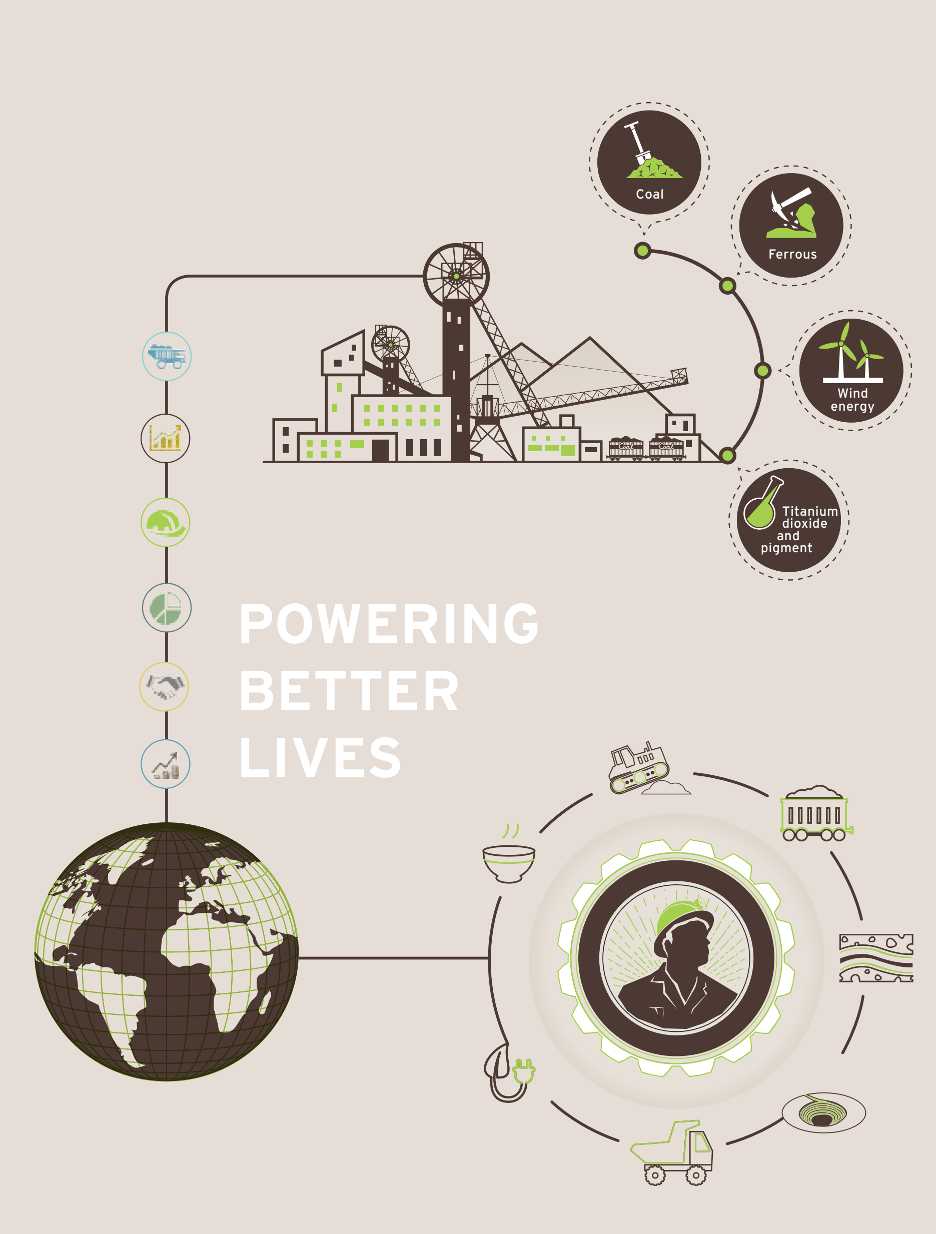


REVIEWED CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND UNREVIEWED PRODUCTION AND SALES VOLUMES INFORMATION

for the year ended 31 December 2017

exxaro

POWERING POSSIBILITY

SALIENT FEATURES

Sustainable operations

- **LTIFR** of **0,12**

Group

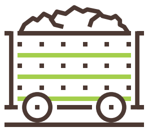
- **Revenue R22,8 billion,** up **9%**
- Net operating profit **R6,1 billion,** up **17%**
- BEE credentials expense of **R4,2 billion**
- **HEPS*** of 502 cents down **61%**
- **AEPS**** of 1 923 cents, up **20%**
- **Final dividend of 400 cents** per share
- **Cash generated** by operations **at R6,8 billion,** up **23%**

Tronox

- **R5,2 billion** gain on partial disposal of investment in Tronox Limited
- Dividend of **R109 million** received in **FY17**

SIOC

- **R3,3 billion** post-tax equity-accounted income
- **Dividend of R1,4 billion** in FY17



** Headline earnings per share ** Attributable earnings per share*
Please refer to the inside back cover for an explanation of the acronyms used throughout this book.

CONTENTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December

	2017 Reviewed Rm	(Re-presented) 2016 Audited Rm
Revenue	22 813	20 897
Operating expenses	(17 593)	(16 377)
Operating profit (note 9)	5 220	4 520
BEE credentials (note 6)	(4 245)	
Gain on disposal of joint venture (note 8.1)		203
Impairment charges of non-current assets		(100)
Net operating profit	975	4 623
Finance income (note 10)	217	229
Finance costs (note 10)	(828)	(857)
Income from financial assets	2	
Share of income of equity-accounted investments (note 11)	3 952	2 764
Profit before tax	4 318	6 759
Income tax expense	(1 542)	(1 179)
Profit for the year from continuing operations	2 776	5 580
Profit for the year from discontinued operations (note 7)	3 256	111
Profit for the year	6 032	5 691
Other comprehensive (loss)/income, net of tax	(1 352)	(950)
Items that will not be reclassified to profit or loss:	13	(57)
– Remeasurements of post-employment benefit obligation	(29)	
– Share of comprehensive income/(loss) of equity-accounted investments	42	(57)
Items that may be subsequently reclassified to profit or loss:	(92)	(492)
– Unrealised losses on translation of foreign operations	(62)	(45)
– Revaluation of financial assets available-for-sale	(14)	(5)
– Share of comprehensive loss of equity-accounted investments	(16)	(442)
Items that have subsequently been reclassified to profit or loss:	(1 273)	(401)
– Losses/(gains) on translation of foreign operations	58	(401)
– Share of comprehensive loss of equity-accounted investments	(1 331)	
Total comprehensive income for the year	4 680	4 741
Profit attributable to:		
Owners of the parent	5 982	5 679
– Continuing operations	2 726	5 568
– Discontinued operations	3 256	111
Non-controlling interests	50	12
– Continuing operations	50	12
Profit for the year	6 032	5 691
Total comprehensive income/(loss) attributable to:		
Owners of the parent	4 630	4 729
– Continuing operations	2 545	5 419
– Discontinued operations	2 085	(690)
Non-controlling interests	50	12
– Continuing operations	50	12
Total comprehensive income for the year	4 680	4 741

	2017 Reviewed cents	(Re-presented) 2016 Audited cents
Attributable earnings per share		
Aggregate		
– Basic	1 923	1 600
– Diluted	1 724	1 591
Continuing operations		
– Basic	876	1 569
– Diluted	786	1 560
Discontinued operations		
– Basic	1 047	31
– Diluted	938	31

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December

	2017 Reviewed Rm	2016 Audited Rm
ASSETS		
Non-current assets	47 706	49 959
Property, plant and equipment	24 362	21 972
Biological assets	34	45
Intangible assets	17	31
Investments in associates (note 14)	15 810	21 518
Investments in joint ventures (note 15)	1 479	1 258
Financial assets (note 16)	5 433	4 720
Deferred tax	571	415
Current assets	10 936	9 842
Inventories	1 055	1 036
Financial assets (note 16)	48	480
Trade and other receivables	3 199	3 050
Current tax receivable	28	81
Cash and cash equivalents	6 606	5 195
Non-current assets held-for-sale (note 17)	3 910	130
Total assets	62 552	59 931
EQUITY AND LIABILITIES		
Capital and other components of equity		
Share capital	1 021	2 509
Other components of equity	8 120	2 085
Retained earnings	30 962	31 281
Equity attributable to owners of the parent	40 103	35 875
Non-controlling interests	(738)	(788)
Total equity	39 365	35 087
Non-current liabilities	17 409	16 282
Interest-bearing borrowings (note 18)	6 480	6 002
Provisions	3 864	4 162
Post-retirement employee obligations	227	239
Financial liabilities (note 20)	850	479
Deferred tax	5 988	5 400
Current liabilities	4 127	7 461
Trade and other payables	3 237	3 010
Shareholder loans		18
Interest-bearing borrowings (note 18)	2	503
Current tax payable	368	210
Financial liabilities (note 20)	371	3 599
Provisions	95	109
Overdraft (note 18)	54	12
Non-current liabilities held-for-sale (note 17)	1 651	1 101
Total liabilities	23 187	24 844
Total equity and liabilities	62 552	59 931

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital Rm	Other components of equity		
		Foreign currency translation Rm	Financial instruments revaluation Rm	Equity-settled Rm
At 31 December 2015 (Audited)	2 445	4 922	241	2 008
Profit for the year				
Other comprehensive loss		(45)		
Share of associates' reclassification of equity				(557)
Share of comprehensive (loss)/income of equity-accounted investments		(466)	(218)	242
Issue of share capital[1]	64			
Share-based payments movement				205
Dividends paid				
Share repurchase[2]				
Disposal of foreign subsidiaries[3]		(401)		
At 31 December 2016 (Audited)	2 509	4 010	23	1 898
Profit for the year				
Other comprehensive loss		(62)		
Share of comprehensive (loss)/income of equity-accounted investments		(154)	(65)	203
Issue of share capital[1]	10 705			
Share-based payments movement[4]				4 057
Dividends paid				
Share repurchase[2]	(1 951)			
Treasury shares[5]	(10 242)			
Disposal of an associate[6]		(1 332)	1	(286)
Liquidation of subsidiaries[7]		58		
Reclassification within equity[8]				
At 31 December 2017 (Reviewed)	1 021	2 520	(41)	5 872

[1] *For 2017, the issue of share capital comprises the vesting of Mpower 2012 treasury shares to good leavers and beneficiaries upon final vesting of the share-based payment scheme on 31 May 2017 amounting to R464 million. In addition, there was an issue of 67 221 565 ordinary shares to NewBEECo at a discounted share price of R73,92 per share which had a market share price of R152,35 on 11 December 2017. For 2016, the issue of share capital comprises the vesting of Mpower 2012 treasury shares to good leavers.*

[2] *Exxaro executed two repurchases during the year. Exxaro repurchased 43 943 744 ordinary shares from Main Street 333 for a purchase consideration of R3 524 million during January and Exxaro repurchased 22 686 572 ordinary shares from Main Street 333 for a purchase consideration of R2 695 million during December.*

[3] *Gain on translation difference recycled to profit or loss on the disposal of the Mayoko iron ore project and related subsidiaries.*

[4] *Comprises the final vesting of Mpower 2012 shares as well as the potential benefit to be obtained by the BEE Parties amounting to R4 245 million.*

[5] *107 612 026 ordinary shares held by NewBEECo in Exxaro which are accounted for as treasury shares on consolidation of NewBEECo.*

[6] *During October 2017, Exxaro disposed of 22 425 000 Class A Tronox Limited ordinary shares which resulted in a gain on translation differences being recycled to profit or loss, the release of a loss from the financial instruments revaluation reserve to profit or loss, a net reclassification within equity from retirement benefit obligation reserve and equity-settled reserve to retained earnings.*

[7] *Gain on translation difference recycled to profit or loss on the liquidation of a foreign subsidiary (Exxaro Mineral Sands BV).*

[8] *Relates to a foreign entity (EITAG) which is required to reallocate distributable reserves to a non-distributable reserve.*

Retirement benefit obligation Rm	Available-for-sale revaluation Rm	Other Rm	Retained earnings Rm	Attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
(205)	(55)		25 670	35 026	(800)	34 226
			5 679	5 679	12	5 691
	(5)			(50)		(50)
			557			
(57)				(499)		(499)
				64		64
				205		205
			(625)	(625)		(625)
		(3 524)		(3 524)		(3 524)
				(401)		(401)
(262)	(60)	(3 524)	31 281	35 875	(788)	35 087
			5 982	5 982	50	6 032
(29)	(14)			(105)		(105)
42				26		26
				10 705		10 705
				4 057		4 057
			(2 227)	(2 227)		(2 227)
		3 524	(4 268)	(2 695)		(2 695)
				(10 242)		(10 242)
91			195	(1 331)		(1 331)
				58		58
		1	(1)			
(158)	(74)	1	30 962	40 103	(738)	39 365

Dividend distribution

Final dividend paid per share (cents) in respect of the 2016 financial year	410
Dividend paid per share (cents) in respect of the 2017 interim period	300
Final dividend payable per share (cents) in respect of the 2017 financial year	400

Foreign currency translation

Arises from the translation of the financial statements of foreign operations within the group.

Financial instruments revaluation

Comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

Equity-settled

Represents the fair value, net of tax, of services received from employees and settled by equity instruments granted as well as the fair value of the potential benefit to be obtained by the BEE Parties in relation to the Replacement BEE Transaction.

Retirement benefit obligation

Comprises remeasurements, net of tax, on the post-retirement obligation.

