b>						
• Return on equity (ROE) (%)	25	15		33	12	12
• Return on capital employed (ROCE) (%)	28	23		59	17	12
• EBITDA interest cover (times)	>4	10		20	7	6
<b>NON-FINANCIAL TARGETS</b>						
<b>• Safety</b>						
– fatalities	0	5 <sup>2</sup>	6	4	2	4
– lost-time injury frequency rate (LTIFR) (per 200 000 hours)	0,21	0,36	0,42	0,52	0,51	0,42
• Safety, health and environmental certification (number of operations)	12	9	10	10	8	2
<b>• Employment equity</b>						
– management (%)	40	36	35	32	28	20
– women (%)	12 <sup>3</sup>	12	11	13	12	10
• HIV/Aids voluntary testing and counselling at pilot sites (%)	95 <sup>4</sup>	30	41	54	40	
• Human resources development (% spend of payroll)	6,0	6,5	5,1	6,3	5,7	5,7
• Procurement from HDSA companies (%)	40	35	37	24	16	
<b>• HDSA ownership (%)</b>						
2008 (15%) <sup>5</sup>	56	56	56			
2014 (26%) <sup>5</sup>	56	56	56			

<sup>1</sup> Financial targets are set with reference to a peer group of companies while actual ratios reported are based on statutory financials that have not been restated for comparative purposes. Comparable key financial ratios appear on page 4. No financial ratios are reported for 2006 as the empowerment transaction leading to the creation of Exxaro in November 2006 results in the ratios not being meaningful.

<sup>2</sup> Includes one public road fatality.

<sup>3</sup> Requirement of the Mineral and Petroleum Resources Development Act and mining charter is 10%.

<sup>4</sup> Under review.

<sup>5</sup> Requirement of the Mineral and Petroleum Resources Development Act and mining charter.



Sample testing at KZN Sands, KwaZulu-Natal

## highlights

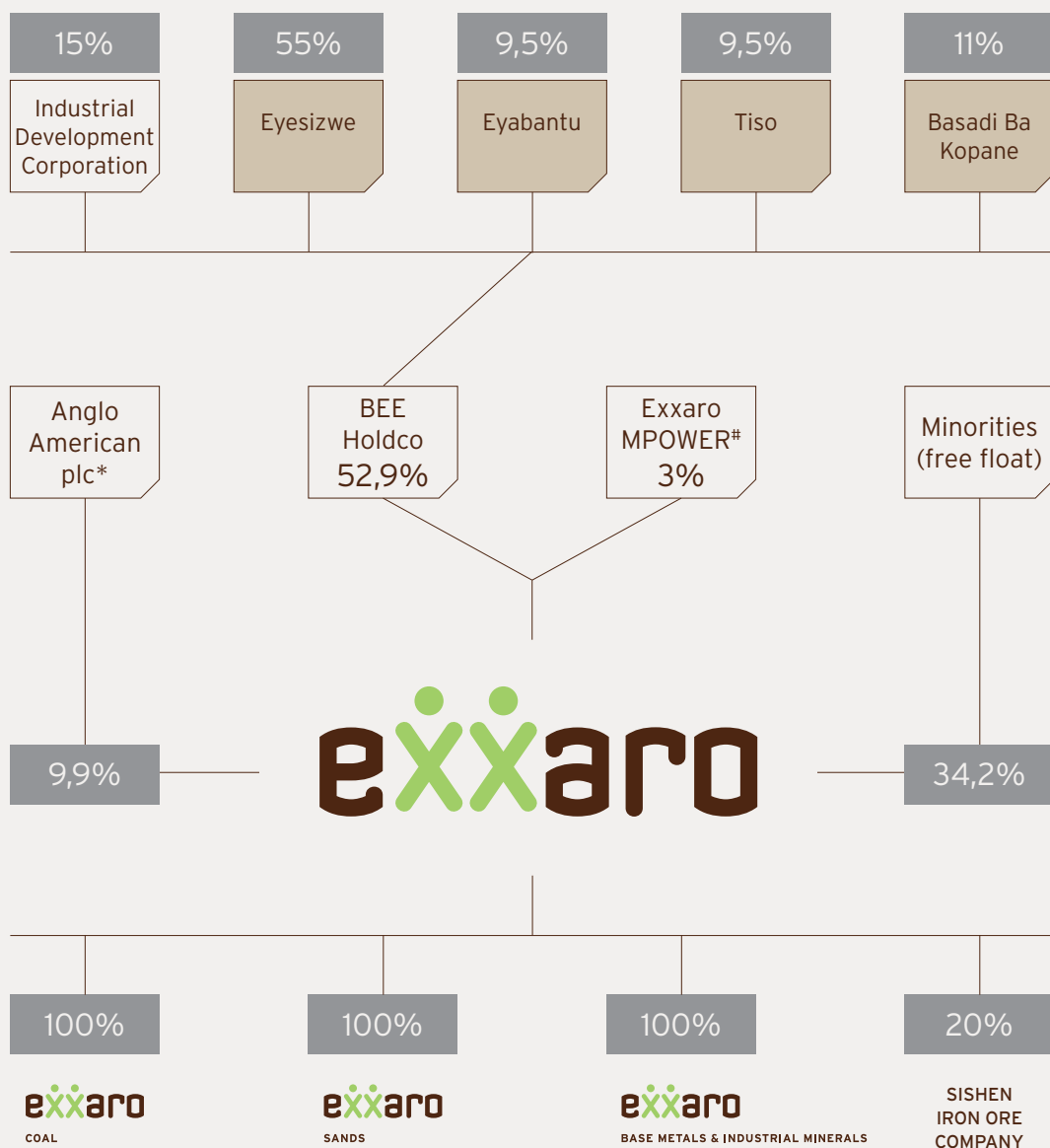
- Successful merger at operational and corporate levels of the former Kumba Resources and Eyesizwe Coal
- Revenue exceeds R10 billion
- Total dividend of R1,60 per share paid to shareholders, including R17 million to Exxaro's employee share incentive scheme, MPOWER
- Commissioning of the 1,5Mtpa export-dedicated Inyanda coal mine
- Conclusion of a 45-year agreement to supply 8,5Mtpa of power station coal to phase 1 of Eskom's new 2 400MW Medupi power station consisting of three generating units
- Acquisition through subscription or participation of 6,3Mtpa export entitlement in the Richards Bay Coal Terminal (RBCT) by 2009
- Socio-economic assessments completed for seven of 12 operations
- Clean energy policy approved, implementation under way
- Carbon footprint baseline assessments initiated at all operations and completed for head office
- Smooth transition to new chief executive officer, Sipho Nkosi, with a positive response from stakeholders
- Employee retention and succession strategies being implemented

