Exxaro Resources Limited

Group and company annual financial statements

for the year ended 31 December 2017

POWERING POSSIBILITY

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CONTENTS (CONTINUED)

ACRONYMS

AGM	Annual general meeting
Anglo	Anglo South Africa Capital Proprietary Limited
ASE	Australia Securities Exchange
AU$	Australian dollar
BEE	Black economic empowerment
BEE Implementation Date	The day that the Replacement BEE Transaction (excluding the Second Repurchase) was implemented, being 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
CGU	Cash-generating unit
Chifeng	Chifeng Kumba Hongye Corporation Limited
Companies Act	Companies Act No 71 of 2008, as amended
Curapipe	Curapipe Systems Limited
DBP	Deferred bonus plan
DCF	Discounted cash flow

DMR	Department of Mineral Resources
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 or the group of companies (in context)
Exxaro Independent Shareholders	Exxaro shareholders excluding MS333, MS333's direct and indirect shareholders and NewBEECo
FCTR	Foreign currency translation reserve
FECs	Forward foreign exchange contracts
2016	Financial year ended 31 December 2016
2017	Financial year ended 31 December 2017
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/(s)
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
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standard/(s)
JIBAR	Johannesburg Interbank Agreed Rate
JORC	Joint Ore Reserves Committee Code
JSE	JSE Limited
King IV	King Report on Governance for South Africa 2016
KIO	Kumba Iron Ore Limited
KPIs	Key performance indicators
Listings Requirements	JSE Listings Requirements
LME	London Metal Exchange
LOM	Life of mine
LTIFR	Lost-time injury frequency rate
LTIP	Long-term incentive plan
Mafube	Mafube Coal Proprietary Limited
MS333	Main Street 333 Proprietary Limited (RF)
Manyeka	Manyeka Coal Mines Proprietary Limited
Mmakau Coal	Mmakau Coal Proprietary Limited
MoI	Memorandum of Incorporation
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
NCOE	Notional cost of employment
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. The company was renamed to Eyesizwe (RF) Proprietary Limited on 14 March 2018
NPC	Not for profit company
NYSE	New York Securities Exchange

ACRONYMS (CONTINUED)

PAYE	Pay as you earn
PIC	Public Investment Corporation
PPA	Purchase Price Allocation
PPI	Producer Price Index
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 dated 9 October 2006
Prime Rate	South African prime bank rate
PwC	PricewaterhouseCoopers Incorporated
RBCT	Richards Bay Coal Terminal Proprietary Limited
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
RSA	Republic of South Africa
SAICA	South African Institute of Chartered Accountants
SAMREC Code	The South African code for the reporting of exploration results, mineral resources and mineral reserves
SAR	Share appreciation right
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
Strate	Strate Proprietary Limited, a licensed central securities depository registered in terms of the Financial Markets Act
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
TSR	Total shareholder return
UK	United Kingdom
Universal	Universal Coal Development IV Proprietary Limited
US$	United States dollar
USA	United States of America
VAT	Value added tax
VWAP	Volume weighted average price
WANOS	Weighted average number of shares
WATP	Weighted average trading price


01
BROAD-BASED ECONOMIC VALUE CREATION

CHAPTER 1: BROAD-BASED ECONOMIC VALUE CREATION

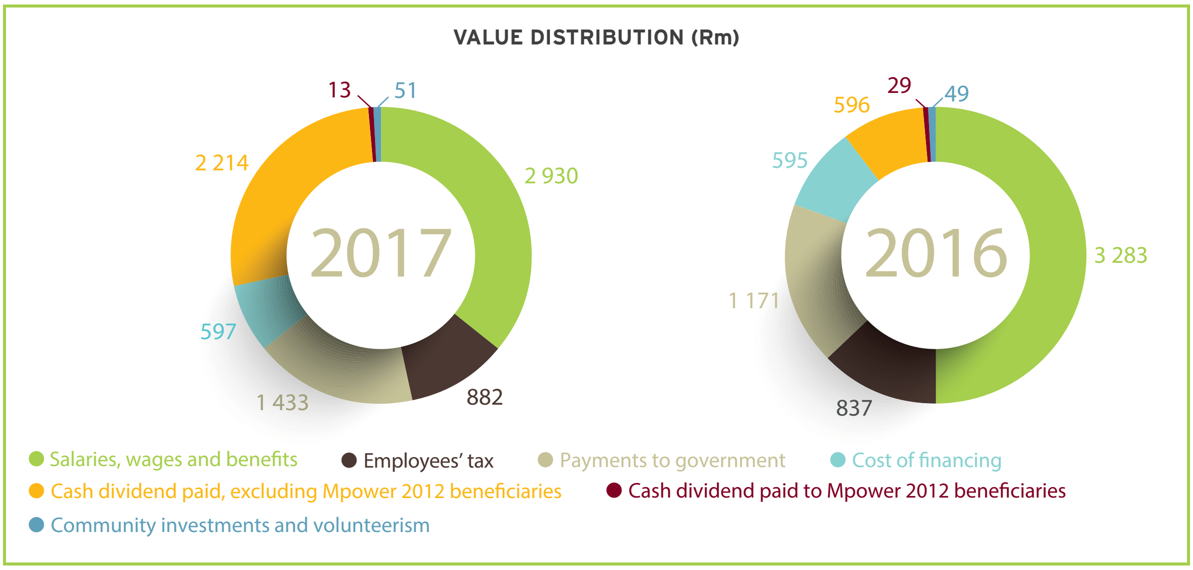
1.1 GROUP CASH VALUE ADDED STATEMENT (UNAUDITED)

The cash value added statement shows the wealth the group has created through mining operations and investing activities.

Exxaro generates and creates value to its various stakeholders as follows:

- Employees receive salaries or wages, share-based payments as well as bonuses (where certain performance conditions are met) and distributions from Mpower 2012
- The governments of the countries where Exxaro has operations and investments receive various taxes and royalty payments
- Suppliers and contractors are supported through the procurement of consumables, services and capital goods
- Shareholders receive a return on their investment through dividends and capital growth in the share price
- Providers of finance receive a return through interest and other loan costs
- Communities surrounding the operations of Exxaro benefit through corporate social investment initiatives
- All stakeholders benefit from continuous reinvestment into the group to ensure sustainability and expansion.

The statement on page 7 summarises the total cash wealth created and how it was disbursed among the group's stakeholders. The retained amount was reinvested into the group for the replacement of assets and further development of operations (further value add over time).



For the year ended 31 December	Group 2017 Rm	Group 2016 Rm
Direct economic value generated	13 020	11 226
Gross revenue from the sale of products and services (including VAT)	25 855	23 369
Income from investments and interest received	1 688	884
Operating costs	(14 523)	(13 027)
Economic value distributed	(8 120)	(6 560)
Employee salaries, wages and benefits (excluding PAYE)	(2 930)	(3 283)
PAYE deducted from remuneration paid	(882)	(837)
Payments to government (taxation contribution)	(1 433)	(1 171)
Cost of financing (interest paid and other loan costs)	(597)	(595)
Cash dividend paid, excluding Mpower 2012 beneficiaries	(2 214)	(596)
Cash dividend paid to Mpower 2012 beneficiaries	(13)	(29)
Community investments and volunteerism (including donations)	(51)	(49)
Net economic value retained in the group to maintain and develop operations	4 900	4 666
Included in the above are:		
Payments to government (taxation contribution)	(1 433)	(1 171)
Direct taxes per country (excluding deferred tax)	(790)	(547)
– RSA	(774)	(529)
– Netherlands	(16)	(18)
VAT	(434)	(441)
– Levied on purchases of goods and services	2 254	1 824
– Charged on turnover	(2 688)	(2 265)
Additional amounts collected by the group on behalf of government		
– Unemployment Insurance Fund	(12)	(13)
Levies paid to government	(197)	(170)
– Rates and taxes	(10)	(9)
– Royalties	(133)	(105)
– Workers' Compensation Fund	(7)	(7)
– Unemployment Insurance Fund	(12)	(13)
– Skills Development Levy	(35)	(36)
Community investments and volunteerism per region	(51)	(49)
– Gauteng and corporate projects	(19)	(18)
– Limpopo	(15)	(12)
– Mpumalanga	(17)	(19)


02
THE YEAR IN BRIEF

CHAPTER 2: THE YEAR IN BRIEF

FINANCIAL PERFORMANCE

The group's net operating profit for 2017 increased by 17% (R860 million) to R6 060 million compared to 2016. The coal business benefited from higher selling prices and volumes while the group's results were impacted by various once-off transactions, including costs associated with implementing 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).

Income from equity-accounted investments of R2 123 million for 2017 (2016: R2 373 million) decreased by 11%. Although there was a positive impact from 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 disposing of its Alkali chemicals business in September 2017.

REPLACEMENT BEE TRANSACTION

Shareholders approved the Replacement BEE Transaction on 20 November 2017 and, on 11 December 2017, Exxaro implemented the transaction. The accounting impact of the Replacement BEE Transaction on the group is that:

- 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 of R2 478 million, raised as part of its funding structure, is recognised as a financial liability for the Exxaro group
- A share-based payment expense of R4 245 million is recognised in profit or loss, which relates to the potential benefit obtained by the BEE Parties.

COMPARABILITY OF RESULTS

Corporate transactions implemented in 2017 and 2016 have necessitated a change in segmental reporting structures and the manner in which operating results are reported to the chief operating decision maker.

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

Reporting segment	Description	2017 Rm	Description	(Re-presented) 2016 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.*

COMPARABILITY OF RESULTS (CONTINUED)

Reporting segment	Description	2017 Rm	Description	(Re-presented) 2016 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.*

GROUP FINANCIAL RESULTS

REVENUE AND NET OPERATING PROFIT

Consolidated group revenue increased 9% to R22 813 million (2016: R20 897 million) mainly due to higher coal selling prices and 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 (2016: US$50). A stronger average spot exchange rate of R13,30 to the US dollar for 2017 (2016: R14,69) was realised, an appreciation of approximately 9%.

Consolidated group net operating profit increased by 17% to R6 060 million (2016: 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).

EARNINGS

Earnings, which include Exxaro's equity-accounted investments in associates and joint ventures, were R5 982 million (2016: R5 679 million) or 1 923 cents per share (2016: 1 600 cents per share), impacted by the various once-off transactions.

Headline earnings were 66% lower at R1 560 million (2016: R4 621 million) or 502 cents per share (2016: 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.

Below is a summary of the earnings from our equity-accounted investments:

	Equity-accounted income/(loss)		Dividends received	
	2017 Rm	**2016 Rm**	**2017 Rm**	**2016 Rm**
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] *2017 includes R716 million (net of tax) that relates to Exxaro's share of property, plant and equipment impairment reversal; 2016 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. 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.*
[3] *2016 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.*

CASH FLOW AND FUNDING
Cash flow generated by operations increased R1 277 million to R6 826 million (2016: R5 549 million), mainly due to higher revenue.

Cash flows from investing activities increased R6 575 million to a net inflow of R4 377 million (2016: R2 198 million net outflow), mainly due to the partial disposal of our investment in Tronox Limited, realising net proceeds of US$474 million (R6 525 million) and dividends received of R1 499 million (2016: R748 million) comprising R1 390 million from SIOC (2016: nil) and R109 million (2016: 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 (2016: R1 483 million net inflow), mainly due to repurchasing Exxaro ordinary shares to the value of R3 524 million from MS333 in January 2017, using cash generated from our own operations, as well as the Second Repurchase of R2 695 million from MS333 as part of implementing the Replacement BEE Transaction.

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 net debt of R1 322 million at 31 December 2016.

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

Exxaro's balance sheet structure remains strong. In 2017, Standard & Poor's upgraded Exxaro's domestic credit ratings to zaBBB.

COAL BUSINESS PERFORMANCE

International seaborne trade remained strong in 2017, 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 was relatively stable for lower-grade material after a sluggish start to the year. European coal demand increased slightly after France placed some of its nuclear power plants under care and maintenance. Overall, there were strong fundamentals supporting bullish sentiment that saw international API4 coal prices across indexes trading around US$100 per tonne at year end.

Trading conditions in the domestic market were strong in 2017, as consumers sought all grades of coal. This resulted in Exxaro recording strong demand for all its products in the domestic segments.

The benchmark API4 RBCT export price averaged US$84 per tonne in 2017, compared to US$64 per tonne in 2016, and ended the year at US$95 per tonne.

Export volumes decreased from 7,9Mt in 2016 to 7,6Mt in 2017, mainly due to lower volumes from ECC, lower buy-ins and congestion at RBCT caused by adverse weather conditions. The group realised an average export price of US$69 per tonne in 2017 against US$50 per tonne in 2016. Demand from the export market remained buoyant on strong international thermal coal prices offset by a stronger rand/US$ exchange rate.

REVENUE AND NET OPERATING PROFIT
Coal revenue of R22 553 million was 9% above 2016 (R20 673 million). Increased revenue from commercial mines reflects higher selling prices and increased Eskom volumes. This was partly offset by lower semi-coke domestic sales volumes.

Net operating profit of R6 009 million (2016: R5 166 million) rose 16%, at an operating margin of 27%, mainly due to higher prices (+R2 242 million); higher volumes (+R445 million) and net scope changes on environmental rehabilitation provisions (+R168 million).

This 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 and subsequent disposal (-R235 million); additional outside services for mining contractors (-R255 million); and proceeds on sale of SDCT in 2016 (-R203 million).

FERROUS BUSINESS

NET OPERATING PROFIT
Net operating profit rose R100 million to R53 million in 2017 from the net operating loss of R47 million reported for 2016. The increase is mainly the result of a R100 million pre-tax impairment charge of the ferrosilicon plant at FerroAlloys accounted for in 2016.

EQUITY-ACCOUNTED INVESTMENT
The R887 million increase in equity-accounted income from SIOC to R3 303 million in 2017 largely reflects higher export iron ore prices, and Exxaro's share of a post-tax impairment reversal of R716 million for property, plant and equipment. An interim dividend of R1 390 million was received from SIOC in 2017 (2016: nil). A final dividend, of which Exxaro's share will be R1 306 million, was declared on 8 February 2018.

TiO_2 AND ALKALI CHEMICALS INVESTMENT

EQUITY-ACCOUNTED INVESTMENT
Equity-accounted losses from the Tronox investment increased from R384 million in 2016 to R1 643 million in 2017, mainly due to our share of the loss realised by Tronox Limited on disposing of the Alkali chemicals business in September 2017 of R1 271 million.

CHAPTER 2: THE YEAR IN BRIEF (CONTINUED)

TiO_2 AND ALKALI CHEMICALS INVESTMENT (CONTINUED)

EQUITY-ACCOUNTED INVESTMENT (CONTINUED)

The Tronox Limited investment was classified as a non-current asset held-for-sale on 30 September 2017 and 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 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 reduced our shareholding from 51,2 million to 28,7 million shares, representing 23,66% of the total outstanding voting shares of Tronox Limited at 31 December 2017.

We will continue to assess market conditions for further possible sales of our remaining investment in Tronox Limited.

ENERGY BUSINESS

EQUITY-ACCOUNTED INVESTMENT

Equity-accounted income from Cennergi, a 50% joint venture with Tata Power, was flat at R2 million for 2017 (2016: R3 million). The two windfarm projects brought into commercial operation in the third quarter of 2016 are running at planned capacity. 2017 represents a full year of revenue generation, offset by a full year of depreciation and finance costs expensed to profit or loss.

SALE OF NON-CORE ASSETS AND INVESTMENTS

As part of optimising our coal portfolio, we 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 and section 11 approval under the MPRDA to transfer 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, all conditions precedent to the sale agreement had not yet been met.

In addition, we decided to divest from the NBC operation in a process that began in 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 sale agreement have been met.

SHAREHOLDER RETURN

Our dividend policy is based on a cover ratio of between 2,5 and 3,5 times core attributable earnings. We continuously review this policy to ensure our dividend payouts are sustainable.

As such we were able to declare a final dividend of 400 cents per share for 2017, bringing our total dividend for 2017 to 700 cents per share.

KEY PERFORMANCE INDICATORS

		2017	2016[1]	2015[2]	2014[3]	2013[4]	2012[5]	2011[5]	2010	2009[6]	2008[7]
Selected ratios											
Net financing cost cover:EBITDA	Times	11[8]	9	9	36	10	11	22	9	7	9
Return on equity (ROE):attributable income	%	16	16	57	14	16	19	36	34	19	32
Return on capital employed (ROCE)	%	25	24	12	14	19	27	44	38	25	34
Return on net assets (RONA)	%	22	22	11	14	19	27	43	42	28	39
Operating margin	%	27	25	27	15	19	43	20	15	2	19
Net debt/(cash):equity	%		4	9	3	20	18	(1)	13	29	18
Share statistics											
Total shares in issue on 31 December	Million	359	358	358	358	358	358	354	358	357	355
– Treasury shares	Million	108	3	3	3	3	3		11	11	11
– Ordinary	Million	251	355	355	355	355	355	354	347	346	344
Diluted WANOS	Million	347	357	356	355	355	354	348	347	345	343
WANOS	Million	311	355	355	355	356	355	353	361	358	361
Share price as at 31 December	R	162,50	89,50	44,04	103,50	146,46	169,00	168,00	136,24	104,50	71,90
Market capitalisation at 31 December	Rbn	58	32	16	37	52	60	60	49	37	26
Net asset value per share[9]	R	112	100	99	96	102	81	68	50	37	38
Dividend cover[10]	Times	2,75	3,20	0,55		3,18	5,47	2,75	3,00	1,48	2,65
Dividend cover (core)	Times	2,87	2,91	2,80	2,92	2,63	2,61	2,62	3,00	3,56	2,65
Dividend per share	Cents	700	500	150	470	550	500	800	500	200	375
– Interim	Cents	300	90	65	260	235	350	300	200	100	175
– Final	Cents	400	410	85	210	315	150	500	300	100	200

KEY PERFORMANCE INDICATORS (CONTINUED)

		2017	2016[1]	2015[2]	2014[3]	2013[4]	2012[5]	2011[5]	2010	2009[6]	2008[7]
Other financial information											
Capital commitments											
– Authorised and contracted	Rm	5 409	2 333	2 162	2 887	4 204	6 283	8 029	6 475	3 550	889
– Authorised but not yet contracted	Rm	2 838	3 500	1 376	2 160	2 826	4 208	2 413	2 490	1 420	2 711
– Operating lease commitments	Rm	766	780	152	135	212	18	59	132	92	77
Guarantees and contingent liabilities	Rm	5 306	7 041	7 378	2 609	2 066	1 055	1 197	1 007	717	587
Net (cash)/debt	Rm	(70)[11]	1 322	3 012	1 071	3 377	2 199	(346)	2 220	3 731	2 381
Share-based payments expenses	Rm	260	269	186	6	313	131	165	145	91	84
– SARs, LTIP, DBP, etc	Rm	207	152	79	(101)	222	87	138	115	61	72
– Mpower/Mpower 2012	Rm	53	117	107	107	91	44	27	30	30	12
Executive directors' remuneration	Rm	29	51	39	15	37	23	27	23	16	32

[1] *2016 excludes the impairment of the ferrosilicon plant of R100 million (pre-tax) as well as the gain on disposal of joint venture of R203 million.*
[2] *2015 excludes the impairment of goodwill realised on the purchase of ECC of R1 524 million as well as an impairment of the reductants operation net of tax of R162 million from earnings.*
[3] *2014 excludes the impairment on the Mayoko iron ore project of R5 803 million from earnings.*
[4] *2013 excludes the profit on sale of Zincor of R964 million and the net impairment charge of R43 million where applicable.*
[5] *2012 and 2011 exclude the impact of impairments and other non-recurring transactions.*
[6] *2009 excludes the impact of R1 435 million impairment of the KZN Sands assets.*
[7] *2008 and 2007 include Namakwa Sands and Black Mountain's 26% interest as if effective from January 2007.*
[8] *EBITDA in this calculation excludes the BEE charge.*
[9] *Based on total number of issued shares.*
[10] *The declaration of the 2014 dividend was based on cash attributable earnings.*
[11] *Excluding R14 million classified as a non-current asset held-for-sale.*

OUTLOOK[1]

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 2018. 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 the first half of 2018 primarily driven by:

- Good export prices leading to a shortage of coal in domestic market, 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.

[1] *Financial forecasts and data given herein are estimates based on the reports prepared by experts who in turn relied on management estimates. Undue reliance should not be placed on such opinions, forecasts or data. No representation is made as to the completeness or correctness of the opinions, forecasts or data contained herein. Neither the company, nor any of its affiliates, advisers or representatives accept any responsibility for any loss arising from the use of any opinion expressed or forecast or data herein. Forward looking statements apply only as of the date on which they are made and the company does not undertake any obligation to publicly update or revise any of its opinions or forward looking statements whether to reflect new data or future events or circumstances.*

03

REPORTS

CHAPTER 3: REPORTS

3.1 DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors are responsible for maintaining adequate accounting records, the preparation of the annual financial statements of the group and company as well as to develop and maintain a sound system of internal controls to safeguard shareholders' investments and assets. In presenting the accompanying group and company annual financial statements, IFRS has been followed, applicable accounting policies have been used and prudent judgements and estimates have been made.

In order for the directors to discharge their responsibilities, management has developed and continues to maintain a system of internal controls aimed at reducing the risk of error or loss in a cost-effective manner. Such systems can provide reasonable, but not absolute, assurance against material misstatement or loss. The directors, primarily through the audit committee which consists only of independent non-executive directors, meet periodically with the independent external and internal auditors, as well as executive management to evaluate matters concerning accounting policies, internal control, auditing, financial reporting and financial risk management. The group's internal auditors independently evaluate the internal controls and coordinate their audit coverage with the independent external auditors. The independent external auditors are responsible for reporting on the group and company annual financial statements. The independent external and internal auditors have unrestricted access to all records, property and personnel as well as to the audit committee.

The directors have reviewed the group and company financial budgets along with the underlying business plans for the period to 31 December 2018. In light of the current financial position and existing borrowing facilities, it is considered appropriate that the group and company annual financial statements be prepared on the going concern basis. The independent external auditors are responsible for reporting on whether the group and company annual financial statements are fairly represented in accordance with IFRS. The independent external auditors have audited the annual financial statements of the group and company and their unmodified report appears on pages 21 to 27.

Against this background, the directors accept responsibility for the group and company annual financial statements, which were approved by the board of directors on 13 April 2018 and are signed on its behalf by:

MDM Mgojo
Chief executive officer

PA Koppeschaar
Finance director

Pretoria
13 April 2018

3.2 CERTIFICATE BY GROUP COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I, SE van Loggerenberg, in my capacity as group company secretary and legal, confirm that, to the best of my knowledge and belief, for the year ended 31 December 2017, Exxaro has filed with the Companies and Intellectual Property Commission all such returns and notices as required of a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.

SE van Loggerenberg
Group company secretary

Pretoria
13 April 2018

3.3 REPORT OF THE DIRECTORS

The directors have pleasure in presenting the group and company annual financial statements of Exxaro Resources Limited for the year ended 31 December 2017.

NATURE OF BUSINESS

Exxaro, a public company incorporated in South Africa and listed on the JSE, is a large South African-based diversified resources group, with interests in the coal, TiO_2 and Alkali chemicals, ferrous and energy markets.

Exxaro's assets vary between controlled and operated assets as well as equity-accounted investments. The major controlled assets are the coal operations, while the major equity-accounted investments include its 23,66% (2016: 43,66%) interest in Tronox Limited, a global leader in the mining, production and marketing of inorganic minerals and chemicals. It also includes a 26% (2016: 26%) interest in Tronox SA and Tronox UK, its 20,62% (2016: 20,62%) interest in SIOC, which extracts and processes iron ore, and its 50% (2016: 50%) interest in Cennergi, an energy company which aims to be the leading cleaner energy IPP in South Africa.

INTEGRATED REPORT AND SUPPLEMENTAL INFORMATION

Material information on the activities and performance of the group and its various divisions is contained in the integrated report 2017 as well as in the supplementary information. These reports are unaudited. The board of directors acknowledges its responsibility to ensure the integrity of the integrated report and supplemental information. The board has accordingly applied its mind to the integrated report and in the opinion of the board the report addresses all material issues, and fairly presents the integrated performance, impact and sustainability of the organisation.

CORPORATE GOVERNANCE

The board of directors endorses the principles contained in King IV. Exxaro acknowledges that the principles of King IV are applied and therefore the disclosures made in the integrated report are essential to allow stakeholders to assess whether the principles and recommended practices are integrated in the business processes of Exxaro. Furthermore we acknowledge that effective corporate governance should form part in everything we say and do in Exxaro. Corporate governance forms part of the foundational layers of our strategy, and effective governance is therefore entrenched as a way of doing business. Full details on how these principles are applied in Exxaro are set out in the integrated report 2017.

COMPARABILITY OF RESULTS

The results for the years ended 31 December 2017 and 2016 are not comparable due to the key transactions reported in the table on page 9 and 10. Refer note 18.3 of the group and company annual financial statements 2017 for detail regarding the re-presentation and restatement of 2016 financial information.

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. Refer note 9.5 of the group and company annual financial statements 2017 for detail regarding the Replacement BEE Transaction.

ACCOUNTING POLICIES

The accounting policies applied during the year ended 31 December 2017 are consistent, in all material respects, with those applied in the group and company annual financial statements 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. Refer note 18.2 of the group and company annual financial statements 2017 for detail regarding the adoption of new, amended and revised standards and interpretations.

REGISTRATION DETAILS

The company registration number is 2000/011076/06. The registered office is Roger Dyason Road, Pretoria West, 0183, Republic of South Africa. The remaining details of administration are included in chapter 19: annexure 3 to the group and company annual financial statements 2017.

CAPITAL MANAGEMENT

In managing its capital, the group focuses on a sound net debt position, return on shareholders' equity (or return on capital employed) and the level of dividends to shareholders. The group's policy is to cover its annual net funding requirements through long-term loan facilities with maturities spread over time. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

Exxaro's improvement project is starting to deliver results with an increased focus on technology and innovation being implemented throughout the group.

During 2017, Standard & Poor's raised Exxaro's domestic credit rating to zaBBB.

SHARE CAPITAL

At 31 December	Number of shares 2017	2016
Authorised ordinary shares of R0,01 each	500 000 000	500 000 000
Issued ordinary shares of R0,01 each	358 706 754	358 115 505
Treasury shares held by Kumba Resources Management Share Trust and Mpower 2012	158 218	2 552 232
Treasury shares held by NewBEECo	107 612 026	

Refer note 12.2 of the group and company annual financial statements 2017 for detail regarding movements in share capital.

SHAREHOLDERS

An analysis of shareholders and the respective percentage shareholdings appears in chapter 19: annexure 1 of the group and company annual financial statements 2017.

DIVIDEND PAYMENTS

Dividend number 29

Interim dividend number 29 of 300 cents per share was approved by the board of directors on 15 August 2017 and declared in South African rand in respect of the six-month period ended 30 June 2017. The dividend payment date was Monday, 18 September 2017 to shareholders recorded in the register of the company at close of business on Friday, 15 September 2017.

Special dividend

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.

Dividend number 30

Final dividend number 30 of 400 cents per share was approved by the board of directors on 6 March 2018 and declared in South African rand in respect of the year ended 31 December 2017. The final dividend payment date is Monday, 23 April 2018 to shareholders recorded in the register of the company at close of business on Friday, 20 April 2018 (record date). To comply with the requirements of Strate, the last date to trade cum dividend is Tuesday, 17 April 2018. The shares will commence trading ex dividend on Wednesday, 18 April 2018.

The final dividend declared is subject to 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 final 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.

INVESTMENTS AND SUBSIDIARIES

The financial information in respect of investments and interests in subsidiaries of the company is disclosed in note 17.5 of the group and company annual financial statements 2017.

EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any matter or circumstance that has arisen since the end of the financial year not dealt with in the integrated report or in the group and company annual financial statements that would significantly affect the operations or the results of the group and company. Refer note 18.4 of the group and company annual financial statements 2017 for further details.

DIRECTORATE AND SHAREHOLDINGS

Details of the directors in office at the date of this report are set out in the integrated report 2017. For the period under review no new directors' appointments were made and no resignations occurred.

Details of directors' shareholdings are contained in note 14.5.3 of the group and company annual financial statements 2017.