Available-for-sale revaluation

Comprises the fair value adjustments, net of tax, on the available-for-sale financial assets.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December

	2017 Reviewed Rm	2016 Audited Rm
Cash flows from operating activities	3 400	3 918
Cash generated by operations	6 826	5 549
Interest paid	(597)	(595)
Interest received	188	136
Tax paid	(790)	(547)
Dividends paid	(2 227)	(625)
Cash flows from investing activities	4 377	(2 198)
Property, plant and equipment acquired to maintain operations (note 13)	(2 977)	(2 413)
Property, plant and equipment acquired to expand operations (note 13)	(944)	(367)
Increase in investment in intangible assets	(1)	
Proceeds from disposal of property, plant and equipment	11	35
Decrease in loans to related parties	400	
Interest received on loans to related parties	84	
Settlement of contingent consideration (note 21.2)	(74)	
Decrease in loan to joint venture		42
Increase in loan to joint venture		(126)
Increase in loan to associate	(1)	
Decrease in non-current receivables		1
Increase in non-current receivables		(66)
Decrease in non-current financial assets	14	18
Increase in non-current financial assets	(4)	
Increase in environmental rehabilitation funds	(130)	(29)
Proceeds from disposal of operation		47
Proceeds from disposal of equity-accounted investments	6 525	200
Increase in investment in associate	(26)	(233)
Increase in investment in joint venture		(55)
Income from investments in associates and joint ventures	1 499	748
Dividend income from financial assets	1	
Cash flows from financing activities	(6 361)	1 483
Interest-bearing borrowings raised	2 491	7 565
Interest-bearing borrowings repaid	(2 534)	(6 066)
Shares acquired in the market to settle share-based payments	(99)	(16)
Repurchase of share capital	(6 219)	
Net increase in cash and cash equivalents	1 416	3 203
Cash and cash equivalents at beginning of the year	5 183	2 055
Translation difference on movement in cash and cash equivalents	(33)	(75)
Cash and cash equivalents at end of the year	6 566	5 183
Cash and cash equivalents	6 606	5 195
Cash and cash equivalents classified as held-for-sale (note 17)	14	
Overdraft	(54)	(12)

RECONCILIATION OF GROUP HEADLINE EARNINGS

	Gross Rm	Tax Rm	Net Rm
For the year ended 31 December 2017 (Reviewed)			
Profit attributable to owners of the parent			5 982
Adjusted for:	(4 674)	252	(4 422)
– IAS 16 Compensation from third parties for items of property, plant and equipment impaired, abandoned or lost	(3)	1	(2)
– IAS 16 Net losses on disposal of property, plant and equipment	61	(18)	43
– IAS 21 Net gains on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary and partial disposal of investment in foreign associate	(1 274)		(1 274)
– IAS 28 Loss on dilution of investment in associate	106		106
– IAS 28 Share of equity-accounted investments' impairment reversal of property, plant and equipment	(987)	271	(716)
– IAS 28 Share of equity-accounted investments' loss on disposal of a subsidiary	1 271		1 271
– IAS 28 Share of equity-accounted investments' separate identifiable remeasurements	12	(2)	10
– IAS 28 Gain on partial disposal of investment in associate	(3 860)		(3 860)
Headline earnings/(loss)			1 560
– Continuing operations			2 120
– Discontinued operations			(560)
For the year ended 31 December 2016 (Audited) (Re-presented)			
Profit attributable to owners of the parent			5 679
Adjusted for:	(1 001)	(57)	(1 058)
– IFRS 10 Gain on disposal of subsidiaries	(670)		(670)
– IAS 16 Gain on disposal of an operation	(100)		(100)
– IAS 16 Net losses on disposal of property, plant and equipment	35	(13)	22
– IAS 28 Loss on dilution of investment in associate	36		36
– IAS 28 Share of equity-accounted investments' separate identifiable remeasurements	57	(17)	40
– IAS 28 Excess of fair value over cost of investment in associate	(256)		(256)
– IAS 28 Gain on disposal of joint venture	(203)		(203)
– IAS 36 Impairment of property, plant and equipment	100	(27)	73
Headline earnings/(loss)			4 621
– Continuing operations			5 155
– Discontinued operations			(534)

	2017 Reviewed cents	(Re-presented) 2016 Audited cents
Headline earnings/(loss) per share		
Aggregate		
– Basic	502	1 302
– Diluted	450	1 294
Continuing operations		
– Basic	682	1 452
– Diluted	611	1 444
Discontinued operations		
– Basic	(180)	(150)
– Diluted	(161)	(150)

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

1. CORPORATE BACKGROUND

Exxaro, a public company incorporated in South Africa, is a diversified resources group with interests in the coal (controlled and non-controlled), TiO_2 and Alkali chemicals (non-controlled), ferrous (controlled and non-controlled) and energy (non-controlled) markets. These reviewed condensed consolidated annual financial statements as at and for the year ended 31 December 2017 comprise the company and its subsidiaries (together referred to as the group) and the group's interest in associates and joint ventures.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The reviewed condensed consolidated annual financial statements as at and for the year ended 31 December 2017 have been prepared in accordance with the requirements of the JSE Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting.*

The reviewed condensed consolidated annual financial statements as at and for the year ended 31 December 2017 have been prepared under the supervision of PA Koppeschaar CA(SA), SAICA registration number: 00038621.

The reviewed condensed consolidated annual financial statements should be read in conjunction with the group annual financial statements as at and for the year ended 31 December 2016, which have been prepared in accordance with IFRS as issued by the IASB. The reviewed condensed consolidated annual financial statements have been prepared on the historical cost basis, excluding financial instruments and biological assets, which are measured at fair value.

The reviewed condensed consolidated annual financial statements of Exxaro and its subsidiaries for the year ended 31 December 2017 were authorised for issue by the board of directors on 6 March 2018.

2.2 Judgements and estimates

In preparing these reviewed condensed consolidated annual financial statements, management made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the group's accounting policies and the key source of estimation uncertainty were similar to those applied to the group annual financial statements as at and for the year ended 31 December 2016. Refer note 6 for judgements and estimates relating to the Replacement BEE Transaction which were made during 2017.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the reviewed condensed consolidated financial statements are consistent with those followed in the preparation of the group annual financial statements as at and for the year ended 31 December 2016. A number of new or amended standards became effective for the current reporting period. However, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. Additional disclosures required in terms of the amendments to IAS 7 *Statement of Cash Flows* have been provided by the group in note 19.

New accounting standards and amendments issued to accounting standards and interpretations which are relevant to the group, but not yet effective on 31 December 2017, have not been adopted. The group continuously evaluates the impact of these standards and amendments. In summary the following are the current expectations in relation to IFRS 9 *Financial Instruments,* IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*.

3. ACCOUNTING POLICIES (continued)

IFRS 9 *Financial Instruments*

The group has reviewed its financial assets and financial liabilities and is expecting the following impact from the adoption of IFRS 9 on 1 January 2018:

Financial assets of the group include:
– Equity instruments currently classified as available-for-sale for which a fair value through other comprehensive income (FVOCI) election is available
– Equity instruments currently measured at fair value through profit or loss (FVPL) which will continue to be measured on the same basis under IFRS 9
– Debt instruments currently measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9.

Accordingly, the group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified within equity from FVOCI reserve to retained earnings.

The environmental rehabilitation funds which are currently classified as designated at FVPL financial assets will be classified as FVPL debt instruments.

Financial liabilities of the group include:
– Derivative financial liabilities which are currently classified as held-for-trading at FVPL
– Contingent consideration which is currently classified as designated at FVPL
– Financial liabilities at amortised cost
which will continue to be measured on the same basis under IFRS 9.

Accordingly, there will be no impact on the group's accounting for financial liabilities.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39 *Financial Instruments*: *Recognition and Measurement.* It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. Based on sample assessments performed to date, the group expects a small increase in the loss allowance for trade receivables. The average probability of default and loss given default for the sample assessment ranged from 0,45% to 3,87% and 43,18% to 18,21%, respectively. The group will continue finalising the impairment methodologies based on the financial assets as at 1 January 2018.

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15 *Revenue from Contracts with Customers*

A preliminary assessment was performed on significant contracts with customers, in line with the IFRS 15 five-step revenue model.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered to the customers' premises, at which point in time the related risks and rewards of ownership transfers. Under IFRS 15 the point of revenue recognition is when a customer accepts control of the goods. The point of delivery will therefore continue to drive the revenue recognition under IFRS 15 as this point is where customers accept control of the goods.

Elements of variable consideration were identified in the pricing adjustments which are based on the quality of coal delivered. The requirements for constraining estimates of variable consideration will not have an impact on Exxaro as the adjustments are done within the reporting period. No significant reversal of revenue is expected to be recognised.

3. ACCOUNTING POLICIES (continued)

IFRS 15 *Revenue from Contracts with Customers* (continued)

Rendering of services

Revenue arising from services is currently recognised on the accrual basis over the period the services are rendered. Under IFRS 15 the total consideration in the service contracts will be allocated to all services based on their standalone selling prices. Based on the assessment the fair value and standalone selling prices of the services are broadly similar. Therefore, the group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these services.

Currently the only material impact identified on the measurement and timing of revenue recognition, is a separate performance obligation identified on one of the contracts with customers. Up to 31 December 2017, the cost for the management of a stock pile on behalf of the customer was accounted for as a cost recovery. As the service is seen as a separate performance obligation, revenue will be recognised separate from the corresponding cost. There will be no impact on profit or loss of the group.

Exxaro is currently in the process of finalising the impact assessment of IFRS 15 on the group.

IFRS 16 *Leases*

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted provided that IFRS 15 is adopted at or before the date of initial application of IFRS 16. The group made progress on the initial assessment of the potential impact of this standard on the group's financial statements and reached a conclusion that this standard will not be early adopted with the implementation of IFRS 15. This initial assessment included the identification of material lease transactions within the group. The group must still make a decision on the transition method to be applied as well as the practical expedients to be used, if elected.

4. RE-PRESENTATION OF COMPARATIVE INFORMATION

The prior year audited results as per the condensed consolidated statement of comprehensive income (and related notes) has been re-presented as a result of:

– The investment in Tronox Limited being identified as a discontinued operation (refer note 7)
– Total comprehensive income for 2016 of R5 142 million decreasing with R401 million to R4 741 million to reflect the recycling of foreign translation differences to profit or loss. In the prior year such reclassification was recycled directly through equity.

5. SEGMENTAL INFORMATION

Operating segments are reported on in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the reportable operating segments. The chief operating decision-maker has been identified as the group executive committee. Segments reported are based on the group's different products and operations.

The corporate transactions during 2016 and 2017 necessitated a change in the segmental reporting structures and the manner in which operating results are reported to the chief operating decision-maker. Changes to segmental reporting which resulted in the re-presentation of the comparative year segmental information, included:

– the iron ore operating segment now included within the other operating segment which forms part of the other reportable segment
– an energy segment was added as an additional reportable segment.

The re-presentation resulted in five reportable operating segments compared to the four reportable operating segments in prior periods. In addition to this, the 2016 segmental information was re-presented for Tronox Limited which was classified as a non-current asset held-for-sale (refer note 17) and met the criteria for a discontinued operation (refer note 7).

Total operating segment revenue, which excludes VAT, represents the gross value of goods invoiced, services rendered and includes operating revenues directly and reasonably allocable to the segments. Segment net operating profit or loss equals segment revenue less segment expenses, impairment charges, plus impairment reversals. Segment operating expenses, assets and liabilities represent direct or reasonably allocatable operating expenses, assets and liabilities.

The reportable operating segments, as described below, offer different products and services, and are managed separately based on commodity, location and support function grouping. The group executive committee reviews internal management reports on these divisions at least quarterly.

Coal

The coal operations are mainly situated in the Waterberg and Mpumalanga regions and are split between coal commercial operations and coal tied operations. Coal commercial operations include a 50% (2016: 50%) investment in Mafube (a joint venture with Anglo), as well as a 10,82% (2016: 10,82%) effective equity interest in RBCT. The coal operations produce thermal coal, metallurgical coal and SSCC.

Ferrous

The ferrous segment comprises a 20,62% (2016: 20,62%) equity interest in SIOC (located in the Northern Cape province) reported within the other ferrous operating segment as well as the FerroAlloys operations (referred to as Alloys).

TiO_2 and Alkali chemicals

Exxaro holds a 23,66% (2016: 43,66%) equity interest in Tronox Limited subsequent to the sale of 22 425 000 Class A Tronox Limited ordinary shares on 10 October 2017. The investment in Tronox Limited has been classified as a non-current asset held-for-sale on 30 September 2017 (refer note 17). Exxaro holds a 26% (2016: 26%) equity interest in Tronox SA (both South African-based operations), as well as a 26% (2016: 26%) member's interest in Tronox UK.

Energy

The energy segment comprises a 50% (2016: 50%) investment in Cennergi (a South African joint venture with Tata Power) which operates two windfarms.

Other

This reportable segment comprises the 26% (2016: 26%) equity interest in Black Mountain (located in the Northern Cape province), an effective investment of 11,7% (2016: 11,7%) in Chifeng (located in the PRC), the Mayoko iron ore project (and related subsidiaries) which was classified as a discontinued operation in 2016 and sold on 23 September 2016, as well as the corporate office which renders services to operations within the group and other customers.