## comparable key ratios

	12 months ended 31 December		
	2007	2006	2005
<b>RATIOS</b>			
<b>Profitability and asset management</b>			
Return on net assets (%)	23	28	34
Return on ordinary shareholders' equity			
– Attributable earnings (%)	15	14	21
– Headline earnings (%)	15	13	19
Return on invested capital (%)	19	18	14
Return on capital employed (%)	24	22	16
Operating margin (%)	14	14	14
<b>Solvency and liquidity</b>			
Net financing cost cover (times) – EBIT	7	4	6
Net financing cost cover (times) – EBITDA	10	6	8
Current ratio (times)	3	2	2
Net debt to equity (%)	5	5	1,5
Net debt to earnings before interest, tax, depreciation and amortisation (times)	0,2	0,3	3,3
Number of years to repay interest-bearing debt	1	4	3

*Key ratios for 2005 and 2006 have been restated to mirror the 2007 organisational configuration i.e. Eyesizwe Coal has been 100% consolidated; a 20% interest in Sishen Iron Ore Company has been equity accounted; all non-recurring accounting entries relating to the creation of Exxaro have been eliminated, and the impairment of the carrying value of the KZN Sands assets in 2006 has been excluded.*

## group shareholder structure



As at 31 December 2007

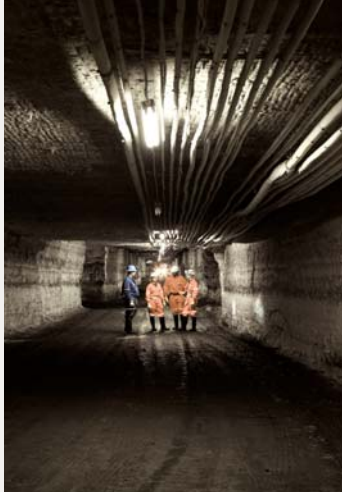
\* Held through Anglo South Africa Capital (Pty) Ltd.

■ These are special purpose vehicles for shareholders in our black-owned holding company.

# Employee share ownership programme.

# group at a glance

## BUSINESSES



**COAL**

Eight coal mines produce 41,3Mtpa of power station, steam and coking coal. All of the power station coal produced is supplied to the national power utility, Eskom. Grooteegeluk is one of the lowest-cost and most efficient mining operations in the world, and operates the world's largest coal beneficiation complex. A strong pipeline of greenfield and expansion projects at various stages of development will result in Exxaro becoming one of the largest coal producers in South Africa.



**MINERAL SANDS**

Exxaro's mineral sands operations include KZN Sands in South Africa, and Australia Sands whose principal asset is a 50% share in the Tiwest joint venture with Tronox Inc. KZN Sands produced 176kt of slag while Australia Sands produced 100kt of synthetic rutile and 54kt of pigment in 2007. Once the acquisition of the Namakwa Sands operation on the west coast of South Africa is finalised, Exxaro will be one of the world's largest suppliers of titanium dioxide feedstock and zircon.



**BASE METALS & INDUSTRIAL MINERALS**

The Rosh Pinah zinc/lead mine in southern Namibia and the Zincor electrolytic refinery in Gauteng comprise one of the few integrated zinc mining and refinery operations in the world. Zincor is also a low-cost producer of zinc metal. Exxaro has an interest in the Chifeng zinc refinery in China. During the year, Rosh Pinah and Zincor produced 95kt of zinc concentrate and 101kt of zinc metal respectively. A dedicated plant in Pretoria manufactures high-quality, gas-atomised ferrosilicon, whilst the Glen Douglas dolomite quarry provides a range of products for the steel, construction and agricultural sectors.

**INVESTMENTS**

**IRON ORE**

Exxaro holds 20% of Sishen Iron Ore Company (Pty) Limited. The company operates the Sishen and Thabazimbi mines, producing some 32,4Mtpa of lumpy and fine iron ore, two-thirds of which is exported. Sishen is one of the largest single open-pit mines in the world, known for its high grade and consistent product quality.