However, in March 2018 as a result of the Replacement BEE Transaction Dr MF (Fazel) Randera, Mr D (Rain) Zihlangu, Mr VZ (Zwelibanzi) Mntambo; Mrs S (Salukazi) Dakile-Hlongwane and Ms MW (Monhla) Hlahla resigned due to the unwinding of MS333. In their stead, NewBEECo has nominated four individuals which the board has appointed to take up office with immediate effect: Mr VZ (Zwelibanzi) Mntambo; Ms MW (Monhla) Hlahla, Ms L (Likhapha) Mbatha and Ms D (Daphne) Mashile-Nkosi.

Dr D (Deenadayalen) Konar, who served as chairman of the board, will be retiring by rotation at the forthcoming AGM on 24 May 2018 and will regrettably not be available for re-election. Mr S (Saleh) Mayet, who served as a non-executive director will also retire at the AGM and will not offer himself for re-election.

Furthermore, Dr CJ (Constantinus) Fauconnier, an independent non-executive director will retire in terms of the requirements of the MoI of the company, by virtue of his age and will not offer himself for re-election. The board has appointed Ms A (Anuradha) Sing as independent non-executive director.

3.3 REPORT OF THE DIRECTORS (CONTINUED)

In accordance with the company's MoI, the appointments by the board of directors are required to be confirmed through election by the shareholders at the forthcoming AGM to be held on 24 May 2018.

DIRECTORS' SERVICE CONTRACTS

All executive directors' employment contracts are subject to six calendar months' notice. Non-executive directors are not bound by service contracts. There are no restraints of trade associated with the service contracts of executive directors.

For a detailed analysis of the directors' and prescribed officers' remuneration, refer note 14.5 on pages 106 to 119 of the group and company annual financial statements 2017.

GROUP COMPANY SECRETARY AND REGISTERED OFFICE

Mrs CH (Carina) Wessels resigned as the group company secretary, effective at the end of September 2017. A rigorous process was followed to appoint the group company secretary and legal, Mrs SE (Saret) van Loggerenberg, a Fellow of the Institute of Chartered Secretaries and previously the Manager, Risk and Compliance was subsequently appointed. The contact details of Saret van Loggerenberg appear in the administration section on page 160 to the group and company annual financial statements 2017.

INDEPENDENT EXTERNAL AUDITORS

PwC was re-elected as independent external auditors on 25 May 2017 in accordance with section 90 of the Companies Act and has again been proposed for re-election in respect of the 2018 financial year, to occur at the forthcoming AGM on 24 May 2018.

AUDIT COMMITTEE

The audit committee report appears on pages 19 and 20 of the group and company annual financial statements 2017, as well as in the integrated report 2017.

BORROWING POWERS AND FINANCIAL ASSISTANCE

Borrowing capacity is determined by the directors from time to time.

	Group	
	2017 Rm	**2016 Rm**
Amount approved	50 129	44 844
Total borrowings (excluding finance leases)	(6 463)	(6 456)
Unutilised borrowing capacity	43 666	38 388

The borrowing powers of the group and company were set at 125% of shareholders' funds attributable to owners of the parent for both the 2017 and 2016 financial years.

Pursuant to the authorisation granted at the AGM of the company held on 25 May 2017, the board of directors at its meeting held on 20 November 2017, approved, in accordance with section 44 of the Companies Act, the giving of financial assistance to related and inter-related companies of Exxaro.

The directors resolved that the company will satisfy the solvency and liquidity test, as contemplated in section 45 of the Companies Act and detailed in section 4 of the Companies Act, post such assistance. The terms under which such assistance will be provided are fair and reasonable to the company.

EMPLOYEE INCENTIVE SCHEMES

Details of the group's employee incentive schemes are set out in note 14.3 of the group and company annual financial statements 2017 as well as the remuneration and nomination committee report in the integrated report 2017 and the supplementary information.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 15.1 of the group and company annual financial statements 2017.

GOING CONCERN

The board of directors believes that the group and company have adequate financial resources to continue in operation for the foreseeable future and accordingly the group and company annual financial statements have been prepared on a going concern basis. The board of directors is not aware of any new material changes, or any material non-compliance with statutory or regulatory requirements, that may adversely impact the group or company.

AGM

The 17th (seventeenth) AGM of shareholders of Exxaro will be held (subject to any adjournment or postponement) at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, South Africa, at 11:00 on Thursday, 24 May 2018 to consider and, if deemed fit, pass with or without modification, the resolutions.

3.4 AUDIT COMMITTEE REPORT

The audit committee is pleased to present its report for the financial year ended 31 December 2017.

PURPOSE

The committee is constituted as a statutory committee of the company in terms of its statutory duties under section 94(7) of the Companies Act, and a committee to the board of directors of the company (the board) in terms of all other duties assigned to it by the board.

In terms of the Companies Act, the committee has an independent role, and is accountable to both the board of directors and the company's shareholders.

The role of the committee is to fulfil the statutory functions as set out in section 94 of the Companies Act and, in addition, has been established primarily to assist the board of directors in providing independent oversight of the:

- Quality and integrity of the financial statements and related public announcements
- Integrity and content of the integrated reporting process
- Qualification and independence of the external auditor
- Scope and effectiveness of the external audit function
- Scope and effectiveness of the overall combined/integrated assurance process
- Effectiveness of the internal controls and internal audit function
- Integrity and efficacy of the risk management process relating specifically to internal controls and financial reporting risks through assurance over the controls and policies in place.

The committee does not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers and other members of senior management, nor does it assume accountability of the functions performed by other committees of the board.

COMPOSITION

The committee consisted of three independent non-executive directors for the year under review. The chairman of the board is not a member of the audit committee, although he attends all meetings as a permanent invitee. The chief executive officer, finance director, chief audit executive, as well as the internal and external auditors are also permanent invitees to meetings. The committee, however, debates matters without permanent invitees present, as required.

Two sessions (aligned with approval of the interim and annual financial results) are held with both the independent external auditors and internal auditors, respectively, where management is not present.

MEETINGS

Name and designation	Attendance %
Mr J van Rooyen – Independent non-executive director	100
Dr CJ Fauconnier – Independent non-executive director	100
Mr V Nkonyeni – Independent non-executive director	100

2017 IN OVERVIEW

External auditors

The group's independent external auditors are PwC. Fees paid to the auditors are disclosed in notes 7.1.3 and 7.1.4 to the group and company annual financial statements 2017. Exxaro has an approved policy to regulate the use of non-audit services by the independent external auditors. This differentiates between permitted and prohibited non-audit services and specifies a monetary threshold against which approvals are considered. In the year under review, PwC was paid R36 million (2016: R36 million), which included R26 million (2016: R25 million) for the statutory audit and related activities as well as R10 million (2016: R11 million) for non-audit services, mainly for tax advisory services, agreed upon procedures regarding the Replacement BEE Transaction and consulting. The committee is satisfied with the level and extent of non-audit services rendered during the year by PwC and that these did not affect its independence.

The audit committee annually assesses the independence of PwC and again completed this assessment at its meeting on 6 March 2018. PwC was required to confirm that:

- It is not precluded from reappointment due to any impediment in section 90(b) of the Companies Act
- In compliance with section 91(5) of the Companies Act, compared to membership of the firm on reappointment in 2017, more than one half of the members remain in 2018
- It remains independent, as required by section 94(7)(a) of the Companies Act and JSE Listings Requirements.

Based on this assessment, the committee again nominated PwC as independent external auditors for 2018. Shareholders will therefore be requested to re-elect PwC in this capacity for the 2018 financial year at the AGM on 24 May 2018.

Internal auditors

The internal audit function is outsourced to EY and its responsibilities are detailed in a charter approved by the audit committee and reviewed annually. Its main function remains to express an opinion on the effectiveness of risk management and the internal control environment.

Annual financial statements

The committee reviewed the group and company annual financial statements 2017 and accounting practices in detail and is satisfied that the information contained in these group and company annual financial statements, as well as the application of accounting policies and practices, are reasonable.

3.4 AUDIT COMMITTEE REPORT (CONTINUED)

2017 IN OVERVIEW (CONTINUED)

Statement on effectiveness of internal financial controls

The audit committee, with input and reports from the independent internal and external auditors, reviewed the company's system of internal financial controls, as underpinned by the enterprise risk management framework, during the year. Informed by these reviews, the committee confirmed that there were no material areas of concern that would render the internal financial controls ineffective.

Finance director and finance function

The committee has reviewed an internal assessment of the expertise and experience of Mr PA Koppeschaar, the finance director, and is satisfied he has the appropriate skills to meet his responsibilities. The evaluation also considered the appropriateness of the expertise and adequacy of resources of the finance function.

Other key matters that received attention during the year:

- The impact of external factors with respect to the financial KPIs in the strategic performance dashboard and the adjustment of the best realistic measures to reflect this reality
- Accounting for the Replacement BEE Transaction
- The benefits to digitalisation of the finance (including tax) function
- Attendance of independent non-executive directors at the combined assurance forum, which is a management forum focusing on the coordination of all assurance activities across the group
- The impact of new and amended IFRS standards
- Progress with regards to the rationalisation of the subsidiary structure
- The review of the carrying values of the investments in Tronox Limited and SIOC by PwC
- Advising on the implementation of processes to ensure the resolution of overdue audit matters linked to individual performance contracts
- The review and approval of the information management steering committee terms of reference in line with the requirements of King IV
- The impact of the Financial Provision Regulations, promulgated by the Minister of Environmental Affairs
- Approval of the business continuity management framework policy
- The outcome of various VAT apportionment rulings
- The appointment of the Exxaro audit committee for Exxaro Insurance Company Limited
- The need for proactive management of information technology-related risks
- Partial disposal of investment in Tronox Limited.

KEY PERFORMANCE INDICATORS

2017 KPIs	EVALUATION SCORE[1]
Support to new finance director: active support and guidance to ensure optimal functioning. Ensuring sustained depth and capacity in finance function post-Exxaro improvement project	2,6
Greater oversight over the implementation of the combined assurance model: one committee member attending the combined assurance forum as an observer on a rotational basis to further enhance understanding and enable better oversight	4,0
Sharing best practice: individual directors actively sharing appropriate and applicable best practice from other committees with the committee/company	3,6

[1] *Scored out of 5.*

2018 KPIs
Provide robust independent scrutiny to the company values of assets in the balance sheet, the going concern assumption and other judgement areas
Continue scrutinising the risk assessment and ensure alignment on all assurance activities (combined assurance)
Maintain oversight of inventory, receivables and basis of determination of valuation
Ensure the effectiveness of internal audit and information technology is handled seamlessly and professionally, addressing the challenges and needs in a comprehensive manner
Monitor developments in mandatory firm rotation in South Africa and implications for Exxaro, as well as tenure of current external auditors
Provide support and challenge to management in its endeavours to refinance Exxaro's debt from time to time on acceptable terms
Make itself available to support corporate action

CONCLUSION

The committee is satisfied it has considered and discharged its responsibilities in accordance with its terms of reference.

On behalf of the committee

Mr J van Rooyen
Chairman of the audit committee

Pretoria
13 April 2018

3.5 INDEPENDENT EXTERNAL AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EXXARO RESOURCES LIMITED

REPORT ON THE AUDIT OF THE GROUP AND COMPANY FINANCIAL STATEMENTS

Our opinion

In our opinion, the group and company financial statements present fairly, in all material respects, the group and company financial position of Exxaro Resources Limited (the company) and its subsidiaries (together the group) as at 31 December 2017, and its group and company financial performance and its group and company cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

What we have audited

Exxaro Resources Limited's consolidated and separate financial statements set out on pages 29 to 155 comprise:
- The group and company statements of financial position as at 31 December 2017
- The group and company statements of comprehensive income for the year then ended
- The group and company statements of changes in equity for the year then ended
- The group and company statements of cash flows for the year then ended
- The notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the group and company financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

OUR AUDIT APPROACH

Overview

Key audit matters
- Accounting for the Replacement BEE Transaction
- Accounting for the investment in Tronox Limited
- Provision for environmental rehabilitation

Overall group materiality
- R428 million, which represents 5% of group profit before tax from continuing operations, adjusted for the share-based payment charge as a result of the Replacement BEE Transaction (R4 245 million)

Group audit scope
- We conducted full scope audit procedures at five business units and specified audit procedures at one business unit

3.5 INDEPENDENT EXTERNAL AUDITOR'S REPORT (CONTINUED)

OUR AUDIT APPROACH (CONTINUED)

Overview (continued)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the group and company financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the group financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R428 million
How we determined it	5% of group profit before tax from continuing operations, adjusted for the share-based payment charge as a result of the Replacement BEE Transaction (R4 245 million).
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. The profit before tax was adjusted to exclude items that are not reflective of the ongoing operations of the business. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the group financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

In scope business units were identified based on scoping benchmarks such as the business unit's contribution to key financial statement line items (profit before tax, turnover and total assets) and the risk associated with the business unit.

We conducted full scope audit procedures at five financially significant business units and performed specified audit procedures at one business unit in order to obtain sufficient appropriate audit evidence over the consolidated numbers.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, component auditors from other PwC network firms and non-PwC firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and company financial statements of the current period. These matters were addressed in the context of our audit of the group and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Accounting for the Replacement BEE Transaction *This key audit matter relates to the consolidated and separate financial statements.* *Refer notes 9.2 and 9.5 for the related disclosure.* On 11 December 2017, the Exxaro Replacement BEE Transaction became effective. Note 9.5 of the group financial statements outlines the key terms of the transaction. In applying the requirements of IFRS 10 *Consolidated Financial Statements*, as detailed in note 9.2, management concluded that Exxaro Resources Limited controls NewBEECo and therefore the entity is consolidated into the group. The consolidation of NewBEECo resulted in the following key accounting implications for the group: › The shares held by NewBEECo in Exxaro Resources Limited are treated as treasury shares and eliminated for group reporting purposes › The external preference share liability of NewBEECo amounting to R2 483 million is recognised as a financial liability for the group, refer note 12.1 › In line with IFRS 2 *Share-based Payment*, a share-based payment expense of R4 245 million 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. The valuation performed by management required judgement in the determination of key assumptions and future market conditions, particularly in relation to: › The life of the option › The expected volatility of the share price › Dividends expected on the shares › The risk-free interest rate for the life of the option › The price of the option. In the company financial statements of Exxaro Resources Limited, a BEE credentials charge of R5 275 million, which represents the difference between the fair value of the ordinary shares issued and the consideration received, was recognised in profit and loss. Accounting for the Replacement BEE Transaction was considered to be a matter of most significance in our audit of the current year for the following reasons: › The assessment of "control" in terms of IFRS 10 involves the application of significant judgement › The valuation requires the use of assumptions, as listed above, and movements in these assumptions could have a material impact on the results of the valuation › The BEE credentials charges are material to the group and company financial statements.	With the assistance of our accounting technical specialists, we scrutinised the terms of the agreements entered into in pursuance of the Replacement BEE Transaction in order to determine the relationship between Exxaro Resources Limited and NewBEECo in light of the requirements of IFRS 10. Extensive discussions were held with management and Exxaro Resources Limited's transaction sponsors to understand the substance of the Transaction. Based on the assessment performed, we accepted management's conclusion that NewBEECo should be consolidated by Exxaro Resources Limited. We made use of our valuation expertise to perform an independent valuation of the share-based payment charge arising from the option being granted to the BEE parties. We compared the assumptions relating to the risk-free rate, current share price of the underlying shares and expected volatility of the share price to relevant industry benchmarks and found it to be consistent. We further compared the dividend yield on the shares to our independently determined expectation and found it to be consistent. Based on our work performed, we found management's valuation of the share-based payment charge to be within an acceptable range of our independent calculation. We recalculated the BEE credentials charge in the company financial statements by subtracting the cash consideration received from the fair value of the shares issued (which was based on the 11 December 2017 closing share price which was independently sourced). The cash consideration received was agreed to supporting documentation. The recalculated amount was in line with the BEE credentials charge recognised by management.

3.5 INDEPENDENT EXTERNAL AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Accounting for the investment in Tronox Limited *This key audit matter relates to the consolidated and separate financial statements.* *Refer notes 7.1.4 and 9.4 for the related disclosure.* Note 9.4 to the group financial statements details the approval by the board of directors of the change in intention relating to the investment in Tronox Limited, as well as the conversion of previously held Class B Tronox Limited ordinary shares into tradable Class A Tronox Limited ordinary shares. Management assessed the change in intention regarding the Tronox Limited investment against the requirements of IFRS 5 *Non-current Assets Held For Sale and Discontinued Operations* and concluded that as of 30 September 2017, the investment should be classified as held-for-sale as all the requirements in terms of IFRS 5 were met. On this date, the application of the equity method for the investment ceased. As the investment also represented the majority of the TiO_2 and Alkali chemicals reportable operating segment of the group and the group's only exposure to the United States, management further concluded that this is a discontinued operation for disclosure purposes. Accounting for the investment in Tronox Limited was considered to be a matter of most significance in our audit of the current year for the following reasons: › The classification of non-current assets to "held-for-sale", and disclosure as "discontinued operation" per IFRS 5, specifically in relation as to whether the requirements as set out in the standard are met, incorporates significant judgement › Ceasing equity accounting and recording the investment as a non-current asset held-for-sale has a significant impact on the measurement of the investment in the group financial statements.	With the assistance of our accounting technical specialists, we assessed the classification of the investment in Tronox Limited as a non-current asset held-for-sale and the disclosure as a discontinued operation against the requirements set out in IFRS 5. Our assessment included the following: › We inspected the written resolution of the Exxaro Resources Limited board of directors passed on 29 September 2017 approving the salient points of the disposal process › We inspected the Tronox Limited Form S-3ASR filed on 2 October 2017 confirming the automatic conversion of Exxaro Resources Limited's Class B Tronox Limited ordinary shares to Class A Tronox Limited ordinary shares as of 29 September 2017. Class A Tronox Limited ordinary shares are listed on the New York Stock Exchange, and therefore available for immediate sale › We inspected the SENS announcement issued by Exxaro Resources Limited on 13 February 2018 where management announced the declaration of a special dividend as a result of the partial disposal of the first tranche of the shareholding held in Tronox Limited. In this SENS announcement, management further confirmed its intention to dispose of the remaining shareholding in Tronox Limited and also detailed the intended use of the proceeds to be received from the sale › We obtained representation from management which confirmed management's intention to dispose of the investment within 12 months from date of classification (by 30 September 2018).

Key audit matter	How our audit addressed the key audit matter
Provision for environmental rehabilitation *This key audit matter relates to the group financial statements.* *Refer notes 13.1, 13.2 and 13.3 for the related disclosure.* At 31 December 2017, the group's provision for environmental rehabilitation amounted to R3 879 million. In note 13.2 management outlined the gazetting of the National Environmental Management Act of 1998 (NEMA) Regulations for Financial Provisioning (GNR 1147), for compliance by February 2019 and the subsequent publishing of the draft Regulation (GNR 1228), published on 10 November 2017. The provision for environmental rehabilitation was considered to be a matter of most significance in our audit of the current year for the following reasons: › The calculation of this provision requires management's judgement in estimating future costs, given the unique nature of each site and the potential associated obligations › The calculation also requires management to determine an appropriate rate to discount future costs back to their net present value › The judgement required to estimate such costs is further compounded by the fact that the restoration and rehabilitation of each site are relatively unique and there have been limited restoration and rehabilitation activity and historical precedent against which to benchmark estimates of future costs › Changes in local laws and regulations and management's expected approach to restoration and rehabilitation could have a material impact on this provision.	We assessed management's process of determining the provision for environmental rehabilitation and performed detailed testing of the movements in the provision during the year on a sample basis. On a business unit sample basis, our PwC sustainability and climate change experts assisted the audit team in performing an assessment of the reasonableness of the process followed for the estimation of the future closure costs in order to identify potential environmental liabilities that were not provided for and process-related omissions on the closure cost estimation that could be of material significance. We placed reliance on management's internal and external experts involved in the estimation process by assessing their professional competence, objectivity, capabilities and adequacy of the work they performed. In assessing the reasonableness of the discounting rate applied by management, we involved our valuations experts to assist in independently modelling bond curves over the range of discounting periods utilised by management. In addition to this, we independently sourced market-related information applied in determining the discounting rate. Based on these procedures performed, we found the discounting rate to be within a reasonable range.

3.5 INDEPENDENT EXTERNAL AUDITOR'S REPORT (CONTINUED)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Exxaro Resources Limited 2017 group and company annual financial statements for the year ended 31 December 2017, which includes the certificate by the group company secretary, the report of the directors and the audit committee report as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and other sections of the Exxaro Resources Limited 2017 integrated report which is expected to be made available to us after that date. Other information does not include the group and company financial statements and our auditor's report thereon.

Our opinion on the group and company financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the group and company financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the group and company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE GROUP AND COMPANY FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the group and company financial statements in accordance with IFRS and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of group and company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and company financial statements, the directors are responsible for assessing the group and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE GROUP AND COMPANY FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the group and company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these group and company financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the group and company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the group and company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the group and company financial statements, including the disclosures, and whether the group and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the group and company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS
In terms of the IRBA Rule published in *Government Gazette* Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Exxaro Resources Limited for seven years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: JFM Kotze
Registered Auditor

Waterfall City
13 April 2018


04
SEGMENTAL REPORTING

CHAPTER 4: SEGMENTAL REPORTING

4.1 ACCOUNTING POLICY RELATING TO SEGMENTAL REPORTING

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.

4.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

In applying IFRS 8 *Operating Segments* judgements have been made by management with regards to the identification of reportable segments of the group.

4.3 OPERATING SEGMENTS

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 is 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 9.4) and met the criteria for a discontinued operation (refer note 7.1.4).

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 allocable operating expenses, assets and liabilities.

There were no differences in the way segment profit or loss is measured between the reportable segments' profit or loss and the group's profit or loss.

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 9.4). 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.

4.3 OPERATING SEGMENTS (CONTINUED)

Analysis of the group's profit or loss and assets and liabilities by reportable operating segment:

		Coal				Ferrous	
		Tied operations		Commercial operations		Alloys	
For the year ended 31 December	Note	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**
External revenue (continuing operations)		3 256	3 483	19 297	17 190	243	170
Segment net operating profit/(loss) (Re-presented)		133	226	5 876	4 940	54	(75)
– Continuing operations		133	226	5 876	4 940	54	(75)
– Discontinued operations							
External interest income	12.1.2	1	2	35	50	1	1
Finance lease interest income	12.1.2			10	11		
External interest expense	12.1.2			(7)	(1)		
Amortisation of transaction costs	12.1.2						
Borrowing costs capitalised	12.1.2						
Unwinding of discount rate on rehabilitation cost	12.1.2	(163)	(105)	(244)	(239)		
Recovery of unwinding of discount rate on rehabilitation cost (tied mines)	12.1.2	163					
Finance lease interest expense	12.1.2			(3)	(5)		
Depreciation and amortisation	7.1.3	(12)	(12)	(1 296)	(1 072)		(7)
Income tax (expense)/benefit	8.3	(24)	13	(1 326)	(1 110)	(13)	21
Impairment charges – property, plant and equipment							(100)
Write-off and impairment charges – trade and other receivables	7.1.3	(11)	(16)	(8)	(6)		(5)
Gain on disposal of Mayoko iron ore project and related subsidiaries	9.3						
Gain on disposal of operation	9.3				100		
Gain on disposal of joint venture	9.3				203		
Gain on disposal of associate	9.3						
Share of income/(loss) of equity-accounted investments	10.3			235	238		
– Continuing operations				235	238		
– Discontinued operations							
Cash generated by/(utilised in) operations	7.1.5	151	260	6 754	5 426	(54)	(53)
Capital expenditure (property, plant and equipment)	11.1.5			(3 804)	(2 747)	(6)	(14)
At 31 December							
Segment assets and liabilities							
Deferred tax	8.5	32		104	49	11	22
Investments in associates	10.4.1			2 193	2 217		
Investments in joint ventures	10.4.2			1 105	839		
Preference dividends receivable from associate	11.2.2						
Loan to joint venture	11.2.2						
External assets[1]		3 012	2 952	30 648	27 481	309	201
Assets		3 044	2 952	34 050	30 586	320	223
Non-current assets held-for-sale	9.4			385	1		
Total assets as per statement of financial position		3 044	2 952	34 435	30 587	320	223
External liabilities[2]		2 677	2 631	4 726	4 939	27	39
Deferred tax[3]	8.5	1	(54)	6 030	5 515		
Current tax payable[3]			(14)	292	224		
Liabilities		2 678	2 563	11 048	10 678	27	39
Non-current liabilities held-for-sale	9.4			1 651	1 101		
Total liabilities as per statement of financial position		2 678	2 563	12 699	11 779	27	39

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

Ferrous		TiO_2 and Alkali chemicals		Energy		Other				Total	
Other ferrous						Base metals		Other			
2017 Rm	2016 Rm	2017 Rm	2016 Rm	2017 Rm	2016 Rm	2017 Rm	2016 Rm	2017 Rm	2016 Rm	2017 Rm	2016 Rm
								17	54	22 813	20 897
(1)	28	5 085	(36)					(5 087)	117	6 060	5 200
(1)	28							(5 087)	(496)	975	4 623
		5 085	(36)						613	5 085	577
								170	165	207	218
										10	11
								(593)	(495)	(600)	(496)
								(9)	(25)	(9)	(25)
								31	16	31	16
								(3)	(3)	(410)	(347)
										163	
										(3)	(5)
								(85)	(107)	(1 393)	(1 198)
	2							(179)	(180)	(1 542)	(1 254)
											(100)
								(42)	(12)	(61)	(39)
									670		670
											100
											203
		3 860								3 860	
3 303	2 416	(1 643)	(384)	2	3	226	100			2 123	2 373
3 303	2 416	186	7	2	3	226	100			3 952	2 764
		(1 829)	(391)							(1 829)	(391)
(2)	(22)							(23)	(62)	6 826	5 549
								(111)	(19)	(3 921)	(2 780)
1	1							423	343	571	415
9 367	7 549	3 477	11 232			747	520	26		15 810	21 518
				374	419					1 479	1 258
								2		2	
				126	126					126	126
25	25						178	6 660	5 647	40 654	36 484
9 393	7 575	3 477	11 232	500	545	747	698	7 111	5 990	58 642	59 801
		3 396						129	129	3 910	130
9 393	7 575	6 873	11 232	500	545	747	698	7 240	6 119	62 552	59 931
4	4							7 746	10 520	15 180	18 133
								(43)	(61)	5 988	5 400
								76		368	210
4	4							7 779	10 459	21 536	23 743
										1 651	1 101
4	4							7 779	10 459	23 187	24 844

4.3 OPERATING SEGMENTS (CONTINUED)

The group received revenue from an external customer which accounts for at least 10% or more of the group's revenues (55% or R12 591 million (2016: 56% or R11 689 million)). The revenue from this customer was included in the coal tied and coal commercial operations.

	For the year ended 31 December		At 31 December	
	External revenue		Carrying amount of non-current assets[1]	
Geographical areas	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**
Country of domicile				
– RSA	15 796	15 082	39 985	35 278
Foreign countries				
– Rest of Africa			3	3
– Europe	3 670	4 140	1 677	1 559
– Asia	2 629	1 637		
– Australia	432		37	38
– USA	286	38		7 946
Total segment	22 813	20 897	41 702	44 824

[1] *Excluding financial assets, deferred tax and non-current assets held-for-sale.*

The information per geographical area is not regularly provided to the chief decision maker, but included on an annual basis for additional disclosure purposes.