5. SEGMENTAL INFORMATION (continued)

The following table presents a summary of the group's segmental information:

	Coal		Ferrous				Other		
	Tied operations Rm	Commercial operations Rm	Alloys Rm	Other ferrous Rm	TiO_2 and Alkali chemicals Rm	Energy Rm	Base metals Rm	Other Rm	Total Rm
For the year ended 31 December 2017 (Reviewed)									
External revenue (continuing operations)	3 256	19 297	243					17	22 813
Segment net operating profit/(loss)	133	5 876	54	(1)	5 085			(5 087)	6 060
– *Continuing operations*	133	5 876	54	(1)				(5 087)	975
– *Discontinued operations*					5 085				5 085
External finance income (note 10)	1	45	1					170	217
External finance costs (note 10)		(254)						(574)	(828)
Income tax expense	(24)	(1 326)	(13)					(179)	(1 542)
Depreciation and amortisation (note 9)	(12)	(1 296)						(85)	(1 393)
Gain on disposal of associate					3 860				3 860
Cash generated by/(utilised in) operations	151	6 754	(54)	(2)				(23)	6 826
Share of income/(loss) of equity-accounted investments (note 11)		235		3 303	(1 643)	2	226		2 123
– *Continuing operations*		235		3 303	186	2	226		3 952
– *Discontinued operations*					(1 829)				(1 829)
Capital expenditure (note 13)		(3 804)	(6)					(111)	(3 921)
At 31 December 2017 (Reviewed)									
Segment assets and liabilities									
Deferred tax	32	104	11	1				423	571
Investments in associates (note 14)		2 193		9 367	3 477		747	26	15 810
Investments in joint ventures (note 15)		1 105				374			1 479
Preference dividends receivable from associate								2	2
Loan to joint venture						126			126
External assets[1]	3 012	30 648	309	25				6 660	40 654
Assets	3 044	34 050	320	9 393	3 477	500	747	7 111	58 642
Non-current assets held-for-sale (note 17)		385			3 396			129	3 910
Total assets as per statement of financial position	3 044	34 435	320	9 393	6 873	500	747	7 240	62 552
External liabilities	2 677	4 726	27	4				7 746	15 180
Deferred tax[2]	1	6 030						(43)	5 988
Current tax payable[2]		292						76	368
Liabilities	2 678	11 048	27	4				7 779	21 536
Non-current liabilities held-for-sale (note 17)		1 651							1 651
Total liabilities as per statement of financial position	2 678	12 699	27	4				7 779	23 187

[1] *Excluding deferred tax, investments in and loans to associates and joint ventures and non-current assets held-for-sale.*
[2] *Offset per legal entity and tax authority.*

5. SEGMENTAL INFORMATION (continued)

	Coal		Ferrous		TiO_2 and Alkali che- micals Rm	Energy Rm	Other		Total Rm
	Tied operations Rm	Commercial operations Rm	Alloys Rm	Other ferrous Rm			Base metals Rm	Other Rm	
For the year ended 31 December 2016 (Audited) (Re-presented)									
External revenue (continuing operations)	3 483	17 190	170					54	20 897
Segment net operating profit/(loss)	226	4 940	(75)	28	(36)			117	5 200
– *Continuing operations*	226	4 940	(75)	28				(496)	4 623
– *Discontinued operations*					(36)			613	577
External finance income (note 10)	2	61	1					165	229
External finance costs (note 10)	(105)	(245)						(507)	(857)
Income tax benefit/(expense)	13	(1 110)	21	2				(180)	(1 254)
Depreciation and amortisation (note 9)	(12)	(1 072)	(7)					(107)	(1 198)
Cash generated by/(utilised in) operations	260	5 426	(53)	(22)				(62)	5 549
Share of income/(loss) of equity-accounted investments (note 11)		238		2 416	(384)	3	100		2 373
– *Continuing operations*		238		2 416	7	3	100		2 764
– *Discontinued operations*					(391)				(391)
Capital expenditure (note 13)		(2 747)	(14)					(19)	(2 780)
At 31 December 2016 (Reviewed)									
Segment assets and liabilities									
Deferred tax		49	22	1				343	415
Investments in associates (note 14)		2 217		7 549	11 232		520		21 518
Investments in joint ventures (note 15)		839				419			1 258
Loan to joint venture						126			126
External assets[1]	2 952	27 481	201	25			178	5 647	36 484
Assets	2 952	30 586	223	7 575	11 232	545	698	5 990	59 801
Non-current assets held-for-sale (note 17)		1						129	130
Total assets as per statement of financial position	2 952	30 587	223	7 575	11 232	545	698	6 119	59 931
External liabilities	2 631	4 939	39	4				10 520	18 133
Deferred tax[2]	(54)	5 515						(61)	5 400
Current tax payable[2]	(14)	224							210
Liabilities	2 563	10 678	39	4				10 459	23 743
Non-current liabilities held-for-sale (note 17)		1 101							1 101
Total liabilities as per statement of financial position	2 563	11 779	39	4				10 459	24 844

[1] *Excluding deferred tax, investments in and loans to associates and joint ventures and non-current assets held-for-sale.*
[2] *Offset per legal entity and tax authority.*

6. REPLACEMENT BEE TRANSACTION

Background

On 15 September 2017, Exxaro entered into the Transaction Agreements in order to implement the various components of the Replacement BEE Transaction. Shareholders approved the Replacement BEE Transaction on 20 November 2017 and on 11 December 2017 Exxaro implemented the Replacement BEE Transaction which comprised various indivisible transaction components, being the MS333 Unwind, the Second Repurchase and the Specific Issue.

MS333 Unwind

The MS333 Unwind served both as a mechanism for the Exiting MS333 Interests to be divested from, and to correctly balance the shareholdings in MS333 to enable Reinvesting MS333 Shareholders and the IDC to invest into the New Empowerment Structure.

Second Repurchase

The Second Repurchase was implemented to reduce the dilutionary impact of the Replacement BEE Transaction on Exxaro Independent Shareholders. Exxaro repurchased 22 686 572 ordinary shares from MS333 at a share price of R118,76 per share. The Second Repurchase was funded from Exxaro's cash reserves and the ordinary shares were immediately cancelled as issued ordinary shares.

Specific Issue

Exxaro issued 67 221 565 ordinary shares for consideration of R73,92 per share to NewBEECo resulting in NewBEECo holding 30% of Exxaro's ordinary shares after implementation of the Replacement BEE Transaction. NewBEECo acquired the Exxaro issued ordinary shares by means of third-party funding raised in terms of the preference share liability and funding from the equity contribution by Exxaro into NewBEECo.

Lock-in mechanism

The New Empowerment Structure will have a duration of 10 years, subject to the seven to 10-year lock-in release mechanism and interim liquidity mechanisms.

Interim liquidity mechanisms

NewBEECo will have the following mechanisms available, in order to create interim liquidity in the New Empowerment Structure:

– Trade sale
  After the third anniversary of the BEE Implementation Date, subject to Exxaro approval, the Reinvesting MS333 Shareholders, including the IDC, will be entitled to sell their shareholding to any party with the same HDSA status.

– Public offering
  Exxaro may at any time, and NewBEECo may after the third anniversary of the BEE Implementation Date, subject to Exxaro's approval, list NewBEECo's ordinary shares on a stock exchange which restricts trading to HDSA parties.

– Put option
  Subject to certain restrictions, Exxaro has granted NewBEECo the right to require Exxaro to buy-back, at a discount to the market price a certain number of Exxaro shares. The proceeds received by NewBEECo upon exercise of the put option may only be used to settle the preference share liability. The option therefore expires once the preference share liability has been fully settled. The put option can only be exercised if the 20-day weighted average trading price of Exxaro's shares is greater than 150% of the closing Exxaro share price on BEE Implementation Date.

These interim liquidity mechanisms are subject to:
– Exxaro remaining in compliance with the empowerment shareholding legislative and contractual requirements
– All required regulatory, contractual and shareholder consents are obtained.

6. REPLACEMENT BEE TRANSACTION (continued)

Accounting implications

The accounting impact of the Replacement BEE Transaction on the Exxaro group is as follows:

- NewBEECo is consolidated as Exxaro has control over NewBEECo in terms of IFRS 10 *Consolidated Financial Statements*
- The shares held by NewBEECo in Exxaro are treated as treasury shares and eliminated for group reporting purposes
- The preference share liability of NewBEECo is recognised as a financial liability for the Exxaro group (refer note 18) and therefore no accounting for the put option liability required
- A share-based payment expense is recognised in profit or loss which relates to the potential benefit to be obtained by the BEE Parties. This has been valued using an option pricing model.

Significant judgements and assumptions made by management

Investment in subsidiaries

In applying IFRS 10 *Consolidated Financial Statements* management has applied judgement in assessing whether Exxaro has control over NewBEECo even though Exxaro only holds a 24,9% equity interest in NewBEECo. NewBEECo was created and designed for the sole purpose of providing Exxaro with BEE credentials and as a structure to hold Exxaro shares. The implementation of the Replacement BEE Transaction will protect the stability of Exxaro's operations reinforcing the sustainability of relationships with key stakeholders, equip Exxaro for growth by positioning Exxaro with market leading empowerment credentials in the South African mining sector and create long-term value for shareholders. Exxaro is able to direct the strategic direction of NewBEECo and as per the Transaction Agreements, NewBEECo's memorandum of incorporation may not be amended or replaced without Exxaro's prior written consent. All these points indicate that Exxaro has been involved from the inception of the Replacement BEE Transaction, to ensure that the design and operation of NewBEECo achieves the purpose for which it was created. NewBEECo can also not dispose of Exxaro shares without the prior consent of Exxaro. Exxaro has significant exposure to the variable returns of NewBEECo, through the creation and maintenance of the BEE credentials during the lock-in period as well as through the equity investment held by Exxaro in NewBEECo. All these factors have been considered in determining that even though Exxaro does not have majority voting rights in NewBEECo it still has control over NewBEECo and consolidates the results of NewBEECo in the consolidated results of the Exxaro group of companies.

BEE credentials valuation

In applying IFRS 2 *Share-Based Payment* management is required to make estimates and assumptions in determining the share-based payment expense. The share-based payment expense, amounting to R4 245 million, was calculated with reference to the requirements of IFRS 2 and the SAICA Financial Reporting Guide 2 *Accounting for BEE Transactions*. Since these options are not tradeable, IFRS 2 requires that the fair value of these instruments be calculated using a suitable, market-consistent valuation model. A Monte Carlo simulation model was selected in order to account for the path-dependency inherent in the transaction arising from the relationship between the share price and the strike price (the outstanding preference share liability balance at maturity after taking into account dividends used to repay the preference share liability and preference dividend). The valuation is based on 30% of Exxaro's issued ordinary share capital being held by NewBEECo at a spot Exxaro share price of R152,35 per share, being the closing share price as at 11 December 2017. Established derivative pricing theory requires the use of the underlying share value on the valuation date, and precludes the use of WATP (VWAP), for the purposes of measuring a share-based payment expense and for this reason the closing share price has been used. The model applied a term structure of dividend yields over the life of the transaction, using estimated dividend forecasts. The dividend term-structure used equates to an average continuously compounded dividend rate of 4,49% per annum. The model assumed an option life of five years, an average flat, continuous risk-free rate of 8,02% and a historical share volatility of 41,20% as inputs into the valuation model. The model further assumes funding rates of 80% of Prime Rate for the preference share liability. The outstanding preference share liability balance, as at the valuation date, of R2 491 million was used as the starting point in modelling the outstanding preference share liability balance as at the maturity date of the transaction. Exxaro's 24,9% interest in NewBEECo has been deducted from this value as an intercompany adjustment. The reinvestment cost by both BEE SPV and IDC are subtracted from the IFRS 2 share-based payment expense as this represents a cost to these shareholders for the participation in the Replacement BEE Transaction.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

7. DISCONTINUED OPERATIONS

On 30 September 2017, Exxaro classified the Tronox Limited investment as a non-current asset held-for-sale (refer note 17). It was concluded that the related performance and cash flow information be presented as a discontinued operation as the Tronox Limited investment represents a major geographical area of operation as well as the majority of the TiO_2 and Alkali chemicals reportable operating segment.

The 2016 financial performance and cash flow information relates to the disposal of the Mayoko iron ore project and related subsidiaries as well as the impact of the Tronox Limited re-presentation.

Financial information relating to discontinued operations for the period to the date of disposal is set out below:

	2017 Reviewed Rm	(Re-presented) 2016 Audited Rm
The financial performance and cash flow information		
Other operating expenses	(106)	(93)
Losses on financial instruments revaluations recycled to profit or loss	(1)	
Gains on translation differences recycled to profit or loss on partial disposal of investment in foreign associate	1 332	
Operating income/(expense)	1 225	(93)
Gain on partial disposal of associate (note 8.2)	3 860	
Gain on disposal of subsidiaries (note 8.2)		670
Net operating profit	5 085	577
Share of loss of equity-accounted investment	(1 829)	(391)
Income tax expense		(75)
Profit for the year from discontinued operations	3 256	111
Cash flow attributable to operating activities		(29)
Cash flow attributable to investing activities	6 634	307
Cash flow attributable to discontinued operations	6 634	278

8. GAINS ON THE DISPOSAL OF ASSOCIATE, JOINT VENTURE, OPERATIONS AND SUBSIDIARIES

8.1 Continuing operations

	SDCT joint venture Rm	Inyanda operation Rm
For the year ended 31 December 2016		
Gain on the disposal		
Consideration received:		
– Cash	200	47
Total disposal consideration	200	47
Carrying amount of net liabilities sold	3	53
– Carrying amount of investment sold[1]		
– Equity-accounted losses realised on disposal	3	
– Provisions		53
Gain on disposal[2]	203	100

[1] *The investment in SDCT was sold on 31 March 2016. The carrying value of the investment was below R1 million (R1 333).*
[2] *After tax of nil.*

8. GAINS ON THE DISPOSAL OF ASSOCIATE, JOINT VENTURE, OPERATIONS AND SUBSIDIARIES (continued)

8.2 Discontinued operations

	Tronox Limited associate Rm
For the year ended 31 December 2017	
Gain on the disposal	
Consideration received:	
– Cash	6 525
Total disposal consideration	6 525
Carrying amount of investment sold	(2 665)
– Investment in associate	(2 665)
Gain on disposal[1]	3 860
– Gains on translation differences recycled to profit or loss on partial disposal of investment in foreign associate	1 332
– Losses on financial instruments revaluations recycled to profit or loss	(1)
Total gains relating to the disposal	5 191

[1] *After tax of nil.*

	Mayoko iron ore project[1] Rm
For the year ended 31 December 2016	
Gain on the disposal	
Consideration receivable:	
– Cash	28
Total disposal consideration	28
Carrying amount of net liabilities sold	642
– Trade and other receivables	(13)
– Provisions	32
– Trade and other payables	153
– Current tax payable	69
– Foreign currency translation reserve	401
Gain on disposal[2]	670

[1] *The following subsidiaries relating to the Mayoko iron ore project were disposed of:*
– African Iron Exploration SA
– African Iron Proprietary Limited
– AKI Exploration (Bermuda) Proprietary Limited
– AKI Exploration Proprietary Limited
– DMC Iron Congo SA
– DMC Mining Proprietary Limited
– Exxaro Mayoko SA
– Mayoko Investment Company