OPERATION	REGIONAL LOCATION	OWNERSHIP	PRODUCTS	SALES 000 TONNES	% EXPORTS
Grootegeluk mine	Limpopo	Division of Exxaro Coal (Pty) Limited	Power station coal (Eskom) Semi-soft coking coal Steam coal	14 587 2 547 1 459	23 9
Leeuwpan mine	Mpumalanga	Division of Exxaro Coal (Pty) Limited	Power station coal (Eskom) Steam coal	965 1 348	20
Tshikondeni mine	Limpopo	Division of Exxaro Coal (Pty) Limited	Coking coal (ArcelorMittal)	449	
Arnot mine	Mpumalanga	Division of Eyesizwe Coal (Pty) Limited	Power station coal (Eskom)	3 702	
Matla mine	Mpumalanga	Division of Eyesizwe Coal (Pty) Limited	Power station coal (Eskom)	12 997	
New Clydesdale mine <sup>1</sup>	Mpumalanga	Division of Eyesizwe Coal (Pty) Limited	Power station coal (Eskom) Steam coal	120 862	96
North Block Complex	Mpumalanga	Division of Eyesizwe Coal (Pty) Limited	Power station coal (Eskom) Steam coal	1 855 393	
Mineral sands - South Africa	KwaZulu-Natal	Subsidiaries of Exxaro Resources Limited	Zircon Rutile Ilmenite Chloride slag Sulphate slag Low manganese pig iron (LMPI)	27 18 50 163 29 91	93 97 100 100 100 66
Mineral sands - Australia <sup>2</sup>	Western Australia	Subsidiary of Exxaro Resources Limited	Zircon Rutile Ilmenite Synthetic rutile Leucoxene	29 16 20 57 17	100 100 100 100 100
Zincor refinery	Gauteng	Division of Exxaro Base Metals (Pty) Limited	Zinc metal Sulphuric acid	99 133	6 7
Rosh Pinah mine	Namibia	Subsidiary of Exxaro Base Metals (Namibia) (Pty) Limited (93,9%)	Zinc concentrate Lead concentrate	97 19	100 100
Chifeng refinery <sup>3</sup>	China	Associate (22%)	Zinc metal Sulphuric acid	23 14	100 100
Glen Douglas mine	Gauteng	Subsidiary of Exxaro Resources Limited	Dolomite Aggregate Lime	548 740 57	
FerroAlloys	Gauteng	Subsidiary of Exxaro Resources Limited	Atomised ferrosilicon	6	
Sishen mine	Northern Cape	Division of Sishen Iron Ore Company (Pty) Limited	Lump ore Fine ore	18 341 12 145	74 88
Thabazimbi mine	Limpopo	Division of Sishen Iron Ore Company (Pty) Limited	Lump ore Fine ore	1 077 1 339	

<sup>1</sup>Run-of-mine tonnage from Inyanda mine was beneficiated at New Clydesdale and is reported as part of this mine's total.

<sup>2</sup>Production tonnes disclosed reflect Exxaro Australia Sands' 50% interest in the Tiwest joint venture.

<sup>3</sup>Sales tonnes disclosed represent the effective interest in the physical information of the Chifeng (Hongye) refinery.

THE ONLY INTEGRATED **ZINC** PRODUCER IN SOUTH AFRICA

## geographical locations

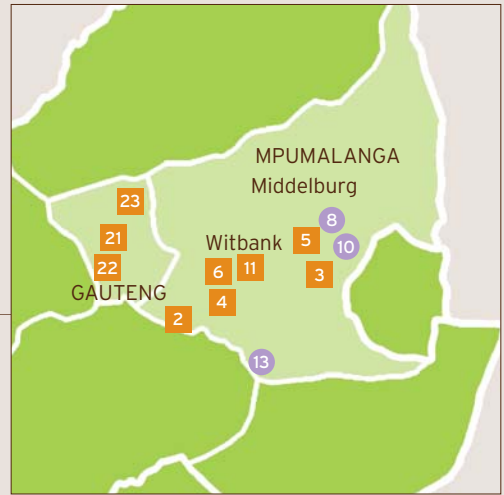
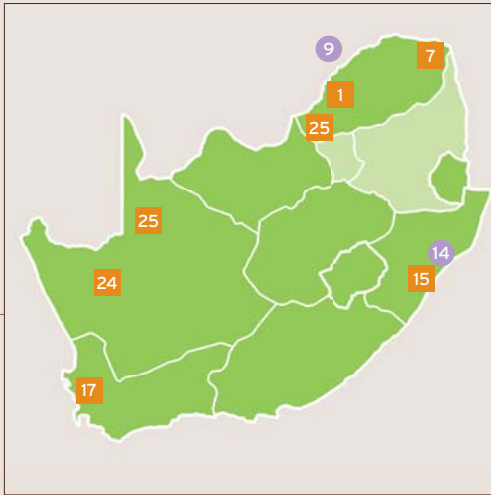


### COAL

- |   |                           |    |                    |
|---|---------------------------|----|--------------------|
| 1 | Grootegeluk               | 8  | Belfast            |
| 2 | Leeuwpans                 | 9  | Mmamabula Central  |
| 3 | Arnot                     | 10 | Eerstelingsfontein |
| 4 | Matla                     | 11 | Inyanda            |
| 5 | North Block Complex (NBC) | 12 | Moranbah South     |
| 6 | New Clydesdale            | 13 | Mafube             |
| 7 | Tshikondeni               | 14 | RBCT Phase V       |



Beneficiation plant at Grootegeluk mine which produces power station, semi-soft coking and steam coal



Detailed maps on pages 62-64

■ Operations   ● Growth projects   ▲ Representative offices

**MINERAL SANDS**

- 15 KZN Sands
- 16 Toliara Sands
- 17 Namakwa Sands
- 18 Australia Sands

**BASE METALS AND INDUSTRIAL MINERALS**

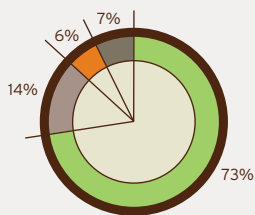
- 19 Chifeng Zinc Refinery
- 20 Rosh Pinah
- 21 Zincor
- 22 Glen Douglas
- 23 FerroAlloys
- 24 Black Mountain
- 25 Sishen Iron Ore Company



A conveyor carrying coal from Grootegeluk mine to Eskom's Matimba power station near Lephalale, Limpopo

## we create value for all stakeholders

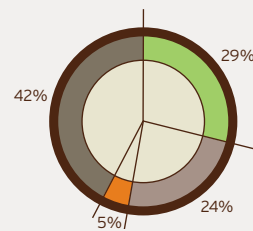
CASH DISBURSED AMONG STAKEHOLDERS 2007



- Remunerate employee for service
- Pay direct taxes to the state

*Comprehensive cash value-added statements on page 150*

CASH DISBURSED AMONG STAKEHOLDERS 2006



- Provide lenders with a return on borrowings
- Provide shareholders with cash dividends