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FINANCIAL STATEMENTS

CHAPTER 5: FINANCIAL STATEMENTS

5.1 STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	Group 2017 Rm	Group (Re-presented) 2016 Rm	Company 2017 Rm	Company (Re-presented) 2016 Rm
Revenue	7.1.2	22 813	20 897	1 350	1 464
Operating expenses	7.1.3	(17 593)	(16 377)	(1 375)	(1 979)
Operating profit/(loss)		5 220	4 520	(25)	(515)
BEE credentials	9.5	(4 245)		(5 272)	
Gain on disposal of joint venture	9.3		203		
Impairment charges of non-current assets			(100)		
Net operating profit/(loss)		975	4 623	(5 297)	(515)
Finance income	12.1.2	217	229	141	143
Finance costs	12.1.2	(828)	(857)	(594)	(524)
Income from financial assets		2			
Share of income of equity-accounted investments	10.3	3 952	2 764		
Dividend and other income from associates and joint ventures	10.3			1 488	92
Income from investments in subsidiaries	17.2			1 982	3 443
Profit/(loss) before tax		4 318	6 759	(2 280)	2 639
Income tax expense	8.3	(1 542)	(1 179)	(37)	(68)
Profit/(loss) for the year from continuing operations		2 776	5 580	(2 317)	2 571
Profit for the year from discontinued operations	7.1.4	3 256	111	1 865	298
Profit/(loss) for the year		6 032	5 691	(452)	2 869
Other comprehensive (loss)/income, net of tax		(1 352)	(950)		
Items that will not be reclassified to profit or loss:		13	(57)		
– Remeasurement 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 income of equity-accounted investments		(1 331)			
Total comprehensive income/(loss) for the year		4 680	4 741	(452)	2 869

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

	Note	Group 2017 cents	Group (Re-presented) 2016 cents
Attributable earnings per share	6.2		
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

5.2 STATEMENTS OF FINANCIAL POSITION

At 31 December	Note	Group 2017 Rm	Group 2016 Rm	Company 2017 Rm	Company (Restated) 2016 Rm	Company (Restated) 2015 Rm
ASSETS						
Non-current assets		47 706	49 959	17 042	24 354	22 985
Property, plant and equipment	11.1.3	24 362	21 972	462	460	533
Biological assets		34	45			
Intangible assets		17	31	12	25	48
Investments in associates	10.4.1	15 810	21 518	2 298	13 152	13 152
Investments in joint ventures	10.4.2	1 479	1 258	696	696	641
Investments in subsidiaries	17.3			12 558	9 166	7 499
Financial assets	11.2.2	5 433	4 720	624	520	722
Deferred tax	8.5	571	415	392	335	390
Current assets		10 936	9 842	7 536	5 866	2 956
Inventories	7.2.2	1 055	1 036			
Financial assets	11.2.2	48	480		480	
Trade and other receivables	7.2.3	3 199	3 050	2 028	1 232	2 160
Current tax receivable		28	81			
Cash and cash equivalents	16.3	6 606	5 195	5 508	4 154	796
Non-current assets held-for-sale	9.4	3 910	130	6 192	82	81
Total assets		62 552	59 931	30 770	30 302	26 022
EQUITY AND LIABILITIES						
Capital and other components of equity						
Share capital	12.2.2	1 021	2 509	11 265	2 975	2 975
Other components of equity		8 120	2 085	(773)	(2 164)	1 091
Retained earnings		30 962	31 281	3 267	10 218	7 976
Equity attributable to owners of the parent		40 103	35 875	13 759	11 029	12 042
Non-controlling interests	17.6	(738)	(788)			
Total equity		39 365	35 087	13 759	11 029	12 042
Non-current liabilities		17 409	16 282	6 819	6 425	4 250
Interest-bearing borrowings	12.1.3	6 480	6 002	3 994	5 985	4 185
Provisions	13.3	3 864	4 162	34	32	26
Post-retirement employee obligations	14.4	227	239			
Financial liabilities	12.1.7	850	479	2 791	408	39
Deferred tax	8.5	5 988	5 400			
Current liabilities		4 127	7 461	10 192	12 848	9 730
Trade and other payables	7.2.4	3 237	3 010	9 824	8 760	8 837
Shareholder loans			18			
Interest-bearing borrowings	12.1.3	2	503	(9)	471	882
Current tax payable		368	210	20		
Financial liabilities	12.1.7	371	3 599	309	3 599	
Provisions	13.3	95	109	11	11	11
Overdraft	16.3	54	12	37	7	
Non-current liabilities held-for-sale	9.4	1 651	1 101			
Total liabilities		23 187	24 844	17 011	19 273	13 980
Total equity and liabilities		62 552	59 931	30 770	30 302	26 022

5.3 GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital Rm	Foreign currency translation Rm	Financial instruments revaluation Rm	Equity-settled Rm	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
		Other components of equity									
At 31 December 2015	2 445	4 922	241	2 008	(205)	(55)		25 670	35 026	(800)	34 226
Profit for the year								5 679	5 679	12	5 691
Other comprehensive loss		(45)				(5)			(50)		(50)
Share of associates' reclassification of equity				(557)				557			
Share of comprehensive (loss)/income of equity-accounted investments		(466)	(218)	242	(57)				(499)		(499)
Issue of share capital[1]	64								64		64
Share-based payments movement				205					205		205
Dividends paid								(625)	(625)		(625)
Share repurchase[2]							(3 524)		(3 524)		(3 524)
Disposal of foreign subsidiaries[3]		(401)							(401)		(401)
At 31 December 2016	2 509	4 010	23	1 898	(262)	(60)	(3 524)	31 281	35 875	(788)	35 087
Profit for the year								5 982	5 982	50	6 032
Other comprehensive loss		(62)			(29)	(14)			(105)		(105)
Share of comprehensive (loss)/income of equity-accounted investments		(154)	(65)	203	42				26		26
Issue of share capital[1]	10 705								10 705		10 705
Share-based payments movement[4]				4 057					4 057		4 057
Dividends paid								(2 227)	(2 227)		(2 227)
Share repurchase[2]	(1 951)						3 524	(4 268)	(2 695)		(2 695)
Treasury shares[5]	(10 242)								(10 242)		(10 242)
Partial disposal of an associate[6]		(1 332)	1	(286)	91			195	(1 331)		(1 331)
Liquidation of subsidiaries[7]		58							58		58
Reclassification within equity[8]							1	(1)			
At 31 December 2017	1 021	2 520	(41)	5 872	(158)	(74)	1	30 962	40 103	(738)	39 365

[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 MS333 for a purchase consideration of R3 524 million during January (raised as a financial liability on 31 December 2016) and 22 686 572 ordinary shares from MS333 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, 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 which is required to reallocate distributable reserves to a non-distributable reserve.*

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

5.3 GROUP STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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.

5.4 COMPANY STATEMENT OF CHANGES IN EQUITY

		Other components of equity				
	Share capital Rm	Foreign currency translation Rm	Equity-settled Rm	Other Rm	Retained earnings Rm	Total equity Rm
At 31 December 2015 (Restated)	2 975	(2)	1 093		7 976	12 042
Profit for the year					2 869	2 869
Share-based payments movement			269			269
Dividends paid					(627)	(627)
Share repurchase[1]				(3 524)		(3 524)
At 31 December 2016	2 975	(2)	1 362	(3 524)	10 218	11 029
Loss for the year					(452)	(452)
Issue of share capital[2]	10 241					10 241
Share-based payments movement			233			233
Dividends paid					(2 231)	(2 231)
Share repurchase[1]	(1 951)			1 158	(4 268)	(5 061)
At 31 December 2017	11 265	(2)	1 595	(2 366)	3 267	13 759

[1] *Exxaro executed two repurchases during the year. Exxaro repurchased 43 943 744 ordinary shares from MS333 for a purchase consideration of R3 524 million during January (raised as a financial liability on 31 December 2016) and 22 686 572 ordinary shares from MS333 for a purchase consideration of R2 695 million during December. In addition, Exxaro has an obligation amounting to R2 366 million to buy back its shares as a result of the put option issued to NewBEECo.*

[2] *Exxaro issued 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.*

5.5 STATEMENTS OF CASH FLOWS

		Group		Company	
For the year ended 31 December	Note	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**
Cash flows from operating activities		3 400	3 918	(4 718)	265
Cash generated by/(utilised in) operations	7.1.5	6 826	5 549	(2 023)	1 404
Interest paid	12.1.6	(597)	(595)	(586)	(589)
Interest received	12.1.6	188	136	122	77
Tax paid	8.6	(790)	(547)		
Dividends paid	6.6	(2 227)	(625)	(2 231)	(627)
Cash flows from investing activities		4 377	(2 198)	9 823	1 727
Property, plant and equipment acquired to maintain operations	11.1.5	(2 977)	(2 413)	(83)	(20)
Property, plant and equipment acquired to expand operations	11.1.5	(944)	(367)		
Intangible assets acquired		(1)		(1)	
Proceeds from disposal of property, plant and equipment		11	35	1	
Decrease in loans to related parties		400		400	
Interest received on loans to related parties		84		84	
Settlement of contingent consideration		(74)		(74)	
Decrease in loan to joint venture			42		
Increase in loan to joint venture			(126)		(126)
Increase in loan to associate		(1)		(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	9.3.1		47		
Proceeds from disposal of equity-accounted investments	9.3.1; 9.3.2	6 525	200	6 525	
Increase in investment in joint venture	10.4.2		(55)		(55)
Increase in investment in associate	10.4.1	(26)	(233)	(26)	
Acquisition of subsidiaries	17.4			(2 481)	16
Decrease/(increase) in indebtedness by subsidiaries	17.4			1 999	(1 829)
Income from investments in associates and joint ventures	10.4	1 499	748	1 499	298
Dividend income from financial assets		1			
Income from subsidiaries				1 981	3 443
Cash flows from financing activities	12.1.5	(6 361)	1 483	(3 799)	1 441
Interest-bearing borrowings raised		2 491	7 565		7 501
Interest-bearing borrowings repaid		(2 534)	(6 066)	(2 480)	(6 047)
Shares acquired in the market to settle share-based payments		(99)	(16)	(69)	(13)
Repurchase of share capital		(6 219)		(6 219)	
Share capital issued				4 969	
Net increase in cash and cash equivalents		1 416	3 203	1 306	3 433
Cash and cash equivalents at beginning of the year		5 183	2 055	4 147	796
Translation difference on movement in cash and cash equivalents		(33)	(75)	18	(82)
Cash and cash equivalents at end of the year	16.3	6 566	5 183	5 471	4 147

06

EARNINGS

CHAPTER 6: EARNINGS

6.1 ACCOUNTING POLICY RELATING TO EARNINGS

6.1.1 DIVIDEND DISTRIBUTION

Dividends paid are recognised in the period in which the dividends are declared by the board. These dividends are recorded and disclosed as dividends paid in the statement of changes in equity. Dividends proposed or declared subsequent to the year end are not recognised at the financial year end, but are disclosed in the notes to the financial statements.

All unclaimed dividends are held in a trust until either claimed by the relevant shareholder or the relevant shareholder's claim to such dividends prescribes. 75% of the unclaimed dividends which have prescribed are allocated to be utilised in the Exxaro Chairman's Fund, while 25% of the unclaimed dividends are retained in the company to allow funding for any future dividend claims which the company might want to settle despite the prescription period having lapsed.

6.2 ATTRIBUTABLE EARNINGS PER SHARE

	Group	
For the year ended 31 December	**2017**	**(Re-presented) 2016**
Profit for the year attributable to equity holders of the parent (Rm)	5 982	5 679
– Continuing operations (Rm)	2 726	5 568
– Discontinued operations (Rm)	3 256	111
Weighted average number of ordinary shares in issue (million)	311	355
Basic earnings per share (cents)	1 923	1 600
– Continuing operations (cents)	876	1 569
– Discontinued operations (cents)	1 047	31
Diluted weighted average number of ordinary shares (million)	347	357
Weighted average number of ordinary shares in issue (million)	311	355
Adjusted for share-based payment instruments (million)[1]	36	2
Diluted earnings per share (cents)	1 724	1 591
– Continuing operations (cents)	786	1 560
– Discontinued operations (cents)	938	31

[1] *At the end of 2017 the treasury shares held by NewBEECo are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The dilutive impact arises on the assumption that these potential ordinary shares will vest to BEE SPV and IDC.*

Exxaro repurchased and issued ordinary shares during 2017, refer note 12.2. Exxaro did not issue any ordinary shares during 2016.

The treasury shares held by Mpower 2012 were weighted for the number of days they were still in the group before being transferred to good leavers and beneficiaries on final vesting.

6.3 RECONCILIATION OF GROUP HEADLINE EARNINGS

For the year ended 31 December 2017	**Gross Rm**	**Tax Rm**	**Net Rm**
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 investment's 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)

CHAPTER 6: EARNINGS (CONTINUED)

6.3 RECONCILIATION OF GROUP HEADLINE EARNINGS (CONTINUED)

For the year ended 31 December 2016 (Re-presented)	Gross Rm	Tax Rm	Net Rm
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)

6.4 HEADLINE EARNINGS/(LOSS) PER SHARE

		Group	
For the year ended 31 December	Note	**2017**	**(Re-presented) 2016**
Headline earnings/(loss) (Rm)	6.3	1 560	4 621
– Continuing operations (Rm)		2 120	5 155
– Discontinued operations (Rm)		(560)	(534)
Weighted average number of ordinary shares in issue (million)	6.2	311	355
Headline earnings/(loss) per share (cents)		502	1 302
– Continuing operations (cents)		682	1 452
– Discontinued operations (cents)		(180)	(150)
Diluted weighted average number of ordinary shares (million)	6.2	347	357
Diluted headline earnings/(loss) per share (cents)		450	1 294
– Continuing operations (cents)		611	1 444
– Discontinued operations (cents)		(161)	(150)

6.5 DIVIDEND DISTRIBUTION

For the year ended 31 December	2017 cents	2016 cents
Interim dividend per share in respect of the interim period	300	90
Final dividend per share in respect of the financial year	400	410
Total dividend for the financial year	700	500

A gross final cash dividend, number 30 of 400 cents per share, for the 2017 financial year has been declared and is payable to shareholders of ordinary shares. The gross local final dividend amount is 400 cents per share for shareholders exempt from dividend withholding tax. The final dividend declared will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt or do not qualify for a reduced rate of dividend withholding tax. The net local final 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.

This final dividend, amounting to approximately R1 435 million (2016: R1 284 million), has not been recognised as a liability. It will be recognised in shareholders' equity in the year ending 31 December 2018.

THE SALIENT DATES RELATING TO THE PAYMENT OF THE DIVIDEND:

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 certificate 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.

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.

The final 2016 dividend of 410 cents per share was paid on 24 April 2017.

6.6 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO EARNINGS

6.6.1 DIVIDENDS PAID

	Group		Company	
For the year ended 31 December	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Dividends paid	(2 227)	(625)	(2 231)	(627)
– Final dividend (relating to prior year)	(1 284)	(304)	(1 288)	(305)
– Interim dividend (current year)	(943)	(321)	(943)	(322)

The group dividend paid is different from the company dividend paid due to the dividends on treasury shares, which are eliminated on consolidation.

07

OPERATIONAL PERFORMANCE AND WORKING CAPITAL

CHAPTER 7: OPERATIONAL PERFORMANCE AND WORKING CAPITAL

7.1 OPERATIONAL PERFORMANCE

7.1.1 ACCOUNTING POLICIES RELATING TO OPERATIONAL PERFORMANCE

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable and represents amounts receivable principally from the sale of commodities and services rendered, net of discounts and VAT.

Revenue associated with the sale of commodities is recognised when the price is determinable (measurable), the product has been delivered in accordance with the terms of the sales agreement, the significant risks and rewards of ownership have been transferred to the customer and collection of the sales prices is reasonably assured. At this point, the group retains neither continuing managerial involvement nor effective control over the commodities and the costs in respect of the sale can be reliably measured, and it is probable that future economic benefits will flow to the group.

Revenue arising from services is recognised on the accrual basis over the period the services are rendered in accordance with the substance of the relevant agreements and includes services rendered to subsidiaries (for company reporting purposes) and other entities.

7.1.2 REVENUE

	Group		Company	
For the year ended 31 December	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**
Sale of goods	22 807	20 856		
Rendering of services	6	41	1 350	1 464
Total revenue	22 813	20 897	1 350	1 464

7.1.3 OPERATING EXPENSES

		Group		Company	
For the year ended 31 December	Note	**2017 Rm**	**(Re-presented) 2016 Rm**	**2017 Rm**	**(Re-presented) 2016 Rm**
Cost by nature					
Raw materials and consumables		3 058	2 443	12	31
Staff costs		4 060	4 365	706	841
– Salaries and wages		3 434	3 535	547	614
– Share-based payment expense		260	269	138	107
– Termination benefits		21	226	(12)	83
– Pension and medical costs		345	335	33	37
General charges		1 015	795	140	94
Currency exchange differences		117	198	(47)	
Legal and professional fees		510	303	360	178
Insurance		412	271	1	3
Royalties		143	82		
Fair value losses on financial liabilities at fair value through profit or loss		498	470	499	445
Contract mining		1 451	1 312		
Water		145	119	1	1
Information management costs		291	248	248	220
Railage and transport		2 065	1 847		1
Repairs and maintenance		1 749	1 710	3	9
Write-off and impairment charges/(reversals) of trade and other receivables and indebtedness by subsidiaries		61	39	(722)	(104)
Loss on liquidation of subsidiaries[1]				70	
Loss on disposal of subsidiary[2]					137
Gain on the disposal of operation[3]	9.3		(100)		
Energy		597	563	9	9
Depreciation and amortisation		1 393	1 198	95	115
Depreciation of property, plant and equipment	11.1.3	1 378	1 173	81	92
Amortisation of intangible assets		15	25	14	23
Movement in inventories		283	668		
Own work capitalised[4]		(216)	(117)		(1)
Sublease rental income		(39)	(37)		
– Continuing operations		17 593	16 377	1 375	1 979
– Discontinued operations		(1 225)	93		
Total operating expenses		16 368	16 470	1 375	1 979

[1] Relates to the liquidation of Exxaro Holdings Congo Proprietary Limited and AlloyStream Holdings Proprietary Limited.
[2] Relates to the sale of Mayoko Investment Company.
[3] Sale of the Inyanda operation in 2016.
[4] Relates to operating expenses incurred that are capitalised to projects where qualification criteria are met.

7.1 OPERATIONAL PERFORMANCE (CONTINUED)

7.1.3 OPERATING EXPENSES (CONTINUED)

For the year ended 31 December	Note	Group 2017 Rm	Group (Re-presented) 2016 Rm	Company 2017 Rm	Company (Re-presented) 2016 Rm
Cost by function					
Costs of goods sold/services rendered		15 559	14 694	2 027	1 946
Loss on the liquidation of subsidiaries				70	
Loss on disposal of subsidiary					137
Gain on the disposal of operation			(100)		
Selling and distribution costs		2 012	1 781		
Sublease rental income		(39)	(37)		
Write-off and impairment charges/(reversals) of trade and other receivables and indebtedness by subsidiaries		61	39	(722)	(104)
– Continuing operations		17 593	16 377	1 375	1 979
– Discontinued operations		(1 225)	93		
Total operating expenses		16 368	16 470	1 375	1 979
The above operating expenses include among others:					
Auditors' remuneration		36	33	19	14
– Audit fees		26	25	13	11
– Other services		10	8	6	3
Consultancy fees		424	230	313	144
Currency exchange differences		117	198	(47)	
– Net realised losses/(gains)		89	116	10	(80)
– Net loss on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary		58			
– Net unrealised (gains)/losses		(30)	82	(57)	80
Exploration expenditure		9	2		
Fair value gains on financial assets at fair value through profit or loss		(171)	(95)	(2)	(1)
– Designated on initial recognition		(135)	(48)	(2)	(1)
– Held-for-trading		(36)	(47)		
Fair value losses on financial liabilities at fair value through profit or loss		498	470	499	445
– Held-for-trading		144	25	134	
– Designated on initial recognition[1]	16.2	354	445	365	445
Net fee costs on financial liabilities not at fair value through profit or loss		40	42	40	10
Write-off and impairment of trade and other receivables		61	39	29	12
Impairment (reversals)/charges of indebtedness by subsidiaries				(751)	(116)
– Non-current[2]				(1 104)	
– Current				353	(116)
Inventories write-down to net realisable value		14	5		
Provisions (income)/expense	13.3; 14.4	(242)	896	(1)	3
Net loss on disposal or scrapping of property, plant and equipment		55	44		
Loss on liquidation of subsidiaries				70	
Loss on the disposal of subsidiary	9.3.2				137
Gain on the disposal of operation	9.3.1		(100)		
Operating lease rental expenses		111	84	17	20
– Property		11	14	7	8
– Equipment		100	70	10	12
Operating sublease rental income					
– Property		(39)	(37)		

[1] *Fair value adjustment on contingent consideration relating to the ECC acquisition.*
[2] *During 2017 the ECC loan impairment raised in 2015 was reversed based on the increased net asset value of the subsidiary and subsequently capitalised to the investment.*

7.1.4 DISCONTINUED OPERATIONS

On 30 September 2017, Exxaro classified the Tronox Limited investment as a non-current asset held-for-sale (refer note 9.4). 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 (group information) as well as the impact of the Tronox Limited representation (group and company information).

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

		Group		Company	
For the year ended 31 December	Note	**2017 Rm**	**(Re-presented) 2016 Rm**	**2017 Rm**	**(Re-presented) 2016 Rm**
Financial performance					
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			
Other operating expenses[1]		(106)	(93)		
Operating income/(expense)		1 225	(93)		
Gain on partial disposal of associate	9.3.1; 9.3.2	3 860		1 756	
Gain on disposal of subsidiaries	9.3.1		670		
Net operating profit		5 085	577	1 756	
Share of loss of equity-accounted investment[2]		(1 829)	(391)		
Dividend income from associate				109	298
Income tax expense	8.3		(75)		
Profit for the year from discontinued operations		3 256	111	1 865	298
Cash flow information					
Cash flow attributable to operating activities			(29)		
Cash flow attributable to investing activities		6 634	307	6 634	298
Cash flow attributable to discontinued operations		6 634	278	6 634	298

[1] *Mainly includes loss on dilution of investment in associate of R106 million (2016: R36 million), provision expense of nil (2016: R5 million), net gain on disposal or scrapping of property, plant and equipment of nil (2016: R9 million), and non-audit fees of nil (2016: R3 million).*

[2] *Exxaro's effective share of Tronox Limited's financial performance is as follows:*

	2017 Rm	2016 Rm
Revenue	*10 289*	*17 785*
Operating expenses	*(11 343)*	*(17 546)*
Net operating (loss)/profit	*(1 054)*	*239*
Finance income	*26*	*23*
Finance costs	*(837)*	*(1 604)*
Income from investments	*2*	
Loss before tax	*(1 863)*	*(1 342)*
Income tax benefit	*34*	*951*
Loss for the year	*(1 829)*	*(391)*

7.1 OPERATIONAL PERFORMANCE (CONTINUED)

7.1.5 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO OPERATIONAL PERFORMANCE

7.1.5.1 Cash generated by/(utilised in) operations

		Group		Company	
For the year ended 31 December	Note	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**
Net operating profit/(loss)		6 060	5 200	(3 541)	(515)
Adjusted for non-cash movements					
– Depreciation and amortisation	7.1.3	1 393	1 198	95	115
– Impairment charges of non-current assets			100		
– Write-off and impairment charges/(reversals) of trade and other receivables and indebtedness by subsidiaries	7.1.3	61	39	(722)	(104)
– Provisions	7.1.3; 7.1.4	(242)	899	(1)	3
– Foreign exchange revaluations and fair value adjustments		(1 107)	462	305	524
– Reconditionable spares usage		6	11		
– Net loss on disposal or scrapping of property, plant and equipment	7.1.3; 7.1.4	55	24		
– Net loss on liquidation of subsidiaries				70	
– Net (gain)/loss on disposal of operation/subsidiaries/joint ventures	9.3		(973)		137
– Gain on partial disposal of associate	9.3	(3 860)		(1 756)	
– Loss on dilution of investment in associate	10.4.1	106	36		
– Indemnification asset movement		(168)	(56)		
– Share-based payment expense		260	269	137	107
– BEE credentials		4 245		5 272	
– Translation of net investment in foreign operations		5	172		
– Translation of foreign currency items		39	(208)		
– Amortisation of transaction costs		5	5	5	5
– Non-cash recoveries		239	(899)		
– Other non-cash movements		(7)	3		
Cash/(overdraft) before working capital movements		7 090	6 282	(136)	272
Working capital movements					
– (Increase)/decrease in inventories		(175)	206		
– (Increase)/decrease in trade and other receivables		(306)	(437)	(3 755)	915
– Increase/(decrease) in trade and other payables		271	(389)	1 868	217
– Utilisation of provisions		(54)	(113)		
Cash generated by/(utilised in) operations		6 826	5 549	(2 023)	1 404

7.2 WORKING CAPITAL

7.2.1 ACCOUNTING POLICIES RELATING TO WORKING CAPITAL ITEMS

Inventories

Inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value.

The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and fixed production overheads, but excludes interest charges. Fixed production overheads are allocated on the basis of normal capacity.

Net realisable value represents estimated selling price in the ordinary course of business less applicable selling expenses. Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

Trade receivables

Trade receivables are amounts due from customers for the sale of commodities and services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), trade receivables are classified as current assets. If not, trade receivables are presented as non-current assets.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, trade payables are presented as non-current liabilities.

7.2.2 INVENTORIES

		Group	
At 31 December	Note	**2017 Rm**	**2016 Rm**
Finished products[1]		546	485
Work-in-progress		25	79
Raw materials		10	3
Plant spares and stores		466	465
Merchandise		8	4
Per statement of financial position		1 055	1 036
Included in non-current assets held-for-sale	9.4	133	
Total inventories		1 188	1 036
[1] *Includes inventory carried at net realisable value amounting to:*		*92*	*44*

Included in merchandise are biological assets classified as inventories. No inventories were pledged as security for liabilities in 2017 nor 2016.

7.2 WORKING CAPITAL (CONTINUED)

7.2.3 TRADE AND OTHER RECEIVABLES

At 31 December	Note	Group 2017 Rm	Group 2016 Rm	Company 2017 Rm	Company 2016 Rm
Trade receivables		2 567	2 329		
Other receivables[1]		218	409	131	182
Indebtedness by subsidiaries after impairment	17.3			1 943	1 117
Indebtedness by subsidiaries				1 977	1 195
Specific allowances for impairment[2]				(34)	(78)
Derivative instruments	16.2	4			
Non-financial instruments[3]		541	497	24	41
Specific allowances for impairment		(131)	(185)	(70)	(108)
Per statement of financial position		3 199	3 050	2 028	1 232
Included in non-current assets held-for-sale	9.4	49			
Total trade and other receivables		3 248	3 050	2 028	1 232

[1] *Includes sundry receivables and reclassifications of creditors with debit balances.*
[2] *In 2017 the FerroAlloys loan impairment of R78 million, which was recognised in 2016, was reversed and an impairment of R13 million and R21 million was recognised on the Exxaro Mountain Bike Academy NPC and Gravelotte Iron Ore Company Proprietary Limited indebtedness, respectively.*
[3] *Mainly includes VAT refundable and prepayments.*

	Group 2017 Rm	Group 2016 Rm	Company 2017 Rm	Company 2016 Rm
Trade and other receivables are stated after the following allowances for impairment:				
Specific allowances for impairment				
At beginning of the year	(185)	(146)	(186)	(290)
Impairment loss recognised	(39)	(39)	(14)	(12)
Impairment loss reversals	93		52	
Indebtedness by subsidiaries' impairments			(34)	(78)
Indebtedness by subsidiaries' impairment reversals			78	194
At end of the year	(131)	(185)	(104)	(186)
Of which relates to:				
Trade receivables	(61)	(77)		
Other receivables	(70)	(108)	(70)	(108)
Subsidiaries			(34)	(78)
Trade and other receivables are stated after the following write-offs recognised in profit or loss:	(115)		(464)	
Trade receivables	(36)			
Other receivables	(79)		(67)	
Subsidiaries (loan forgiveness)			(397)	

For a detailed analysis of the trade and other receivables refer to note 16.2.3.4.2.

7.2.4 TRADE AND OTHER PAYABLES

		Group		Company	
At 31 December	Note	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**
Trade payables		1 014	781	50	42
Other payables[1]		1 469	1 360	223	174
Non-financial instruments[2]		591	692	173	167
Leave pay accrual		157	152	15	18
Indebtedness to subsidiaries	17.3			9 363	8 359
Derivative instruments	16.2	6	25		
Per statement of financial position		3 237	3 010	9 824	8 760
Included in non-current liabilities held-for-sale	9.4	99			
Total trade and other payables		3 336	3 010	9 824	8 760

[1] *Includes sundry payables and reclassification of debtors with credit balances.*
[2] *Includes VAT, bonus accruals.*

08

TAXATION

CHAPTER 8: TAXATION

8.1 ACCOUNTING POLICIES RELATING TO TAXATION

8.1.1 INCOME TAX EXPENSE

Income tax expense or benefit comprises the sum of current and deferred tax.

The current tax payable or receivable is based on taxable profit for the year. Taxable profit or loss differs from profit or loss as reported in the statement of comprehensive income as it excludes items of income or expense that are taxable or deductible in other years in determination of taxable profit or loss (temporary differences), and it further excludes items that are never taxable or deductible (non-temporary differences). The group's liability for tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

8.1.2 DEFERRED TAX

Deferred tax is provided using the balance sheet method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for tax purposes.