[2] *After tax of nil.*

	For the year ended 31 December	
	2017 Reviewed Rm	(Re-presented) 2016 Audited Rm
9. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT		
Raw materials and consumables	(3 058)	(2 443)
Staff costs	(4 060)	(4 365)
Royalties	(143)	(82)
Depreciation and amortisation	(1 393)	(1 198)
Fair value adjustments on contingent consideration[1]	(354)	(445)
Net realised foreign currency exchange losses	(147)	(116)
Consultancy fees	(424)	(230)
Net losses on disposal or scrapping of property, plant and equipment	(55)	(44)

[1] *Relating to the ECC acquisition.*

	2017 Reviewed Rm	(Re-presented) 2016 Audited Rm
10. NET FINANCING COSTS		
Finance income	217	229
– Interest income	207	218
– Finance lease interest income	10	11
Finance costs	(828)	(857)
– Interest expense	(600)	(496)
– Unwinding of discount rate on rehabilitation cost	(410)	(347)
– Recovery of unwinding of discount rate on rehabilitation cost (tied mines)	163	
– Finance lease interest expense	(3)	(5)
– Amortisation of transaction costs	(9)	(25)
– Borrowing costs capitalised[1]	31	16
Total net financing costs	(611)	(628)
[1] *Borrowing costs capitalisation rate:*	*8,98%*	*9,55%*

	For the year ended 31 December	
	2017 Reviewed Rm	(Re-presented) 2016 Audited Rm

11. SHARE OF INCOME/(LOSS) OF EQUITY-ACCOUNTED INVESTMENTS

	2017 Reviewed Rm	2016 Audited Rm
Associates		
Unlisted investments	3 691	2 523
– SIOC[1]	3 303	2 416
– Tronox SA	67	(111)
– Tronox UK	119	118
– RBCT	(24)	
– Black Mountain	226	100
Joint ventures	261	241
– Mafube	259	238
– Cennergi	2	3
Share of income of equity-accounted investments	3 952	2 764
Included in discontinued operations:		
Associates: Listed investments	(1 829)	(391)
– Tronox Limited[2]	(1 829)	(391)

[1] *Includes an amount of R716 million (net of tax) that relates to Exxaro's share of the impairment reversal of property, plant and equipment.*

[2] *Application of the equity method ceased when the investment was classified as a non-current asset held-for-sale on 30 September 2017. 2017 includes an amount of R1 271 million that relates to Exxaro's share of the loss realised on the disposal of the Alkali chemicals business.*

12. DIVIDEND DISTRIBUTION

Total dividends paid in 2017 amounted to R2 227 million, made up of a final dividend of R1 284 million which related to the year ended 31 December 2016, paid in April 2017, as well as an interim dividend of R943 million, paid in September 2017.

A final dividend for 2017 of 400 cents per share (2016: 410 cents per share) was approved by the board of directors on 6 March 2018. The dividend is payable on 23 April 2018 to shareholders on the register on 20 April 2018. This final dividend, amounting to approximately R1 435 million (2016: R1 284 million), has not been recognised as a liability in these reviewed condensed consolidated annual financial statements. It will be recognised in shareholders' equity in the year ending 31 December 2018.

The final dividend declared will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local dividend payable to shareholders, subject to dividend withholding tax at a rate of 20%, amounts to 320,00000 cents per share. The number of ordinary shares in issue at the date of this declaration is 358 706 754. Exxaro company's tax reference number is 9218/098/14/4.

On 13 February 2018 Exxaro declared a special dividend amounting to 1 255 cents per share following the partial disposal of its shareholding in Tronox Limited during October 2017. The dividend amounting to R4 502 million was paid to shareholders on 5 March 2018.

	At 31 December	
	2017 Reviewed	2016 Audited
Issued share capital (number)	358 706 754	358 115 505
Ordinary shares (million)		
– Weighted average number of shares	311	355
– Diluted weighted average number of shares	347	357

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

	At 31 December 2017 Reviewed Rm	At 31 December 2016 Audited Rm
13. CAPITAL EXPENDITURE		
Incurred	3 921	2 780
– To maintain operations	2 977	2 413
– To expand operations	944	367
Contracted	5 409	2 333
– Contracted for the group (owner-controlled)	4 313	1 382
– Share of capital commitments of equity-accounted investments	1 096	951
Authorised, but not contracted	2 838	3 500
14. INVESTMENTS IN ASSOCIATES		
Listed investments		7 946
– Tronox Limited[1]		7 946
Unlisted investments	15 810	13 572
– SIOC	9 367	7 549
– Tronox SA	1 800	1 728
– Tronox UK	1 677	1 558
– RBCT	2 193	2 217
– Black Mountain	747	520
– Curapipe[2]	26	
Total carrying value of investments in associates	15 810	21 518

[1] *The investment in Tronox Limited was classified as a non-current asset held-for-sale on 30 September 2017 (refer note 17).*

[2] *Included in financial assets is a preference dividend receivable from Curapipe of R2 million.*

	2017 Reviewed Rm	2016 Audited Rm
15. INVESTMENTS IN JOINT VENTURES		
Unlisted investments	1 479	1 258
– Mafube	1 105	839
– Cennergi[1]	374	419
Total carrying value of investments in joint ventures	1 479	1 258
[1] *Included in financial assets is a loan to Cennergi (refer note 16):*	*126*	*126*

	At 31 December	
	2017 Reviewed Rm	2016 Audited Rm
16. FINANCIAL ASSETS		
Non-current financial assets		
Environmental rehabilitation funds	1 648	1 401
Loan to joint venture[1]	126	126
Preference dividends receivable from associate[2]	2	
Non-current receivables[3]	2 081	1 768
Indemnification asset[4]	1 268	1 100
Investments	186	193
– Available-for-sale	152	178
– Fair value through profit or loss	34	15
Lease receivables	118	132
Non-current prepayment	4	
Total non-current financial assets	5 433	4 720
Current financial assets		
Loan to BEE shareholder[5]		480
Current portion of non-current receivables[3]	48	
Total current financial assets	48	480
Total financial assets	5 481	5 200

[1] *Relates to a loan which was granted to Cennergi in 2016. The Cennergi loan is interest free, unsecured and repayable on termination date in 2026, unless otherwise agreed by the parties.*
[2] *The Curapipe preference dividend is equivalent to 8%, compounded annually.*
[3] *Includes an amount receivable in relation to a deferred pricing adjustment. The amount of R437 million will be settled over seven years and bears interest at Prime Rate less 2%.*
[4] *Arose on the ECC acquisition.*
[5] *During January 2017 Main Street 333 settled its interest-bearing loan with Exxaro.*

17. NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE

Tronox Limited

In September 2017, the directors of Exxaro formally decided to dispose of the investment in Tronox Limited. As part of this decision, Tronox Limited was required to publish an automatic shelf registration statement of securities of well-known seasoned issuers which allowed for the conversion of Exxaro's Class B Tronox Limited ordinary shares to Class A Tronox Limited ordinary shares. From this point, it was concluded that the Tronox Limited investment should be classified as a non-current asset held-for-sale as all the requirements in terms of IFRS 5 *Non-Current Assets Held-for-sale and Discontinued Operations* were met. As of 30 September 2017, the Tronox Limited investment, totalling 42,66% of Tronox Limited's total outstanding voting shares, was classified as a non-current asset held-for-sale and the application of the equity method ceased.

Subsequent to the classification as a non-current asset held-for-sale, Exxaro completed an initial offering of 22 425 000 Class A Tronox Limited ordinary shares. Refer note 8.2 for further details of the initial offering.

Exxaro will continue to assess market conditions going forward for further possible sell downs of the remaining 23,66%, as at 31 December 2017, of the Class A Tronox Limited ordinary shares before 30 September 2018.

The Tronox Limited investment is presented within the total assets of the TiO_2 and Alkali chemicals reportable operating segment and presented as a discontinued operation (refer note 7).

Manyeka

Exxaro concluded a sale of share agreement with Universal for ECC's 100% shareholding in Manyeka, which includes a 51% interest in Eloff. The sale is conditional on section 11 approval required in terms of the MPRDA for transfer of the mining right as well as approval from the Competition Commission for the transaction. The investment in Manyeka has been classified as a non-current asset held-for-sale on 30 September 2017. On 31 December 2017, conditions precedent to the sale agreement with Universal had not been met. The sale of Manyeka did not meet the criteria to be classified as a discontinued operation since it did not represent a separate major line of business, nor did it represent a major geographical area of operation and is reported as part of the coal commercial operating segment.

NBC

During 2017 Exxaro took the decision to divest from the NBC operation and the divestment process commenced during August 2017. On 2 March 2018, Exxaro concluded a sale of asset agreement for the disposal of the NBC operation. The sale will only be effective once all conditions precedent to the sales agreement have been met. On 31 December 2017, the NBC operation met the criteria to be classified as a non-current asset held-for-sale in terms of IFRS 5 *Non-Current Assets Held-for-sale and Discontinued Operations.* The operation did not meet the criteria to be classified as a discontinued operation since it did not represent a separate major line of business, nor did it represent a major geographical area of operation and is reported as part of the coal commercial operating segment.

EMJV

As part of the ECC acquisition in 2015, Exxaro acquired non-current liabilities held-for-sale relating to the EMJV. The sale of the EMJV is conditional on section 11 approval required in terms of the MPRDA for transfer of the new-order mining right to the new owners, Scinta Energy Proprietary Limited, as well as section 43(2) approval for the transfer of environmental liabilities and responsibilities. The EMJV remains a non-current liability held-for-sale for the Exxaro group on 31 December 2017, as the required approvals are still pending. The EMJV does not meet the criteria to be classified as a discontinued operation since it does not represent a separate major line of business, nor does it represent a major geographical area of operation.

17. NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE (continued)

Other

The land and buildings situated at corporate centre were classified as a non-current asset held-for-sale on 31 December 2015. The sale was subject to the fulfilment of suspensive conditions which were not met and the sales agreement subsequently lapsed.

A new agreement was entered into with a property consortium in June 2016. These agreements have been amended and finalised during May 2017. All conditions precedent to this agreement have been met except for the completion of the legal transfer of the property. The land and buildings situated at corporate centre remains classified as a non-current asset held-for-sale until the legal transfer of the property has been concluded.

The major classes of assets and liabilities classified as non-current assets and liabilities are as follows:

	At 31 December	
	2017 Reviewed Rm	2016 Audited Rm
ASSETS		
Property, plant and equipment	282	129
Investment in associate	3 396	
Deferred tax	9	1
Inventories	133	
Trade and other receivables	49	
– Trade receivables	39	
– Non-financial instrument receivables	10	
Current tax receivable	27	
Cash and cash equivalents	14	
Non-current assets held-for-sale	3 910	130
LIABILITIES		
Non-current provisions	(1 494)	(1 083)
Post-retirement employee obligations	(22)	(18)
Trade and other payables	(99)	
– Trade payables	(54)	
– Other payables	(8)	
– Non-financial instrument payables	(37)	
Shareholder loans	(18)	
Current provisions	(18)	
Non-current liabilities held-for-sale	(1 651)	(1 101)
Net non-current assets/(liabilities) held-for-sale	2 259	(971)

The following items of other comprehensive income that may be subsequently reclassified to profit or loss relate to non-current assets classified as held-for-sale:

	At 31 December	
	2017 Reviewed Rm	2016 Audited Rm
Cumulative share of comprehensive income/(losses) of equity-accounted investments		
– Unrealised gains on translation of foreign operations	1 708	
– Losses on financial instruments revaluations	(1)	

18. INTEREST-BEARING BORROWINGS

	At 31 December	
	2017 Reviewed Rm	2016 Audited Rm
Non-current[1]	6 480	6 002
Loan facility	3 474	5 465
Bond issue	520	520
Preference share liability	2 483	
Finance leases	3	17
Current[2]	2	503
Loan facility	(9)	(8)
Bond issue		479
Preference share liability	(5)	
Finance leases	16	32
Total interest-bearing borrowings	6 482	6 505
Summary of loans and finance leases by period of redemption		
– Less than six months	1	496
– Six to 12 months	1	7
– Between one and two years	509	5
– Between two and three years	(13)	514
– Between three and four years	3 239	(9)
– Between four and five years	2 620	5 244
– Over five years	125	248
Total interest-bearing borrowings	6 482	6 505

[1] *The non-current portion includes R44 million (2016: R35 million) in respect of transaction costs that will be amortised using the effective interest rate method, over the term of the facilities.*

[2] *The current portion represents capital repayments amounting to R16 million (2016: R512 million), reduced by capitalised transaction costs amounting to R14 million (2016: R9 million).*

	2017 Reviewed Rm	2016 Audited Rm
Minimum finance lease payments:		
– Not later than one year	17	35
– Later than one year but not later than five years	3	18
Total	20	53
Less: future finance charges	(1)	(4)
Present value of finance lease liabilities	19	49
– Non-current	3	17
– Current	16	32

Overdraft

	2017 Reviewed Rm	2016 Audited Rm
Bank overdraft	54	12

The bank overdraft is repayable on demand and interest payable is based on current South African money market rates.

There were no defaults or breaches in terms of interest-bearing borrowings during the reporting periods.

18. INTEREST-BEARING BORROWINGS (continued)

Loan facility

The loan facility comprises a:
– R3 250 million bullet term loan facility with a term of five years (term loans)
– R2 000 million amortised term loan facility with a term of seven years (term loans)
– R2 750 million revolving credit facility with a term of five years (revolving credit facility).

Interest is based on JIBAR plus a margin of 3,25% (2016: 3,25%) for the bullet term loan facility (R3 250 million), JIBAR plus a margin of 3,60% (2016: 3,60%) for the amortised term loan facility (R2 000 million) and JIBAR plus a margin of 3,25% (2016: 3,25%) for the revolving credit facility (R2 750 million). The effective interest rate for the transaction costs on the term loans is 0,24% (2016: 0,32%). Interest is paid on a quarterly basis for the term loans, and on a monthly basis for the revolving credit facility.