- **We have a multi-stakeholder approach to business**
  - Track record of value release for shareholders
  - Proud to be an employer of choice

- Commitment to communities where we operate
- Supporting national initiatives

- **Exemplary corporate governance is a hallmark of our business philosophy**

 See page 80



Hydraulic mining at KZN Sands, KwaZulu-Natal. In 2007, it is estimated that Exxaro trained more than 10% of all South Africa's artisans and more than 26% of its mining engineers (Page 122)

## comparable group review at a glance

	12-months ended 31 December		
	2007 Audited Rm	2006 Unaudited Rm	2005 Unaudited Rm
<b>INCOME STATEMENTS</b>			
Revenue	10 157	8 814	7 248
Net operating profit	1 444	1 261	994
Net financing costs <sup>1</sup>	(215)	(315)	(173)
Investment and equity accounted income	730	638	417
Taxation <sup>2</sup>	(512)	(595)	(321)
Minority interest	(20)	(27)	(61)
Reconciling items to headline earnings	21	(69)	(76)
Headline earnings	1 448	893	780
Headline earnings per share (cents)	425	285	256
Average realised exchange rate on export sales (R/US\$)	7,26	6,76	6,36
<b>CASH FLOW STATEMENTS</b>			
Cash flows from operating activities	1 507	(1 003)	332
Cash flows from investing activities	(1 119)	(729)	(3 550)
Cash flows from financing activities	(453)	2 260	3 521
Net (decrease)/increase in cash and cash equivalents	(65)	528	303

<sup>1</sup> Split of net financing cost for 2005 and 2006 based on the assumption that Exxaro incurred the majority of external borrowings as SIOC was cash positive.

<sup>2</sup> Split of taxation charge for 2005 and 2006 based on the assumption that STC incurred on dividend declarations was borne by Exxaro.

	At 31 December		
	2007 Audited Rm	2006 Unaudited Rm	2005 Unaudited Rm
<b>GROUP BALANCE SHEETS</b>			
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	8 235	8 367	7 714
Biological assets	30	26	28
Intangible assets	76	69	61
Investments in associates and joint ventures	757	384	513
Deferred taxation	732	521	339
Financial assets	1 031	693	307
<i>Current assets</i>			
Cash and cash equivalents	850	1 367	889
Inventories, trade and other receivables	3 462	3 054	2 441
<i>Non-current assets classified as held-for-sale</i>	2	2	11
<b>Total assets</b>	<b>15 175</b>	<b>14 483</b>	<b>12 303</b>
<b>Equity and liabilities</b>			
<i>Capital and reserves</i>			
Equity attributable to equity holders of the parent	9 804	9 160	4 178
Minority interest	19	27	9
<b>Total equity</b>	<b>9 823</b>	<b>9 187</b>	<b>4 187</b>
<i>Non-current liabilities</i>			
Interest-bearing borrowings	1 259	1 214	5 139
<i>Other long-term payables</i>			
Non-current provisions	1 329	931	643
Deferred taxation	1 077	1 116	502
<i>Current liabilities</i>			
Interest-bearing borrowings	74	613	549
Trade and other payables and provisions	1 613	1 422	1 283
<b>Total equity and liabilities</b>	<b>15 175</b>	<b>14 483</b>	<b>12 303</b>
<b>Net debt</b>	<b>483</b>	<b>460</b>	<b>4 799</b>
<b>ANALYSIS PER SHARE</b>			
Number of shares in issue (million)	353	351	306
Weighted average number of shares in issue (million)	341	313	304
Earnings per ordinary share			
– Attributable earnings (cents)	418	307	282
– Headline earnings (cents)	425	285	256
Dividend declared per ordinary share (cents)	160	525	470
Dividend cover (times) – based on headline earnings	2,66	0,54	0,55
Net asset value per ordinary share (cents)	2 778	2 610	1 365
Attributable cash flow per ordinary share (cents)	440	(328)	107

Supplementary information is compiled using the following assumptions to achieve comparability:

- The empowerment transaction resulting in the creation of Exxaro was effective from 1 January 2005.
- Eyesizwe Coal was fully consolidated from 1 January 2005.
- The 20% equity interest in Sishen Iron Ore Company was equity accounted from 1 January 2005.
- All non-recurring accounting entries associated with the transaction that led to the creation of Exxaro have been eliminated.
- The impairment in 2006 of the carrying value of the KZN Sands assets, has been excluded.

## summary of business operations

000 tonnes	12 months ended 31 December				
	2007	2006	2005	2004	2003
<b>COAL</b>					
<b>Coking coal</b>					
<b>Production</b>					
Grootegeluk	2 499	2 133	1 859	1 972	1 781
Tshikondeni	463	363	414	437	381
Total	2 962	2 496	2 273	2 409	2 162
<b>Power station coal (Eskom)</b>					
<b>Production<sup>1</sup></b>					
Grootegeluk	14 510	14 268	14 060	14 017	13 869
Leeuwpan	956	921	513	366	
Matla <sup>1</sup>	13 030	13 613			
Arnot <sup>1</sup>	3 702	3 985			
New Clydesdale <sup>1</sup>	156	331			
North Block Complex <sup>1</sup>	1 892	1 481			
Total	34 246	34 599	14 573	14 383	13 869
<b>Steam coal</b>					
<b>Production</b>					
Grootegeluk	1 486	1 585	1 551	1 403	1 323
Leeuwpan	1 421	1 504	1 442	1 249	1 610
New Clydesdale <sup>1</sup>	814	1 107			
North Block Complex <sup>1</sup>	391	469			
Total coal production	41 320	41 760	19 839	19 444	18 964
<b>MINERAL SANDS - SOUTH AFRICA</b>					
<b>Production</b>					
- Ilmenite	367	319	356	262	176
- Zircon	34	50	47	49	50
- Rutile	17	25	23	20	17
- Pig iron	90	75	89	63	25
- Scrap pig iron	20	10	8	5	6
- Chloride slag	150	134	134	96	27
- Sulphate slag	26	36	30	40	20