A deferred tax asset is recognised to the extent that it is probable that future taxable income will be available against which the associated unused tax losses and deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated using tax rates that have been enacted at the reporting date. The effect on deferred tax of any changes in taxation rates is charged to the statement of comprehensive income, except to the extent that it relates to items previously charged directly to equity.

Deferred tax assets and liabilities are set off when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends and has the ability to settle its current tax assets and liabilities on a net basis.

8.1.3 DIVIDEND WITHHOLDING TAX

The final dividend declared will be subject to dividend withholding tax of 20% for all the shareholders who are not exempt from or do not qualify for a reduced rate of withholding tax.

8.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

Deferred tax assets are recognised only to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised. This requires management to make assumptions on a subsidiary-by-subsidiary level of future taxable income in determining the deferred tax asset to be raised.

8.3 INCOME TAX EXPENSE

		Group		Company	
For the year ended 31 December	Note	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**
South African normal tax					
Current		(955)	(656)	(21)	
– Current year		(852)	(660)		
– Prior year		(103)	4	(21)	
Deferred		(562)	(478)	(16)	(68)
– Current year		(505)	(375)	35	17
– Prior year		(57)	(103)	(51)	(85)
Foreign normal tax					
Current		(17)	(120)		
– Current year		(23)	(136)		
– Prior year		6	16		
Non-residence tax		(6)			
Dividend withholding tax		(2)			
Total income tax expense through profit or loss		(1 542)	(1 254)	(37)	(68)
– Continuing operations		(1 542)	(1 179)	(37)	(68)
– Discontinued operations	7.1.4		(75)		

CHAPTER 8: TAXATION (CONTINUED)

8.4 RECONCILIATION OF TAX RATES

For the year ended 31 December	Group 2017 %	Group (Re-presented) 2016 %	Company 2017 %	Company (Re-presented) 2016 %
Tax as percentage of profit/(loss) before tax	35,7	17,4	(1,6)	2,6
Tax effect of:				
Net capital gains/(losses)[1]	(1,6)	0,8	(7,4)	(1,5)
Expenses not deductible for tax purposes[2]	(28,2)	(0,1)	64,8	0,1
Exempt income (not subject to tax)	0,4	0,1	(16,3)	
Special tax allowances	0,1	0,1		
Post-tax equity-accounted income and investment income[3]	25,6	11,4	(17,1)	31,8
Remeasurements of foreign tax rate differences	1,1	0,9		
Prior year tax adjustments[4]	(3,5)	(1,2)	3,0	(3,2)
Deferred tax assets not recognised	0,9	0,4		
Impairment of assets/investments				1,2
Imputed income from controlled foreign companies and investments	(2,5)	(1,8)	2,6	(3,0)
Standard tax rate	28,0	28,0	28,0	28,0
Effective tax rate for operations, excluding income from equity-accounted investments, impairment charge and share of tax thereon	28,3	26,8		

[1] The majority of non-taxable capital gains relate to the partial disposal of the Tronox Limited investment during the current year.
[2] The majority of non-deductible expenses relate to the BEE credentials (refer note 9.5).
[3] Post-tax equity-accounted income and investment income (mainly SIOC and Tronox) decreased slightly from a prior year income of R2 373 million to an income of R2 123 million in the current year.
[4] Prior year adjustments to tax is as a result of differences between income tax returns submitted and tax accruals made in the prior year.

8.5 DEFERRED TAX

At 31 December	Group 2017 Rm	Group 2016 Rm	Company[1] 2017 Rm	Company[1] 2016 Rm
The movements on deferred tax are as follows:				
At beginning of the year	(4 985)	(4 527)	335	390
Statement of comprehensive income (charge)/benefit	(562)	(478)	(16)	(68)
– Current year	(505)	(375)	35	17
– Prior year	(57)	(103)	(51)	(85)
Reclassification to non-current assets held-for-sale	(9)			
Items charged directly to equity				
– Share-based payments movement	116	20	73	13
Items charged directly to other comprehensive income	23			
– Revaluation of available-for-sale investments	12			
– Post-employment benefit obligation	11			
At end of the year	(5 417)	(4 985)	392	335
– Deferred tax asset	571	415	392	335
– Deferred tax liability	(5 988)	(5 400)		

[1] The deferred tax asset recognised for the company is supported by sufficient forecast profits to be utilised. The forecast profits are based on agreements in place with commodity businesses within Exxaro and other external parties.

Comprising the following items:

	Group										
	At 31 December 2016			Movement during the year				At 31 December 2017			
	Assets Rm	Liabilities Rm	Total net liability Rm	Recognised in profit or loss Rm	Recognised in other comprehensive income Rm	Reclassification to non-current assets held-for-sale Rm	Recognised directly in equity Rm	Assets Rm	Liabilities Rm	Total net liability Rm
Property, plant and equipment[1]	553	(5 393)	(4 840)	(615)		(40)		488	(5 983)	(5 495)
Share-based payments	50	27	77	36		(5)	116	167	57	224
Other accruals and provisions	73	(42)	31	275		(44)		182	80	262
Bad debt reassessment	31	39	70	(43)				27		27
Restoration provisions	227	806	1 033	(294)		(55)		480	204	684
Decommissioning provision	8	134	142	(13)		(3)		61	65	126
Leave pay accrual	6	37	43	3		(2)		24	20	44
Retention payables		63	63	26				2	87	89
Prepayments	(2)	(20)	(22)	(20)				(24)	(18)	(42)
Environmental rehabilitation funds	(28)	(330)	(358)	(63)		86		(133)	(202)	(335)
Income received in advance	1		1	108		(1)			108	108
Inventories	(13)	6	(7)	7				(10)	10	
Unrealised foreign currency gains/(losses)	1	7	8	(7)				1		1
Finance lease receivable	14	(22)	(8)	(8)				5	(21)	(16)
Local tax losses carried forward	461	117	578	7		13		580	18	598
Foreign tax losses carried forward	5		5	(5)						
Revaluation of financial assets available-for-sale	19	(101)	(82)		12			42	(112)	(70)
Post-employment benefit obligation	7		7	51	11	(1)		68		68
Deferred tax assets not recognised or derecognised	(987)	(531)	(1 518)	(12)		45		(1 381)	(104)	(1 485)
Investment in RBCT	(11)	(197)	(208)					(11)	(197)	(208)
Unclaimed donations				5		(2)		3		3
Total	415	(5 400)	(4 985)	(562)	23	(9)	116	571	(5 988)	(5 417)

[1] *Includes borrowing costs capitalised.*

	Company			
	At 31 December 2016	Movement during the year		At 31 December 2017
	Asset Rm	Recognised in profit or loss Rm	Recognised directly in equity Rm	Asset Rm
Property, plant and equipment		(57)		(57)
Share-based payments	53	22	73	148
Other accruals and provisions	81	(27)		54
Restoration provision	9	1		10
Leave pay accrual	5	(1)		4
Environmental rehabilitation funds	(7)			(7)
Unrealised foreign currency gains/(losses)	1			1
Bad debt reassessment		(5)		(5)
Assessed losses	193	51		244
Total	335	(16)	73	392

8.5 DEFERRED TAX (CONTINUED)

CALCULATED TAX LOSSES

At 31 December	Group 2017 Rm	Group 2016 Rm	Company 2017 Rm	Company 2016 Rm
Tax losses available for set-off against future taxable income on which deferred tax was raised				
– Local	(2 136)	(2 064)	(871)	(689)
– Foreign		(18)		
Current year tax losses on which no deferred tax assets were raised	299	1 298		

8.6 NOTES TO THE STATEMENT OF CASH FLOWS RELATING TO TAXATION

8.6.1 TAX PAID

For the year ended 31 December	Group 2017 Rm	Group 2016 Rm
Amounts (payable)/receivable at beginning of the year	(129)	7
Amounts charged to the statement of comprehensive income	(980)	(776)
Arising on translation of foreign operations	3	82
Interest income on tax receivable not yet received	3	16
Sale of foreign subsidiary		(5)
Reclassification to non-current assets held-for-sale	(27)	
Amounts payable at end of the year	340	129
Tax paid	(790)	(547)

8.7 TAX EFFECT OF OTHER COMPREHENSIVE INCOME

	Group					
	2017			2016		
For the year ended 31 December	Before tax Rm	Tax Rm	Net of tax Rm	Before tax Rm	Tax Rm	Net of tax Rm
Unrealised exchange losses on translation of foreign operations	(62)		(62)	(45)		(45)
Share of comprehensive income/(loss) of equity-accounted investments	26		26	(589)	90	(499)
Revaluation of financial assets available-for-sale	(26)	12	(14)	(5)		(5)
Remeasurement of post-employment benefit obligation	(40)	11	(29)			
Recycling of losses/(gains) on translation of foreign operation	58		58	(401)		(401)
Share of recycling of comprehensive income of equity-accounted investments	(1 331)		(1 331)			
Total	(1 375)	23	(1 352)	(1 040)	90	(950)

09

BUSINESS ENVIRONMENT AND PORTFOLIO CHANGES

CHAPTER 9: BUSINESS ENVIRONMENT AND PORTFOLIO CHANGES

9.1 ACCOUNTING POLICIES RELATING TO BUSINESS ENVIRONMENT AND PORTFOLIO CHANGES

9.1.1 IMPAIRMENT OF NON-CURRENT ASSETS

The carrying amounts of assets are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount is estimated as the higher of the fair value less costs of disposal and the value-in-use.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the CGU exceeds its recoverable amount.

A previously recognised impairment loss is reversed (or partially reversed) if there has been a change in the estimates used to determine the recoverable amount; however, not to an amount higher than the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised in prior years. For goodwill, a recognised impairment loss is not reversed.

9.1.2 NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE

If the carrying amount of non-current assets and liabilities (or a disposal group) will be recovered principally through a disposal rather than through continuing use, such assets and liabilities are classified as non-current assets and liabilities held-for-sale and are measured at the lower of carrying amount and fair value less costs of disposal. This condition is regarded as met only when the disposal is highly probable and the assets and liabilities (or a disposal group) are available for immediate disposal in its present condition. Management must be committed to the disposal, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9.1.3 BUSINESS COMBINATIONS

The group uses the acquisition method of accounting for business combinations when control is transferred to the group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired subsidiary on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. A contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interest in the acquired entity; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquired entity; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

9.1.4 BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER COMMON CONTROL

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The group applies the predecessor accounting method when accounting for common control transactions, whereby the assets and liabilities of the combining entities are not adjusted to fair value but are rather transferred at their carrying amounts at the date of the transaction. Any difference between the consideration paid or transferred and the net asset value acquired is recognised in a separate reserve. No new goodwill is recognised as a result of the common control transaction. The statement of financial position and statement of comprehensive income are adjusted from the date of the transaction.

9.1.5 REPLACEMENT BEE TRANSACTION

BEE Credentials

Equity-settled instruments in respect of the Replacement BEE Transaction vested on the grant date, being 11 December 2017, resulting in the recognition of an equity-settled share-based payment expense in profit or loss.

Interest-bearing borrowings: preference share liability

NewBEECo preference shares, which are mandatorily redeemable on a specific date, are classified as a financial liability. The dividends on these preference shares are recognised in profit or loss as finance costs.

9.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE

In applying IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, management made judgements as to which non-current assets and discontinued operations met the criteria to be reclassified and measured in terms of IFRS 5 (refer notes 9.4 and 7.1.4).

IMPAIRMENT ASSESSMENTS

Impairment assessments are performed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets which have been impaired are reviewed for possible reversal of impairment at each reporting date. Management has identified possible impairment indicators which include movement in the group market capitalisation as well as volatility in exchange rates, commodity prices and the economic environment in which the businesses operate. Estimates are made in determining the recoverable amount of assets which includes the estimation of cash flows and discount rates used. In estimating the cash flows, management bases cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the assets. The discount rates used reflect the current market assessment of the time value of money and the risks specific to the assets for which the future cash flow estimates have not been adjusted.

Management made judgements in the determination of key assumptions and future market conditions, in particular the following:

Coal business	2017	2016
Discount rate (%)	13,8	13,8
Rand/US$ exchange rate	13,21 to 15,89	14,31 to 14,04
Coal commodity prices (US$/tonne)	40,72 to 66,00	53,28 to 65,00

INVESTMENT IN SUBSIDIARY

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 MoI 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 (on a group level), 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 tradable, 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 re-investment 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.

CHAPTER 9: BUSINESS ENVIRONMENT AND PORTFOLIO CHANGES (CONTINUED)

9.3 GAINS/(LOSSES) ON DISPOSAL OF INVESTMENTS IN ASSOCIATE, JOINT VENTURE, OPERATIONS AND SUBSIDIARIES

9.3.1 GROUP

Continuing operations

For the year ended 31 December 2016	SDCT joint venture Rm	Inyanda operation Rm
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.*

Discontinued operations

For the year ended 31 December 2017	Tronox Limited associate Rm
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.*

For the year ended 31 December 2016	Mayoko iron ore project[1] Rm
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.*

9.3.2 COMPANY

Continuing operations

For the year ended 31 December 2016	Exxaro Australia Proprietary Limited[1] Rm
Consideration received:	
– Shares in Exxaro Australia Iron Holdings Proprietary Limited	443
Total disposal consideration	443
Carrying amount of subsidiary sold	(443)
Net result of disposal	

[1] *Exxaro Australia Proprietary Limited was sold to Exxaro Australia Iron Holdings Proprietary Limited (a direct subsidiary of Exxaro) on 17 November 2016. This transaction was accounted for as a business combination under common control.*

For the year ended 31 December 2016	Mayoko Investment Company[1] Rm
Consideration receivable:	
– Cash	14
Total disposal consideration	14
Carrying amount of subsidiary sold	(151)
– Investment	(153)
– Loans	2
Loss on disposal[2]	(137)

[1] *The Mayoko Investment Company relates to the disposal of the Mayoko iron ore project.*
[2] *After tax of nil.*

Discontinued operations

For the year ended 31 December 2017	Tronox Limited Rm
Consideration received:	
– Cash	6 525
Total disposal consideration	6 525
Carrying amount of investment sold	(4 769)
– Investment in associate	(4 769)
Gain on disposal[1]	1 756

[1] *After tax of nil.*

9.4 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 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 9.3.1 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, Class A Tronox Limited ordinary shares. Exxaro expects to divest from the remaining 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 7.1.4).

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 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. 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.

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.

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.

OTHER

The land and buildings situated at the 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 the corporate centre remained classified as a non-current asset held-for-sale at 31 December 2017. The legal transfer was concluded on 19 March 2018.

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

	Group		Company	
At 31 December	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**
Assets				
Property, plant and equipment	282	129	82	82
Investment in associate	3 396		6 110	
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	6 192	82
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)	6 192	82

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:

	Group	
	2017 Rm	**2016 Rm**
Cumulative share of comprehensive income/(losses) of equity-accounted investments		
Unrealised gains on translation of foreign operations	1 708	
Losses on financial instrument revaluations	(1)	

CHAPTER 9: BUSINESS ENVIRONMENT AND PORTFOLIO CHANGES (CONTINUED)

9.5 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 a certain number of Exxaro shares at a discount to the market price. 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 the 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.

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 12.1) and therefore no accounting for the put option liability is 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.

The accounting impact of the Replacement BEE Transaction on the Exxaro company is as follows:
- Recognition of an increase in share capital for the fair value of the ordinary shares which were issued
- The difference between the fair value of the ordinary shares issued and the consideration received was recognised as a BEE credentials charge in profit or loss
- Recognition of an acquisition of the investment in NewBEECo
- Recognition of a put option, which is valued based on the present value of the preference share liability redemption amount.

10

INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

CHAPTER 10: INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

10.1 ACCOUNTING POLICIES RELATING TO INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

10.1.1 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

Associates are those entities in which the group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when Exxaro holds between 20% and 50% of the voting rights of another entity.

Joint arrangements are arrangements in which the group has joint control, established by contracts requiring unanimous consent for decisions on the activities that significantly affect the arrangements' returns. Joint arrangements are classified and accounted for as follows:

- Joint operation: when the group has rights to the assets and obligations for the liabilities relating to an arrangement, each of its assets and liabilities, including its share of those held or incurred jointly, are accounted for in relation to the joint operation.
- Joint venture: when the group has rights only to the net assets of the arrangements, its interest is accounted for using the equity method, similar to the accounting treatment for associates.

The company carries its investments in associates and joint ventures at cost less accumulated impairment losses. The cost of investments in associates and joint ventures is the fair value at the date of acquisition or the fair value at the date of loss of control of a former subsidiary where the company retains an associate or joint venture interest in the former subsidiary.

Investments in associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

The group financial statements include Exxaro's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of Exxaro, from the date that significant influence commences until the date that significant influence ceases.

The cumulative post-acquisition movements in profit or loss and other comprehensive income are adjusted against the carrying amount of the investment in the group financial statements.

The group's interest in associates is carried in the statement of financial position at an amount that reflects its share of the net assets and the goodwill on acquisition.

Dilution gains and losses arising on investments in associates are recognised in profit or loss.

Unrealised gains from downstream transactions with equity-accounted investees are eliminated against the investment to the extent of Exxaro's interest in the investee. Unrealised gains from upstream transactions with equity-accounted investees are eliminated against related assets to the extent of Exxaro's interest in the investee.

Dividend income is recognised when the right to receive payment is established.

For an acquisition achieved in stages (step acquisition), the acquisition date carrying value of the acquirer's previously held interest in a financial asset is remeasured to fair value at the acquisition date. All previous reserves in relation to the fair value adjustments are reclassified within equity.

10.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

In applying IAS 28 *Investments in Associates*, management has assessed the level of influence that the group has:

- RBCT: management concluded that significant influence exists on its 10,82% effective investment in RBCT as a result of Exxaro's representation on the board of directors of RBCT.
- Curapipe: management concluded that significant influence exists on its 13,7% investment in Curapipe as a result of Exxaro's representation on the board of directors of Curapipe.
- Tronox Limited: in 2016 management concluded that the group did not have de facto control over Tronox Limited (43,66% interest) but merely significant influence.

In applying IFRS 11 *Joint Arrangements,* management assessed the level of influence that the group has on its investments in joint arrangements and subsequently classified the investments in Cennergi and Mafube as joint ventures due to the fact that unanimous consent is required for board decisions.

10.3 INCOME/(LOSS) FROM INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Group		Company	
	Share of income/(loss) of equity-accounted investments		Dividends and other income	
For the year ended 31 December	2017 Rm	(Re-presented) 2016 Rm	2017 Rm	(Re-presented) 2016 Rm
Continuing operations:				
Associates				
Unlisted investments:	3 691	2 523	1 488	92
– SIOC[1]	3 303	2 416	1 390	
– Tronox SA	67	(111)		
– Tronox UK[2]	119	118	98	92
– RBCT[1]	(24)			
– Black Mountain	226	100		
Joint ventures				
Unlisted investments:	261	241		
– Mafube	259	238		
– Cennergi	2	3		
Income from investments in associates and joint ventures	3 952	2 764	1 488	92
Discontinued operations:				
Associates				
Listed investment:	(1 829)	(391)	109	298
– Tronox Limited[3]	(1 829)	(391)	109	298
Total income from investments in associates and joint ventures	2 123	2 373	1 597	390

[1] 2017 includes an amount of R716 million (net of tax) that relates to Exxaro's share of SIOC's impairment reversal of property, plant and equipment. 2016 includes excess of fair value over the cost of the investment which arose on the increased shareholding:

– SIOC	*221*
– RBCT	*35*

[2] The income from Tronox UK for the company comprises partnership profits.

[3] 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.

CHAPTER 10: INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

10.4 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

10.4.1 INVESTMENTS IN ASSOCIATES

		Group		
	Note	Investments Rm	Preference dividend receivable Rm	Total Rm
At 31 December 2017				
At beginning of the year		21 518		21 518
Interest acquired[1]		26	2	28
Loss on dilution of investment		(106)		(106)
Reclassification to non-current assets held-for-sale[2]		(6 061)		(6 061)
Net share of results		1 860		1 860
– Share of income (continuing operations)		3 691		3 691
– Share of loss (discontinued operations)[2]		(1 829)		(1 829)
– Elimination of intergroup profits		(2)		(2)
Dividends received		(1 499)		(1 499)
Share of reserve movements		72		72
At end of the year	10.5	15 810	2	15 812
At 31 December 2016				
At beginning of the year		19 690		19 690
Additional interests acquired[3]		297		297
Loss on dilution of investment		(36)		(36)
Net share of results		2 129		2 129
– Share of income (continuing operations)		2 267		2 267
– Share of loss (discontinued operations)[2]		(391)		(391)
– Excess of fair value of net asset value over cost of investment in associate[3, 4]		256		256
– Elimination of intergroup profits		(3)		(3)
Dividends received		(298)		(298)
Share of reserve movements		(264)		(264)
At end of the year	10.5	21 518		21 518

[1] *On 3 August 2017 Exxaro entered into a share purchase agreement to acquire Preferred B shares in Curapipe. Curapipe is a private company registered in Israel. The initial purchase price for the shares amounted to R26,9 million which was accounted for as an investment in associate (R25,8 million) and a financial asset (R1,1 million) relating to the preference dividend receivable. Curapipe is in the business of the development and commercialisation of technology to repair water pipe systems, which self-detects and seals typical bulk leakages in water distribution network pipes, without the need for digging trenches.*

[2] *On 30 September 2017 the investment in Tronox Limited was classified as a non-current asset held-for-sale and presented as a discontinued operation.*

[3] *On 31 March 2016 Exxaro restructured the shareholding in SDCT for a direct interest in RBCT. The restructuring resulted in a R203 million gain on disposal of SDCT and a R35 million excess of fair value over cost of the investment in RBCT on the additional 20 000 shares acquired in RBCT. The total purchase consideration of the additional RBCT investment amounted to R297 million, comprising R233 million cash consideration and R64 million non-cash consideration.*

[4] *R221 million arose on the 0,64% increase in the shareholding of SIOC on 17 November 2016.*

		Company[1]		
	Note	Investments Rm	Preference dividend receivable Rm	Total Rm
At 31 December 2017				
At beginning of the year		13 152		13 152
Interest acquired[2]		26	2	28
Reclassification to non-current assets held-for-sale[3]		(10 880)		(10 880)
At end of the year	10.5	2 298	2	2 300

[1] *There were no movements in 2016.*

[2] *A 13,7% share in the equity of Curapipe was acquired on 3 August 2017.*

[3] *On 30 September 2017 the investment in Tronox Limited was classified as a non-current asset held-for-sale and presented as a discontinued operation.*

10.4.2 INVESTMENTS IN JOINT VENTURES

	Note	Group		
		Investments Rm	**Loans Rm**	**Total Rm**
At 31 December 2017				
At beginning of the year		1 258	126	1 384
Net share of results		267		267
– Share of income		261		261
– Elimination of intergroup profits		6		6
Share of reserve movements		(46)		(46)
At end of the year	10.5	1 479	126	1 605
At 31 December 2016				
At beginning of the year		1 662	105	1 767
Increase in investment[1]		55		55
Settled on disposal[2]			(105)	(105)
Net share of results		226		226
– Share of income		241		241
– Elimination of intergroup profits		(15)		(15)
Dividends received		(450)		(450)
Share of reserve movements		(235)		(235)
Movement in indebtedness from joint ventures[3]			126	126
At end of the year	10.5	1 258	126	1 384

[1] *Relates to Cennergi.*
[2] *The investment in SDCT was sold as part of the restructuring (refer note 10.4.1).*
[3] *Loan granted to Cennergi during 2016 is interest-free, unsecured and repayable on termination date in 2026, unless otherwise agreed by the parties.*

	Note	Company		
		Investments Rm	**Loans[1, 2] Rm**	**Total Rm**
At 31 December 2017				
At beginning of the year		696	186	882
At end of the year	10.5	696	186	882
At 31 December 2016				
At beginning of the year		641	60	701
Increase in investment[3]		55		55
Movement in indebtedness from joint ventures[2]			126	126
At end of the year	10.5	696	186	882

[1] *The loans to joint ventures are included in non-current financial assets on the statement of financial position (refer note 11.2.2).*
[2] *Loan granted to Cennergi during 2016 is interest-free, unsecured and repayable on termination date in 2026, unless otherwise agreed by the parties. The R60 million loan has no fixed repayment terms and is interest-free.*
[3] *Relates to Cennergi.*

CHAPTER 10: INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

10.5 DETAILED ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

10.5.1 SUMMARY OF INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

At 31 December	Note	Nature of business[1]	Country of incorporation	Percentage holding (legal) 2017 %	2016 %
Associated companies					
Listed					
Tronox Limited[3]		M	USA	23,66	43,66
Unlisted					
SIOC[4]		M	RSA	20,62	20,62
Tronox SA		M	RSA	26,00	26,00
Tronox UK		F	UK	26,00	26,00
RBCT		T	RSA	12,56	12,56
Black Mountain[5]		M	RSA	26,00	26,00
Curapipe[6]		R&D	Israel	13,70	
– Investment					
– Preference dividend receivable					
Total associate companies	10.4.1				
Incorporated Joint ventures[7]					
Unlisted					
Mafube		M	RSA	50,00	50,00
– Investment					
Cennergi		EN	RSA	50,00	50,00
– Investment					
– Loan					
Unincorporated joint operations					
– Moranbah coal project		M	AUS	50,00	50,00
Total joint arrangements	10.4.2				
Total investments in associates and joint ventures					

[1] M – Mining, F – Financing, EN – Energy, T – Export terminal, R&D – Research and Development
[2] Fair value represents the directors' value for unlisted investments and market value for listed investments at reporting date.
[3] On 30 September 2017 the investment in Tronox Limited was classified as a non-current asset held-for-sale.
[4] The fair value of the investment is based on the share price of KIO on 31 December 2017 of R379,13 per share (31 December 2016: R159,00 per share), adjusted for a liquidity discount of 20% (2016: 20%).
[5] Black Mountain's financial year end is 31 March and therefore not co-terminous with that of Exxaro. Financial information has been obtained from published information or management accounts as appropriate.
[6] A 13,7% share in the equity of Curapipe was acquired on 3 August 2017. The carrying value includes a preference dividend receivable (disclosed as part of financial assets).
[7] Carrying values of joint ventures include loans to joint ventures (disclosed as part of financial assets) for this summary.

RESTRICTIONS

There are no significant restrictions on the ability of associates or joint ventures to transfer funds to Exxaro in the form of cash dividends, or to repay loans or advances made by Exxaro.

RISKS

Refer notes 13.4 for details with regard to contingent liabilities relating to associates and joint ventures.

Refer note 11.1.4 for details with regard to commitments relating to associates and joint ventures.

Group carrying value		Company carrying value		Fair value[2]		Fair value hierarchy level	Valuation technique
2017 Rm	2016 Rm	2017 Rm	2016 Rm	2017 Rm	2016 Rm		
	7 946		10 880	7 290	7 186	1	Listed market price
9 367	7 549			26 394	11 070	2	Adjusted equity value
1 800	1 728	1 181	1 181				
1 677	1 558	1 091	1 091				
2 193	2 217						
747	520						
28		28					
26		26					
2		2					
15 812	21 518	2 300	13 152				
1 105	839						
1 105	839						
500	545	882	882				
374	419	696	696				
126	126	186	186				
1 605	1 384	882	882				
17 417	22 902	3 182	14 034				

10.5 DETAILED ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

10.5.2 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES AND JOINT VENTURES

The summarised financial information set out below relates to the associates and joint ventures that are material to the group and represents 100% of the entity's financial performance and position, adjusted to reflect adjustments made by Exxaro when using the equity method.