The undrawn portion relating to the term loan facilities amounts to R1 750 million (2016: R1 750 million). The undrawn portion of the revolving credit facility amounts to R2 750 million (2016: R750 million).

Bond issue

In terms of Exxaro's R5 000 million DMTN programme, a senior unsecured floating rate note (bond) of R1 000 million was issued in May 2014. The outstanding bond comprises a R520 million senior unsecured floating rate note due 19 May 2019.

During 2017 the R480 million senior unsecured floating rate note was settled. Interest on the R520 million bond is based on JIBAR plus a margin of 1,95% (2016: 1,95%). The effective interest rate for the transaction costs was 0,13% (2016: 0,13%) for the R480 million bond and 0,08% (2016: 0,08%) for the R520 million bond. Interest is paid on a quarterly basis for both bonds.

Preference share liability

The preference share liability relates to the consolidation of NewBEECo (refer note 6). The preference share liability represents 249 069 Class "A" variable rate cumulative redeemable preference shares issued on 11 December 2017 by NewBEECo at an issue price of R10 000 per share. The preference shares are redeemable five years after the subscription date or earlier as agreed between the parties at R10 000 per share plus the cumulative preference dividends. The preference shareholders are entitled to receive a dividend equal to the issue price multiplied by the dividend rate of 80% of Prime Rate calculated on a daily basis based on a 365-day year compounded per period and capitalised per period.

Subscription undertakings for the full value of the preference shares were secured at a total cost of R23,8 million. The preference share liability will be measured at amortised cost and the transaction costs have therefore been included on initial measurement. The amount will be amortised over the five-year period.

Finance leases

Included in interest-bearing borrowings are obligations relating to finance leases for mining equipment.

	At 31 December	
	2017 Reviewed Rm	2016 Audited Rm
19. NET CASH/(DEBT)		
Net cash/(debt) is presented by the following items on the statement of financial position (excluding assets and liabilities classified as held-for-sale):	70	(1 322)
– Cash and cash equivalents	6 606	5 195
– Non-current interest-bearing borrowings	(6 480)	(6 002)
– Current interest-bearing borrowings	(2)	(503)
– Overdraft	(54)	(12)

19. NET CASH/(DEBT) (continued)

Analysis of movement in net debt:

	Current assets/ liabilities	Liabilities from financing activities		
	Cash and cash equivalents/ overdraft Rm	Non-current interest-bearing borrowings Rm	Current interest-bearing borrowings Rm	Total Rm
Net debt at 1 January 2016	2 055	(4 185)	(882)	(3 012)
Cash flows	3 203	(2 302)	803	1 704
– Interest-bearing borrowings raised	7 565	(7 548)	(17)	
– Interest-bearing borrowings repaid	(6 066)	5 246	820	
– Operating activities	3 918			3 918
– Investing activities	(2 198)			(2 198)
– Shares acquired in the market to settle share-based payments	(16)			(16)
Non-cash movements	(75)	485	(424)	(14)
– Amortisation of transaction costs		(15)	(10)	(25)
– Interest capitalised or interest accrued			89	89
– Movement in external shareholder loans		(3)		(3)
– Transfers between non-current and current liabilities		503	(503)	
– Translation difference on movement in cash and cash equivalents	(75)			(75)
Net debt at 31 December 2016	5 183	(6 002)	(503)	(1 322)
Cash flows	1 416	(472)	515	1 459
– Interest-bearing borrowings raised	2 491	(2 491)		
– Interest-bearing borrowings repaid	(2 534)	2 019	515	
– Operating activities	3 400			3 400
– Investing activities	4 377			4 377
– Repurchase of share capital	(6 219)			(6 219)
– Shares acquired in the market to settle share-based payments	(99)			(99)
Non-cash movements	(47)	(6)	(14)	(67)
– Amortisation of transaction costs			(9)	(9)
– Preference dividend accrued		(11)		(11)
– Reclassification to non-current assets held-for-sale	(14)			(14)
– Transfers between non-current and current liabilities		5	(5)	
– Translation difference on movement in cash and cash equivalents	(33)			(33)
Net cash at 31 December 2017	6 552	(6 480)	(2)	70

20. FINANCIAL LIABILITIES

	At 31 December	
	2017 Reviewed Rm	2016 Audited Rm
Non-current financial liabilities		
Finance lease	56	66
Contingent consideration[1]	414	408
Deferred revenue[2]	374	
Other	6	5
Total non-current financial liabilities	850	479
Current financial liabilities		
Contingent consideration[1]	309	75
Share repurchase[3]		3 524
Deferred revenue[2]	62	
Total current financial liabilities	371	3 599
Total financial liabilities	1 221	4 078

[1] *Relating to the ECC acquisition.*
[2] *Deferred pricing adjustment recognised in relation to a coal supply agreement which will be released to profit or loss over seven years.*
[3] *During January 2017 Exxaro repurchased 43 943 744 ordinary shares from Main Street 333 for a purchase consideration of R3 524 million.*

21. FINANCIAL INSTRUMENTS

21.1 Carrying amounts and fair values

Due to the short-term nature of the current financial assets and current financial liabilities, the carrying amount is assumed to be the same as the fair value. For the non-current financial assets and non-current financial liabilities, the fair value is also equivalent to the carrying amounts.

21.2 Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation techniques used. The different levels are defined as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at the measurement date.
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – unobservable inputs for the asset and liability.

21. FINANCIAL INSTRUMENTS (continued)

21.2 Fair value hierarchy (continued)

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
At 31 December 2017 (Reviewed)				
Financial assets held-for-trading at fair value through profit or loss		4		4
– Current derivative financial assets		4		4
Financial assets designated at fair value through profit or loss	1 391			1 391
– Environmental rehabilitation funds	1 357			1 357
– KIO	34			34
Available-for-sale financial assets			152	152
– Chifeng			152	152
Financial liabilities held-for-trading at fair value through profit or loss		(6)		(6)
– Current derivative financial liabilities		(6)		(6)
Financial liabilities designated at fair value through profit or loss			(723)	(723)
– Non-current contingent consideration			(414)	(414)
– Current contingent consideration			(309)	(309)
Net financial assets/(liabilities) held at fair value	1 391	(2)	(571)	818
At 31 December 2016 (Audited)				
Financial assets designated at fair value through profit or loss	1 183			1 183
– Environmental rehabilitation funds	1 168			1 168
– New Age Exploration Limited	1			1
– KIO	14			14
Available-for-sale financial assets			178	178
– Chifeng			178	178
Financial liabilities held-for-trading at fair value through profit or loss		(25)		(25)
– Current derivative financial liabilities		(25)		(25)
Financial liabilities designated at fair value through profit or loss			(483)	(483)
– Non-current contingent consideration			(408)	(408)
– Current contingent consideration			(75)	(75)
Net financial assets/(liabilities) held at fair value	1 183	(25)	(305)	853

21. FINANCIAL INSTRUMENTS (continued)

21.2 Fair value hierarchy (continued)

Reconciliation of financial assets and financial liabilities within Level 3 of the hierarchy

	Contingent conside-ration Rm	Chifeng Rm	Total Rm
At 31 December 2015 (Audited)	(39)	210	171
Movement during the year			
Losses recognised for the period in profit or loss	(445)		(445)
Losses recognised for the period in other comprehensive income (pre-tax effect)[1]		(5)	(5)
Exchange losses recognised for the period in other comprehensive income		(27)	(27)
Exchange gains recognised for the period in profit or loss	1		1
At 31 December 2016 (Audited)	(483)	178	(305)
Movement during the year			
Losses recognised for the period in profit or loss	(354)		(354)
Losses recognised for the period in other comprehensive income (pre-tax effect)[1]		(26)	(26)
Settlements	74		74
Exchange gains recognised for the period in profit or loss	40		40
At 31 December 2017 (Reviewed)	(723)	152	(571)

[1] *Tax on Chifeng amounts to R12 million (2016: nil).*

Transfers

The group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 and Level 2 nor between Level 2 and Level 3 of the fair value hierarchy during the years ended 31 December 2017 and 2016, as shown in the reconciliation above.

Valuation process applied by the group

The fair value computations of the investments are performed by the group's corporate finance department, reporting to the finance director, on a six-monthly basis.

The valuation reports are discussed with the chief operating decision-maker and the audit committee in accordance with the group's reporting governance.

Current derivative financial instruments

Level 2 fair value for over-the-counter derivative financial instruments are based on market quotes. These quotes are assessed for reasonableness by discounting estimated future cash flows using the market rate for similar instruments at measurement date.

21. FINANCIAL INSTRUMENTS (continued)

21.3 Valuation techniques used in the determination of fair values within Level 3 of the hierarchy, as well as significant inputs used in the valuation models

Chifeng

Chifeng is classified within Level 3 of the fair value hierarchy as there is no quoted market price or observable price available for this investment. This unlisted investment is valued as the present value of the estimated future cash flows, using a DCF model. The valuation technique is consistent to that used in previous reporting periods.

The significant observable and unobservable inputs used in the fair value measurement of the investment in Chifeng are rand/RMB exchange rate, RMB/US$ exchange rate, zinc LME price, production volumes, operational costs and the discount rate.

At 31 December 2017 (Reviewed)	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
Observable inputs			
Rand/RMB exchange rate	R1,90/RMB1	Strengthening of the rand to the RMB	15
RMB/US$ exchange rate	RMB6,52 to RMB7,28/US$1	Strengthening of the RMB to the US$	100
Zinc LME price (US$ per tonne in real terms)	US$3 000 to US$2 100	Increase in price of zinc concentrate	100
Unobservable inputs			
Production volumes (tonnes)	85 000 tonnes	Increase in production volumes	29
Operational costs (US$ million per annum in real terms)	US$58,46 to US$70,20	Decrease in operations costs	(75)
Discount rate (%)	11,05%	Decrease in the discount rate	(12)

[1] *Change in observable or unobservable input which will result in an increase in the fair value measurement.*
[2] *A 10% decrease in the respective inputs would have an equal but opposite effect on the above, on the basis that all other variables remain constant.*

21. FINANCIAL INSTRUMENTS (continued)

21.3 Valuation techniques used in the determination of fair values within Level 3 of the hierarchy, as well as significant inputs used in the valuation models (continued)

Chifeng (continued)

At 31 December 2016 (Audited)	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
Observable inputs			
Rand/RMB exchange rate	R1,96/RMB1	Strengthening of the rand to the RMB	18
RMB/US$ exchange rate	RMB6,52 to RMB7,13/US$1	Strengthening of the RMB to the US$	158
Zinc LME price (US$ per tonne in real terms)	US$2 026 to US$2 113	Increase in price of zinc concentrate	158
Unobservable inputs			
Production volumes (tonnes)	85 000 tonnes	Increase in production volumes	33
Operational costs (US$ million per annum in real terms)	US$58,97 to US$74,38	Decrease in operations costs	(129)
Discount rate (%)	11,23%	Decrease in the discount rate	(15)

[1] *Change in observable or unobservable input which will result in an increase in the fair value measurement.*
[2] *A 10% decrease in the respective inputs would have an equal but opposite effect on the above, on the basis that all other variables remain constant.*

Inter-relationships

Any inter-relationships between unobservable inputs are not considered to have a significant impact within the range of reasonably possible alternative assumptions for both reporting periods.

Contingent consideration

The potential undiscounted amount of all deferred future payments that the group could be required to make under the ECC acquisition is between nil and US$120 million. The amount of future payments is dependent on the API4 coal price.

During 2017, there was an increase of US$28,5 million (R354 million) (2016: US$32,9 million (R445 million)) recognised in profit or loss for the contingent consideration arrangement.

	API4 coal price range (US$/tonne)		Future payment
Reference year	Minimum	Maximum	US$ million
2015	60	80	10
2016	60	80	25
2017	60	80	25
2018	60	90	25
2019	60	90	35

21. FINANCIAL INSTRUMENTS (continued)

21.3 Valuation techniques used in the determination of fair values within Level 3 of the hierarchy, as well as significant inputs used in the valuation models (continued)

Contingent consideration (continued)

The amount to be paid in each of the five years is determined as follows (refer table on previous page):
- If the average API4 price in the reference year is below the minimum API4 price of the agreed range, then no payment will be made
- If the average API4 price falls within the range, then the amount to be paid is determined based on a formula contained in the agreement
- If the average API4 price is above the maximum API4 price of the range, then Exxaro is liable for the full amount due for that reference year.

An additional payment to Total S.A. amounting to R74 million was required for the 2016 reference year as the API4 price was within the agreed range. No additional payment to Total S.A. was required for the 2015 reference year as the API4 price was below the range.

The contingent consideration is classified within Level 3 of the fair value hierarchy as there is no quoted market price or observable price available for this financial instrument. This financial instrument is valued as the present value of the estimated future cash flows, using a DCF model.

The significant observable and unobservable inputs used in the fair value measurement of this financial instrument are rand/US$ exchange rate, API4 export price and the discount rate.

	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
At 31 December 2017 (Reviewed)			
Observable inputs			
Rand/US$ exchange rate	R12,37/US$1	Strengthening of the rand to the US$	72
API4 export price (price per tonne)	US$74,41 to US$84,35	Increase in API4 export price per tonne	180
Unobservable inputs			
Discount rate (%)	3,44%	Decrease in the discount rate	(19)
At 31 December 2016 (Audited)			
Observable inputs			
Rand/US$ exchange rate	R13,63/US$1	Strengthening of the rand to the US$	48
API4 export price (price per tonne)	US$57,19 to US$75,00	Increase in API4 export price per tonne	248
Unobservable inputs			
Discount rate (%)	3,44%	Decrease in the discount rate	(21)

[1] *Change in observable or unobservable input which will result in an increase in the fair value measurement.*
[2] *A 10% decrease in the respective inputs would have an equal but opposite effect on the above, except for the API4 export price which would result in a decrease of R245 million for 2017, on the basis that all other variables remain constant.*

Inter-relationships

Any inter-relationships between unobservable inputs are not considered to have a significant impact within the range of reasonably possible alternative assumptions for both the reporting periods.

