SUMMARISED FINANCIAL RESULTS
for the year ended 31 December 2016

EXXARO 2016 PERFORMANCE AT A GLANCE

Sustainable operations
- > Lost-time injury frequency rate (LTIFR) improved 47% to 0,09

Strong profit margins and resilient balance sheet
- > Core net operating profit margin of 24%, up 6%
- > R2,4 billion income from equity-accounted investments, up 309% from FY15
- > Headline earnings per share at 1 302 cents per share
- > Net debt to equity at 3,8%
- > Cash generated from operations at R5,5 billion, up 23%

Growth in coal
- > R5,2 billion coal net operating profit (NOP), up 101%
- > Operating profit margin of 25%
- > Exports volume – at 7,9Mt up 27%

Returning cash to shareholders
- > Final dividend of 410 cents per share (cps) at a FY16 core attributable earnings cover of 3,2 times

GROUP SEGMENTAL RESULTS (Rm)

	Revenue		Net operating profit/(loss)	
	FY16 Reviewed	FY15 Audited	FY16 Reviewed	FY15 Audited
Coal	20 673	18 093	5 166	2 574
– Tied[1]	3 483	3 835	226	195
– Commercial[2]	17 190	14 258	4 940	2 379
Ferrous	170	173	566	(306)
– Iron ore[3]			613	(292)
– Alloys[4]	170	173	(75)	10
– Other			28	(24)
Other[5]	54	64	(532)	905
Total	20 897	18 330	5 200	3 173

[1] *Mines managed on behalf of and supplying their entire production to Eskom in terms of contractual agreements.*

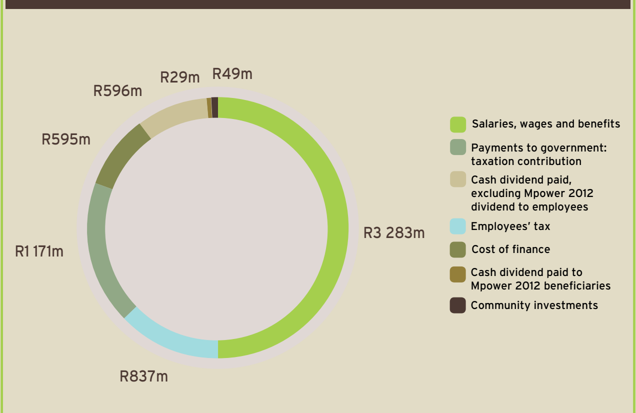
[2] *Net operating profit for FY15 includes pre-tax impairment of the goodwill recognised on the acquisition of ECC of R1 524 million and the reductants operation property, plant and equipment of R225 million.*

[3] *Net operating profit for FY16 includes R670 million pre-tax gain on the disposal of the Mayoko iron ore project and related subsidiaries.*

[4] *Net operating loss for FY16 include the FerroAlloys property, plant and equipment pre-tax impairment of R100 million.*

[5] *Net operating loss for FY16 includes R445 million fair value adjustment of contingent consideration which relates to the ECC acquisition.*

Value distribution in December 2016



SUMMARISED GROUP STATEMENT OF COMPREHENSIVE INCOME (Rm)

for the year ended 31 December	FY16	FY15
Revenue	20 897	18 330
Operating expenses	(16 413)	(13 116)
Gain on disposal of joint venture	203	
Impairment charges of non-current assets	(100)	(1 749)
Net operating profit	4 587	3 465
Net financing cost	(628)	(668)
Income from financial assets		1
Share of income/(loss) of equity-accounted investments	2 373	(1 137)
Profit before tax	6 332	1 661
Income tax expense	(1 179)	(1 102)
Profit for the year from continuing operations	5 153	559
Profit/(loss) for the year from discontinued operations	538	(292)
Profit for the year	5 691	267
Other comprehensive (loss)/income, net of tax	(549)	2 167
Total comprehensive income for the year	5 142	2 434
Attributable earnings per share (cents)		
- Basic	1 600	83
- Diluted	1 591	83
Headline earnings per share (cents)		
- Basic	1 302	457
- Diluted	1 294	456

SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION (Rm)

at 31 December	FY16	FY15
Non-current assets	49 959	46 482
Current assets	9 842	6 016
Non-current assets held-for-sale	130	128
Total assets	59 931	52 626
Total equity	35 087	34 226
Non-current liabilities	16 282	12 701
Current liabilities	7 461	4 655
Non-current liabilities held-for-sale	1 101	1 044
Total equity and liabilities	59 931	52 626
Market capitalisation (Rb)	32	16

SUMMARISED GROUP STATEMENT OF CASH FLOWS (Rm)

for the year ended 31 December	FY16	FY15
Cash flows from operating activities	3 918	3 011
Cash generated by operations	5 549	4 526
Net interest paid	(459)	(446)
Tax paid	(547)	(85)
Dividends paid	(625)	(984)
Cash flows from investing activities	(2 198)	(5 130)
Property, plant and equipment to maintain operations	(2 413)	(1 663)
Property, plant and equipment to expand operations	(367)	(727)
Income from investments in associates	748	1 341
Acquisition of subsidiaries		(3 436)
Other investing activities	(166)	(645)
Cash flows from financing activities	1 483	2 000
Interest-bearing borrowings raised	7 565	4 320
Interest-bearing borrowings repaid	(6 066)	(2 320)
Shares acquired in market to settle share-based payments	(16)	
Net increase/(decrease) in cash and cash equivalents	3 203	(119)

CORPORATE INFORMATION

Registered office: Exxaro Resources Limited, Roger Dyason Road, Pretoria West, 0183
Tel: +27 12 307 5000, Fax: +27 12 323 3400

Directors: MW Hlahla**, Dr D Konar*** (chairman), S Mayet***, MDM Mgojo* (chief executive officer), PA Koppeschaar (finance director)*, S Dakile-Hlongwane***, Dr CJ Fauconnier***, V Nkonyeni***, VZ Mntambo**, EJ Mybrugh***, Dr MF Randera**, J van Rooyen***, PCCH Snyders***, D Zihlangu**

**Executive **Non-executive ***Independent non-executive*

Prepared under supervision of: PA Koppeschaar, CA(SA)
SAICA registration number: 00038621

Group company secretary CH Wessels

Transfer secretaries: Computershare Investor, Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001. PO Box 61051, Marshalltown, 2107

Investor relations: MI Mthenjane (+27 12 307 7393)

Sponsor: Absa Bank Limited (acting through its Corporate and Investment Bank Division)
Tel: +27 11 895 6000

EXXARO RESOURCES LIMITED
(Incorporated in the Republic of South Africa), **Registration number:** 2000/011076/06

JSE share code: EXX **ISIN:** ZAE000084992 **ADR code:** EXXAY

("Exxaro" or "the company" or "the group")

This report is available at: www.exxaro.com

COMMENTARY

Comments below are based on a comparison between the financial years ended 31 December 2016 and 2015 (FY16 and FY15 respectively).

ROBUST PERFORMANCE

The Exxaro group of companies reached another unprecedented milestone on 31 December 2016 achieving two consecutive calendar years without a fatality. By December 2016, the company had operated for a record 30 consecutive months without a fatality. The group also achieved a lost-time injury frequency rate (LTIFR) of 0,09 (FY15: 0,17) representing a 47% improvement.

Regrettably, an employee at Matla Mine 2 in Mpumalanga, Mr Sibongiseni Sihle Majozi, was fatally injured on 1 March 2017 following an underground accident. Exxaro continues to strive for a consistent fatality-free environment and to continuously improve all aspects of safety.

Exxaro delivered a very strong performance for FY16 with higher net operating profit, mainly driven by higher coal selling prices. The income from equity-accounted investments increased substantially during the second half of the year, to end FY16 at R2 373 million (FY15: loss of R1 137 million). The increase can mainly be attributed to an improved performance from SIOC (increase of R2 312 million) as a result of a recovery in iron ore export selling prices, and lower losses from our investment in Tronox (decrease in losses of R1 119 million).

Following the Exxaro Improvement Project (EIP) to reduce costs and improve efficiencies, Exxaro achieved sustainable cost savings of R235 million in FY16.