	Associate companies				Joint ventures	
	Tronox SA Rm	Tronox UK Rm	SIOC Rm	RBCT Rm	Mafube Rm	Cennergi Rm
Statements of comprehensive income						
For the year ended 31 December 2017						
Revenue	7 400		46 379	1 033	2 006	1 036
Operating expenses	(6 628)	(1)	(29 905)	(1 265)	(1 255)	(419)
Impairment reversals			4 789			
Net operating profit/(loss)	772	(1)	21 263	(232)	751	617
Finance income	106	862	627		35	40
Finance costs	(532)	(386)	(378)	(35)	(24)	(626)
Profit/(loss) before tax	346	475	21 512	(267)	762	31
Income tax (expense)/benefit	(86)	(17)	(5 418)	43	(230)	(27)
Profit/(loss) for the year from continuing operations	260	458	16 094	(224)	532	4
Loss for the year from discontinued operations			(74)			
Profit/(loss) for the year	260	458	16 020	(224)	532	4
Other comprehensive income/(loss)	18		(454)	7		
Total comprehensive income/(loss) for the year	278	458	15 566	(217)	532	4
Dividends paid to Exxaro			1 390			
Statements of financial position						
At 31 December 2017						
Non-current assets	11 493	5 099	41 006	22 762	2 843	5 794
Current assets	7 526	1 466	20 430	225	564	769
Non-current assets held-for-sale			1 235			
Total assets	19 019	6 565	62 671	22 987	3 407	6 563
Equity and liabilities						
Total equity	6 923	6 451	45 452	20 272	2 210	695
Non-current liabilities	8 640	8	11 197	1 695	870	5 401
Current liabilities	3 456	106	4 973	1 020	327	467
Non-current liabilities held-for-sale			1 049			
Total equity and liabilities	19 019	6 565	62 671	22 987	3 407	6 563
Included above in joint ventures:						
Cash and cash equivalents					313	553
Financial liabilities (excluding trade and other payables and provisions)						5 589
– Non-current						5 216
– Current						373
Depreciation and amortisation					187	188

	Associate companies				Joint ventures	
	Tronox SA Rm	Tronox UK Rm	SIOC Rm	RBCT Rm	Mafube Rm	Cennergi Rm
Statements of comprehensive income						
For the year ended 31 December 2016						
Revenue	5 064		40 155	882	1 772	409
Other income						198
Operating (expenses)/income	(5 233)	17	(25 174)	(1 225)	(1 100)	(330)
Impairment charges					(45)	
Net operating (loss)/profit	(169)	17	14 981	(343)	627	277
Finance income	100	834	276		33	27
Finance costs	(502)	(377)	(505)	(35)	(29)	(251)
Share of income of equity-accounted investments			2			
(Loss)/profit before tax	(571)	474	14 754	(378)	631	53
Income tax benefit/(expense)	142	(19)	(3 875)	58	(186)	(46)
(Loss)/profit for the year from continuing operations	(429)	455	10 879	(320)	445	7
Profit for the year from discontinued operations			3			
(Loss)/profit for the year	(429)	455	10 882	(320)	445	7
Other comprehensive income/(loss)	25		(232)			
Total comprehensive (loss)/income for the year	(404)	455	10 650	(320)	445	7
Dividends paid to Exxaro					450	
Statements of financial position						
At 31 December 2016						
Non-current assets	12 803	4 913	36 224	22 562	1 818	6 175
Current assets	6 158	1 207	20 350	251	794	721
Non-current assets held-for-sale			937			
Total assets	18 961	6 120	57 511	22 813	2 612	6 896
Equity and liabilities						
Total equity	6 646	5 994	36 629	20 489	1 678	784
Non-current liabilities	9 027	102	14 275	1 728	643	5 436
Current liabilities	3 288	24	5 671	596	291	676
Non-current liabilities held-for-sale			936			
Total equity and liabilities	18 961	6 120	57 511	22 813	2 612	6 896
Included above in joint ventures:						
Cash and cash equivalents					362	444
Financial liabilities (excluding trade and other payables and provisions)						5 610
– Non-current						5 237
– Current						373
Depreciation and amortisation					203	122

10.5 DETAILED ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

10.5.3 RECONCILIATION OF CARRYING AMOUNT OF INVESTMENTS

	Associate companies				Joint ventures	
	Tronox SA Rm	Tronox UK Rm	SIOC Rm	RBCT Rm	Mafube Rm	Cennergi[1] Rm
At 31 December 2017						
Closing net assets	6 923	6 451	45 452	20 272	2 210	695
Interest in equity-accounted investment (%)	26,00	26,00	20,62	10,82	50,00	50,00
Interest in equity-accounted investment	1 800	1 677	9 372	2 193	1 105	347
Unrealised profit in closing balances			(5)			(33)
Loans to equity-accounted investments						186
Carrying value	1 800	1 677	9 367	2 193	1 105	500
At 31 December 2016						
Closing net assets	6 646	5 994	36 629	20 489	1 678	784
Interest in equity-accounted investment (%)	26,00	26,00	20,62	10,82	50,00	50,00
Interest in equity-accounted investment	1 728	1 558	7 552	2 217	839	392
Unrealised profit in closing balances			(3)			(33)
Loans to equity-accounted investments						186
Carrying value	1 728	1 558	7 549	2 217	839	545

[1] *R60 million of the loan to Cennergi is capitalised to the investment in the accounting records of the Exxaro group.*

11

ASSETS

CHAPTER 11: ASSETS

11.1 PROPERTY, PLANT AND EQUIPMENT

11.1.1 ACCOUNTING POLICIES RELATING TO PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

Land and assets under construction are stated at cost and are not depreciated. Buildings, including certain non-mining residential buildings, and all other items of property, plant and equipment are reflected at cost less accumulated depreciation and accumulated impairment losses. The group's cherry trees qualify as bearer plants under the definition of IAS 41 *Agriculture* and are therefore accounted for under the rules for plant and equipment. The cherry trees are classified as immature until the produce can be commercially harvested. At that point depreciation commences. Immature cherry trees are measured at accumulated cost.

Depreciation is charged on a systematic basis over the estimated useful lives of the assets after taking into account the estimated residual values of the assets. Useful life is either the period of time over which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of the asset.

Items of property, plant and equipment are capitalised in components where components have a different useful life to the main item of property, plant and equipment to which the component can be logically assigned.

An asset's residual value and useful life is reviewed, and adjusted if appropriate, at the end of each reporting period.

The estimated useful lives of items of property, plant and equipment are:

	2017			2016		
	Coal	**Ferrous**	**Other**	**Coal**	**Ferrous**	**Other**
Mineral properties	1 to 25 years or 6,7Mt to 72,7Mt	N/A	N/A	1 to 25 years or 6,7Mt to 72,7Mt	N/A	N/A
Residential buildings	1 to 40 years	N/A	N/A	1 to 40 years	N/A	N/A
Buildings and infrastructure	1 to 40 years	10 to 20 years	25 years	1 to 40 years	10 to 20 years	3 to 25 years
Machinery, plant and equipment	13 000 to 50 000 hours or 1 to 40 years or 6,7Mt to 72,7Mt	5 to 25 years	1 to 15 years	13 000 to 50 000 hours or 1 to 40 years or 6,7Mt to 72,7Mt	5 to 25 years	1 to 20 years
Site preparation, mining development and rehabilitation	1 to 25 years or 6,7Mt to 72,7Mt	N/A	N/A	1 to 25 years or 6,7Mt to 72,7Mt	N/A	N/A

Exploration cost

The group expenses all exploration and evaluation costs until management (as determined per project) concludes that future economic benefits (as determined per project) are more likely than not of being realised. In evaluating if expenditures meet the criteria to be capitalised, the directors utilise several sources of information depending on the level of exploration. While the criteria for determining capitalisation are based on the probability of future economic benefits, the information that management uses to make that determination depends on the level of exploration.

Development costs

Development expenditure incurred by or on behalf of the group is accumulated separately for each area in which economically recoverable resources (as determined per project) have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure, including the cost of material, direct labour and an appropriate proportion of production overheads. The group capitalises development costs once approval for such development is obtained from management (as determined per project). Development expenditure is net of proceeds from the sale of ore extracted during the development phase. On completion of development, all assets included in assets under construction are reclassified as either plant and equipment or other mineral assets.

11.1.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

In applying IFRIC 4 *Determining whether an Arrangement contains a Lease*, contractual agreements were assessed to determine if they contain a lease. Exxaro has reviewed the long-term coal supply agreements with Eskom. Exxaro is of the view that the plant and equipment do not qualify as a lease under IFRIC 4 as fulfilment of the arrangement is not dependent on the utilisation of specific plant and equipment. In addition, it is expected that more than an insignificant amount of coal processed by the plant and equipment during the arrangement will be exported.

The depreciable amounts of assets are allocated on a systematic basis over their useful lives. In determining the depreciable amount, management makes assumptions in respect to the residual value of assets based on the expected estimated amount that the entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal. If an asset is expected to be abandoned the residual value is estimated at zero. In determining the useful life of assets, management considers the expected usage of assets, expected physical wear and tear, legal or similar limits of assets such as mineral rights as well as obsolescence.

Management makes estimates of mineral resources and reserves in accordance with the SAMREC Code (2009) for South African properties and the Joint Ore Reserves Committee (JORC) Code (2012) for Australian properties. Such estimates relate to the category for the resource (measured, indicated or inferred), the quantum and the grade.

11.1.3 PROPERTY, PLANT AND EQUIPMENT COMPOSITION AND ANALYSIS

		Group								
	Note	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Site preparation, mining development and rehabilitation Rm	Bearer plants[1] Rm	Assets under construction Rm	Total Rm
At 31 December 2017										
Gross carrying amount										
At beginning of the year		375	2 775	664	3 326	18 618	325		2 911	28 994
Additions		7			610	1 613	48	20	1 710	4 008
Changes in decommissioning assets	13.3				(12)	(33)				(45)
Borrowing costs capitalised	12.1.2								31	31
Disposals of items of property, plant and equipment					(14)	(457)				(471)
Net reclassification to non-current assets held-for-sale		(22)	(31)	(4)	(32)	(296)	(121)			(506)
Transfer between classes		87			259	984			(1 330)	
Exchange differences on translation		(1)								(1)
At end of the year		446	2 744	660	4 137	20 429	252	20	3 322	32 010
Accumulated depreciation										
At beginning of the year			(1 121)	(134)	(702)	(4 488)	(213)			(6 658)
Charges for the year	7.1.3		(47)	(22)	(127)	(1 151)	(31)			(1 378)
Disposals of items of property, plant and equipment					13	386				399
Net reclassification to non-current assets as held-for-sale			3	4	32	215	99			353
Transfer between classes					7	(7)				
At end of the year			(1 165)	(152)	(777)	(5 045)	(145)			(7 284)
Impairment of assets										
At beginning of the year			(39)		(89)	(230)	(4)		(2)	(364)
At end of the year			(39)		(89)	(230)	(4)		(2)	(364)
Net carrying amount at end of the year		446	1 540	508	3 271	15 154	103	20	3 320	24 362

[1] *On 7 September 2017 Exxaro acquired a cherry farm as a going concern. The main assets forming part of the acquisition is land and buildings to the value of R7 million, as well as a cherry orchard amounting to R20 million. The purchase price allocation will be finalised by 30 June 2018.*

11.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

11.1.3 PROPERTY, PLANT AND EQUIPMENT COMPOSITION AND ANALYSIS (CONTINUED)

		Group							
	Note	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Site preparation, mining development and rehabilitation Rm	Assets under construction Rm	Total Rm
At 31 December 2016									
Gross carrying amount									
At beginning of the year		309	4 651	665	3 444	19 030	305	3 537	31 941
Additions			1		34	732	50	2 036	2 853
Changes in decommissioning assets	13.3				16	24			40
Disposal of subsidiaries and operations		(9)	(1 877)		(157)	(1 119)	(59)	(1 764)	(4 985)
Borrowing costs capitalised	12.1.2							16	16
Disposals of items of property, plant and equipment				(1)	(25)	(462)			(488)
Net reclassification to non-current assets held-for-sale								(1)	(1)
Transfer between classes		80			15	559	8	(662)	
Other movements							21		21
Exchange differences on translation		(5)			(1)	(146)		(251)	(403)
At end of the year		375	2 775	664	3 326	18 618	325	2 911	28 994
Accumulated depreciation									
At beginning of the year		(9)	(1 081)	(113)	(751)	(4 130)	(211)		(6 295)
Charges for the year	7.1.3		(40)	(22)	(134)	(938)	(39)		(1 173)
Disposal of subsidiaries and operations		9			157	184	59		409
Disposals of items of property, plant and equipment				1	26	392			419
Other movements							(22)		(22)
Exchange differences on translation						4			4
At end of the year			(1 121)	(134)	(702)	(4 488)	(213)		(6 658)
Impairment of assets									
At beginning of the year			(1 916)		(79)	(1 221)	(4)	(2 014)	(5 234)
Disposal of subsidiaries			1 877			935		1 764	4 576
Charges for the year					(11)	(87)		(2)	(100)
Disposals of items of property, plant and equipment					1				1
Exchange differences on translation						143		250	393
At end of the year			(39)		(89)	(230)	(4)	(2)	(364)
Net carrying amount at end of the year		375	1 615	530	2 535	13 900	108	2 909	21 972

Leased assets

Machinery, plant and equipment include the following amounts where the group is a lessee under a finance lease (refer note 12.1.3):

	Group	
	2017 Rm	2016 Rm
Gross carrying amount	58	58
Accumulated depreciation	(33)	(15)
Net carrying amount at end of the year	25	43

	Note	Company Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Assets under con-struction Rm	Total Rm
At 31 December 2017					
Gross carrying amount					
At beginning of the year		12	797	88	897
Additions			6	78	84
Disposals of items of property, plant and equipment		(11)	(90)		(101)
Transfer between classes		(1)	76	(75)	
At end of the year			789	91	880
Accumulated depreciation					
At beginning of the year		(11)	(426)		(437)
Charges for the year	7.1.3	(1)	(80)		(81)
Disposals of items of property, plant and equipment		11	89		100
Transfer between classes		1	(1)		
At end of the year			(418)		(418)
Net carrying amount at end of the year			371	91	462
At 31 December 2016					
Gross carrying amount					
At beginning of the year		8	774	98	880
Additions				20	20
Disposals of items of property, plant and equipment			(2)		(2)
Net reclassification to non-current assets held-for-sale				(1)	(1)
Transfer between classes		4	25	(29)	
At end of the year		12	797	88	897
Accumulated depreciation					
At beginning of the year		(4)	(343)		(347)
Charges for the year	7.1.3	(7)	(85)		(92)
Disposal of items of property, plant and equipment			2		2
At end of the year		(11)	(426)		(437)
Net carrying amount at end of the year		1	371	88	460

11.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

11.1.4 CAPITAL COMMITMENTS

	Group		Company	
At 31 December	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**
Capital expenditure contracted for property, plant and equipment	5 409	2 333	23	3
Capital expenditure authorised for property, plant and equipment but not contracted	2 838	3 500	97	34
Capital commitments include the group's share of capital commitments of associates and joint ventures	1 096	951		

Capital expenditure will be financed from available cash resources, funds generated from operations and available borrowing capacity.

11.1.5 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
At 31 December	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**
Investment in property, plant and equipment to maintain operations				
Replacement of property, plant and equipment	(2 930)	(2 350)	(83)	(20)
Reconditional spares	(47)	(63)		
Property, plant and equipment acquired to maintain operations	(2 977)	(2 413)	(83)	(20)
Investment in property, plant and equipment to expand operations				
Property, plant and equipment acquired to expand operations[1]	(944)	(367)		
Total investment in property, plant and equipment	(3 921)	(2 780)	(83)	(20)

[1] *Expansion and new technology.*

11.2 FINANCIAL ASSETS

11.2.1 ACCOUNTING POLICIES RELATING TO FINANCIAL ASSETS

Dividend and interest income

Dividend income is recognised when the right to receive payment is established.

Interest is recognised on the time proportion basis, taking into account the principal amount outstanding and the effective rate over the period to maturity.

Recognition, derecognition, classification, measurement and impairment of financial assets

The accounting policy for financial assets is disclosed in chapter 16, Financial instruments.

11.2.2 FINANCIAL ASSETS COMPOSITION

At 31 December	Note	Group 2017 Rm	Group 2016 Rm	Company 2017 Rm	Company 2016 Rm
Non-current financial assets					
Environmental rehabilitation funds	16.2	1 648	1 401	26	24
Loan to joint venture[1]	10.4.2	126	126	186	186
Preference dividends receivable from associate[2]	10.4.1	2		2	
Non-current receivables[3]	16.2.2.8	2 081	1 768	408	310
Indemnification asset[4]		1 268	1 100		
Investments	16.2	186	193		
– Available-for-sale		152	178		
– Fair value through profit or loss		34	15		
Lease receivables		118	132		
Non-current prepayment		4		2	
Total non-current financial assets		5 433	4 720	624	520
Current financial assets					
Loan to BEE shareholder[5]	16.2		480		480
Current portion of non-current receivables[3]		48			
Total current financial assets		48	480		480
Total financial assets		5 481	5 200	624	1 000

[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 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%. Refer note 16.2.2.8 for analysis of remaining balances.*
[4] *Arose on the ECC acquisition.*
[5] *During January 2017 MS333 settled its interest-bearing loan with Exxaro.*

11.3 NET INVESTMENT IN FINANCE LEASE

11.3.1 ACCOUNTING POLICIES RELATING TO LEASED ASSETS

Leases of property, plant and equipment, where the group has substantially all the risks and rewards of ownership, are classified as finance leases. All other leases are classified as operating leases.

Group as lessee

Assets acquired in terms of finance leases are capitalised at the lower of fair value of the leased asset and the present value of the minimum lease payments at inception of the lease and depreciated over the useful life of the asset. The corresponding rental obligations, net of finance charges, are recorded as a liability. Each lease payment is allocated between the liability and finance charges. The interest element of the finance charge is charged over the lease period using the effective interest rate method.

Payments made under operating leases are charged against profit or loss on the straight-line basis over the period of the lease.

Group as lessor

Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term. The respective leased asset is included in property, plant and equipment.

The group recognises the net investment in the finance lease, which is the aggregate of the minimum lease payments receivable, discounted at the interest rate implicit in the lease as a financial asset, at the commencement of the lease. On conclusion of the lease agreement the leased asset is derecognised and depreciation ceases. Each lease payment received is allocated between the receivable and finance income. The interest element is recognised in profit or loss over the lease period.

11.3.2 NET INVESTMENT IN FINANCE LEASE ANALYSIS

		Group	
At 31 December	Note	**2017 Rm**	**2016 Rm**
Total gross investment in finance lease		132	146
– Not later than one year		14	14
– Later than one year but not later than five years		56	56
– Later than five years		62	76
Less: Unearned finance income	12.1.7	(56)	(66)
Present value of minimum lease payments receivable		76	80
– Not later than one year		4	4
– Later than one year but not later than five years		25	22
– Later than five years		47	54

The lease relates to the upgrade of the Zeeland Water Treatment Works (in Lephalale, South Africa), of which Exxaro Coal Proprietary Limited will fund the capital for a period of 15 years. The municipality's share of the capital expenditure will be recovered through fixed monthly instalments over this period. The minimum lease instalments are payable monthly with no escalation and calculated at a rate of 13% per annum.

12

FUNDING

CHAPTER 12: FUNDING

12.1 DEBT

12.1.1 ACCOUNTING POLICIES RELATING TO NET FINANCING COSTS AND INTEREST-BEARING BORROWINGS

Borrowing costs, finance income and other financing expenses

Fees paid on the establishment of loan facilities are capitalised to the loan as transaction costs to the extent that it is directly related to the establishment of the loan facility. In this case, the fee is deferred until the draw down occurs in which case it is amortised using the effective interest rate method. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down (ie revolving credit facility), the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for its intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Finance income comprises interest income on cash and cash equivalents, finance leases and loans to joint ventures, as well as interest income on funds invested including available-for-sale financial assets and hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance expense comprises interest expense on borrowings, agreements for the use of assets (classified as finance leases), unwinding of the discount rate on provisions, recovery of unwinding of discount rate on rehabilitation cost (tied mines) and amortisation of transaction costs.

Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate. Other fees and commission expenses relate mainly to transaction and service fees and are expensed as the services are rendered.

Loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

12.1.2 NET FINANCING COSTS

		Group		Company	
For the year ended 31 December	Note	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**
Finance income		217	229	141	143
Interest income		207	218	141	143
Finance lease interest income		10	11		
Finance costs		(828)	(857)	(594)	(524)
Interest expense		(600)	(496)	(582)	(496)
Unwinding of discount rate on rehabilitation cost	13.3	(410)	(347)	(3)	(3)
Recovery of unwinding of discount rate on rehabilitation cost (tied mines)		163			
Finance lease interest expense		(3)	(5)		
Amortisation of transaction costs		(9)	(25)	(9)	(25)
Borrowing costs capitalised[1]	11.1.3	31	16		
Total net financing costs		(611)	(628)	(453)	(381)
[1] *Borrowing costs capitalisation rate (%)*		*8,98*	*9,55*		
Included in interest income:					
– Interest income on unimpaired loans and receivables		11	97	5	70
– Interest income on cash and cash equivalents		166	96	136	73
– Interest income on financial assets designated at fair value through profit or loss		25	24		
– Interest income on non-financial assets		5	1		
Total interest income		207	218	141	143
Included in interest expense:					
– Interest expense on financial liabilities measured at amortised cost		(578)	(488)	(561)	(488)
– Interest expense on bank overdrafts		(21)	(8)	(21)	(8)
– Interest expense on non-financial liabilities		(1)			
Total interest expense		(600)	(496)	(582)	(496)

12.1.3 INTEREST-BEARING BORROWINGS

At 31 December	Note	Group 2017 Rm	Group 2016 Rm	Company 2017 Rm	Company 2016 Rm
Interest-bearing borrowings					
Non-current interest-bearing borrowings[1]		6 480	6 002	3 994	5 985
Loan facility		3 474	5 465	3 474	5 465
Bond issue		520	520	520	520
Preference share liability[2]		2 483			
Finance leases		3	17		
Current interest-bearing borrowings[3]		2	503	(9)	471
Loan facility		(9)	(8)	(9)	(8)
Bond issue			479		479
Preference share liability		(5)			
Finance leases		16	32		
Total interest-bearing borrowings		6 482	6 505	3 985	6 456
Summary of loans and finance leases by period of redemption:					
– Less than six months		1	496	(4)	476
– Six to 12 months		1	7	(5)	(5)
– Between one and two years		509	5	511	(9)
– Between two and three years		(13)	514	(9)	511
– Between three and four years		3 239	(9)	3 244	(9)
– Between four and five years		2 620	5 244	123	5 244
– Over five years		125	248	125	248
Total interest-bearing borrowings	16.2	6 482	6 505	3 985	6 456
[1] The non-current portion represents:		*6 480*	*6 002*	*3 994*	*5 985*
– Capital repayments:		*6 524*	*6 037*	*4 020*	*6 020*
– Transaction cost that will be amortised, using the effective interest rate method, over the term of the facilities:		*(44)*	*(35)*	*(26)*	*(35)*
[2] Preference share liability relates to the consolidation of NewBEECo (refer note 9.5).					
[3] The current portion represents:		*2*	*503*	*(9)*	*471*
– Capital repayments:		*16*	*512*		*480*
– Transaction cost that will be amortised, using the effective interest rate method, over the term of the facilities:		*(14)*	*(9)*	*(9)*	*(9)*

At 31 December	Group 2017 Rm	Group 2016 Rm
Finance leases		
Included in the above interest-bearing borrowings are obligations relating to finance leases.		
Minimum finance lease payments payable:		
– 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

CHAPTER 12: FUNDING (CONTINUED)

12.1 DEBT (CONTINUED)

12.1.3 INTEREST-BEARING BORROWINGS (CONTINUED)

At 31 December	Group 2017 Rm	Group 2016 Rm	Company 2017 Rm	Company 2016 Rm
Overdraft				
Bank overdraft	54	12	37	7

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

12.1.4 DETAILED ANALYSIS OF INTEREST-BEARING BORROWINGS

Below is a summary of the salient terms and conditions of the facilities:

	Year	Loan facility: Bullet term loan	Loan facility: Amortised term loan	Loan facility: Revolving facility	Preference share liability[1]
Aggregate nominal amount (Rm)		3 250	2 000	2 750	2 491
Issue date or draw down date		29 July 2016	29 July 2016	29 July 2016	11 December 2017
Maturity date		29 July 2021	29 July 2023	29 July 2021	9 December 2022
Capital payments		The total outstanding amount is payable on final maturity date	Four consecutive semi-annual instalments commencing on the date occurring 18 months prior to the final maturity date	The total outstanding amount is payable on final maturity date	The total outstanding amount is payable on final maturity date
Duration (months)		60	84	60	60
Secured or unsecured		Unsecured	Unsecured	Unsecured	Secured
Undrawn portion (Rm)	2017	nil	1 750	2 750	nil
	2016	nil	1 750	750	N/A
Interest					
Interest payment basis		Floating rate	Floating rate	Floating rate	Floating rate
Interest payment period		Three months	Three months	Monthly	Dependent on NewBEECo receiving dividends from Exxaro
Interest rate		JIBAR plus a margin of 325 basis points (3,25%)	JIBAR plus a margin of 360 basis points (3,60%)	JIBAR plus a margin of 325 basis points (3,25%)	80% of Prime Rate
Effective interest rates for the transaction costs	2017	0,17%	1,17%	N/A	0,2%
	2016	0,17%	1,17%	N/A	N/A
Rate of interest per year	2017	10,46%	10,81%	10,19%	8,6%
	2016	10,60%	10,81%	10,26%	N/A

[1] *Refer note 9.5 for more details.*

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

Neither the company nor any of its subsidiaries are required to undertake any specified events in respect of the interest bearing borrowings.

The group is required to comply with the following financial covenants in terms of the loan facility:
- Ratio of consolidated EBITDA (excluding non-cash BEE credential cost) to net interest paid of the group for any measurement period shall not be less than 4:1
- Ratio of consolidated net debt[1] to equity of the group for any measurement period shall be less than 0,8:1
- Ratio of consolidated net debt[1] to consolidated EBITDA (excluding non-cash BEE credential cost, including dividends received from equity-accounted investments) of the group for any measurement period shall be less than 3:1.

[1] *For purposes of financial covenants, net debt is adjusted for pending litigation and other claims as well as other financial guarantees (refer note 13.4).*

The group is required to comply with the following financial covenants in terms of the preference share liability:
- Ratio of consolidated net debt[1] to consolidated EBITDA[1] of the group for any measurement period must be less than 3,5:1.

[1] *As defined per the agreement.*

The group has complied with all the above mentioned contractually agreed financial covenants.