	At 31 December	
	2017 Reviewed Rm	(Re-presented) 2016 Audited Rm

22. CONTINGENT LIABILITIES

	2017 Reviewed Rm	(Re-presented) 2016 Audited Rm
Total contingent liabilities	5 306	7 041
– Pending litigation and other claims[1]	876	1 136
– Operational guarantees[2]	3 346	4 465
– Share of contingent liabilities of equity-accounted investments[3]	1 084	1 440

[1] *Consists of legal cases as well as tax disputes with Exxaro as defendant. The outcome of these claims is uncertain and the amount of possible legal obligations that may be incurred can only be estimated at a later stage.*
[2] *Includes guarantees to banks and other institutions in the normal course of business from which it is anticipated that no material liabilities will arise. The prior year contingent liabilities balances have been re-presented to present the gross position of the back-to-back guarantees with customers (2017: R134 million; 2016: R134 million).*
[3] *The decrease mainly relates to Cennergi guarantees cancelled after construction was finalised and the liabilities settled.*

The timing and occurrence of any possible outflows of the contingent liabilities above are uncertain.

SARS

On 18 January 2016, Exxaro received a letter of audit findings from SARS following an international income tax audit for the years of assessment 2009 to 2013. According to the letter, SARS proposed that certain international Exxaro companies would be subject to South African income tax under section 9D of the Income Tax Act. Assessments to the amount of R442 million (R199 million tax payable, R91 million interest and R152 million penalties) were issued on 30 March 2016 and Exxaro formally objected against these assessments. These assessments were subsequently reduced by SARS to R246 million (including interest and penalties). Resolution hearing with SARS was on 18 July 2017 but the parties could not settle the matter. Notice was given to refer the matter to the Tax Court and Exxaro currently awaits a court date.

These assessments have been considered in consultation with external tax and legal advisers and senior counsel. Exxaro believes this matter has been treated appropriately by disclosing a contingent liability for the amount under dispute.

23. RELATED PARTY TRANSACTIONS

The group entered into various sale and purchase transactions with associates and joint ventures during the ordinary course of business. These transactions were subject to terms that are no less, nor more favourable than those arranged with independent third parties.

Exxaro's previous majority BEE shareholder, Main Street 333, settled its loan with Exxaro and the accrued interest thereon in January 2017. Refer note 6 for the details on the Replacement BEE Transaction.

24. GOING CONCERN

Based on the results for the year ended 31 December 2017, and the latest budget for 2018, as well as the available bank facilities and cash generating capability, Exxaro satisfies the criteria of a going concern.

25. JSE LISTINGS REQUIREMENTS

The reviewed condensed consolidated annual financial statements were prepared in accordance with the Listings Requirements of the JSE.

26. EVENTS AFTER THE REPORTING PERIOD

Details of the final dividend proposed are given in note 12.

On 13 February 2018 Exxaro declared a special dividend amounting R4 502 million (refer note 12).

On 2 March 2018, Exxaro entered into a sale of asset agreement regarding the disposal of the NBC operation. The sale will only be effective once all conditions precedent to the sales agreement have been met (refer note 17).

Exxaro is exploring opportunities in the water and agriculture sector and is currently in active negotiations for a potential investment.

The directors are not aware of any other significant matter or circumstance arising after the reporting period up to the date of this report, not otherwise dealt with in this report.

27. REVIEW CONCLUSION

These reviewed condensed consolidated annual financial statements for the year ended 31 December 2017 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office together with the financial statements identified in the auditor's report.

28. CORPORATE GOVERNANCE

The Board of directors endorses the principles contained in King IV. Detailed disclosure of the company's application of these principles are set out in the supplementary information, as well as, in the 2017 Integrated Report and will, in accordance with the JSE Listings Requirements, be available on the company's website in April 2018. The company has undertaken a process to determine the gaps to achieve application of King IV and will disclose actions taken toward compliance in the Integrated Report for the year ending 31 December 2018. Please contact the group company secretary and legal, Mrs SE van Loggerenberg, for any additional information.

29. MINERAL RESOURCES AND MINERAL RESERVES

Other than the normal LOM depletion, there were no material changes to the mineral resources and mineral reserves estimates as disclosed in the 2016 integrated report. Exxaro has updated its internal competent persons report for applicable operations to align with the third edition of the SAMREC Code which came into effect in January 2017.

30. KEY MEASURES[1]

	At 31 December	
	2017	2016
Closing share price (rand/share)	162,50	89,50
Market capitalisation (R billion)	58,29	32,05
Average rand/US$ exchange rate (for the year ended)	13,30	14,69
Closing rand/US$ spot exchange rate	12,37	13,63

[1] *Non-IFRS numbers.*

EXXARO 2017 PERFORMANCE AT A GLANCE

Performance overview

- **Revenue** up **9%** at **R22,8 billion**
- **Core net operating profit of R5,8 billion** at a **25% margin**
- **Core EBITDA** up **17%** at **R7,2 billion**
- **Core HEPS** increase by **38%**
- **Strong balance sheet** with a net **cash position**

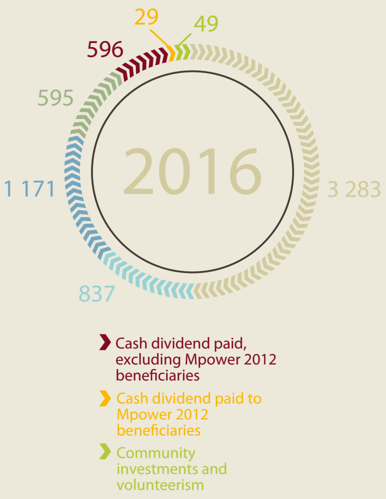
Growth in coal

- **Coal tonnes produced** up **5%**
- **Operating profit margin** of **27%**
- **R6,0 billion coal net operating profit** up **16%**

Returning cash to shareholders

- **Final dividend** of **400 cps**
- **Special dividend** of **R12,55** per share paid on 5 March

Value distribution (Rm)



COMMENTARY
for the year ended 31 December

Comments below are based on a comparison between the financial years ended 31 December 2017 and 2016 (FY17 and FY16 respectively).

1. SAFETY

Exxaro recorded an LTIFR of 0,12 (FY16: 0,09) against a target of 0,11. The group regrettably incurred one High Potential Incident at Grootegeluk Mine and one fatality at Matla Mine in 2017. Exxaro remains committed to the Zero Harm Vision and to continuously improve all aspects of safety.

2. REPLACEMENT BEE TRANSACTION

Shareholders approved the Replacement BEE Transaction on 20 November 2017 and on 11 December 2017 Exxaro implemented the transaction which comprised various indivisible transaction components, including the MS333 Unwind, the Second Repurchase of 22 686 572 ordinary shares from MS333 and the Specific Issue of 67 221 565 ordinary shares to the new empowerment partner, NewBEECo.

The accounting impact of the Replacement BEE Transaction on the Exxaro group results is as follows:

- NewBEECo is consolidated in Exxaro's group results as Exxaro has control over NewBEECo in terms of IFRS 10 *Consolidated Financial Statements*
- The shares held by NewBEECo in Exxaro are treated as treasury shares and eliminated for group reporting purposes
- The preference share liability of NewBEECo of R2 478 million, that was raised as part of NewBEECo's funding structure, is recognised as a financial liability for the Exxaro group
- A share-based payment expense, amounting to R4 245 million, is recognised in profit or loss which relates to the potential benefit to be obtained by the BEE Parties. The share-based payment expense was valued on 11 December 2017 using an option pricing model of which one of the assumptions was the spot Exxaro share price of R152,35 per share.

3. FINANCIAL PERFORMANCE

The group's net operating profit for FY17 increased by 17% (R860 million) to R6 060 million compared to FY16. The coal business benefited from higher selling prices and volumes while the group's results were impacted by various once-off transactions; namely, the costs associated with the implementation of the Replacement BEE Transaction (R4 339 million), and a net gain realised on the partial disposal of our shareholding in Tronox Limited (R5 191 million). Refer to table 1 for a list of all key transactions impacting Exxaro's financial results. Exxaro is of the view that these impacts should be excluded in order to enable a more meaningful year-on-year comparison.

The income from equity-accounted investments of R2 123 million for FY17 (FY16: R2 373 million) decreased by 11%. Although there was a positive impact of a recovery in iron ore export prices coupled with Exxaro's share of an impairment reversal of property, plant and equipment (R716 million net of tax) from SIOC, this was partly offset by R1 271 million, constituting Exxaro's share of the loss incurred by Tronox Limited, on the disposal of its Alkali chemicals business in September 2017.

4. COMPARABILITY OF RESULTS

The corporate transactions implemented during 2017 and 2016 have necessitated a change in the segmental reporting structures and the manner in which the operating results are reported to the chief operating decision-maker. Refer to notes 4 and 5 to the reviewed condensed consolidated annual financial statements for additional information.

The key transactions shown in table 1 below should be taken into account to gain a better understanding of the comparability of the results for the two years.

Table 1: Key transactions impacting on comparability

Reporting segment	Description	FY17 Rm	Description	(Re-presented) FY16 Rm
Coal	– Loss on disposal of property, plant and equipment[1]	(62)	– Loss on disposal of property, plant and equipment[1]	(45)
	– Insurance claim received by Leeuwpan from external parties[1]	3	– Termination and voluntary severance packages	(10)
			– Gain on disposal of operation (Inyanda)[1]	100
			– Gain on restructuring of SDCT shareholding[1]	203
Ferrous			– Impairment of property, plant and equipment (FerroAlloys)[1]	(100)
			– Termination and voluntary severance packages	(1)
TiO_2 and Alkali chemicals	– Loss on dilution of shareholding in Tronox Limited[1]	(106)	– Loss on dilution of shareholding in Tronox Limited[1]	(36)
	– Gain on partial disposal of investment in Tronox Limited including the recycling of the foreign currency translation reserve, offset by a loss on the recycling of the financial instruments revaluation reserve to profit or loss[1,2]	5 191		
Other	– Receivable relating to the Mayoko iron ore project written off	(27)	– Gain on disposal of Mayoko iron ore project[1]	670
	– Loss on disposal of property, plant and equipment[1]	(2)	– Gain on disposal of property, plant and equipment[1]	10
	– Fair value adjustment on contingent consideration relating to the acquisition of ECC	(354)	– Fair value adjustment on contingent consideration relating to the acquisition of ECC	(445)
	– Recycling of foreign currency translation reserve on liquidation of foreign entities to profit or loss[1]	(58)	– Termination and voluntary severance packages	(87)
	– BEE credentials expense and transaction costs	(4 339)		
Group	**Total net operating profit impact**	**246**	**Total net operating profit impact**	**259**

[1] *Excluded from headline earnings.*

[2] *The loss on recycling of the financial instruments revaluation reserve to profit or loss of R1 million is not a headline earnings adjustment.*

Reporting segment	Description	FY17 Rm	Description	(Re-presented) FY16 Rm
Coal	– Tax on disposal of property, plant and equipment[1]	18	– Tax on disposal of property, plant and equipment[1]	13
	– Tax on insurance claim received by Leeuwpan[1]	(1)	– Excess of fair value over cost of investment in RBCT[1]	35
			– Post-tax share of Mafube impairment of property, plant and equipment[1]	(16)
			– Post-tax share of Mafube gain on disposal of property, plant and equipment[1]	1
Ferrous	– Post-tax share of SIOC loss on disposal of property, plant and equipment[1]	(11)	– Post-tax share of SIOC loss on disposal of property, plant and equipment[1]	(28)
	– Post-tax share of SIOC reversal of impairment of property, plant and equipment[1]	716	– Tax on impairment of property, plant and equipment[1]	27
			– Excess of fair value over cost of investment in SIOC[1]	221
			– Post-tax share of SIOC impairment of property, plant and equipment[1]	(1)
TiO_2 and Alkali chemicals	– Post-tax share of Tronox Limited loss on disposal of Alkali chemical business[1]	(1 271)	– Post-tax share of Tronox restructuring costs	(9)
	– Post-tax share of Tronox gain on disposal of property, plant and equipment[1]	1	– Post-tax share of Tronox gain on disposal of property, plant and equipment[1]	4
Net financing cost	– NewBEECo preference dividend accrued (consolidation impact)	(11)		
Group	**Total attributable earnings impact**	**(313)**	**Total attributable earnings impact**	**506**

[1] *Excluded from headline earnings.*

5. COMMODITY PRICE PERFORMANCE AND GROUP SEGMENT RESULTS

The movements in main commodity prices impacting on Exxaro's performance are summarised in table 2 below.

Table 2: Change in commodity prices

	Average US$ per tonne		%
Commodity price	**FY17**	**FY16**	**Change**
API4 coal	84	64	+31
Iron ore fines (cost and freight (CFR) China)	71	58	+22
TiO_2 pigment (cost, insurance and freight (CIF), US)	2 622	2 087	+26

Table 3: Group segment results (Rm)

	Revenue		Net operating profit/(loss)	
	FY17 Reviewed	**FY16 Audited**	**FY17 Reviewed**	**(Re-presented) FY16 Audited**
Coal	22 553	20 673	6 009	5 166
– Tied[1]	3 256	3 483	133	226
– Commercial	19 297	17 190	5 876	4 940
Ferrous	243	170	53	(47)
– Alloys	243	170	54	(75)
– Other			(1)	28
TiO_2 and Alkali chemicals			5 085	(36)
Other	17	54	(5 087)	117
Total	22 813	20 897	6 060	5 200

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

6. FINANCIAL AND OPERATIONAL RESULTS

6.1. Group financial results

6.1.1. Revenue and net operating profit

Consolidated group revenue increased by 9% to R22 813 million (FY16: R20 897 million) mainly due to higher coal selling prices as well as higher Eskom commercial volumes at Grootegeluk based on demand from the Medupi Power Station. The average price per tonne achieved on export sales was US$69 (FY16: US$50). A stronger average spot exchange rate of R13,30 to the US dollar for FY17 (FY16: R14,69) was realised, an appreciation of approximately 9%.