FINANCIAL AND OPERATIONAL RESULTS

Group financial results

Revenue and net operating profit

Consolidated group revenue increased by 14% to R20 897 million, while group net operating profit increased by 64% to R5 200 million (FY15: R3 173 million) mainly due to higher coal sales prices and the weakening of the rand against the US dollar in FY16. An average spot exchange rate of R14,69 to the US dollar was recorded for FY16, compared to R12,76 in FY15, a depreciation of 15%. Other contributing factors to the increased net operating profit included the following:
- Higher contributions from the coal operations (refer Coal business performance below)
- The non-recurrence of impairments of goodwill and property, plant and equipment arising in FY15 of R1 749 million
- R670 million gain on disposal of the Mayoko iron ore project and its related subsidiaries in FY16
- Cost savings in the Ferrous segment due to the disposal of Mayoko iron ore project, offset by the non-recurrence of gains in FY15 relating to:
  - Unrealised foreign exchange profits recorded on US dollars held for the Exxaro Coal Central Proprietary Limited (ECC) acquisition
  - Translation differences recycled to profit or loss on liquidation of foreign subsidiaries
- R445 million loss on the fair value adjustment recognised in FY16 relating to the contingent consideration which relates to the ECC acquisition.

Earnings

Earnings, which include Exxaro's equity-accounted investments in associates and joint ventures, was R5 679 million (FY15: R296 million) or 1 600 cents earnings per share (FY15: 83 cents per share).

Headline earnings were 185% higher at R4 621 million (FY15: R1 623 million) or 1 302 cents per share (FY15: 457 cents per share).

Cash flow and funding

Cash flow generated by operations increased by R1 023 million to R5 549 million (FY15: R4 526 million) and was sufficient to cover capital expenditure of R2 780 million, dividends of R625 million, net financing charges of R459 million and tax of R547 million.

Total capital expenditure increased by 16% or R390 million, consisting of a R750 million increase in expenditure on sustaining and environmental capital (stay-in-business capital) offset by a R360 million decrease in expenditure on new capacity (expansion capital).

Dividends received of R748 million (FY15: R1 341 million) consisted of R450 million (FY15: Nil) from Mafube (a joint venture with Anglo South Africa Capital Proprietary Limited), and R298 million (FY15: R668 million) from our investment in Tronox Limited (Tronox). No dividends were received from Sishen Iron Ore Company Proprietary Limited (SIOC) in FY16 (FY15: R673 million).

Debt exposure

Net debt at 31 December 2016 was R1 322 million, compared to R3 012 million at 31 December 2015. This equates to a net debt to equity ratio of 3,8% (8,8% at 31 December 2015). Exxaro's capital structure remains robust and we successfully refinanced our R8 billion term loan facility at attractive terms, despite Standard and Poor's downgrading of Exxaro's domestic credit rating to zaBB+/zaB.

In January 2017, the specific repurchase by Exxaro of Exxaro ordinary shares from Main Street 333 Proprietary Limited (Main Street 333), to the value of R3 524 million, was effected using cash generated from Exxaro's own operations.

Coal business performance

The fourth quarter of 2016 saw a surge in the international coal price as China reduced its coal production due to the 276 day cap on production, and prices more than doubled compared to January 2016 index levels. Exxaro also had good international demand.

Export volumes increased from 6,18Mt to 7,86Mt, mainly as a result of the additional volumes from ECC, but offset by the sale of Inyanda. The group realised an average export price of US$50 per tonne in both FY16 and FY15.

Trading conditions in the domestic market improved during the second half of 2016 as some producers found the export market more attractive due to strong international thermal coal prices in the fourth quarter of 2016. Exxaro experienced strong demand for its products in the domestic power generation, steam coal, metals and reductants segments.

Production and sales volumes

Total coal production volumes (excluding buy-ins) were 160kt lower than FY15. The decrease can mainly be attributed to the sale of Inyanda as well as the closure of Arnot. However, the inclusion of ECC production for 12 months in FY16 compared to four months in FY15 cushioned the extent of the reduction. Sales, however, increased by 300kt (1%).

Metallurgical coal

Grootegeluk (GG) production increased by 129kt (7%). In FY15, semi-soft coking coal production was cut back in order to produce power station coal due to low stocks in the second half of 2015. Sales decreased by 43kt (3%) mainly due to lower off-take from local customers.

Thermal coal

Tied mines

Power station coal production from the tied mines was 1 360kt (15%) lower compared to FY15, mainly due to Eskom terminating the contract with Arnot at the end of 2015.