000 tonnes	12 months ended 31 December				
	2007	2006	2005	2004	2003
<b>MINERAL SANDS – AUSTRALIA<sup>2</sup></b>					
<b>Production</b>					
– Ilmenite	216	227	220	236	217
– Zircon	36	36	35	38	40
– Rutile	17	18	16	18	17
– Synthetic rutile	100	98	111	112	97
– Leucoxene	16	14	12	11	16
– Pigment	54	54	53	53	48
<b>BASE METALS</b>					
<b>Production</b>					
Rosh Pinah (zinc concentrate)	95	104	126	124	108
Zincor (zinc metal)	101	90	102	104	111
Zincor (sulphuric acid)	147	142	168	169	173
Chifeng (zinc metal) <sup>3</sup>	23	16	15	12	3
Rosh Pinah (lead concentrate)	22	21	25	27	31
<b>INDUSTRIAL MINERALS</b>					
Glen Douglas					
<b>Production</b>					
Metallurgical dolomite	543	661	689	653	668
Aggregate	749	672	666	705	579
Lime	54	59	26	73	76
FerroAlloys					
<b>Production</b>					
Atomised ferrosilicon	6	6	6	6	5
<b>IRON ORE</b>					
<b>Production</b>					
Sishen <sup>4</sup>	5 946	5 738	28 458	27 609	27 110
Thabazimbi <sup>4</sup>	535	484	2 529	2 503	2 484
Total	6 481	6 222	30 987	30 112	29 594

<sup>1</sup> Physical information includes Eyesizwe Coal mines for 12 months in 2006 even though only acquired effective 1 November 2006.

<sup>2</sup> Physical information reflects Exxaro Australia Sands' 50% interest in the Tiwest joint venture with Tronox Incorporated, Western Australia.

<sup>3</sup> Physical information represents the effective interest in Chifeng (Hongye) refinery.

<sup>4</sup> Physical information for 2006 and 2007 reflects Exxaro's 20% interest in SIOC.



... innovation and  
collaboration

CREATING THE FREEDOM  
TO INNOVATE AND  
COLLABORATE, RISING  
TO CHALLENGES FOR THE  
BENEFIT OF ALL

Thomas Masango, shuttle car operator, loading coal  
at North Block Complex's underground operation



# approach to sustainable development

**Sustainability is defined as the capacity for continuance into the long-term future. By contrast, sustainable development is the process by which we move towards sustainability.**

## Philosophy

As a resources group, our challenge is to demonstrate that the way we approach our business contributes to sustainable development. This means finding that perfect balance between the opportunities for growth and development that responsible citizenship presents and ensuring that the social, environmental and economic impacts of mining - positive and negative - are managed in a transparent and accountable manner.

In Exxaro, sustainable development has been refined to support the group's strategy of consolidation, optimisation and innovation. Underpinned by an analysis of the business case for sustainable development and the triple bottom-line drivers in each area, our approach is determined by formal charters that define our goals and commitment to stakeholders. These charters are, in turn, guided by South African legislation, recommendations on corporate governance, the JSE Socially Responsible Investment index requirements and international benchmarks such as the Global Reporting Initiative (GRI) and its sectoral supplements, the United Nations Global Compact, and the International Council on Mining and Metals. In line with our commitment, sustainability is an integral performance indicator in the economic, social and environmental aspects of our business.

We believe that reporting on sustainable development is integral to our fiduciary duty to shareholders and, by extension, to stakeholders. In providing the assurance that Exxaro is a well-run and credible group, with sound longer-term prospects, our stakeholders need to understand the coherent process that underpins the way we do business: from the strategy that drives our group, to our understanding of the risks and issues that may impede that strategy and the commitment of our management teams to achieving our goals. In consolidating the elements relevant to Exxaro, we gave equal emphasis to strategy and sustainable development, acknowledging that our success rests on their interdependence.

Exxaro's approach is to incrementally move beyond reporting on legal compliance to comprehensive sustainability reporting. This requires an understanding of legislative requirements, international and other protocols and industry-specific targets (some of which are illustrated below) to ensure the necessary systems and processes are in place to facilitate meaningful reporting standards.

### GOOD CORPORATE CITIZENSHIP IMPERATIVE INCLUDES:

SOUTH AFRICAN LEGAL COMPLIANCE	PROTOCOLS
<ul style="list-style-type: none"> <li>• The constitution</li> <li>• Biodiversity management acts</li> <li>• Pollution and waste management acts</li> <li>• Mineral and Petroleum Resources Development Act</li> <li>• Various labour legislation</li> <li>• Employment Equity Act</li> <li>• Broad-based black economic empowerment</li> <li>• Skills Development Act</li> </ul>	<ul style="list-style-type: none"> <li>• International Council on Mining &amp; Metals (ICMM)</li> <li>• United Nations Global Compact</li> <li>• Global Reporting Initiative (GRI)                             <ul style="list-style-type: none"> <li>• FTSE 4 Good</li> <li>• JSE - SRI index</li> </ul> </li> <li>• King II report on corporate governance</li> </ul>

## Sustainability - based on strategy and national priorities

Several years ago - before Exxaro's formation but consistent with the philosophy that underpins this group - we initiated a process of understanding what sustainability meant for our business.

The exercise entailed one-on-one interviews with key decision makers, leading to a strategic framework of key elements, set out on page 19. This framework remains relevant to Exxaro and formed the basis of the implementation model shown on page 23. This model is reviewed regularly.