Consolidated group net operating profit increased by 17% to R6 060 million (FY16: R5 200 million), net of costs associated with the Replacement BEE Transaction of R4 339 million and a net gain of R5 191 million realised on the partial disposal of 22,4 million Class A ordinary shares in Tronox Limited (including the gains on translation differences recycled to profit or loss of R1 332 million).

6.1.2. Earnings

Earnings, which include Exxaro's equity-accounted investments in associates and joint ventures, were R5 982 million (FY16: R5 679 million) or 1 923 cents per share (FY16: 1 600 cents per share), impacted by the various once-off transactions.

Headline earnings were 66% lower at R1 560 million (FY16: R4 621 million) or 502 cents per share (FY16: 1 302 cents per share), primarily driven by the Replacement BEE Transaction costs of R4 339 million (1 395 cents per share), which are not adjusted for in headline earnings.

Table 4: Equity-accounted income/(loss) (Rm)

	Equity-accounted income/(loss)		Dividends received	
	FY17 Reviewed	FY16 Audited	FY17 Reviewed	FY16 Audited
SIOC[1]	3 303	2 416	1 390	
Tronox[2]	(1 643)	(384)	109	298
Mafube	259	238		450
Black Mountain	226	100		
Cennergi	2	3		
RBCT[3]	(24)			
Total	2 123	2 373	1 499	748

[1] *FY17 includes R716 million that relates to Exxaro's share of property, plant and equipment impairment reversal; FY16 includes R221 million excess of fair value over the cost of the investment which arose on the 0,64% increase in Exxaro's shareholding in SIOC.*

[2] *Tronox Limited investment (excluding the 26% shareholding in South African and UK operations) has been classified as a non-current asset held-for-sale on 30 September 2017 upon which the application of the equity method ceased. FY17 includes an amount of R1 271 million that relates to Exxaro's share of the loss realised on the disposal of the Alkali chemicals business.*

[3] *FY16 includes R35 million excess of fair value over the cost of the investment which arose on the increase in the shareholding in RBCT, offset by R35 million equity-accounted loss.*

6.1.3. Cash flow and funding

Cash flow generated by operations increased by R1 277 million to R6 826 million (FY16: R5 549 million), mainly due to higher revenue.

Cash flows from investing activities increased by R6 575 million to a net inflow of R4 377 million (FY16: R2 198 million net outflow), mainly due to Exxaro's partial disposal of the investment in Tronox Limited, realising net proceeds of US$474 million (R6 525 million) and dividends received of R1 499 million (FY16: R748 million) comprising R1 390 million from SIOC (FY16: nil) and R109 million (FY16: R298 million) from our investment in Tronox Limited.

Cash flows from financing activities decreased by R7 844 million to a net outflow of R6 361 million (FY16: R1 483 million net inflow), mainly due to the following:
- The repurchase of Exxaro ordinary shares to the value of R3 524 million from MS333 in January 2017, using cash generated from Exxaro's own operations
- The second repurchase to the value of R2 695 million from MS333 as part of the implementation of the Replacement BEE Transaction.

6.1.4. Debt exposure

The group was in a net cash position of R84 million (including R14 million classified as a non-current asset held-for-sale) at 31 December 2017 compared to a net debt position of R1 322 million at 31 December 2016.

The net cash position of R84 million is net of a R2 478 million net preference share liability recognised as a result of consolidating NewBEECo.

Exxaro's balance sheet structure remains strong. During FY17, Standard & Poor's upgraded Exxaro's domestic credit rating to zaBBB.

6.2. Coal business performance

Table 5: Unreviewed coal production and sales volumes ('000 tonnes)

	Production		Sales	
	FY17	**FY16**	**FY17**	**FY16**
Thermal	42 843	40 811	43 258	42 489
Tied	7 400	7 900	7 403	7 893
Commercial	35 443	32 911	35 855	34 596
– Domestic			28 243	26 738
– Export			7 612	7 858
Metallurgical	2 132	1 985	1 190	1 298
Commercial – Domestic	2 132	1 985	1 190	1 298
Total coal	44 975	42 796	44 448	43 787
Semi-coke	86	54	88	65
Total coal (excluding buy-ins)	45 061	42 850	44 536	43 852
Thermal coal buy-ins	504	606		
Total coal (including buy-ins)	45 565	43 456	44 536	43 852

International seaborne trade remained strong during FY17, largely owing to sustained demand in Asia Pacific. The slow increase in coal demand out of China was met with production challenges in both Indonesia and Australia due to adverse weather conditions (heavy rainfalls in Indonesia and cyclone Derby in Australia). South Africa filled the gap left by Australia in South Korea and the sustained freight arbitrage favoured South African supply.

India, on the other hand, remained the flagship market for South African coal as demand remained relatively stable for lower grade material after a sluggish start to the year. European coal demand saw a slight increase after France placed some of its nuclear power plants under care and maintenance. Overall, there were strong fundamentals supporting the bullish sentiment that saw international API4 coal prices across indices trading around the US$100 per tonne mark at year end.

Trading conditions in the domestic market were strong in FY17, as consumers scrambled for all grades of coal, as demand from the export market remained upbeat due to strong international thermal coal prices offset by a stronger rand/US$ exchange rate. Exxaro experienced strong demand for all its products in the domestic segments.

The benchmark API4 RBCT export price averaged US$84 per tonne versus the US$64 per tonne in FY16, ending the year at US$95 per tonne.

Export volumes decreased from 7,9Mt in FY16 to 7,6Mt in FY17, mainly as a result of lower volumes from ECC, lower buy-ins and congestion experienced at RBCT, driven by adverse weather conditions. The group realised an average export price of US$69 per tonne in FY17 against US$50 per tonne in FY16.

6.2.1. Production and sales volumes

Overall coal production volumes (excluding buy-ins) were 5% (2 179kt) higher than in FY16. The increase can mainly be attributed to higher production at Grootegeluk in line with Addendum 9 to the Medupi Coal Supply Agreement. Although production was 5% higher, sales volumes were only 2% higher (661kt) due to strategic stockpiling at Grootegeluk.

6.2.1.1. Metallurgical coal

Grootegeluk's metallurgical coal production was 147kt (7%) higher mainly due to additional production from Grootegeluk plant 10 (GG10) and reduced unplanned operational interruptions as a result of increased maintenance as well as improvement efforts to the plant waste system (backfill and plant conveyors).

6.2.1.2. Thermal coal

Tied mines

Power station coal production from Matla was 500kt (6%) lower mainly due to the shortwall stop from December 2016 to May 2017 and unfavourable geological conditions.

Commercial mines

The commercial mines' thermal coal production was higher by 2 532kt (8%) primarily as a result of the following factors:
- Increased production, mainly at Grootegeluk, of 2 789kt (14%) due to the ramp up volumes according to Addendum 9 to the Medupi Coal Supply Agreement
- Higher production at ECC 156kt (4%) mainly as a result of higher production at DCM West and FZO South.

The increase was partly offset by:
- Lower production at Leeuwpan 419kt (11%) due to lower production in the crush and screen plant, dismantling of the JIG plant, lower ROM availability, industrial action and lower overburden removal
- Lower production at Mafube of 112kt (18%).

Domestic thermal coal sales from commercial mines was 1 505kt (6%) higher mainly as a result of:
- Increased sales at Grootegeluk of 1 988kt (10%) which is in line with the ramp up volumes according to Addendum 9 to the Medupi Coal Supply Agreement
- Higher sales at ECC 171kt (34%) mainly due to more sized product available and more discard re-wash product available for sale at FZO South.

The increase was partly offset by:
- No power station coal sold by Leeuwpan in FY17 (FY16: 416kt) as a result of the termination of the Eskom Supply Agreement, and redirecting this coal into the export market as well as slightly lower other domestic sales of 64kt
- Lower NBC sales 162kt (5%) due to the expiry of the Coal Supply Agreement with Eskom. This contract has subsequently been extended to June 2018.

The semi-coke production was 32kt (59%) higher mainly due to the increased demand in the Ferrochrome industry.

6.2.2. Revenue and net operating profit

Coal revenue of R22 553 million was 9% higher than FY16 (R20 673 million). The increased revenue from commercial mines was due to higher selling prices as well as an increase in Eskom volumes. This was partly offset by lower semi-coke domestic sales volumes.

Net operating profit of R6 009 million (FY16: R5 166 million) represents an increase of 16%, at an operating margin of 27%, mainly due to:
- Higher prices (+R2 242 million)
- Higher volumes (+R445 million)
- Net scope changes on environmental rehabilitation provisions (+R168 million).

The increase was partly offset by:
- Exchange rate variance due to stronger local currency against the US dollar (-R272 million)
- Inflation (-R505 million)
- Product mix variance at EITAG (-R307 million)
- Closure of Inyanda operation and subsequent disposal (-R235 million)
- Additional outside services for mining contractors (-R255 million)
- Proceeds on sale of SDCT in FY16 (-R203 million).

6.3. Ferrous business

6.3.1. Net operating profit

Net operating profit increased by R100 million to R53 million in FY17 from the net operating loss of R47 million reported for FY16. The increase is mainly as result of a R100 million pre-tax impairment charge of the ferrosilicon plant at FerroAlloys which was accounted for in FY16.

6.3.2. Equity-accounted investments

The increase in equity-accounted income from SIOC of R887 million to R3 303 million in FY17, is largely attributable to the increase in export iron ore prices, as well as Exxaro's share of a post-tax impairment reversal of R716 million relating to property, plant and equipment. An interim dividend of R1 390 million was received from SIOC in FY17 (FY16: nil). A final dividend, of which Exxaro's share will be R1 306 million, was declared on 8 February 2018.

6.4. Titanium dioxide and Alkali chemicals

6.4.1. Equity-accounted investment

Equity-accounted losses from the Tronox investment increased from R384 million in FY16 to R1 643 million in FY17, mainly due to Exxaro's share of the loss realised on the disposal of the Alkali chemicals business in September 2017 of R1 271 million.

The Tronox Limited investment was classified as a non-current asset held-for-sale on 30 September 2017 and the application of the equity method ceased on that date. As the Tronox Limited investment represents a major geographical area of operation and represents the majority of the TiO_2 and Alkali chemicals reportable operating segment, the nine months results of Tronox Limited were presented as a discontinued operation.

Subsequent to the classification as a non-current asset held-for-sale, Exxaro completed an initial offering of 22,4 million Class A Tronox Limited ordinary shares. This partial disposal in Tronox Limited reduced Exxaro's shareholding from 51,2 million to 28,7 million shares, representing 23,66% of the total outstanding voting shares of Tronox Limited as at 31 December 2017.

Exxaro will continue to assess market conditions going forward for further possible sell downs of its remaining investment in Tronox Limited.

6.5. Energy business

6.5.1. Equity-accounted investment

Equity-accounted income from Cennergi, a 50% joint venture with Tata Power, remained flat at R2 million for FY17 (FY16: R3 million). The two windfarm projects which were brought into commercial operation during 3Q16 are running at planned capacity. FY17 represents a full year of revenue generation which was offset by a full year of depreciation and finance costs expensed to profit or loss.

7. SALE OF NON-CORE ASSETS AND INVESTMENTS

As part of Exxaro's optimisation programme of the coal portfolio, Exxaro concluded a sale of shares agreement with Universal for ECC's 100% shareholding in Manyeka, which includes a 51% interest in Eloff. The sale is conditional on Competition Commission approval as well as section 11 approval in terms of the MPRDA for the transfer of the mining right. The investment in Manyeka has been classified as a non-current asset held-for-sale on 30 September 2017. On 31 December 2017 conditions precedent to the sale agreement had not yet been met.

In addition to the above Exxaro took the decision to divest from the NBC operation and the divestment process commenced during August 2017. On 31 December 2017, the NBC operation has been classified as a non-current asset held-for-sale. On 2 March 2018, Exxaro concluded a sale of asset agreement for the disposal of the NBC operation. The sale will only be effective once all conditions precedent to the sales agreement have been met.

8. PERFORMANCE AGAINST NEW B-BBEE CODES AND MINING CHARTER

Exxaro currently has a level 6 contribution status. The gaps to improve the status have been analysed to improve the contribution status year-on-year. Enterprise and Supplier Development has been identified as an area to receive greater focus in the future.

The revised mining charter (Mining Charter III) has not yet been gazetted, and the mining industry should have clarity by the end of 2018 on the new legislation.

9. ADDITIONAL INFORMATION WITH REGARDS TO THE REPLACEMENT BEE TRANSACTION

Exxaro has set out in the Circular to shareholders dated 23 October 2017, that a portion of its shareholding in NewBEECo is earmarked for the empowerment of communities and employees. Exxaro has undertaken to:

- Finalise an appropriate structure to transfer no less than 10% of its equity holding in NewBEECo for the empowerment of relevant employees and communities by 30 June 2018
- In consultation with the IDC and PIC pursue, in good faith, the possibility of listing the shares of NewBEECo on a stock exchange which restricts trading to HDSA parties, by no later than 30 November 2018, to further broaden Exxaro's BEE shareholding base.

10. MINERAL RESOURCES AND MINERAL RESERVES

Other than the normal LOM depletion, there were no material changes to the mineral resources and mineral reserves estimates as disclosed in the 2016 integrated report.

Exxaro has updated its internal competent persons reports for applicable operations to align this with the third edition of the SAMREC Code which came into effect in January 2017.

11. MINING AND PROSPECTING RIGHTS

The Leeuwpan mining right (including the expansion area mining right) has been registered. Ministerial consent (section 102) to amalgamate the two rights has been received and execution is expected to occur in the first quarter of 2018.

Exxaro also submitted amendments to existing rights to either protect or ensure greater LOM potential. These include the addition of associated minerals to the Thabametsi Mining right, additional mining methods at Matla for greater extraction and the inclusion of environmental and infrastructure liabilities in the Grootegeluk mining right area.