		DMTN Programme (Bond issue)	
	Year	**R480 million senior unsecured floating rate note**	**R520 million senior unsecured floating rate note**
Aggregate nominal amount (Rm)		480	520
Issue date or draw down date		15 May 2014	15 May 2014
Maturity date		19 May 2017	19 May 2019
Capital payments		No fixed or determined payments, the total outstanding amount is payable on final maturity date	No fixed or determined payments, the total outstanding amount is payable on final maturity date
Duration (months)		36	60
Secured or unsecured		Unsecured	Unsecured
Interest			
Interest payment basis		Floating rate	Floating rate
Interest payment period		Three months	Three months
Interest rate		JIBAR plus a margin of 170 basis points (1,70%)	JIBAR plus a margin of 195 basis points (1,95%)
Effective interest rates for the transaction costs	2017	0,13%	0,08%
	2016	0,13%	0,08%
Rate of interest per year	2017	9,03%	9,17%
	2016	8,86%	9,11%

12.1 DEBT (CONTINUED)

12.1.5 NET CASH/(DEBT)

At 31 December	Group 2017 Rm	Group 2016 Rm
Net cash/(debt) is presented by the following items on the statement of financial position (excluding assets and liabilities classified as held-for-sale):		
Total net cash/(debt)	70	(1 322)
Non-current interest-bearing borrowings	(6 480)	(6 002)
Current interest-bearing borrowings	(2)	(503)
Net cash	6 552	5 183
– Cash and cash equivalents	6 606	5 195
– Overdraft	(54)	(12)

Analysis of movement in net cash/(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 31 December 2015	2 055	(4 185)	(882)	(3 012)
Cash flows	3 203	(2 302)	803	1 704
Operating activities	3 918			3 918
Investing activities	(2 198)			(2 198)
Financing activities	1 483	(2 302)	803	(16)
– Interest-bearing borrowings raised	7 565	(7 548)	(17)	
– Interest-bearing borrowings repaid	(6 066)	5 246	820	
– 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
Operating activities	3 400			3 400
Investing activities	4 377			4 377
Financing activities	(6 361)	(472)	515	(6 318)
– Interest-bearing borrowings raised	2 491	(2 491)		
– Interest-bearing borrowings repaid	(2 534)	2 019	515	
– Shares acquired in the market to settle share-based payments	(99)			(99)
– Repurchase of share capital	(6 219)			(6 219)
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

At 31 December	Company 2017 Rm	Company 2016 Rm
Net cash/(debt) is presented by the following items on the statement of financial position (excluding assets and liabilities classified as held-for-sale):		
Total net cash/(debt)	1 486	(2 309)
Non-current interest-bearing borrowings	(3 994)	(5 985)
Current interest-bearing borrowings	9	(471)
Net cash	5 471	4 147
– Cash and cash equivalents	5 508	4 154
– Overdraft	(37)	(7)

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 31 December 2015	796	(4 185)	(882)	(4 271)
Cash flows	3 433	(2 257)	803	1 979
Operating activities	265			265
Investing activities	1 727			1 727
Financing activities	1 441	(2 257)	803	(13)
– Interest-bearing borrowings raised	7 501	(7 501)		
– Interest-bearing borrowings repaid	(6 047)	5 244	803	
– Shares acquired in the market to settle share-based payments	(13)			(13)
Non-cash movements	(82)	457	(392)	(17)
Amortisation of transaction costs		(14)	(11)	(25)
Interest capitalised or interest accrued			90	90
Transfers between non-current and current liabilities		471	(471)	
Translation difference on movement in cash and cash equivalents	(82)			(82)
Net debt at 31 December 2016	4 147	(5 985)	(471)	(2 309)
Cash flows	1 306	2 000	480	3 786
Operating activities	(4 718)			(4 718)
Investing activities	9 823			9 823
Financing activities	(3 799)	2 000	480	(1 319)
– Interest-bearing borrowings repaid	(2 480)	2 000	480	
– Shares acquired in the market to settle share-based payments	(69)			(69)
– Repurchase of share capital	(6 219)			(6 219)
– Share capital issued	4 969			4 969
Non-cash movements	18	(9)		9
Amortisation of transaction costs			(9)	(9)
Transfers between non-current and current liabilities		(9)	9	
Translation difference on movement in cash and cash equivalents	18			18
Net cash at 31 December 2017	5 471	(3 994)	9	1 486

CHAPTER 12: FUNDING (CONTINUED)

12.1 DEBT (CONTINUED)

12.1.6 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO NET FINANCING COSTS PAID

		Group		Company	
For the year ended 31 December	Notes	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**
Interest received		188	136	122	77
Finance income	12.1.2	217	229	141	143
Non-cash flow items:					
– Interest income not yet received		(19)	(82)	(19)	(66)
– Finance lease interest income adjustment		(10)	(11)		
Interest paid		(597)	(595)	(586)	(589)
Finance costs	12.1.2	(828)	(857)	(594)	(524)
Non-cash flow items:					
– Unwinding of discount rate on rehabilitation cost	13.3	410	347	3	3
– Recovery of unwinding of discount rate on rehabilitation cost (tied mines)		(163)			
– Amortisation of transaction costs		9	25	9	25
– Borrowing costs capitalised		(31)	(16)		
– Finance cost capitalised to loan less finance costs paid and interest accrued not yet paid		6	(94)	(4)	(93)
Net financing cost paid		(409)	(459)	(464)	(512)

12.1.7 FINANCIAL LIABILITIES

		Group		Company	
At 31 December	Notes	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**
Non-current financial liabilities					
Finance lease	11.2.2	56	66		
Contingent consideration[1]	16.2	414	408	414	408
Deferred revenue[2]		374			
Put option[3]	9.5			2 377	
Other		6	5		
Total non-current financial liabilities		850	479	2 791	408
Current financial liabilities					
Contingent consideration[1]	16.2	309	75	309	75
Share repurchase[4]	16.2		3 524		3 524
Deferred revenue[2]		62			
Total current financial liabilities		371	3 599	309	3 599
Total financial liabilities		1 221	4 078	3 100	4 007

[1] *Relating to the ECC acquisition (refer note 16.2.2.9 (b)).*
[2] *Deferred pricing adjustment recognised in relation to a coal supply agreement which will be released to profit or loss over seven years.*
[3] *On 11 December 2017 Exxaro's Replacement BEE Transaction was implemented, in terms of the Transaction Agreements Exxaro Company is obliged to repurchase shares from NewBEECo when certain terms are met (refer note 9.5).*
[4] *During January 2017 Exxaro repurchased 43 943 744 ordinary shares from MS333 for a purchase consideration of R3 524 million.*

12.2 EQUITY

12.2.1 ACCOUNTING POLICY RELATING TO SHARE CAPITAL

Where any company within the Exxaro group of companies purchases Exxaro shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the group's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental costs and the related income tax effects, is included in equity attributable to the group's equity holders.

The shares are listed on the JSE, with one vote per share, and shareholders are entitled to dividends declared from time to time.

12.2.2 SHARE CAPITAL

	Group		Company	
At 31 December	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**
Share capital at par value				
Authorised				
500 000 000 ordinary shares of R0,01 each	5	5	5	5
Issued and fully paid				
358 706 754 (2016: 358 115 505) ordinary shares of R0,01 each	4	4	4	4
Share premium	11 261	2 971	11 261	2 971
Treasury shares held by NewBEECo[1]	(10 242)			
Treasury shares held by Kumba Resources Management Share Trust[1]	(2)	(2)		
Treasury shares held by Mpower 2012[1]		(464)		
Total	1 021	2 509	11 265	2 975

[1] *These entities have been consolidated.*

	Company	
	Number of shares	
Reconciliation of authorised shares not issued	**2017**	**2016**
Number of authorised unissued ordinary shares at beginning of the year	141 884 495	141 884 495
Number of shares repurchased during the year	66 630 316	
Shares issued during the year to NewBEECo	(67 221 565)	
Number of authorised unissued shares at end of the year	141 293 246	141 884 495

	Group	
	Number of shares	
Reconciliation of treasury shares in issue	**2017**	**2016**
At beginning of the year	2 552 232	2 889 781
– Held by Kumba Resources Management Share Trust	158 218	158 218
– Held by Mpower 2012	2 394 014	2 731 563
Treasury shares distributed by Mpower 2012 to good leavers and on final vesting	(2 394 014)	(337 549)
Treasury shares issued to and held by NewBEECo	107 612 026	
Number of treasury shares in issue at end of the year	107 770 244	2 552 232

Exxaro's issued ordinary shares, net of treasury shares, were 250 936 510 on 31 December 2017 (2016: 355 563 273).

Refer to the notice of the AGM in the summarised group annual financial statements and notice of the AGM 2017 for resolutions pertaining to the unissued ordinary shares under the control of the directors until the forthcoming AGM.

Exxaro has no unlisted securities.

12.2.3 SHARE REPURCHASES

Exxaro executed two repurchases during 2017. Exxaro repurchased 43 943 744 ordinary shares from MS333 during January and 22 686 572 ordinary shares during December.

No shares were repurchased by the company during 2016.

Refer note 9.5 regarding detail on the Replacement BEE Transaction.

13

PROVISIONS, CONTINGENCIES AND OTHER COMMITMENTS

CHAPTER 13: PROVISIONS, CONTINGENCIES AND OTHER COMMITMENTS

13.1 ACCOUNTING POLICIES RELATING TO PROVISIONS, CONTINGENCIES AND OTHER COMMITMENTS

Provision is made for costs relating to environmental rehabilitation consisting of activities relating to restoration, decommissioning as well as costs of residual impact at a rehabilitated mine after final closure restoration and decommissioning have been completed. Estimates are based on unscheduled closure costs that are reviewed internally every six months and by external consultants every three years or earlier, should the level of risk require such external review. Where a provision is made for dismantling of assets and site restoration costs, an asset of similar initial value is raised and depreciated in accordance with the group's accounting policy for property, plant and equipment.

Contributions are made to the group's environmental rehabilitation funds to provide for funding of costs relating to the residual impact at each mine after closure rehabilitation and decommissioning have been completed. The environmental rehabilitation funds are consolidated.

13.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

ENVIRONMENTAL REHABILITATION

Estimates are made in determining the present liability of environmental rehabilitation provisions consisting of a restoration provision, decommissioning provision and a residual impact provision. Each of these provisions is based on an estimate of unscheduled closure costs on reporting date, inflation and discount rates relevant to the calculation and the expected date of closure of mining activities in determining the present value of the total environmental rehabilitation liability.

On 20 November 2015, the Financial Provisioning Regulations (FPR) were promulgated by the Minister of Environmental Affairs for South Africa as replacement of financial provisioning and rehabilitation legislation contained in the MPRDA and the National Environmental Management Act, 1998 (NEMA). After promulgation of the FPR, the Department of Environmental Affairs (DEA) met with various stakeholders who sought clarification on a number of issues. This resulted in revised regulations pertaining to the financial provisioning for prospecting, exploration, mining or production operations which were issued on 10 November 2017 (GNR1228). The FPR are currently valid and in force and the final implementation date is 19 February 2019.

As part of the process to implement regulations contained in GNR1228, Exxaro has identified costs relating to the residual impact at each mine to be managed after final rehabilitation has been completed, and a separate residual impact provision has been created for such costs. Any costs relating to the residual impact that were previously recognised in the restoration provision, have been reversed.

The obligation to ensure that water is treated according to statutory requirements is specifically included in the scope of both internal and external review of closure costs. Costs relating to water treatment which are expected within a 20-year window period from date of review, are quantified and included in the environmental rehabilitation provisions for relevant mines. The majority of the costs related to water treatment is included in the provision for residual impact. Where necessary, the costs associated with constructing a water treatment plant have also been included.

Discounting of the costs relating to unscheduled closure on reporting date is calculated over the expected LOM of each mine. The LOM is based on remaining reserves at each mine as well as the level of complexity to perform mining activities at these reserves.

The assumption that post-closure rehabilitation will take place over a period of five years resulted in discounting of the costs included in the residual impact provision to be calculated over expected remaining LOM and an additional five years for post-closure activities to be completed.

OTHER SITE CLOSURE COSTS

The provision includes estimates for plant and facility closures, dismantling costs and employee termination costs, in terms of the announced restructuring plans. Provision is made on a piecemeal basis only for those restructuring obligations supported by a formally approved plan.

The provision includes social and labour costs for mines closing in the near future in terms of approved social and labour plans for these sites.

KEY ASSUMPTIONS

	At 31 December	
	2017 %	2016 %
PPI	5,0 to 5,5	5,5
Discount rate		
– Period of discounting: 1 to 5 years	7,66 to 7,91	8,45 to 8,85
– Period of discounting: 6 to 15 years	8,75 to 8,95	9,12 to 9,27
– Period of discounting: 16 to 30 years	9,96 to 10,03	9,80 to 9,98

13.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES (CONTINUED)

SENSITIVITIES

	At 31 December	
	2017 Rm	**2016 Rm**
Decrease in total environmental rehabilitation provisions as a result of 1% increase in discount rate	(339)	(287)
Increase in total environmental rehabilitation provisions as a result of 1% decrease in discount rate	382	329

13.3 PROVISIONS

		Group					
		Environmental rehabilitation			Other		
	Note	**Restoration Rm**	**Decommis-sioning Rm**	**Residual impact Rm**	**Other site closure costs Rm**	**Litigation Rm**	**Total Rm**
At 31 December 2017							
At beginning of the year		3 690	506		75		4 271
Charge to operating expenses		(2 386)	(27)	2 218	1		(194)
– Additional provision		37	1	2 218	1		2 257
– Unused amounts reversed		(2 423)	(28)				(2 451)
Unwinding of discount rate on rehabilitation costs	12.1.2	344	47		19		410
Provisions capitalised to property, plant and equipment	11.1.3		(45)				(45)
Utilised during the year		(20)	(19)		(15)		(54)
Reclassification to non-current liabilities held-for-sale		845	(12)	(1 262)			(429)
Total provisions at end of the year		2 473	450	956	80		3 959
– Current provision		54	10		31		95
– Non-current provision		2 419	440	956	49		3 864
At 31 December 2016							
At beginning of the year		2 726	425		99	20	3 270
Charge to operating expenses		874	8		(5)		877
– Additional provision		1 104	37				1 141
– Unused amounts reversed		(230)	(29)		(5)		(264)
Unwinding of discount rate on rehabilitation cost	12.1.2	291	45		11		347
Provisions capitalised to property, plant and equipment	11.1.3		40				40
Utilised during the year		(85)	(2)		(26)		(113)
Exchange differences		(4)				(3)	(7)
Reclassification to non-current liabilities held-for-sale		(55)	(1)				(56)
Disposal of subsidiary or operation		(57)	(9)		(4)	(17)	(87)
Total provisions at end of the year		3 690	506		75		4 271
– Current provision		58	19		32		109
– Non-current provision		3 632	487		43		4 162

	Note	Company – Environmental rehabilitation – Restoration Rm	Other – Other site closure costs Rm	Total Rm
At 31 December 2017				
At beginning of the year		32	11	43
Charge to operating expenses		(1)		(1)
– Unused amounts reversed		(1)		(1)
Unwinding of discount rate on rehabilitation costs	12.1.2	3		3
Total provisions at end of the year		34	11	45
– Current provisions			11	11
– Non-current provisions		34		34
At 31 December 2016				
At beginning of the year		26	11	37
Charge to operating expenses		3		3
– Additional provision		4		4
– Unused amounts reversed		(1)		(1)
Unwinding of discount rate on rehabilitation costs	12.1.2	3		3
Total provisions at end of the year		32	11	43
– Current provisions			11	11
– Non-current provisions		32		32

FUNDING

The FPR contain funding requirements in the form of financial guarantees as well as trust funds. Exxaro has financial guarantees per mine which are ceded to the DMR, as well as environmental trust funds.

At 31 December	Group 2017 Rm	Group 2016 Rm
Estimated immediate restoration and decommissioning closure costs	6 207	8 269
Estimated immediate post-closure residual impact costs	2 596	
Total environmental provisions	3 879	4 196
– Present value of immediate restoration and decommissioning costs discounted over LOM	2 923	4 196
– Present value of immediate post-closure residual impact costs discounted over LOM and five years of rehabilitation	956	
Total environmental provisions	3 879	4 196
– Environmental rehabilitation funds in trust	(1 648)	(1 401)
– Financial guarantees ceded to the DMR	(2 918)	(2 760)
Current funding (excess)/shortfall	(687)	35

CHAPTER 13: PROVISIONS, CONTINGENCIES AND OTHER COMMITMENTS (CONTINUED)

13.4 CONTINGENT LIABILITIES

	Group		Company	
At 31 December	**2017 Rm**	**(Re-presented) 2016 Rm**	**2017 Rm**	**2016 Rm**
Total contingent liabilities	5 306	7 041	356	1 524
Pending litigation and other claims[1]	876	1 136		24
Operational guarantees[2]	3 346	4 465	356	1 500
– Financial guarantees ceded to the DMR	2 918	2 760		
– Other operational guarantees	428	1 705	356	1 500
Share of contingent liabilities of equity-accounted investments[3]	1 084	1 440		

[1] Consist of legal cases as well as tax disputes with Exxaro as defendant.
[2] Include 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.

13.5 OTHER COMMITMENTS

	Group		Company	
At 31 December	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**
Operating lease commitments				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
– Not later than one year	54	77	54	39
– Later than one year but not later than five years	278	214	278	214
– Later than five years	434	489	434	489
Total operating lease commitments	766	780	766	742

	Group		Company	
At 31 December	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**
Sublease payments receivable				
The future minimum lease payments expected to be received in relation to non-cancellable subleases of operating leases:				
– Not later than one year	2		2	
– Later than one year but not later than five years	5		5	
Total sublease payments receivable	7		7	

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PEOPLE

CHAPTER 14: PEOPLE

14.1 ACCOUNTING POLICIES RELATING TO PAYMENTS TO EMPLOYEES

14.1.1 POST-EMPLOYMENT BENEFITS

Defined contribution plan

The group provides defined contribution retirement funds for the benefit of employees, the assets of which are held in separate funds. These funds are funded by contributions from employees and the group, taking account of the recommendations of independent actuaries. The group's contribution to the defined contribution fund is recognised in profit or loss in the year to which it relates.

The group does not provide guarantees in respect of returns in the defined contribution funds.

Defined benefit obligations

A post-retirement medical contribution obligation exists for certain in-service and retired employees who are members of accredited medical aid funds. This benefit is no longer offered to employees. The liability is determined using the projected unit credit method. Remeasurements arising from experience adjustments and changes in actuarial assumptions are recognised immediately in other comprehensive income. Remeasurements recognised in other comprehensive income will not be reclassified to profit or loss. Net interest expense and other expenses related to the post-retirement medical contribution obligation are recognised in profit or loss.

14.1.2 SHORT AND LONG-TERM BENEFITS

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions, are recognised during the period in which the employee renders the related service.

The vesting portion of long-term benefits is recognised and provided for at financial year end, based on current total cost to company.

14.1.3 TERMINATION BENEFITS

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group recognises termination benefits when it has demonstrated its commitment to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefits fall due more than 12 months after the reporting date, they are discounted to present value.

14.1.4 EQUITY COMPENSATION BENEFITS

Senior management, including executive directors, and eligible employees participated in the SARs, LTIP, DBP and Mpower 2012 incentives.

SARs, LTIP, DBP and Mpower 2012 are treated as equity-settled share-based payment schemes with the fair value being expensed over the vesting period of the instrument with a corresponding increase in equity. The fair value of these schemes are determined at grant date and subsequently reviewed at each reporting period only for changes in non-market performance conditions and employee attrition rates applicable to each scheme.

Exxaro has an agreement with its subsidiary companies to charge the subsidiaries for the share schemes granted to the subsidiaries' employees.

The movement in equity in the company's financial statements relating to the recharge of the share-based payments of subsidiaries is accounted for against indebtedness by or to subsidiaries, which is eliminated for group reporting purposes.

14.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

In applying IFRS 2 *Share-Based Payment*, management has made certain judgements in respect of the fair value option pricing models to be used in determining the various share-based arrangements in respect of employees, as well as the variable elements used in these models.

For share-based payments, estimates are made in determining the fair value of equity instruments granted. Assumptions are used in the valuation models and include assumptions regarding future dividend yield, risk-free rate, expected employee attrition rate, expected share volatility and expected option life.

In applying IAS 19 *Employee Benefit*s, management is required to make judgements when determining the classification of each scheme, such judgements include the identification as to the nature of benefits provided by each scheme.

For defined benefit schemes, management is required to make annual estimates and assumptions about the discount rate, future remuneration changes, employee attrition rates, administration costs, changes in benefits, medical cost trends, inflation rates, exchange rates and life expectancy. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries.

14.3 EMPLOYEE BENEFITS

14.3.1 RETIREMENT FUNDS

Independent funds provide retirement and other benefits for all permanent employees, retired employees and their dependants.

At the end of the financial year, the main defined contribution retirement funds to which Exxaro was a participating employer, were as follows:

- Exxaro Pension and Provident Fund
- Iscor Employees' Umbrella Provident Fund
- Mine Workers' Provident Fund
- Sentinel Retirement Fund.

Bargaining unit employees pay a contribution of 8% (2016: 8%), with the employer's contribution of 15% (2016: 15%) to the above funds being expensed as incurred.

Other members generally pay a contribution of 7% (2016: 7%), with the employer's contribution of 10% (2016: 10%) to the above funds being expensed as incurred.

All funds registered in RSA are governed by the South African Pension Funds Act of 1956.

Defined contribution funds

Membership of each fund at 31 December 2017 and 31 December 2016 and employer contributions to each fund were as follows:

	Employer contributions		Working members[1]	
	2017 Rm	**2016 Rm**	**2017 Number**	**2016 Number**
Group				
Exxaro Pension and Provident Fund	101	99	2 138	1 987
Iscor Employees' Umbrella Provident Fund	55	52	2 205	2 167
Mine Workers Provident Fund	20	24	977	963
Sentinel Retirement Fund	60	63	1 537	1 425
Other funds	9	9	78	78
Total	245	247	6 935	6 620
Company				
Exxaro Pension and Provident Fund	30	33	417	430
Iscor Employees' Umbrella Provident Fund		1	13	22
Sentinel Retirement Fund	3	2	26	9
Total	33	36	456	461

[1] *Working members who are contributing members to an accredited retirement fund.*

14.3 EMPLOYEE BENEFITS (CONTINUED)

14.3.2 MEDICAL AID

The group and company contribute to defined contribution medical aid schemes for the benefit of permanent employees and their dependants who choose to belong to one of a number of employer accredited schemes. The contributions charged against income amount to R112 million (2016: R99 million).

14.3.3 SHORT-TERM INCENTIVES

The following schemes based on individuals, business unit, commodity and group-level performance are in place:

- Individual performance reward
- A two-tier performance incentive:
  - On-target business unit incentive
  - Commodity business and group improvement incentive.

Individual performance reward

A short-term incentive scheme focused on the individual is used to augment the performance management process and retention strategy across junior to senior management levels of employment within the group.

The two-tier performance incentive

First tier

The first tier is a line-of-sight incentive based on achieving 100% (2016: 100%) of a combination of the business unit's net operating profit and production targets and is currently equal to 8,33% (2016: 8,33%) of annual gross remuneration for all full-time employees of every business unit, commodity, services and corporate office department.

Second tier

The second tier is based on exceeding a combination of budgeted consolidated net operating profit and production targets by an improvement percentage at commodity business unit and group level. The second tier is profit-based and 30% (2016: 30%) of gains above budget are shared with employees.

14.3.4 EQUITY COMPENSATION BENEFITS

Equity compensation benefits are provided to selected employees through the following share-based payment schemes:

MPOWER 2012

During 2012 Exxaro created the Mpower 2012 trust with an effective date of 1 July 2012 to replace the previous Mpower scheme that came to an end in November 2011. Exxaro issued approximately three million shares which were held in trust to the benefit of selected Exxaro employee beneficiaries for a period of five years. At inception, all qualifying employees received the same number of units. Each unit represents a vested right in the subscription shares held by the trust and entitles them to dividends on the Exxaro shares in trust. During May 2017 (the final date) the trustees of the trust delivered the subscription shares underlying each unit to the participants. The Mpower 2012 scheme was an equity-settled share-based payment scheme.

SARS

Participants obtain the right, if performance conditions are met, to receive a number of Exxaro shares to the value of the difference between the exercise price and the grant price. The performance condition relates to headline earnings per share of the group and is calculated for a minimum and maximum performance condition. Performance between these targets will result in proportional vesting which will be calculated using a linear sliding scale between the minimum and maximum performance conditions. Grants have a vesting period of three years at which time the performance conditions are calculated. The vested grants will lapse after seven years from the grant date. No new issues were made since the 2011 grant. The SARs is an equity-settled share-based payment scheme.

LTIP

An LTIP is a conditional award of Exxaro shares offered to qualifying senior employees of the group. The shares vest after three years subject to certain performance conditions being met. The extent to which the performance conditions are met governs the number of shares that vest. The LTIP is an equity-settled share-based payment scheme.

Participants to the 2017 and 2016 LTIP grant obtained the right, provided performance conditions are met, to receive a number of Exxaro shares. The vesting of the award is based on:

- 33,33% of HEPS of the group and is calculated for a minimum and maximum performance condition
- 33,33% of the TSR of the group and is calculated for a minimum and maximum performance condition
- 33,34% for meeting environmental, safety and governance (ESG) targets.

Performance between these targets will result in proportional vesting which will be calculated using a linear sliding scale between the minimum and maximum performance conditions. Grants have a vesting period of three years at which the performance conditions are calculated.

DBP

The DBP is to encourage executive directors and senior management to sacrifice a part of their bonuses for the purpose of acquiring shares in the company in exchange for an upliftment in the number of shares received. Participants may sacrifice a percentage of their (post-tax) bonus in exchange for Exxaro shares at the ruling market price. The pledged shares are then held in trust for a three-year period, thus until the vesting date of the matching award. At vesting date, the company will make an additional award of shares by matching the shareholding on a one-for-one basis (matching award). Participants will consequently become unconditionally entitled to both the original pledged shares as well as the matching award of shares.

A participant may at its election dispose of and withdraw the pledged shares from the scheme at any stage. However, if the pledged shares are withdrawn before the expiry of the pledge period, the participant forfeits the matching award. The DBP is an equity-settled share-based payment scheme.

14.3 EMPLOYEE BENEFITS (CONTINUED)

14.3.4 EQUITY COMPENSATION BENEFITS (CONTINUED)

Details of the schemes

Mpower 2012

		Number of instruments	
		2017 '000	**2016 '000**
Outstanding at beginning of the year		2 124	2 507
Issued during the year		2	23
Exercised during the year		(59)	(339)
Lapsed/cancelled during the year		(15)	(67)
Vested on final date		(2 052)	
Outstanding at end of the year			2 124
Terms of outstanding instruments at end of the year	Expiry date 2017		2 124
Exercise price range for instruments exercised since inception (R)		41,04 – 169,81	41,04 – 169,81

SARs

		2017		2016	
		Number of instruments '000	**Grant price range[1] R**	**Number of instruments '000**	**Grant price range[1] R**
Outstanding at beginning of the year		794	110,91 – 150,66	1 486	67,07 – 163,95
Exercised during the year		(11)	137,25 – 159,03	(654)	70,60 – 84,95
Lapsed/cancelled during the year		(777)	110,91 – 127,27	(38)	67,07 – 150,66
Outstanding at end of the year		6	150,66	794	110,91 – 150,66
Terms of outstanding instruments at end of the year	Expiry date				
	2017			782	110,91 – 127,27
	2018	6	150,66	12	150,66
		6	150,66	794	
Vested but not sold during the year				794	110,91 – 150,66
Total proceeds if shares are issued (Rm)		0,9		71,1	

[1] *Grant price is the volume weighted average price of the previous business day when the transaction is executed.*

LTIP

		2017		2016	
		Number of instruments '000	Face value range[1] R	Number of instruments '000	Face value range[1] R
Outstanding at beginning of the year		10 545	40,84 – 150,49	8 953	99,25 – 212,26
Issued during the year		2 659	96,22 – 129,03	4 324	63,45 – 100,80
Exercised during the year		(739)	86,89 – 156,00	(78)	66,15 – 82,45
Lapsed/cancelled during the year		(2 079)	72,70 – 150,49	(2 654)	72,70 – 165,02
Outstanding at end of the year		10 386	40,84 – 129,03	10 545	40,84 – 150,49
Terms of outstanding instruments at end of the year	Expiry date				
	2017			2 459	111,01 – 150,49
	2018	3 707	40,84 – 100,80	3 861	40,84 – 100,80
	2019	4 081	63,45 – 96,49	4 225	63,45 – 89,70
	2020	2 598	96,22 – 129,03		
		10 386	40,84 – 129,03	10 545	40,84 – 150,49
Total value of shares outstanding (Rm)		1 673,5		943,8	

[1] *Face value is the volume weighted average price of the previous business day when the transaction is executed.*

DBP

		2017		2016	
		Number of instruments '000	Share price range[1] R	Number of instruments '000	Share price range[1] R
Outstanding at beginning of the year		278	67,59 – 150,49	256	67,59 – 163,40
Issued during the year		64	111,60 – 125,09	101	72,97 – 78,57
Exercised during the year		(85)	109,05 – 130,99	(60)	65,90 – 83,00
Lapsed/cancelled during the year		(6)	67,59 – 118,42	(19)	67,69 – 161,98
Outstanding at end of the year		251	67,59 – 125,09	278	67,59 – 150,49
Terms of outstanding instruments at end of the year	Expiry date				
	2017			85	140,52 – 150,49
	2018	91	67,59 – 109,72	93	67,59 – 109,72
	2019	98	72,97 – 78,57	100	72,97 – 78,57
	2020	62	111,60 – 125,09		
		251	67,59 – 125,09	278	67,59 – 150,49
Total value of shares outstanding (Rm)		40,5		24,9	

[1] *The share price is the volume weighted average price of the previous business day when the transaction is executed.*

14.3 EMPLOYEE BENEFITS (CONTINUED)

14.3.4 EQUITY COMPENSATION BENEFITS (CONTINUED)

Fair value of equity compensation instruments

In determining the fair value of services received as consideration for equity instruments, measurement is referenced to the fair value of the equity instrument granted.

During the current year, the entity has issued three new DBPs and one new LTIP.

The conditional matching awards granted in terms of the DBP are the economic equivalent of granting an Exxaro share at no consideration, but without dividend rights for the period from the grant date to vesting date. Therefore, the value of the DBP is equal to the grant date share price, less the present value of the future dividends expected to be granted over the term of the scheme, multiplied by the pledged shares in trust.