Commercial mines

The commercial mines' power station coal production was lower by 396kt (2%) attributable to GG for 894kt (4%) due to full stockpiles at Eskom during the first half of 2016 and lower off-take from Eskom, resulting in production cut-backs. North Block Complex (NBC) production was lower by 186kt (7%) due to industrial action and the move of a plant for safety reasons. This was offset by higher production at Mafube of 625kt (100%).

Domestic power station coal sales from the commercial mines was 2 078kt (9%) lower mainly due to Leeuwpan's coal no longer being delivered to Eskom and lower demand as a result of Addendum 9 to the Medupi Coal Supply Agreement. Export power station coal sales increased by 1 034kt (142%) mainly as a result of the Eskom contracts ceasing at Leeuwpan and Mafube and redirecting the coal to the export market.

Steam coal production was 1 467kt (23%) higher mainly due to the inclusion of ECC (2 539kt) for the full year and higher production at NBC of 173kt (100%) as the Eerstelingsfontein reserve was mined for the full year, partly offset by no production at Inyanda (1 035kt). GG production was lower by 127kt (8%) mainly due to full stockpiles.

Domestic steam sales increased by 2 122kt (82%) mainly from Leeuwpan as a result of the Eskom agreement ceasing and product being redirected to the domestic market (1 335kt), the inclusion of ECC sales of 402kt for the full year and increased demand at NBC and GG partly offset by lower Inyanda sales of 111kt. Steam coal export sales were 642kt (12%) higher mainly from ECC partly offset by the Inyanda closure.

Revenue and net operating profit

Coal revenue was 14% higher than in FY15. The increase in revenue from commercial mines was due to higher prices while sales volumes were in line with FY15. Volumes lost due to the closure of Inyanda were countered by the inclusion of ECC for the full year.

Net operating profit of R5 166 million (FY15: R2 574 million) represents an increase of 101%, at an operating margin of 25%, compared to FY15, mainly in FY15 due to:
- Impairment (+R1 524 million) of goodwill which arose on the acquisition of ECC
- Higher prices (+R931 million)
- Lower buy-in prices from Mafube JV (+R441 million)
- Inclusion of ECC (+R429 million) for the full year
- Impairment of property, plant and equipment of the reductants operation in FY15 (+R225 million)
- Gain on the restructuring of South Dunes Coal Terminal SOC Limited (SDCT) shareholding (+R203 million)
- Exchange rate variances due to the weakening of the local currency against the US dollar (+R111 million)

Partly offset by:
- Scope changes on environmental rehabilitation provisions (-R417 million)
- Inflation (-R342 million)
- Closure of Inyanda (-R202 million)
- Higher distribution price (-R167 million)
- Higher depreciation (-R95 million)

Ferrous business

Net operating profit

Net operating profit increased by R872 million to R566 million in FY16 from the R306 million loss reported for FY15. The increase is mainly as result of a R670 million gain on the disposal of the Mayoko iron ore project and related subsidiaries, cost savings due to scaling down activities in the Republic of the Congo (RoC) offset by a R100 million pre-tax impairment of the ferrosilicon plant at FerroAlloys. The decision to impair the ferrosilicon plant was based on lower demand from major customers as well as our current view of securing new contracts in future.

Equity-accounted investments

The increase in equity-accounted income from SIOC is largely attributable to the increase in export iron ore prices in FY16, a R221 million excess of fair value over the cost of the investment which arose due to a 0,64% increase in Exxaro's shareholding following the unwinding of SIOC's employee ownership scheme in FY16, as well as Exxaro's share of the impairment charge amounting to R866 million which was included in FY15. No dividends were received from SIOC in FY16 (FY15: R673 million).

Titanium dioxide (TIO_2) and Alkali chemicals investment

Equity-accounted investment

Equity-accounted losses from the Tronox investment decreased from R1 503 million in FY15 to R384 million for FY16, mainly due to tax benefits realised on an organisational restructuring which occurred during the latter part of the year, reduction in restructuring costs as well as net realisable value adjustments on inventory which were released through profit or loss.

Tronox continued its dividend declaration during the year, however, at a rate of US$0,25 per share for the first quarter of 2016 (final 2015 dividend) and US$0,045 per share for the remainder of the year (FY15: US$0,25 per share per quarter).