**Key elements of Exxaro's sustainability framework**

<b>AREA</b>	<b>KEY ISSUES</b>	<b>PROGRESS</b>
<b>Social impact management</b>	Direct and indirect effects on community and society (operations, social stability and influence on family life, housing and living conditions).	<i>Seven socio-economic assessments completed. In 2008, the focus will be on completing the outstanding five assessments and implementing management action plans in response to identified stakeholder issues.</i>
<b>Employment equity</b>	Equitable recruitment and employment practices to meet legislative targets for employing and developing individuals from designated groups.	<i>At the end of 2007, designated groups represented 36% of Exxaro's management and 14% of these positions were held by women. Exxaro is well on track to achieve its 2008 targets of 40% for management overall.</i>
<b>Natural environment</b>	Understanding our impact on the physical environment and conforming to nationally and internationally recognised standards, policies and measures to address detrimental environmental effects, and ensure sustainable development of our operations.	<i>Environmental impact assessments have been completed or are under way for the majority of operations. Results will be incorporated into site environmental management systems. We are consolidating data systems throughout the group, and will continue the process as we integrate Namakwa Sands in 2008. Key issues have been identified for major operations and this process will be rolled out to other operations in 2008. See pages 25 and 101 for elements to be managed.</i>
<b>Ownership and control by historically disadvantaged South Africans</b>	Managing the black economic empowerment imperative in South Africa through ownership control and management participation.	<i>With 56% of the group owned by black shareholders, including our own employees, Exxaro has exceeded this target. Previously disadvantaged Exxaro employees own 3% of the group, and 36% of management comprises HDSAs.</i>
<b>Stakeholder engagement</b>	Implementing effective and transparent engagement, communication and independently verified reporting arrangements with stakeholders.	<i>Stakeholder engagement plans were completed for every operation. Ongoing interaction will ensure the group remains abreast of changing stakeholder needs. Our stakeholder engagement has further been enhanced with the development of a stakeholder management system.</i>
<b>Natural resource management</b>	Responsible use of non-renewable mineral and other natural resources.	<i>Dedicated specialist unit established to intensify focus on addressing risks and impacts.</i>

## approach to sustainable development continued

AREA	KEY ISSUES	PROGRESS
<b>Business sustainability</b>	Ensuring our long-term financial viability; contributing value to all stakeholders; and accounting for the distribution of value created through business activities.	<i>The integration of former Kumba Resources and Eyesizwe Coal operations has been successful to date. The integration of systems, processes and policies will take a little longer, as anticipated in the business planning that preceded Exxaro's listing.</i>
<b>Mine closure</b>	Our aim is to leave self-sufficient communities after mine closure with appropriate infrastructure, skilled people and rehabilitated land.	<i>Results from the most recent closure plan to date - Durnacol mine in rural KwaZulu-Natal - have been excellent. The success in rehabilitating Hlobane mine has received worldwide recognition. Extensive consultation between all stakeholders has resulted in a sustainable community with the infrastructure, skills and determination to succeed. Closure plans for current operations are developed and reviewed against prevailing life-of-mine plans and current best practice.</i>
<b>Social development/ national social priorities</b>	In balancing our interests with those of our stakeholders, specific areas are guided by the social needs of the community, and by the national priorities of society at large, including: <ul style="list-style-type: none"> <li>• Education, training and skills development</li> <li>• Healthcare promotion, particularly HIV/Aids programmes</li> <li>• Job creation</li> <li>• SMME (small, medium and micro enterprises) and other business opportunity development</li> <li>• Conservation of the environment, including awareness programmes</li> <li>• Infrastructure development, including schools, clinics, potable water, sanitation, etc.</li> </ul>	<i>Social and labour plans have been submitted to the authorities for most operations. Similar plans are being developed for the remaining operations, which will be submitted by April 2008. In 2007, 58 projects were completed at various operations at a cost of R22 million.</i>
<b>HIV/Aids</b>	Approaching the pandemic on two levels: as a workplace issue (specifically preventative, educational and clinical support practices including anti-retrovirals) and as a community issue.	<i>By the end of 2007, some 30% of the total workforce had participated in voluntary counselling and testing (VCT). In 2007, 1 889 people attended awareness sessions, 1 784 participated in VCT and 145 tested positive. Over 240 people are on anti-retroviral treatment (ART).</i>

AREA	KEY ISSUES	PROGRESS
<b>Health and safety in the work environment</b>	Exceeding legislative compliance on workplace conditions for employees to facilitate greater satisfaction, efficiency and productivity.	<i>Nine of the group's 12 operations have achieved OSHAS 18001 certification. In 2008, the focus will be on certifying our remaining operations.</i>
<b>Labour relations</b>	Managing the relationship with our employees and their representatives, to foster appropriate engagement, a climate of trust and widespread participation on issues of mutual interest.	<i>Some 60% of the Exxaro group's employees are members of five recognised unions.</i>
<b>Corporate governance</b>	The extent and sophistication of Exxaro's board, executive management and governance structures supporting our practice of triple bottom-line risk management.	<i>Exxaro subscribes to the spirit and principles of the King Report on Corporate Governance (King II) (page 80).</i>
<b>Human resource development</b>	The range and extent of training and skills development practices, moving beyond current job training requirements to include future and potential work orientation, personal skills development, and training in corporate citizenship and sustainable development.	<i>Exxaro spent 6,5% of total payroll on human resources development in 2007, above its own target of 6% and well above the mining industry average of 3,4%. This translated into 66% of our workforce receiving an average of 27 hours of training during the review period (page 121). In line with our commitment to encourage our people to become literate and numerate (NQF level 1 and higher qualification), 66% of Exxaro employees have at least an NQF level 1 qualification.</i>
<b>Shareholders' rights</b>	Equal treatment of all shareholders and protecting their rights <ul style="list-style-type: none"> <li>• specifically minority shareholders</li> <li>• through equal, accurate and timely disclosure.</li> </ul>	<i>The group has programmes and guidelines for providing detailed information to shareholders through formal and informal communication channels and media.</i>
<b>Supplier relations/ developmental procurement</b>	Managing procurement processes and nurturing small enterprises and disadvantaged individuals, developing suppliers through preferential procurement.	<i>Small enterprises are exposed to a variety of opportunities in Exxaro to accelerate their diversification process along the commodity value chain.</i>