A Monte Carlo simulation model was used in the valuation of the LTIP award, which pertained to the TSR condition (market vesting condition). The value of the LTIP related to the non-market vesting conditions are the economic equivalent of granting an Exxaro share at no consideration, but without dividend rights for the period from the grant date to vesting date. Therefore, the value of the LTIP relating to the non-market vesting conditions is equal to the grant date share price, less the present value of the future dividends expected to be granted over the term of the scheme, multiplied by the number of shares that are expected to vest. The non-market vesting conditions relating to HEPS and environmental, safety and governance targets are used to adjust the actual number of options that ultimately vest. The non-market vesting conditions are reassessed at each reporting date.

	2017	2016
Weighted average fair value for grants during the year (R):		
LTIP	100,25	60,95
DBP	103,70	66,37
Inputs to the valuation models for:		
LTIP:		
– Share price at valuation date (R)	117,89	72,73
– Weighted average option life (years)	3	3
– Dividend yield (%)	3,65	2,85
– Risk-free interest rate (%)	7,36	7,99
DBP:		
– Share price at valuation date – March (R)	103,80	72,00
– Share price at valuation date – March (R) (issue two)	117,89	
– Share price at valuation date – August (R)	127,80	75,23
– Weighted average option life (years)	3	3
– Dividend yield – March (%)	4,81	2,88
– Dividend yield – March (%) (issue two)	3,65	
– Dividend yield – August (%)	3,34	2,80
– Risk-free interest rate – March (%)	7,33	7,95
– Risk-free interest rate – March (%) (issue two)	7,36	
– Risk-free interest rate – August (%)	6,72	7,76

14.4 POST-RETIREMENT MEDICAL OBLIGATIONS

Following the merger with Eyesizwe Proprietary Limited in November 2006 and the successful creation of Exxaro, the post-employment healthcare benefit which was provided to a group of continuation and in-service members on the Witbank Coal Medical Aid Scheme was honoured. During 2017, Exxaro Coal Mpumalanga Proprietary Limited withdrew from the Witbank Coal Medical Aid Scheme and the members were moved to the Discovery Health Medical Scheme. This benefit, which is no longer offered, applied to certain employees previously employed by Eyesizwe or Ingwe Coal and comprises a subsidy of contributions.

Exxaro Coal Mpumalanga Proprietary Limited's contribution to the post-retirement medical aid benefit of retired employees for the year ended 31 December 2017 amounts to R8 million (2016: R5 million).

The obligation represents a present value amount, which is actuarially valued every two years. Any remeasurements are recognised in other comprehensive income.

The movement in the net defined benefit medical obligation over the year is as follows:

At 31 December	Group 2017 Rm	Group 2016 Rm
At beginning of the year	239	217
Charge to operating expenses	(48)	22
– Current and past service costs[1]	(62)	6
– Interest expense	22	23
– Expected employer benefit payments	(8)	(7)
Remeasurements[2]	40	
Reclassification to non-current liabilities held-for-sale	(4)	
At end of the year	227	239

[1] Includes an adjustment for past service costs amounting to R66 million (2016: nil).
[2] Tax on remeasurements amounts to R11 million (2016: nil).

	2017 Rm	2016 Rm
The defined benefit medical obligation is composed by country as follows:		
– RSA	231	239
Present value of unfunded obligations[1]	231	239

[1] Includes R4 million which was classified as a non-current liability held-for-sale.

	2017	2016
The actuarial assumptions were as follows:		
Discount rate (%)	10,7	10,9
Salary growth rate (%)	9,7	9,9
Healthcare cost inflation (%)	10,2	10,4
Expected retirement age (years)	60	60

The sensitivity of the defined benefit medical obligation to changes in the weighted principal assumptions:

		Impact on defined benefit medical obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	1,00%	Decrease by 14,4%	Increase by 18,6%
Healthcare cost inflation	1,00%	Increase by 20,2%	Decrease by 15,7%
Expected retirement age	1 year	Decrease by 2,3%	Increase by 2,7%

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit medical obligation to significant actuarial assumptions, the projected credit method (present value of the defined benefit medical obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the medical liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Through its defined benefit post-employment medical plans, the group is exposed to a number of risks, the most significant of which are detailed below:

- Inflation risk: The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities
- Life expectancy: The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Impact on future cash flows of the group:
Expected contributions to post-retirement medical aid schemes for the year ending 31 December 2018 amount to R9 million.

CHAPTER 14: PEOPLE (CONTINUED)

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

14.5.1 REMUNERATION POLICY

The remuneration and nomination committee has a defined mandate from the board aimed at:

- Ensuring that the company's chairman, directors and senior executives are fairly rewarded for their individual contributions to the company's overall performance
- Ensuring that the company's remuneration strategies and packages, including the incentive schemes, are related to performance, are suitably competitive and give due regard to the interests of the shareholders and the financial and commercial health of the company.

14.5.2 SUMMARY OF REMUNERATION

	NCOE/guaranteed remuneration plus circumstantial			Short-term incentives
2017	**Basic salary R**	**Benefits and allowances[1] R**	**Retirement fund contributions R**	**Performance bonuses[2] R**
Executive directors				
MDM Mgojo	5 728 207	225 121	550 135	3 598 366
PA Koppeschaar	3 930 987	232 161	357 477	2 275 231
Total executive directors' remuneration	9 659 194	457 282	907 612	5 873 597
Prescribed officers				
V Balgobind	2 463 772	205 664	238 629	1 260 065
AW Diedericks	3 240 455	127 684	320 484	1 598 280
JG Meyer	3 060 455	307 684	320 484	1 598 280
MI Mthenjane	3 246 788	83 365	282 329	1 565 289
Dr N Tsengwa	3 376 576	169 004	296 746	1 933 844
SE van Loggerenberg[6]	1 587 963	90 106	113 521	615 239
M Veti	3 212 286	41 206	317 698	1 547 397
CH Wessels[7]	1 533 721	59 453	124 356	94 030
Total prescribed officers' remuneration	21 722 016	1 084 166	2 014 247	10 212 424

2017	**Fees for services R**	**Benefits and allowances R**	**Total R**
Non-executive directors			
S Dakile-Hlongwane	553 756	4 190	557 946
Dr CJ Fauconnier	1 124 340	30 044	1 154 384
MW Hlahla	387 528	3 931	391 459
Dr D Konar (chairman)	1 783 803		1 783 803
S Mayet[8]	372 034	1 100	373 134
VZ Mntambo	498 967		498 967
EJ Myburgh	501 061	9 887	510 948
V Nkonyeni	532 156		532 156
Dr MF Randera	486 834	10 764	497 598
J van Rooyen	748 806		748 806
PCCH Snyders	556 462	31 286	587 748
D Zihlangu	482 848	10 963	493 811
Total non-executive directors' remuneration	8 028 595	102 165	8 130 760

[1] *Includes leave days purchased as well as travel and acting allowances.*
[2] *All incentive schemes are performance related and were approved by the board.*
[3] *Comprise long service awards, zero-fatality and LTIFR rewards.*
[4] *Includes leave encashments.*
[5] *Amount recognised for share-based payment expenses, in terms of IFRS 2, in respect of the equity-settled share-based payment schemes for the services rendered during the year. The employee will only be entitled to the options once all vesting conditions have been met.*
[6] *Appointed as company secretary and legal 1 October 2017. The remuneration information provided is for the full year.*
[7] *Resigned on 30 September 2017.*
[8] *Portion of fees paid to employer.*

Retirement amounts relate to defined contribution retirement funds.

Long-term incentives	Other					
Gains on management share schemes R	Recognition[3] R	Other[4] R	Total remuneration R	Share-based payment expense[5] R	Gains on management share schemes R	Total remuneration expense R
2 585 196	2 530		12 689 555	8 696 044	(2 585 196)	18 800 403
1 301 286	2 530		8 099 672	3 203 239	(1 301 286)	10 001 625
3 886 482	5 060		20 789 227	11 899 283	(3 886 482)	28 802 028
143 678	32 730		4 344 538	2 170 339	(143 678)	6 371 199
1 058 546	60 323		6 405 772	2 810 936	(1 058 546)	8 158 162
1 063 570	60 330		6 410 803	2 620 682	(1 063 570)	7 967 915
889 223	2 530		6 069 524	2 064 715	(889 223)	7 245 016
741 789	2 530		6 520 489	2 837 266	(741 789)	8 615 966
149 382	7 030		2 563 241	405 607	(149 382)	2 819 466
910 083	2 530		6 031 200	2 180 284	(910 083)	7 301 401
530 227	2 530	124 993	2 469 310	791 249	(530 227)	2 730 332
5 486 498	170 533	124 993	40 814 877	15 881 078	(5 486 498)	51 209 457

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.2 SUMMARY OF REMUNERATION (CONTINUED)

	NCOE/guaranteed remuneration plus circumstantial			Short-term incentives	Long-term incentives
2016	**Basic salary R**	**Benefits and allowances[1] R**	**Retirement fund contributions R**	**Performance bonuses[2] R**	**Gains on management share schemes R**
Executive directors					
MDM Mgojo	5 430 710	211 660	472 235	3 284 193	497 816
PA Koppeschaar[6]	3 244 991	213 965	311 409	1 764 407	222 611
SA Nkosi[7]	1 930 661	24 766	190 944	863 814	5 524 261
WA de Klerk[8]	2 357 341	123 580	242 196	1 563 074	431 708
Total executive directors' remuneration	12 963 703	573 971	1 216 784	7 475 488	6 676 396
Prescribed officers					
V Balgobind[9]	2 379 572	155 601	226 627	1 185 374	28 438
AW Diedericks	3 080 882	121 443	306 003	1 505 787	162 894
JG Meyer	2 932 029	283 914	306 003	1 511 635	186 531
MI Mthenjane	3 077 770	79 026	267 632	1 384 159	10 843
Dr N Tsengwa	2 989 232	160 141	263 585	1 614 442	78 669
M Veti	3 067 042	39 343	303 334	1 378 213	53 241
CH Wessels	1 912 743	74 146	155 087	812 248	41 131
Total prescribed officers' remuneration	19 439 270	913 614	1 828 271	9 391 858	561 747

2016	**Fees for services R**	**Benefits and allowances R**	**Total R**
Non-executive directors			
S Dakile-Hlongwane	489 022	5 850	494 872
Dr CJ Fauconnier	1 038 871	32 601	1 071 472
MW Hlahla	281 101		281 101
Dr D Konar (chairman)	1 618 368		1 618 368
S Mayet[10]	337 725		337 725
VZ Mntambo	457 791		457 791
RP Mohring[11]	212 686		212 686
EJ Myburgh[12]	251 154		251 154
V Nkonyeni	488 553		488 553
Dr MF Randera	477 342	12 379	489 721
J van Rooyen	706 720		706 720
PCCH Snyders[13]	345 712	23 318	369 030
D Zihlangu	472 298	3 615	475 913
Total non-executive directors' remuneration	7 177 343	77 763	7 255 106

[1] *Includes leave days purchased as well as travel and acting allowances.*
[2] *All incentive schemes are performance related and were approved by the board.*
[3] *Comprise long service awards, zero-fatality and LTIFR rewards.*
[4] *Includes restraint of trade lump sums and ex-gratia payments.*
[5] *Amount recognised for share-based payment expenses, in terms of IFRS 2, in respect of the equity-settled share-based payment schemes for the services rendered during the year. The employee will only be entitled to the options once all vesting conditions have been met.*
[6] *Appointed as finance director 1 July 2016. The remuneration information provided has been re-presented to include the full year remuneration so as to assist with comparability.*
[7] *Retired on 31 March 2016.*
[8] *Resigned 30 June 2016.*
[9] *Appointed on 1 January 2016.*
[10] *Fees paid to employer.*
[11] *Deceased on 14 March 2016.*
[12] *Appointed on 1 September 2016.*
[13] *Appointed on 1 July 2016.*

Retirement amounts relate to defined contribution retirement funds.

Other						
Exit payment R	Recognition[3] R	Other[4] R	Total remuneration R	Share-based payment expense[5] R	Gains on management share schemes R	Total remuneration expense R
	5 400	60 613	9 962 627	5 732 776	(497 816)	15 197 587
	6 400		5 763 783	1 973 133	(222 611)	7 514 305
251 468	9 900	8 585 550	17 381 364		(5 524 261)	11 857 103
8 731 844	30 600		13 480 343	3 003 203	(431 708)	16 051 838
8 983 312	52 300	8 646 163	46 588 117	10 709 112	(6 676 396)	50 620 833
	4 400		3 980 012	1 042 854	(28 438)	4 994 428
	3 808		5 180 817	1 854 146	(162 894)	6 872 069
	4 400		5 224 512	1 668 010	(186 531)	6 705 991
	4 400	690 725	5 514 555	1 246 410	(10 843)	6 750 122
	8 308		5 114 377	1 601 076	(78 669)	6 636 784
	4 400		4 845 573	1 566 506	(53 241)	6 358 838
	5 400	12 264	3 013 019	772 110	(41 131)	3 743 998
	35 116	702 989	32 872 865	9 751 112	(561 747)	42 062 230

14.5.3 INTEREST IN EXXARO SHARES

(i) Number of shares

	2017		2016	
Directors at 31 December	**Direct**	**Indirect**	**Direct**	**Indirect**
Beneficial interest				
S Dakile-Hlongwane		188 655		470 382
Dr CJ Fauconnier	47 500		47 500	
Dr D Konar (chairman)	6 168		6 168	
PA Koppeschaar	13 998		4 191	
MDM Mgojo		4 806 028	16 047	5 029 721
VZ Mntambo		4 462 866		5 043 678
J van Rooyen		1 500		1 500
D Zihlangu		344 899		2 452 705
Non-beneficial interest				
Dr CJ Fauconnier		1 000		1 400
PA Koppeschaar		1 337		5 500
MDM Mgojo		18 741		25 287

(ii) Percentages (direct and indirect)

Directors at 31 December	2017 %	2016 %
S Dakile-Hlongwane	0,05	0,13
MDM Mgojo	1,34	1,41
VZ Mntambo	1,24	1,41
D Zihlangu	0,10	0,69

There have been changes in the directors' interests in Exxaro shares between the end of the financial year 2017 and the date on which the annual financial statements were approved as a result of a restructuring which took place within the New Empowerment Structure. MDM Mgojo's percentage (direct and indirect) shareholding changed to 1,30%.

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS

The following options and rights in shares in the company were exercised or are outstanding in favour of directors and prescribed officers of the company under the company's share option schemes:

Management SARs

2017	Rights held at 31 December[1] Number	Grant date price R	Exercisable period	Shares forfeited[2] Number
Executive directors				
MDM Mgojo		126,77	01/04/2017	16 358
				16 358
PA Koppeschaar		126,77	01/04/2017	8 134
				8 134
Prescribed officers				
V Balgobind		126,77	01/04/2017	2 772
				2 772
AW Diedericks		126,77	01/04/2017	6 988
				6 988
JG Meyer		126,77	01/04/2017	4 666
				4 666
Dr N Tsengwa		126,77	01/04/2017	8 312
				8 312

[1] *Rights in terms of the management SARs scheme are no longer granted.*
[2] *Shares forfeited due to performance conditions not being fully met.*

Management SARs

2016	Rights held at 31 December[1] Number	Grant date price R	Exercisable period	Proceeds if exercisable at 31 December[2] R	Rights exercised during the year Number	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
MDM Mgojo		67,07	01/04/2016		27 530	67,07	72,93	161 326	29/03/2016
	16 358	126,77	01/04/2017	1 464 041					
	16 358			1 464 041	27 530			161 326	
PA Koppeschaar	8 134	126,77	01/04/2017	727 993					
	8 134			727 993					
SA Nkosi[3]		67,07	01/04/2016		67 430	67,07	72,93	395 140	29/03/2016
	45 474	126,77	01/04/2017	4 069 923					
	45 474			4 069 923	67 430			395 140	
Prescribed officers									
V Balgobind		67,07	01/04/2016		4 820	67,07	72,97	28 438	31/03/2016
	2 772	126,77	01/04/2017	248 094					
	2 772			248 094	4 820			28 438	
AW Diedericks	6 988	126,77	01/04/2017	625 426					
	6 988			625 426					
JG Meyer		67,07	01/04/2016		7 910	67,07	73,37	49 833	04/03/2016
	4 666	126,77	01/04/2017	417 607					
	4 666			417 607	7 910			49 833	
Dr N Tsengwa	8 312	126,77	01/04/2017	743 924					
	8 312			743 924					

[1] *Refers to rights held by employees including vested not yet exercised as well as unvested rights.*
[2] *Based on a share price of R89,50 which prevailed on 31 December 2016.*
[3] *Retired on 31 March 2016.*

It is assumed that directors will not exercise rights which are out of the money.

Management share scheme – LTIP

2017	Rights held at 31 December[1] Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Shares forfeited[2] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
MDM Mgojo		01/04/2017			14 354	33 494	118,84	1 705 829	03/04/2017
	68 820	01/04/2018	11 183 250	11 183 250					
	63 889	01/05/2018	10 381 963	10 381 963					
	189 572	01/04/2019	30 805 450	30 805 450					
	128 509	01/04/2020	20 882 713	20 882 713					
	450 790		73 253 376	73 253 376	14 354	33 494		1 705 829	
PA Koppeschaar		01/04/2017			6 911	16 127	118,84	821 303	03/04/2017
	33 137	01/04/2018	5 384 763	5 384 763					
	47 552	01/04/2019	7 727 200	7 727 200					
	33 330	01/09/2019	5 416 125	5 416 125					
	55 780	01/04/2020	9 064 250	9 064 250					
	169 799		27 592 338	27 592 338	6 911	16 127		821 303	
Prescribed officers									
V Balgobind		01/04/2017			1 209	2 820	118,84	143 678	03/04/2017
	6 383	01/04/2018	1 037 238	1 037 238					
	11 982	01/04/2018	1 947 075	1 947 075					
	38 261	01/04/2019	6 217 413	6 217 413					
	19 987	01/04/2019	3 247 888	3 247 888					
	25 108	01/04/2020	4 080 050	4 080 050					
	101 721		16 529 664	16 529 664	1 209	2 820		143 678	
AW Diedericks		01/04/2017			6 024	14 057	118,84	715 892	03/04/2017
	34 387	01/04/2018	5 587 888	5 587 888					
	49 347	01/04/2019	8 018 888	8 018 888					
	31 737	01/04/2020	5 157 263	5 157 263					
	115 471		18 764 039	18 764 039	6 024	14 057		715 892	
JG Meyer		01/04/2017			5 696	13 292	118,84	676 913	03/04/2017
	34 387	01/04/2018	5 587 888	5 587 888					
	49 347	01/04/2019	8 018 888	8 018 888					
	31 737	01/04/2020	5 157 263	5 157 263					
	115 471		18 764 039	18 764 039	5 696	13 292		676 913	

[1] *Based on a share price of R162,50 which prevailed on 31 December 2017.*
[2] *Shares forfeited due to performance conditions not being fully met.*

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS (CONTINUED)

Management share scheme – LTIP (CONTINUED)

2017	Rights held at 31 December[1] Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Shares forfeited[2] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Prescribed officers (continued)									
MI Mthenjane		01/04/2017			6 974	16 272	118,84	828 790	03/04/2017
	33 435	01/04/2018	5 433 188	5 433 188					
	47 981	01/04/2019	7 796 913	7 796 913					
	31 152	01/04/2020	5 062 200	5 062 200					
	112 568		18 292 301	18 292 301	6 974	16 272		828 790	
Dr N Tsengwa		01/04/2017			6 033	14 076	118,84	716 962	03/04/2017
	28 922	01/04/2018	4 699 825	4 699 825					
	41 505	01/04/2019	6 744 563	6 744 563					
	24 767	01/05/2019	4 024 638	4 024 638					
	46 952	01/04/2020	7 629 700	7 629 700					
	142 146		23 098 726	23 098 726	6 033	14 076		716 962	
SE van Loggerenberg[3]		01/04/2017			1 257	2 933	118,84	149 382	03/04/2017
	6 026	01/04/2018	979 225	979 225					
	8 647	01/04/2019	1 405 138	1 405 138					
	5 686	01/04/2020	923 975	923 975					
	6 611	01/10/2020	1 074 288	1 074 288					
	26 970		4 382 626	4 382 626	1 257	2 933		149 382	
M Veti		01/04/2017			6 944	16 202	118,84	825 225	03/04/2017
	33 291	01/04/2018	5 409 788	5 409 788					
	47 775	01/04/2019	7 763 438	7 763 438					
	30 726	01/04/2020	4 992 975	4 992 975					
	111 792		18 166 201	18 166 201	6 944	16 202		825 225	
CH Wessels[4]		01/04/2017			3 283	7 659	118,84	390 152	03/04/2017
		01/04/2018				15 737			
		01/04/2019				22 583			
		01/04/2020				15 061			
					3 283	61 040		390 152	

[1] *Based on a share price of R162,50 which prevailed on 31 December 2017.*
[2] *Shares forfeited due to performance conditions not being fully met.*
[3] *Appointed on 1 October 2017.*
[4] *Resigned on 30 September 2017.*

2016	Rights held at 31 December[1] Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Share forfeited[2] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
MDM Mgojo		01/04/2016				38 843			
	47 848	01/04/2017	4 282 396	4 282 396					
	68 820	01/04/2018	6 159 390	6 159 390					
	63 889	01/05/2018	5 718 066	5 718 066					
	189 572	01/04/2019	16 966 694	16 966 694					
	370 129		33 126 546	33 126 546		38 843			
PA Koppeschaar		01/04/2016				18 632			
	23 038	01/04/2017	2 061 901	2 061 901					
	33 137	01/04/2018	2 965 762	2 965 762					
	47 552	01/04/2019	4 255 904	4 255 904					
	33 330	01/09/2019	2 983 035	2 983 035					
	137 057		12 266 602	12 266 602		18 632			
SA Nkosi[3]		01/04/2016				94 011			
		01/04/2017			27 122	108 486	72,7	1 971 769	04/04/2016
		01/04/2018			32 792	163 959	72,7	2 383 978	04/04/2016
					59 914	366 456		4 355 747	
WA de Klerk[4]		01/04/2016				58 439			
	82 010	01/04/2017	7 339 895	7 339 895					
	121 218	01/04/2018	10 849 011	10 849 011					
	173 953	01/04/2019	15 568 794	15 568 794					
	377 181		33 757 700	33 757 700		58 439			
Prescribed officers									
V Balgobind		01/04/2016				3 228			
	4 029	01/04/2017	360 596	360 596					
	6 383	01/04/2018	571 279	571 279					
	11 982	01/04/2018	1 072 389	1 072 389					
	38 261	01/04/2019	3 424 360	3 424 360					
	19 987	01/04/2019	1 788 837	1 788 837					
	80 642		7 217 461	7 217 461		3 228			
AW Diedericks		01/04/2016				16 036			
	20 081	01/04/2017	1 797 250	1 797 250					
	34 387	01/04/2018	3 077 637	3 077 637					
	49 347	01/04/2019	4 416 557	4 416 557					
	103 815		9 291 444	9 291 444		16 036			
JG Meyer		01/04/2016				15 213			
	18 988	01/04/2017	1 699 426	1 699 426					
	34 387	01/04/2018	3 077 637	3 077 637					
	49 347	01/04/2019	4 416 557	4 416 557					
	102 722		9 193 620	9 193 620		15 213			
MI Mthenjane		01/05/2016				21 589			
	23 246	01/04/2017	2 080 517	2 080 517					
	33 435	01/04/2018	2 992 433	2 992 433					
	47 981	01/04/2019	4 294 300	4 294 300					
	104 662		9 367 250	9 367 250		21 589			

[1] *Based on a share price of R89,50 which prevailed on 31 December 2016.*
[2] *Shares forfeited due to performance conditions not being fully met.*
[3] *Appointed on 31 March 2016.*
[4] *Resigned on 30 June 2016.*

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS (CONTINUED)

Management share scheme – LTIP (CONTINUED)

2016	Rights held at 31 December[1] Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Share forfeited[2] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Prescribed officers (continued)									
Dr N Tsengwa		01/04/2016				16 263			
	20 109	01/04/2017	1 799 756	1 799 756					
	28 922	01/04/2018	2 588 519	2 588 519					
	41 505	01/04/2019	3 714 698	3 714 698					
	24 767	01/05/2019	2 216 647	2 216 647					
	115 303		10 319 620	10 319 620		16 263			
M Veti		01/04/2016				18 458			
	23 146	01/04/2017	2 071 567	2 071 567					
	33 291	01/04/2018	2 979 545	2 979 545					
	47 775	01/04/2019	4 275 863	4 275 863					
	104 212		9 326 975	9 326 975		18 458			
CH Wessels		01/04/2016				8 849			
	10 942	01/04/2017	979 309	979 309					
	15 737	01/04/2018	1 408 462	1 408 462					
	22 583	01/04/2019	2 021 179	2 021 179					
	49 262		4 408 950	4 408 950		8 849			

[1] *Based on a share price of R89,50 which prevailed on 31 December 2016.*
[2] *Shares forfeited due to performance conditions not being fully met.*

Management share scheme – DBP

2017	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Shares forfeited Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
MDM Mgojo		07/03/2017			2 255		107,34	242 052	14/03/2017
		31/03/2017			4 560		118,42	539 995	04/04/2017
		31/08/2017			778		125,09	97 320	04/09/2017
	5 799	04/03/2019	942 338	942 338					
	10 511	31/03/2019	1 708 038	1 708 038					
	1 384	31/08/2019	224 900	224 900					
	1 047	31/08/2020	170 138	170 138					
	18 741		3 045 414	3 045 414	7 593			879 367	
PA Koppeschaar		07/03/2017			1 269		107,34	136 214	14/03/2017
		31/03/2017			2 735		118,42	323 879	04/04/2017
		31/08/2017			159		125,09	19 889	04/09/2017
	1 337	31/08/2018	217 263	217 263					
	1 337		217 263	217 263	4 163			479 982	

[1] *Based on a share price of R162,50 which prevailed on 31 December 2017.*

2017	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Shares forfeited Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Prescribed officers									
V Balgobind	361	31/08/2018	58 663	58 663					
	1 686	04/03/2019	273 975	273 975					
	1 873	31/03/2019	304 363	304 363					
	354	31/08/2019	57 525	57 525					
	913	09/03/2020	148 363	148 363					
	1 638	31/03/2020	266 175	266 175					
	261	31/08/2020	42 413	42 413					
	7 086		1 151 477	1 151 477					
AW Diedericks		07/03/2017			440		107,34	47 230	17/03/2017
		31/03/2017			2 350		118,42	278 287	04/04/2017
		31/08/2017			137		125,09	17 137	05/09/2017
	649	06/03/2018	105 463	105 463					
	3 618	31/03/2018	587 925	587 925					
	1 276	31/08/2018	207 350	207 350					
	3 352	04/03/2019	544 700	544 700					
	4 904	31/03/2019	796 900	796 900					
	798	31/08/2019	129 675	129 675					
	2 085	09/03/2020	338 813	338 813					
	3 785	31/03/2020	615 063	615 063					
	596	31/08/2020	96 850	96 850					
	21 063		3 422 739	3 422 739	2 927			342 654	
JG Meyer		07/03/2017			1 028		107,34	110 346	17/03/2017
		31/03/2017			2 196		118,42	260 050	03/04/2017
		31/08/2017			130		125,09	16 262	04/09/2017
	614	06/03/2018	99 775	99 775					
	3 450	31/03/2018	560 625	560 625					
	1 240	31/08/2018	201 500	201 500					
	803	31/08/2019	130 488	130 488					
	2 090	09/03/2020	339 625	339 625					
	3 790	31/03/2020	615 875	615 875					
	596	31/08/2020	96 850	96 850					
	12 583		2 044 738	2 044 738	3 354			386 658	
MI Mthenjane		07/03/2017			563		107,34	60 432	16/03/2017
	1 129	09/03/2020	183 463	183 463					
	580	31/08/2020	94 250	94 250					
	1 709		277 713	277 713	563			60 432	

[1] *Based on a share price of R162,50 which prevailed on 31 December 2017.*

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS (CONTINUED)

Management share scheme – DBP (CONTINUED)