The Arnot South Prospecting right renewal was successfully concluded during the year.

12. ENVIRONMENTAL

All outstanding environmental and rezoning appeals for the Exxaro Belfast Project have been successfully resolved, and the mine construction commenced in October 2017. The Leeuwpan expansion environmental licences and wayleave permit were also granted with construction commencing in October 2017.

13. MINE CLOSURE AND ENVIRONMENTAL LIABILITIES

The Financial Provisioning Regulations in terms of NEMA were re-published on 10 November 2017 for comment, reflecting favourable changes from the original December 2015 version.

The latest version of the NEMA Financial Provisioning Regulations (GNR 1228) will have less of an impact on Exxaro than the previous version. In principle Exxaro is already compliant with most of the requirements of the Financial Provisioning Regulations.

14. OUTLOOK

In 2017, the best global economic growth rate in seven years was supported by sound macro-economic policies, which enabled key world economies to grow at or above trend. Barring any shock, this global expansion momentum is expected to continue into FY18. The current favourable global environment, strong global growth outlook and rising global trade volumes, as well as positive foreign international sentiment are expected to support South Africa's growth prospects. The implications of a potential local currency denominated debt downgrade by Moody's, coupled with continuous fiscal budget deficit challenges, will prolong the extreme volatility of the rand/US$ exchange rate experienced to date.

Exxaro expects an improvement in the operational results of the coal business for 1H18 primarily driven by:

- Good export prices leading to a shortage of coal in domestic markets, underpinning stronger domestic prices
- The Medupi offtake is expected to follow minimum agreed Coal Supply Agreement volumes. This will be the first commercial year for the minimum contract volumes as agreed in the Coal Supply Agreement after the previous addendums
- Stable seaborne demand internationally
- Exxaro's operational excellence process delivering sustainable improved results as well as technology and innovation improvements starting to contribute positively with the establishment of the innovation project office.

A relatively stable international thermal coal market is anticipated for 1H18. The iron ore market remains well supplied and expected to soften somewhat as further volumes enter the market. The current strong titanium dioxide pigment fundamentals momentum is anticipated to continue into 1H18.

15. SPECIAL DIVIDEND

In October 2017 Exxaro disposed of a portion of its shareholding in Tronox Limited. In assessing the application of the proceeds realised on the disposal, the board of directors of Exxaro considered Exxaro's growth prospects, future capital commitments, the repayment of debt and the return of capital to its shareholders. On 13 February 2018, Exxaro declared a special dividend of R4 502 million out of income reserves, which equates to 1 255 cents per share. The dividend was paid on 5 March 2018 to shareholders on the register on 2 March 2018.

16. 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 30 of 400 cents (final FY16: 410 cents) per share, for the financial year ended 31 December 2017 was declared, payable to shareholders of ordinary shares. For details of the dividend, please refer note 12 of the reviewed condensed consolidated annual financial statements.

Salient dates for payment of the final dividend are:

Last day to trade cum dividend on the JSE	Tuesday, 17 April 2018
First trading day ex dividend on the JSE	Wednesday, 18 April 2018
Record date	Friday, 20 April 2018
Payment date	Monday, 23 April 2018

No share certificates may be dematerialised or re-materialised between Wednesday, 18 April 2018 and Friday, 20 April 2018, both days inclusive. Dividends for certificated shareholders will be transferred electronically to their bank accounts on payment date. Shareholders who hold dematerialised shares will have their accounts at their central securities depository participant or broker credited on Monday, 23 April 2018.

17. CHANGES TO THE BOARD

Shareholders are hereby advised, in compliance with paragraph 3.59 of the Listings Requirements of the JSE Limited, of the following changes to the Board of directors (Board).

As a result of the Replacement BEE Transaction whereby the previous shareholder structure was unwound, the following directors nominated by their respective shareholder constituencies, resigned with immediate effect:
– Dr MF (Fazel) Randera
– Mr D (Rain) Zihlangu
– Mrs S (Salu) Dakile-Hlongwane
– Mr VZ (Zwelli) Mntambo
– Ms MW (Monhla) Hlahla

The Board expresses its sincere appreciation to the above individuals for their dedication, service, invaluable contribution to the business and commitment during their tenure.

In terms of the Replacement BEE Transaction, NewBEECo is entitled to nominate four individuals for consideration as directors to the Board. After carefully having considered the nominations, the Board is pleased to announce the appointment of the following non-executive directors, as a result of the Replacement BEE Transaction, with immediate effect:
– Ms Monhla Wilma Hlahla – *Masters of Arts (MA) Urban Planning, UCLA School of Architecture and Planning, USA; Advanced Management Program (AMP), INSEAD, France; Certificate in Accounting and Finance, Wits Business School*
– Mr Vincent Zwelibanzi Mntambo – *BJuris, LLB (Univ North West), LLM (Yale)*
– Ms Likhapha Mbatha – *LLB (University of Lesotho); LLM (University of Witwatersrand)*
– Ms Daphne Mashile-Nkosi – *Small business management diploma (University of Witwatersrand)*

The Board is of the view that their diverse skills and experience will contribute positively to the development and execution of the Exxaro strategy.

Dr Deenadayalen (Len) Konar, who has been an independent non-executive director since November 2006 and who also served as chairman of the Board, will be retiring by rotation at the upcoming AGM on 24 May 2018 and will regrettably not be available for re-election. The Board wishes to thank Dr Konar and expresses its sincere appreciation for his outstanding leadership and valuable contribution throughout his tenure as independent non-executive director and chairman. His resilience, acumen and deep business knowledge have stood the organisation in good stead.

Furthermore, Dr CJ (Con) Fauconnier, a seasoned independent non-executive director and mining professional, who has served on the Board since November 2013, recently turned 70 and will retire in terms of the requirements of the Memorandum of Incorporation of the Company, by virtue of his age and will not offer himself for re-election. The Board wishes to thank Dr Fauconnier for his immense contribution over the years which has lent credence to the maturity and expertise of the Board.

As a result of Anglo American's disposal of its entire interest in Exxaro, Mr S (Saleh) Mayet, who has served as a non-executive director since August 2015, will retire at the AGM and will not offer himself for re-election. His technical and commercial insights with regard to mining were invaluable to the team.

The Board also welcomes Ms Anuradha Singh – *BSc Eng (Mechanical) – University of Natal (Durban), 1994; MBA – Wits Business School, 2000 Being a Director Parts I & II – Institute of Directors South Africa*, as an independent non-executive director. Ms Singh will bring a richness of skills to augment the Board.

18. GENERAL

Additional information on financial and operational results for the financial year ended 31 December 2017, and the accompanying presentation can be accessed on our website on www.exxaro.com.

On behalf of the board

Len Konar	**Mxolisi Mgojo**	**Riaan Koppeschaar**
Chairman	Chief executive officer	Finance director

6 March 2018

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DIRECTORS

MW Hlahla**, Dr D Konar*** (chairman), S Mayet***, MDM Mgojo* (chief executive officer), PA Koppeschaar* (finance director), Dr CJ Fauconnier***, V Nkonyeni***, VZ Mntambo**, EJ Myburgh***, J van Rooyen***, PCCH Snyders***, L Mbatha**, D Mashile-Nkosi**, A Singh ***

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

PREPARED UNDER SUPERVISION OF:

PA Koppeschaar, CA(SA)
SAICA registration number: 00038621

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SE van Loggerenberg

TRANSFER SECRETARIES

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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")

If you have any queries regarding your shareholding in Exxaro Resources Limited, please contact the transfer secretaries at +27 11 370 5000.

ANNEXURE: ACRONYMS

Acronyms

AGM	Annual general meeting
Anglo	Anglo South Africa Capital Proprietary Limited
B-BBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
BEE Implementation Date	The day that the Replacement BEE Transaction (excluding the Second Repurchase) is implemented, which was 11 December 2017
BEE Parties	BEE SPV and IDC
BEE Reinvested Shares	40 390 461 Exxaro shares reinvested as part of the Replacement BEE Transaction, being the sum of 28 052 845 Exxaro shares reinvested pursuant to the MS333 Reinvestment and 12 337 616 Exxaro Shares reinvested pursuant to the IDC Reinvestment
BEE Shares	The 107 612 026 Exxaro shares that NewBEECo holds after the implementation of the Replacement BEE Transaction
BEE SPV	K2016475450 (South Africa) Proprietary Limited, a special purpose private company incorporated in accordance with the laws of South Africa, for the purposes of holding the Reinvesting MS333 Shareholders' interests in NewBEECo, reinvested pursuant to the MS333 Reinvestment
Black Mountain	Black Mountain Proprietary Limited
Cennergi	Cennergi Proprietary Limited
Chifeng	Chifeng Kumba Hongye Corporation Limited
Companies Act	Companies Act No 71 of 2008, as amended
Curapipe	Curapipe Systems Limited
DCF	Discounted cash flow
DCM	Dorstfontein Coal Mine
DMTN	Domestic Medium-Term Note
ECC	Exxaro Coal Central Proprietary Limited
EITAG	Exxaro International Trading AG
Eloff	Eloff Mining Company Proprietary Limited
EMJV	Ermelo joint venture
Exiting MS333 Interests	The Exxaro shares held by MS333 excluding the BEE Reinvested Shares
Exxaro	Exxaro Resources Limited
Exxaro Independent Shareholders	Exxaro Shareholders excluding MS333, MS333's direct and indirect shareholders and NewBEECo
FY16	Financial year ended 31 December 2016
FY17	Financial year ended 31 December 2017
FZO	Forzando Coal Mine
GG	Grootegeluk
HDSA	The meaning given to it, or any equivalent or replacement term, in the broad-based socio-economic empowerment charter for the South African Mining Industry, developed under section 100 of the MPRDA, as amended or replaced from time to time
HEPS	Headline earnings per share
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IDC	Industrial Development Corporation of South Africa Limited
IDC Reinvestment	The IDC reinvestment into the Replacement BEE Transaction by contributing 12 337 616 Exxaro shares to NewBEECo, and being issued 22,9% of the ordinary shares in NewBEECo as consideration
IFRS	International Financial Reporting Standard
JIBAR	Johannesburg Interbank Agreed Rate
JSE	JSE Limited
kcal	Kilocalorie
King IV	King IV Report on Governance for South Africa 2016
KIO	Kumba Iron Ore Limited
kt	Kilo tonnes
Listings Requirements	JSE Listings Requirements
LME	London Metal Exchange
LOM	Life of mine
LTIFR	Lost-time injury frequency rate
Mafube	Mafube Coal Proprietary Limited
Main Street 333 or MS333	Main Street 333 Proprietary Limited (RF)
Manyeka	Manyeka Coal Mines Proprietary Limited
Mpower 2012	Exxaro Employee Empowerment Trust
MPRDA	Mineral and Petroleum Resources Development Act 28 of 2002
MS333 Reinvestment	The Reinvesting MS333 Shareholders' reinvestment into the New Empowerment Structure by contributing 28 052 845 Exxaro shares to BEE SPV, which were utilised by BEE SPV to subscribe for 52,2% of the ordinary shares in NewBEECo, and being issued ordinary shares in BEE SPV on a pro rata basis as consideration
MS333 Unwind	The unwinding of the Previous BEE Transaction in accordance with the Transaction Agreements
Mt	Million tonnes

NBC	North Block Complex
NEMA	National Environmental Management Act of 1998
New Empowerment Structure	The tiered NewBEECo shareholding structure of the ordinary shareholders and respective shareholding percentages
NewBEECo	K2016473215 (South Africa) Proprietary Limited, a special purpose private company incorporated in accordance with the laws of South Africa, which will hold the BEE Shares
PIC	Public Investment Corporation
PRC	People's Republic of China
Previous BEE Transaction	The series of transactions entered into by Kumba Resources Limited, Anglo American Plc and Eyesizwe Mining Proprietary Limited which resulted in the creation of Exxaro, the unbundling of Kumba Iron Ore Limited and the acquisition of a controlling interest in Exxaro by MS333, as captured in the relevant circular date 9 October 2006
Prime Rate	South African prime bank rate
PwC	PricewaterhouseCoopers Incorporated
RBCT	Richards Bay Coal Terminal
Rbn	Rand billion
Reinvesting MS333 Shareholders	Each of the below, together with their holdings in the ordinary share capital of BEE SPV, set alongside such shareholder's name: – Dreamvision Investments 15 Proprietary Limited (RF), 84,2% – Basadi Ba Kopane Investments Proprietary Limited (RF), 12,7% – Eyabantu Capital Consortium Proprietary Limited, 3,1%
Replacement BEE Transaction	The transaction implemented which resulted in Exxaro being held 30% by HDSAs, and which transaction includes, as indivisible elements, the Second Repurchase, the MS333 Unwind and the Specific Issue
Rm	Rand million

RMB	Chinese renminbi
ROM	Run of mine
SAICA	South African Institute of Chartered Accountants
SAMREC Code	The South African code for the reporting of exploration results, mineral resources and mineral reserves
SARS	South African Revenue Service
SDCT	South Dunes Coal Terminal SOC Limited
Second Repurchase	Repurchase by Exxaro of 22 686 572 Exxaro shares from MS333 for consideration of R118,76 per share
SENS	Securities Exchange News Service
SIOC	Sishen Iron Ore Company Proprietary Limited
SOC	State-owned company
Specific Issue	Specific issue by Exxaro of 67 221 565 shares to NewBEECo for consideration of R73,92 per share
SSCC	Semi-soft coking coal
Tata Power	Tata Power Company Limited
TiO_2	Titanium dioxide
Transaction Agreements	The detailed agreements entered into by various parties to give effect to the Replacement BEE Transaction
Tronox	Exxaro's investment in Tronox entities
Tronox SA	Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited
Tronox UK	Tronox Sands Limited Liability Partnership in the United Kingdom
Universal	Universal Coal development IV Proprietary Limited
US$	United States dollar
VAT	Value added tax
VWAP	Volume weighted average price
WATP	Weighted average trading price

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