## approach to sustainable development continued

AREA	KEY ISSUES	PROGRESS
<b>Human rights</b>	Ensuring basic human rights are respected by all direct operations.	<i>Exxaro complies with all applicable labour legislation in South Africa and with International Labour Organisation guidelines. Accordingly the group encourages freedom of association and collective bargaining, and ensures that child labour and forced or compulsory labour are not tolerated. Induction programmes ensure employees are educated about their rights. Policies on discrimination, harassment and racism are in place, as are structures to protect employees' rights in the workplace.</i>
<b>Product stewardship</b>	Managing the impact of our products or services on the marketplace and society at large.	<i>Exxaro is developing policies to manage this element in line with accepted practice.</i>
<b>Supply chain compliance</b>	Ensuring business partners in our supply chain are themselves responsible corporate citizens.	<i>Exxaro's tender criteria include legislative compliance and good corporate citizenship standards by prospective suppliers and an integrated supplier engagement process is in place.</i>
<b>Leadership in sustainability</b>	Demonstrating our leading role in promoting and implementing corporate citizenship and sustainability as a business philosophy in our industry peer group, in our sector of operation, in our country and against international benchmarks and standards.	<i>Exxaro's manager of corporate sustainable development serves as the Africa business representative on the Global Reporting Initiative, on Unisa's Centre for Corporate Citizenship and on the African Institute for Corporate Citizenship. Exxaro is also sponsoring a chair in business and climate change at the University of South Africa.</i>

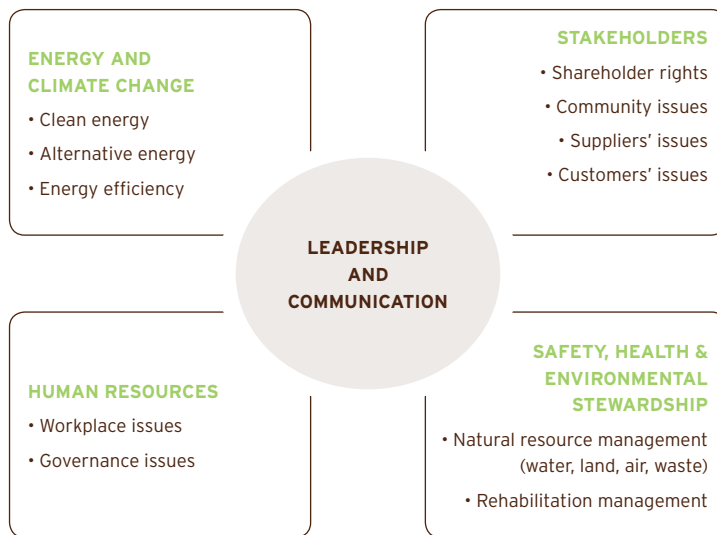
**STRUCTURE AND MODEL FOR IMPLEMENTING SUSTAINABLE DEVELOPMENT**

**Managing sustainability into the future**

Following the formation of Exxaro, a decision was taken to form a sustainable development steering committee of senior managers. The intention is to give impetus to efforts to manage all key impacts faced by the new group in a proactive and consistent manner.

Five task teams that support the work of the steering committee have been formed. These task teams (graphically represented below) are mandated to manage the major thrusts, namely energy and climate change; safety, health, and environmental stewardship; stakeholder relations; and human resources management and governance.

This structure will be replicated at each operation to ensure that all the aspects listed on page 24 and 25 are properly managed. In future reports, Exxaro intends to detail progress on these aspects.



**SUSTAINABLE DEVELOPMENT MODEL - MAJOR THRUSTS**

In implementing this model, which was formally approved after year end, workshops were held across the group's central support departments to identify key issues for triple bottom-line reporting in a process founded on the group strategy and closely aligned with risk identification and management. These workshops will be extended to our operations in 2008.

Practically, and in a top-down/bottom-up process, strategic direction is provided by the sustainable development steering committee, reporting to the executive committee and board. Teams at each operation and Exxaro's support departments implement and monitor initiatives, and report to the steering committee. This creates a virtual circle of development that is both sustainable and meaningful because it responds to identified needs.

Many of these aspects (listed overleaf) are already well developed. Equally, while some are limited to a specific area of the triple bottom-line, others span two or three areas and highlight the interaction between operations and support services. As Exxaro's sustainable development model is implemented and appropriate cross-departmental structures to manage each aspect entrenched, longer-term aspects will be incorporated.

## approach to sustainable development continued

### ASPECTS

#### Zero harm

Programme to ensure zero fatalities

Identify and set targets to reduce the number of significant environmental incidents

No transgressions of the principles embodied in the UN Universal Declaration of Human Rights

#### Legal compliance

Zero fines and prosecutions

#### Management systems

All operations to undertake annual self-assessments against Exxaro health, safety, environment and community management standards and develop plans and target dates to conform to standards

All operations to obtain and maintain International Standards Organisation 14001 and 18001 certification

All operations to have an effective stakeholder management system as per Accountability AA1000SES standard

#### Risk Management

Risk registers (finance and sustainable development risks) to be in place and maintained at all operations and at Exxaro corporate centre

#### Health

All operations to implement a baseline survey on occupational exposure hazards and establish occupational monitoring and health surveillance programmes

All operations to establish annual reduction in exposures above occupational exposure limits, expressed as percentage of workforce

All operations to establish targeted reduction in incidence of occupational disease and target dates

