

EXXARO RESOURCES

CHAMPION OF CHANGE



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An extraordinary South African resource company with a strategic vision to become a \$20 billion company by 2020

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Trucks are driven out of the pit electrically to increase productivity and save diesel

Exxaro Resources is one of the largest South African diversified resource groups, with interests in coal, mineral sands, industrial minerals and iron ore. The company is the second-largest South African coal producer, and the third-largest global producer of mineral sands, a class of ore deposit which is an important source of zirconium, titanium, thorium, tungsten, and rare earth elements.

Exxaro's eight managed coal mines produce over 40 million tonnes per annum (Mtpa) of power station, steam and coking coal, as well as char. The company is the largest supplier of power station coal to South Africa's national power utility, Eskom.

Exxaro's Grootegeluk mine is one of the most-efficient mining operations in the world, and operates the world's largest coal beneficiation complex, where 9,000 tonnes per hour of run-of-mine coal is upgraded in six different plants. Situated 25 km from Lephalale in South Africa's Limpopo province, this open-pit mine has an estimated minable coal reserve of 2800Mt and a total measured coal resource of 4600Mt, from which semi-soft coking coal, thermal coal and metallurgical coal can be produced.

Some 14,8Mt of annual production is power station coal, transported directly to Eskom's Matimba power station on a 7 km conveyor belt. Grootegeluk also produces 2,5Mtpa of semi-soft coking coal, the bulk of which is

railed directly to Mittal SA under a long-term supply agreement.

Such are the demands for power in South Africa, however, that Grootegeluk's capacity is being doubled in order to supply the new Medupi power station that Eskom is building nearby. The \$1.3 billion Grootegeluk Medupi Expansion Project (GMEP) will increase throughput to 14,000 tonnes per hour, and supply Medupi with 14.6 million tonnes per annum of coal for 40 years.

Exxaro has a strategic target to become a US\$20-billion company by 2020—a global, diversified company with top-quartile returns.

14,000

Tonnes per hour capacity of Exxaro's expanded Grootegeluk beneficiation plant

To help achieve this it has set targets for operational excellence, aiming to reduce its carbon footprint, improve on the safety and empowerment of its people, and become an employer of choice and an agent for change in South Africa.

Achievements have already been registered in this regard, with a Standard of Excellence Award in the 2012 Deloitte Best Company to Work For survey. CEO Siphon Nkosi said the group is exceptionally proud of this achievement. "This is a target we set ourselves for 2016, and we have achieved it in 2012. This is not an easy award to win – it is the result of concerted effort to achieve a clear goal to continually improve our people management capabilities and is therefore more valued as a result." Just a few weeks after this award, Nkosi himself emerged victorious at the Southern Africa Chapter of the Ernst & Young World Entrepreneur Awards



2012, winning the Master Entrepreneur category.

In terms of operational excellence, in August this year Exxaro became the first company in South Africa to achieve Road Transport Management System (RTMS) consignor and consignee accreditation. The RTMS is an industry-led, voluntary self-regulation system that encourages consignees, consignors and hauliers engaged in the road logistics value chain to implement a vehicle management system that preserves road infrastructure, improves road safety and increases the productivity of the logistics



Iron-ore

value chain. Exxaro's Grootegeluk and North Block Complex business units are the first company sites to receive RTMS accreditation, which is supported by The Chamber of Mines and Eskom.

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When Exxaro was formed in 2006, it had a large coal portfolio and was the world's third largest producer of heavy minerals, principally chloride slag for the pigment market. But rather than allow the shape of the existing business to lead its development, it has taken a global view in deciding what sort of a company it aims to be in the future.



Looking at the way economic power is shifting from the West to the East, the

company concluded that commodities would fall into three tiers. Tier one would include minerals such as coal, iron ore, mineral sands and copper, and these would be the focus for Exxaro over the next 10 years. Tier two minerals—a priority 10 to 15 years down the line—are those for which industrial demand (from the aerospace and energy industries, for example) is increasing rapidly, including titanium and some of the rare earths. But

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14.6 MILLION

Tonnes of coal to be supplied annually
to Eskom's new Medupi power plant

Exxaro is already looking beyond that to its third tier—materials the world will require in 30 years' time to enable industry to address economic megatrends like climate change and population growth.

In June 2012 Exxaro consolidated its mineral sands operations with the finalisation of a transaction with Tronox Incorporated, in which Exxaro exchanged its mineral sands operations for a shareholding in the newly formed Tronox Limited—the world's largest fully integrated producer of titanium ore and titanium dioxide. The long-term partnership is expected to enhance production capabilities and implement technical efficiencies in the integrated process, creating a truly global, vertically integrated titanium dioxide pigment producer, the company said. This is expected to result in a strong platform for future growth, uniquely positioned to capitalise on favourable market dynamics and to serve the needs of the ever-growing pigment and zircon customer base across the globe.

Exxaro and its board of directors are committed to ensuring ethical and sustainable business practices—a commitment that has been rewarded again this year with continued inclusion on the 2012 JSE Social Responsibility (SRI) Index, announced at



The Grootegeluk mine

the end of November. The group met the Index' best practice criteria for environmental policy, environmental management systems and environmental reporting, as well as the best practice criteria set for training and development, employee relations, equal opportunities, black economic empowerment, health and safety, HIV/Aids, community relations, stakeholder engagement, board practice, indirect impacts, business value and risk management, broader economic issues, governance and related sustainability reporting and code of ethics/conduct.

“Our aim is to integrate business, community and environmental needs and obligations to enable Exxaro to achieve its

founding goal of being a company that makes a positive social and economic contribution to South Africa,” said Nkosi. “The prosperity of South Africa is inseparably linked to the sustainability of our world-class and dynamic mining sector. It is our belief that if we implement our sustainability model successfully, and manage our sustainability issues correctly, we will automatically create more employment for all South Africans and uplift disadvantaged South Africans.” **BE**

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