On 21 February 2017, Tronox entered into a definitive agreement to acquire the titanium dioxide business of Cristal (also known as The National Titanium Dioxide Company Limited) for US$1 673 million cash and shares, representing a 24% shareholding in the enlarged company. As Tronox's largest shareholder, Exxaro intends to vote its shares in favour of the proposed transaction.

Exxaro's board has determined that it will explore available alternatives to sell Tronox shares in a thoughtful, efficient and staged process over time to focus on its core activities.

Energy business

Equity-accounted investment

Cennergi Proprietary Limited, a 50% joint venture with Tata Power Company Limited, recorded equity-accounted income of R3 million for FY16 (FY15: loss of R53 million) mainly due to the two wind-farm projects being brought into commercial operation. The wind-farm projects, Amakhala Emoyeni and Tsitsikamma Community Wind Farm, both achieved Commercial Operation Date during the third quarter of FY16 and started earning revenue from electricity supplied into the national grid.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Exxaro supports in transformation through, inter alia, economic empowerment ownership and strongly believes that the proposed replacement BEE transaction (as announced on SENS dated 22 November 2016) has a greater ability to create wealth through its reduced risk profile, which contributes to sustainable empowerment. The new proposed structure is less risky and more flexible which is important in a cyclical industry. Exxaro learned valuable lessons from the previous empowerment transaction and aims to create sustainable value for the BEE shareholders. A sustainable ownership structure is in the best interest of BEE shareholders, minority shareholders, the company, employees and our communities.

Exxaro remains of the view that a transaction at the listed level is appropriate to ensure flexibility, a well capitalised funding package for the new empowerment vehicle, while also allowing our strategic BEE shareholders to significantly participate in Exxaro. Our benchmarking indicated the proposed cost of the replacement transaction is below market norms but we could potentially implement a further specific share repurchase from Main Street 333 to act as a further anti-dilutive measure.

Current contracts with Eskom are not affected by the decision to reduce our BEE shareholding.

It is expected that Exxaro will seek shareholder approval in the second quarter of 2017 for the replacement BEE transaction.

MINERAL RESOURCES AND RESERVES

There has been a material change in the reserves of ECC following new geological models and life of mine plans developed in FY16. Run of mine for the Dorstfontein complex increased from 20,3Mt to 43,5Mt, and Forzando increased from 11,5Mt to 48,5Mt. The reported tonnage in 2015 was a conservative estimate, as the mentioned models and plans were still in development at the time.

OUTLOOK

Supportive market conditions are expected in 2017 for most of Exxaro's chosen coal market segments compared to 2016, both domestically and internationally. Exxaro is confident that the strength of the diversified coal product portfolio will create new opportunities in this environment.

Exxaro expects an improvement in the operational results of the coal business in 2017 based on:
- Stable trading conditions in domestic markets
- Higher international coal prices compared to 2016
- Our operational excellence process delivering further results
- Technology and innovation improvements

The rand exchange rate against the US dollar is expected to remain volatile for most of 2017 due to the combination of significant event risks and volatility in the US dollar.

The performance of the investment portfolio (SIOC and Tronox) is currently expected to be positively influenced by a favourable commodity price outlook for 2017.

FINAL DIVIDEND

Exxaro's dividend policy is based on a cover ratio of between 2,5 and 3,5 times core attributable earnings.

Notice is therefore given that a gross final cash dividend, number 28 of 410 cents (final FY15: 85 cents) per share, for the financial year ended 31 December 2016 was declared, payable to shareholders of ordinary shares.

Salient dates for payment of the final dividend are:

– Last day to trade cum dividend on the JSE	Tuesday, 18 April 2017
– First trading day ex dividend on the JSE	Wednesday, 19 April 2017
– Record date	Friday, 21 April 2017
– Payment date	Monday, 24 April 2017

On behalf of the board

Len Konar
Chairman

Mxolisi Mgojo
Chief executive officer

Riaan Koppeschaar
Finance director

7 March 2017

FURTHER INFORMATION

This short form announcement is the responsibility of the directors. It is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement published on SENS on Thursday, 9 March 2017, and also available on Exxaro's website at www.exxaro.com. Copies of the full announcement may be requested by contacting Exxaro Investor Relations.

The full report is available on www.exxaro.com or scan the code with your smartphone to take you there.

POWERING POSSIBILITY

BASTION GRAPHICS