#### Safety

All operations to establish targeted reduction in LTIFR (excluding first aid treatments) by targeted date

#### Environment

##### Energy and greenhouse gas management

Identify and set targets for all operations with carbon dioxide (CO<sub>2</sub>) equivalent emissions above pre-determined level to have and maintain energy conservation plans and targets

Identify and set targets for all operations with CO<sub>2</sub> equivalent emissions above pre-determined level to have and maintain greenhouse gas management plans and targets

All operations to develop programmes and targets for alternative, cleaner energy

Aggregate group target for reduction in greenhouse gas emissions per unit of production to be developed

##### Water

Identify and set targets for all operations that consume fresh water in line with water management plans

Aggregate group target to reduce fresh water consumption per unit of production to be developed

All operations to establish level of water contamination

Aggregate group target to reduce water contamination to be developed

## ASPECTS

### Waste

All operations to develop and maintain waste minimisation programmes

Aggregate group target to reduce waste (excluding recycled and mining-related materials, such as waste rock, tailings, coal rejects and slag) per unit of production to be developed

### Land management

All operations to have and maintain land management plans to protect and enhance agreed beneficial uses

All operations to identify biodiversity risks and implement biodiversity management and closure plans

### Product stewardship

Life-cycle assessments prepared for all major Exxaro products (incorporating participation in industry programmes where appropriate)

### Community

All operations to prepare public sustainable development reports (including incidents, community complaints and operation-specific emissions) annually

All operations to conduct and maintain socio-economic and environmental impact survey with inputs from relevant stakeholders

All operations to have and maintain a stakeholder management database and plan, including community engagement plan

Aggregate contribution to community programmes, including in-kind support, of a target of at least 1% of net operating profit after tax

Aggregate contribution to enterprise development of a target of 3% of net operating profit after tax

Community health programmes to help local communities fight major diseases such as HIV/Aids and malaria

### Our people

All operations to have and maintain a talent management plan for all grading levels to increase and retain skilled people in the local community

All operations to set and achieve race, gender and disability targets as stipulated by the mining charter

All hostel employees to be accommodated in single or family units

All operations and corporate centre to have an approved workplace skills plan and submit an annual training report

All operations to roll-out an HIV/Aids management plan based on corporate strategy and targets

All operations to implement a wellness plan that includes nutrition, injury management, employee counselling and health promotion

### Procurement

Developmental procurement - all operations to set annual targets to increase local historically disadvantaged South African (HDSA) procurement services according to corporate policy

### Corporate governance

Company to have policy and procedures to satisfy King II

## approach to sustainable development continued

### Process to engage with stakeholders and apply international standards

For the review period, Exxaro reports against the revised GRI guidelines, issued in 2006 and referred to as G3 to differentiate them from GRI's 2002 guidelines. In addition to the revised scope of the G3 indicators, we are integrating the former Kumba Resources and Eyesizwe Coal operations, and in future Namakwa Sands. The focus therefore is on standardising data collection and analysis for meaningful reporting that complies with King II and the new GRI guidelines. As such, Exxaro has not declared a GRI application level for 2007, but will do so in the 2008 annual report.

Exxaro qualified for inclusion in the JSE's reviewed SRI index in November 2007. This index assesses the performance of companies in relation to economic, environmental and social sustainability as well as corporate governance.

We initiated several innovative practices in preparing to report to stakeholders for the 2007 financial year - our first full year as Exxaro:

- To remain abreast of the changing needs of our stakeholders and the impact of our operations and initiatives, seven Exxaro operations completed comprehensive socio-economic assessments of their sustainable development footprints and management responses to identified impacts. The remaining five assessments are under way.
- Issues raised during the internal workshops were presented to a representative stakeholder panel (from government departments to analysts, community members and organised labour) convened by an independent third party, African Institute for Corporate Citizenship (AICC). The aim was to elicit stakeholder feedback on whether we are covering the issues of concern (or materiality of reporting) to individual panel members, and to obtain feedback on the completeness of this reporting. The AICC report appears on page 135. This approach is in line with the standard set by AA1000SES.

Where possible, additional issues raised by the panel have been incorporated in this report.

We believe this process will over time ensure that Exxaro reports provide a measurable indicator of progress and underscores our commitment to stakeholder engagement.

### Sustainable development assurance - broad-based verification

Exxaro has internal systems to record and monitor the quality (accuracy, fullness and consistency) of management information and any data gaps in the group. These are continually assessed and improved, aiming for best practice.

In line with our commitment to the triple bottom-line, an integral part of reporting to stakeholders is assurance on the quality of disclosure. Previous integrated annual reports have been externally assured, albeit on a limited range of elements. In this report, we have extended our approach to assurance by commissioning a more in-depth external assurance by KPMG (page 132). We have also initiated a more qualitative approach by including a range of stakeholders in a formal panel in the process of identifying issues for comprehensive coverage (page 135). The recommendations of both third parties have been noted and will form part of the implementation of our sustainable development model.

In addition, our previous integrated annual report (Kumba Resources 2005) was externally assessed by KPMG. Our report was compared to a basket of internationally and locally relevant triple bottom-line reporting guidelines, such as the GRI G3 reporting framework and report assessment methods.

### Scope of sustainable development elements of the report

In this report, we have concentrated on former Kumba Resources operations while we integrate reporting systems from former Eyesizwe Coal operations.

This report also excludes the following operations where we do not exercise management control:

- Australia Sands - Australia Sands' principal asset is its 50% ownership in the Tiwest joint venture with Tronox Incorporated.
- Chifeng Refinery - As a first step for potential investment in China, Exxaro established an equity joint venture with an existing refinery facility. Exxaro has a 38% shareholding in Phase 2, and a 25% interest in Phase 3 of this venture, resulting in an effective 22% economic interest in the expanded operation.

Exxaro has representatives at Chifeng and Australia operations to influence and advise on sustainable development matters.