2017	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Shares forfeited Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Prescribed officers (continued)									
Dr N Tsengwa		07/03/2017			46		107,34	4 938	20/03/2017
		31/08/2017			159		125,09	19 889	04/09/2017
	896	06/03/2018	145 600	145 600					
	1 812	31/03/2018	294 450	294 450					
	532	31/08/2018	86 450	86 450					
	2 384	31/03/2019	387 400	387 400					
	403	31/08/2019	65 488	65 488					
	1 133	09/03/2020	184 113	184 113					
	342	31/08/2020	55 575	55 575					
	7 502		1 219 076	1 219 076	205			24 827	
M Veti		07/03/2017			688		107,34	73 850	20/03/2017
		31/08/2017			88		125,09	11 008	11/09/2017
	416	06/03/2018	67 600	67 600					
	2 581	13/05/2018	419 413	419 413					
	727	31/08/2018	118 138	118 138					
	431	31/08/2019	70 038	70 038					
	1 101	09/03/2020	178 913	178 913					
	319	31/08/2020	51 838	51 838					
	5 575		905 940	905 940	776			84 858	
CH Wessels[2]		07/03/2017			430		107,34	46 156	17/03/2017
		31/03/2017			735		118,42	87 039	05/04/2017
		31/08/2017			55		125,09	6 880	04/09/2017
		06/03/2018				262			
		31/03/2018				1 163			
		31/08/2019				270			
		09/03/2020				693			
		31/03/2020				1 018			
					1 220	3 406		140 075	

[1] *Based on a share price of R162,50 which prevailed on 31 December 2017.*
[2] *Resigned 30 September 2017.*

2016	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Shares forfeited[2] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
MDM Mgojo		08/03/2016			127		80,04	10 165	14/03/2016
		01/04/2016			3 854		72,97	281 226	01/04/2016
		31/08/2016			574		78,57	45 099	06/09/2016
	2 255	07/03/2017	201 823	201 823					
	4 560	31/03/2017	408 120	408 120					
	778	31/08/2017	69 631	69 631					
	5 799	04/03/2019	519 011	519 011					
	10 511	31/03/2019	940 735	940 735					
	1 384	31/08/2019	123 868	123 868					
	25 287		2 263 188	2 263 188	4 555			336 490	
PA Koppeschaar		08/03/2016			533		80,04	42 661	09/03/2016
		01/04/2016			2 044		72,97	149 151	01/04/2016
		31/08/2016			392		78,57	30 799	06/09/2016
	1 269	07/03/2017	113 576	113 576					
	2 735	31/03/2017	244 783	244 783					
	159	31/08/2017	14 231	14 231					
	1 337	31/08/2018	119 662	119 662					
	5 500		492 252	492 252	2 969			222 611	
SA Nkosi[3]		08/03/2016			1 326		80,04	106 133	14/03/2016
		31/08/2016			864	140	72,7	62 813	04/04/2016
		07/03/2017			2 136	1 068	72,7	155 287	04/04/2016
		31/08/2017			215	194	72,7	15 631	04/04/2016
		06/03/2018			644	1 289	72,7	46 819	04/04/2016
		31/03/2018			5 319	10 640	72,7	386 691	04/04/2016
					10 504	13 331		773 374	
WA de Klerk[4]		08/03/2016			827		80,04	66 193	15/03/2016
		31/03/2016			4 320		72,97	315 230	04/04/2016
		31/08/2016			640		78,57	50 285	09/09/2016
	2 082	07/03/2017	186 339	186 339					
	5 687	31/03/2017	508 987	508 987					
	262	31/08/2017	23 449	23 449					
	1 236	06/03/2018	110 622	110 622					
	8 790	31/03/2018	786 705	786 705					
	5 496	04/03/2019	491 892	491 892					
	10 494	31/03/2019	939 213	939 213					
	34 047		3 047 207	3 047 207	5 787			431 708	

[1] *Based on a share price of R89,50 which prevailed on 31 December 2016.*
[2] *Shares forfeited due to performance conditions not being fully met.*
[3] *Appointed on 31 March 2016.*
[4] *Resigned on 30 June 2016.*

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS (CONTINUED)

Management share scheme – DBP (CONTINUED)

2016	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Shares forfeited Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Prescribed officers									
V Balgobind	361	31/08/2018	32 310	32 310					
	1 686	04/03/2019	150 897	150 897					
	1 873	31/03/2019	167 634	167 634					
	354	31/08/2019	31 683	31 683					
	4 274		382 524	382 524					
AW Diedericks		08/03/2016			55		80,04	4 402	09/03/2016
		01/04/2016			1 807		72,97	131 857	05/04/2016
		31/08/2016			339		78,57	26 635	08/09/2016
	440	07/03/2017	39 380	39 380					
	2 350	31/03/2017	210 325	210 325					
	137	31/08/2017	12 262	12 262					
	649	06/03/2018	58 086	58 086					
	3 618	31/03/2018	323 811	323 811					
	1 276	31/08/2018	114 202	114 202					
	3 352	04/03/2019	300 004	300 004					
	4 904	31/03/2019	438 908	438 908					
	798	31/08/2019	71 421	71 421					
	17 524		1 568 399	1 568 399	2 201			162 894	
JG Meyer		08/03/2016			468		80,04	37 459	14/03/2016
		01/04/2016			1 360		72,97	99 239	01/04/2016
	1 028	07/03/2017	92 006	92 006					
	2 196	31/03/2017	196 542	196 542					
	130	31/08/2017	11 635	11 635					
	614	06/03/2018	54 953	54 953					
	3 450	31/03/2018	308 775	308 775					
	1 240	31/08/2018	110 980	110 980					
	803	31/08/2019	71 869	71 869					
	9 461		846 760	846 760	1 828			136 698	
MI Mthenjane		31/08/2016			138		78,57	10 843	06/09/2016
	563	07/03/2017	50 389	50 389					
	563		50 389	50 389	138			10 843	

[1] *Based on a share price of R89,50 which prevailed on 31 December 2016.*

2016	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	Options exercised during the year Number	Shares forfeited Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Prescribed officers (continued)		08/03/2016			87		80,04	6 963	15/03/2016
Dr N Tsengwa		01/04/2016			889		72,97	64 870	08/04/2016
		31/08/2016			87		78,57	6 836	07/09/2016
	46	07/03/2017	4 117	4 117					
	159	31/08/2017	14 231	14 231					
	896	06/03/2018	80 192	80 192					
	1 812	31/03/2018	162 174	162 174					
	532	31/08/2018	47 614	47 614					
	2 384	31/03/2019	213 368	213 368					
	403	31/08/2019	36 069	36 069					
	6 232		557 765	557 765	1 063			78 669	
M Veti		08/03/2016			461		80,04	36 898	15/03/2016
		31/08/2016			208		78,57	16 343	08/09/2016
	688	07/03/2017	61 576	61 576					
	88	31/08/2017	7 876	7 876					
	416	06/03/2018	37 232	37 232					
	2 581	13/05/2018	231 000	231 000					
	727	31/08/2018	65 067	65 067					
	431	31/08/2019	38 575	38 575					
	4 931		441 326	441 326	669			53 241	
CH Wessels		01/04/2016			428		72,97	31 231	01/04/2016
		31/08/2016			126		78,57	9 900	06/09/2016
	430	07/03/2017	38 485	38 485					
	735	31/03/2017	65 783	65 783					
	55	31/08/2017	4 923	4 923					
	262	06/03/2018	23 449	23 449					
	1 163	31/03/2018	104 089	104 089					
	270	31/08/2019	24 165	24 165					
	2 915		260 894	260 894	554			41 131	

[1] *Based on a share price of R89,50 which prevailed on 31 December 2016.*

15

RELATED PARTIES

CHAPTER 15: RELATED PARTIES

15.1 RELATED-PARTY TRANSACTIONS

During the year, the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions occurred under terms that are not more or less favourable than those arranged with independent third parties.

ASSOCIATES AND JOINT VENTURES

Details of investments in associates and joint ventures and income received therefrom are disclosed in chapter 10.

	Associates		Joint ventures	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Items of income and expense incurred during the year				
Group sales of goods and services rendered	186	191		
Group purchases of goods and services received			991	888
The outstanding balances at 31 December				
Included in trade and other receivables	229	138		
Included in trade and other payables	6	9	77	108

SUBSIDIARIES

Details of income from and investments in subsidiaries are disclosed in chapter 17.

Service level commitment and corporate service fees

The following significant service level commitment and corporate service fees were received by the company for essential services rendered:

For the year ended 31 December	2017 Rm	2016 Rm
Exxaro Coal Proprietary Limited[1]	1 305	1 399
Exxaro FerroAlloys Proprietary Limited	24	19
Exxaro Coal Central Proprietary Limited	10	1
Ferroland Grondtrust Proprietary Limited and other	5	14

[1] *Includes Exxaro Coal Mpumalanga Proprietary Limited.*

STRUCTURED ENTITIES

The group has an interest in the following structured entities which are consolidated unless otherwise indicated:

Entity	Nature of business
Exxaro Chairman's Fund	Local social economic development[1]
Exxaro Foundation	Local social economic development[1]
Exxaro Employee Empowerment Participation Scheme Trust	Employee share incentive trust
Exxaro Employee Empowerment Trust	Employee share incentive trust
Exxaro Environmental Rehabilitation Fund	Trust fund for mine closure
Exxaro Mountain Bike Academy NPC	Local social economic development[1]
Exxaro People Development Initiative NPC	Local social economic development – bridging classes[1]
Kumba Resources Management Share Trust	Management share incentive trust
K2016473215 (South Africa) Proprietary Limited (NewBEECo)[2]	Structured entity to hold the BEE shares
Matla and Arnot Rehabilitation Trust	Trust fund for mine closure
Total Coal Holdings South Africa Nature Conservation Trust[3]	Trust fund for mine closure

[1] *Non-profit organisations.*
[2] *Renamed to Eyesizwe (RF) Proprietary Limited on 14 March 2018.*
[3] *Renamed to The Exxaro Coal Central Trust Fund on 22 February 2018.*

CHAPTER 15: RELATED PARTIES (CONTINUED)

15.1 RELATED-PARTY TRANSACTIONS (CONTINUED)

DIRECTORS

Details relating to directors' emoluments and shareholdings (including options) in the company are disclosed in note 14.5.

SENIOR EMPLOYEES

Details relating to option and share transactions are disclosed in note 14.3.

KEY MANAGEMENT PERSONNEL

For Exxaro, other than the executive and non-executive directors and executive committee members, no other key management personnel were identified. Refer note 14.5 for details on directors' remuneration.

For the group, for 2017 and 2016 the executive committee has been identified as being both key management personnel and prescribed officers. Refer to page 14.5 for details on their remuneration.

SHAREHOLDERS

The principal shareholders of the company at 31 December 2017 are detailed in Chapter 19, annexure 1.

Exxaro's previous majority BEE shareholder, MS333, settled its loan with Exxaro and the accrued interest thereon in January 2017. Refer note 9.5 for the details on the Replacement BEE Transaction.

16

FINANCIAL INSTRUMENTS

CHAPTER 16: FINANCIAL INSTRUMENTS

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS

16.1.1 RECOGNITION AND DERECOGNITION OF FINANCIAL ASSETS

A financial instrument is recognised when the group becomes a party to a contract which entitles it to receive contractually agreed cash flows on the instrument. All acquisitions of financial assets that require delivery within the timeframe established by regulation or market convention (regular-way purchases) are recognised at trade date, which is the date on which the group commits to acquire the asset.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred.

When an available-for-sale financial asset is sold, the accumulated fair value adjustments previously recognised in equity are recycled to profit or loss.

16.1.2 MEASUREMENT

Non-derivative financial instruments are recognised initially at fair value plus, in the case where financial instruments are not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as follows:

Non-derivative financial instrument	Subsequent measurement
Cash and cash equivalents	Amortised cost
Non-current receivables and trade and other receivables	Amortised cost
Loans and borrowings	Amortised cost
Investment in equity instruments	Fair value; based on quoted bid prices for listed securities or valuations derived from DCF models for unlisted securities. Equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment.
Financial instruments designated at fair value through profit or loss	Fair value; with changes in fair value recognised in profit or loss.
Designated financial assets as available-for-sale financial assets	Fair value; gains or losses are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary items, which are recognised in profit or loss.

Derivative financial instruments are held to hedge foreign currency, interest rate and price risk exposures. Derivative financial instruments are recognised initially at fair value. Attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative instruments are measured at fair value and any movement in the fair value will be recognised in profit or loss.

16.1.3 IMPAIRMENT OF FINANCIAL ASSETS

A financial asset is assessed at each reporting date to determine whether there is any evidence that the asset should be impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment allowance is raised when there is an indication of impairment and a write-off is only affected when the receivable is deemed to be fully impaired and not recoverable.

An available-for-sale equity investment is assessed for impairment when:

- Its fair value has declined to below cost (adverse developments affecting the investee or operating environment have occurred since acquisition that, individually or collectively, amount to objective evidence of impairment; or the decline in fair value is significant or prolonged); or
- There is objective evidence of impairment (sometimes referred to as a possible impairment indicator).

If any such evidence exists for available-for-sale financial assets, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

16.2 FINANCIAL INSTRUMENTS

16.2.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS

The tables below set out the group's and company's classification of each category of financial assets and financial liabilities.

	Group						
	At fair value through profit or loss						
At 31 December 2017	**Held-for-trading Rm**	**Designated Rm**	**Loans and receivables at amortised cost Rm**	**Available-for-sale financial assets at fair value Rm**	**Financial liabilities at amortised cost Rm**	**Non-financial assets and non-financial liabilities at cost Rm**	**Total carrying amount Rm**
Financial assets							
Non-current							
Financial assets, consisting of:							
– Environmental rehabilitation funds		1 357	291				1 648
– Loan to joint venture			126				126
– Preference dividends receivable from associate			2				2
– KIO		34					34
– Chifeng				152			152
– Lease receivables[1]						118	118
– Indemnification asset			1 268				1 268
– Non-current receivables			2 081				2 081
Total non-current financial assets		1 391	3 768	152		118	5 429
Current							
Financial assets, consisting of:							
– Current portion of non-current receivable			48				48
Trade and other receivables, consisting of:							
– Trade receivables			2 506				2 506
– Other receivables[2]			148				148
– Derivative financial asset	4						4
Cash and cash equivalents			6 606				6 606
Total current financial assets	4		9 308				9 312
Non-current assets held-for-sale			53			3 857	3 910
Total financial assets	4	1 391	13 129	152		3 975	18 651
Financial liabilities							
Non-current							
Interest-bearing borrowings					6 477	3	6 480
Financial liabilities, consisting of:							
– Contingent consideration		414					414
– Finance lease[1]						56	56
Total non-current financial liabilities		414			6 477	59	6 950
Current							
Financial liabilities, consisting of:							
– Contingent consideration		309					309
Trade and other payables, consisting of:							
– Trade and other payables					2 483		2 483
– Derivative financial liability	6						6
Interest-bearing borrowings					(14)	16	2
Overdraft					54		54
Total current financial liabilities	6	309			2 523	16	2 854
Non-current liabilities held-for-sale					80	1 572	1 652
Total financial liabilities	6	723			9 080	1 647	11 456

[1] *The categories in this disclosure are determined by IAS 39* Financial Instruments: Recognition and Measurement. *Finance leases are outside the scope of IAS 39, but remain within the scope of IFRS 7* Financial Instruments: Disclosures.

[2] *Other receivables include sundry receivables and reclassification of creditors with debit balances.*

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.

16.2. FINANCIAL INSTRUMENTS

16.2.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS (CONTINUED)

	Group						
	At fair value through profit or loss		Loans and receivables at amortised cost	Available-for-sale financial assets at fair value	Financial liabilities at amortised cost	Non-financial assets and non-financial liabilities at cost	Total carrying amount
At 31 December 2016	**Held-for-trading Rm**	**Designated Rm**	**Rm**	**Rm**	**Rm**	**Rm**	**Rm**
Financial assets							
Non-current							
Financial assets, consisting of:							
– Environmental rehabilitation funds		1 168	233				1 401
– Loan to joint venture			126				126
– KIO		14					14
– Chifeng				178			178
– New Age Exploration Limited		1					1
– Lease receivables[1]						132	132
– Indemnification asset			1 100				1 100
– Non-current receivables			1 768				1 768
Total non-current financial assets		1 183	3 227	178		132	4 720
Current							
Financial assets, consisting of:							
– Loan to BEE shareholder			480				480
Trade and other receivables, consisting of:							
– Trade receivables			2 252				2 252
– Other receivables[2]			301				301
Cash and cash equivalents			5 195				5 195
Total current financial assets			8 228				8 228
Total financial assets		1 183	11 455	178		132	12 948
Financial liabilities							
Non-current							
Interest-bearing borrowings					5 985	17	6 002
Financial liabilities, consisting of:							
– Contingent consideration		408					408
– Finance lease[1]						66	66
Total non-current financial liabilities		408			5 985	83	6 476
Current							
Financial liabilities, consisting of:							
– Contingent consideration		75					75
– Share repurchase					3 524		3 524
Trade and other payables, consisting of:							
– Trade and other payables					2 141		2 141
– Derivative financial liability	25						25
Shareholder loans[3]					18		18
Interest-bearing borrowings					471	32	503
Overdraft					12		12
Total current financial liabilities	25	75			6 166	32	6 298
Total financial liabilities	25	483			12 151	115	12 774

[1] *The categories in this disclosure are determined by IAS 39* Financial Instruments: Recognition and Measurement. *Finance leases are outside the scope of IAS 39, but remain within the scope of IFRS 7* Financial Instruments: Disclosures.
[2] *Other receivables include sundry receivables and reclassification of creditors with debit balances.*
[3] *Shareholder loans relate to the outside shareholders of Eloff. The loans are unsecured, interest-free and are repayable on demand.*

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.

At 31 December 2017	Company			
	Designated at fair value through profit or loss Rm	Loans and receivables at amortised cost Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm
Financial assets				
Non-current				
Indebtedness by subsidiaries		4 020		4 020
Financial assets, consisting of:				
– Environmental rehabilitation funds	26			26
– Loan to joint venture		186		186
– Preference dividends receivable from associate		2		2
– Non-current receivables		408		408
Total non-current financial assets	26	4 616		4 642
Current				
Trade and other receivables, consisting of:				
– Trade receivables		1 943		1 943
– Other receivables[1]		61		61
Cash and cash equivalents		5 508		5 508
Total current financial assets		7 512		7 512
Total financial assets	26	12 128		12 154
Financial liabilities				
Non-current				
Interest-bearing borrowings			3 994	3 994
Financial liabilities, consisting of:				
– Contingent consideration	414			414
– Put option	2 377			2 377
Total non-current financial liabilities	2 791		3 994	6 785
Current				
Financial liabilities, consisting of:				
– Contingent consideration	309			309
Trade and other payables			9 636	9 636
Interest-bearing borrowings			(9)	(9)
Overdraft			37	37
Total current financial liabilities	309		9 664	9 973
Total financial liabilities	3 100		13 658	16 758

[1] *Other receivables include sundry receivables and reclassification of creditors with debit balances.*

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.

16.2 FINANCIAL INSTRUMENTS (CONTINUED)

16.2.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS (CONTINUED)

	Company			
At 31 December 2016	**Designated at fair value through profit or loss Rm**	**Loans and receivables at amortised cost Rm**	**Financial liabilities at amortised cost Rm**	**Total carrying amount Rm**
Financial assets				
Non-current				
Indebtedness by subsidiaries		6 019		6 019
Financial assets, consisting of:				
– Environmental rehabilitation funds	24			24
– Loan to joint venture		186		186
– Non-current receivables		310		310
Total non-current financial assets	24	6 515		6 539
Current				
Financial assets, consisting of:				
– Loan to BEE shareholder		480		480
Trade and other receivables, consisting of:				
– Trade receivables		1 117		1 117
– Other receivables[1]		74		74
Cash and cash equivalents		4 154		4 154
Total current financial assets		5 825		5 825
Total financial assets	24	12 340		12 364
Financial liabilities				
Non-current				
Interest-bearing borrowings			5 985	5 985
Financial liabilities, consisting of:				
– Contingent consideration	408			408
Total non-current financial liabilities	408		5 985	6 393
Current				
Financial liabilities, consisting of:				
– Contingent consideration	75			75
– Share repurchase			3 524	3 524
Trade and other payables			8 575	8 575
Interest-bearing borrowings			471	471
Overdraft			7	7
Total current financial liabilities	75		12 577	12 652
Total financial liabilities	483		18 562	19 045

[1] *Other receivables include sundry receivables and reclassification of creditors with debit balances.*

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.

16.2.2 FAIR VALUES

The financial assets and financial liabilities designated at fair value through profit or loss are managed, evaluated and reported internally on a fair value basis. Therefore the designation is deemed appropriate as this is in line with the group accounting policies.

16.2.2.1 Fair value hierarchy

Financial assets and financial liabilities at fair value have been categorised in the following hierarchy structure, based on the input used in the valuation technique:
Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the group can access at the measurement date.
Level 2 – Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the asset or liability.
Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
2017				
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	818	1 391	(2)	(571)

Reconciliation of Level 3 hierarchy	Contingent consideration Rm	Chifeng Rm	Total Rm
Opening balance	(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
Closing balance	(723)	152	(571)

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

Group	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
2016				
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	853	1 183	(25)	(305)

16.2 FINANCIAL INSTRUMENTS (CONTINUED)

16.2.2 FAIR VALUES (CONTINUED)

16.2.2.1 Fair value hierarchy (CONTINUED)

Reconciliation of Level 3 hierarchy	Contingent consideration Rm	Chifeng Rm	Total Rm
Opening balance	(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)		(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
Closing balance	(483)	178	(305)

Company	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
2017				
Financial assets designated at fair value through profit or loss	26	26		
– Environmental rehabilitation funds	26	26		
Financial liabilities designated at fair value through profit or loss	(3 100)			(3 100)
– Non-current contingent consideration	(414)			(414)
– Current contingent consideration	(309)			(309)
– Put option	(2 377)			(2 377)
Net financial (liabilities)/assets held at fair value	(3 074)	26		(3 100)

Reconciliation of Level 3 hierarchy	Put option Rm	Contingent consideration Rm	Total Rm
Opening balance		(483)	(483)
Movement during the year			
Losses recognised for the period in profit or loss	(11)	(354)	(365)
Option granted	(2 366)		(2 366)
Settlements		74	74
Exchange gains recognised for the period in profit or loss		40	40
Closing balance	(2 377)	(723)	(3 100)

Company	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
2016				
Financial assets designated at fair value through profit or loss	24	24		
– Environmental rehabilitation funds	24	24		
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 (liabilities)/assets held at fair value	(459)	24		(483)

Reconciliation of Level 3 hierarchy	Contingent consideration Rm	Total Rm
Opening balance	(39)	(39)
Movement during the year		
Losses recognised for the period in profit or loss	(445)	(445)
Exchange losses recognised for the period in profit or loss	1	1
Closing balance	(483)	(483)

16.2.2.2 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 periods ended 31 December 2017 and 31 December 2016, as shown in note 16.2.2.1.

16.2.2.3 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.

16.2.2.4 Current derivative financial instruments
Level 2 fair value 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.

16.2.2.5 Environmental rehabilitation funds, designated at fair value through profit or loss
Included in the environmental rehabilitation funds, designated at fair value through profit or loss, are the Exxaro Environmental Rehabilitation Fund for the Exxaro group of companies, and the Matla and Arnot Environmental Rehabilitation Fund specifically for the aforementioned mines.

The Exxaro Environmental Rehabilitation Fund and Matla and Arnot Environmental Rehabilitation Fund (Funds) are classified within Level 1 of the fair value hierarchy, as these Funds have been invested on the JSE and NYSE. The Funds receive, hold and invest monies contributed for the rehabilitation or management of negative environmental impacts associated with mining and exploration activities. The contributions are aimed at providing for sufficient funds at date of estimated closure of mining activities to address the rehabilitation and environmental impacts.

The Funds were created and comply with the requirements of the MPRDA.

Funds accumulated for a specific mine or exploration project can only be utilised for the rehabilitation and environmental impacts of that specific mine or project (refer note 13).

The trustees of the fund are appointed by Exxaro and consist of sufficiently qualified Exxaro employees capable of fulfilling their fiduciary duties.

16.2.2.6 KIO
The KIO investment of 88 985 shares is classified within Level 1 as the investment is listed on the JSE. At 31 December 2017, the shares were trading at R379,13 per share (2016: R159,00 per share).

16.2.2.7 New Age Exploration Limited
The New Age Exploration Limited investment of 2 136 824 shares is classified within Level 1 as the investment is listed on the ASE. At 31 December 2017, the shares were trading at AU$0,009 per share (2016: AU$0,03 per share).

16.2.2.8 Non-current receivables
Included in the non-current receivables is an amount of R1 692 million (2016: R1 767 million) recoverable from Eskom in respect of the rehabilitation, environmental expenditure and post-retirement medical obligation of the Matla and Arnot mines at the end of life of these mines. The corresponding anticipated liability is disclosed as part of the non-current provisions (refer note 13.3) and employee benefits (refer note 14.4).

There were no allowances for impairments on non-current receivables at cost during the period under review.

16.2.2.9 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
(a) Chifeng
Chifeng is classified within a 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.

16.2 FINANCIAL INSTRUMENTS (CONTINUED)

16.2.2 FAIR VALUES (CONTINUED)

16.2.2.9 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)

(a) Chifeng (continued)

	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			
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$2 100	Increase in price of zinc concentrate	100
Unobservable inputs			
Production volumes	85 000 tonnes	Increase in production volumes	29
Operational costs (US$ million per annum in real terms)	US$58,46 to US$70,20	Decrease in operations costs	(75)
Discount rate	11,05%	Decrease in the discount rate	(12)
At 31 December 2016			
Observable inputs			
Rand/RMB exchange rate	R1,96/RMB1	Strengthening of the rand to the RMB	18
RMB/US$ 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$2 113	Increase in price of zinc concentrate	158
Unobservable inputs			
Production volumes	85 000 tonnes	Increase in production volumes	33
Operational costs (US$ 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 is not considered to have a significant impact within the range of reasonably possible alternative assumptions for both reporting periods.

(b) 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

The amount to be paid in each of the five years is determined as follows (refer table on page 132):

- 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			
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$84,35	Increase in API4 export price per tonne	180
Unobservable inputs			
Discount rate	3,44%	Decrease in the discount rate	(19)
At 31 December 2016			
Observable inputs			
Rand/US$ 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 is not considered to have a significant impact within the range of reasonably possible alternative assumptions for the reporting periods.

(c) Put option
The put option is classified within a Level 3 of the fair value hierarchy as there is no quoted market price or observable price available for this instrument. This instrument value is based on the present value of the preference share liability redemption amount. Refer note 9.5 for further details of the put option.

16.2 FINANCIAL INSTRUMENTS (CONTINUED)

16.2.3 RISK MANAGEMENT

16.2.3.1 Financial risk management

The group's corporate treasury function provides financial risk management services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the group through internal risk reports which analyse exposure by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The group's objectives, policies and processes for measuring and managing these risks are detailed below.

The group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of derivative financial instruments is governed by the group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis and the results are reported to the audit committee.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The group enters into financial instruments to manage and reduce the possible adverse impact on earnings and cash flows of changes in interest rates, foreign currency exchange rates and commodity prices.

Capital management

In managing its capital, the group focuses on a sound net debt position, return on shareholders' equity (or return on capital employed) and the level of dividends to shareholders. The group's policy is to cover its annual net funding requirements through long-term loan facilities with maturities spread over time. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

Exxaro's improvement project is starting to deliver results with an increased focus on technology and innovation being implemented throughout the group.

During 2017, Standard & Poor's raised Exxaro's domestic credit ratings to zaBBB.

16.2.3.2 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The group's activities expose it primarily to the financial risks of changes in the Funds' prices (see 16.2.3.2.1 below) foreign currency exchange rates (see 16.2.3.2.2 below) and interest rates (see 16.2.3.2.3 on page 135). The group enters into a variety of derivative financial instruments (which close out at year end) to manage its exposure to foreign currency risks and interest rate risks, including:

- FECs and currency options to hedge the exchange rate risk arising on the export of coal and imported capital expenditure
- Forward interest rate contracts to manage interest rate risk
- Interest rate swaps to manage the risk of rising interest rates
- Currency options and currency swap agreements to manage the risk of foreign currency fluctuations.

16.2.3.2.1 Price risk management

The group's exposure to equity price risk arises from investments held by the group and classified either as available-for-sale or at fair value through profit or loss.

The majority of the group's equity investments are investments which are publicly traded and are included on the JSE, NYSE and ASE.

The Funds (environmental rehabilitation funds) are invested with reputable institutions in accordance with a strict mandate to ensure capital preservation and real growth.

The equity investments are held for strategic purposes rather than trading purposes.

The group does not actively trade those equity investments.

16.2.3.2.2 Foreign currency risk management

The group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The currency in which transactions are entered into is mainly denominated in US dollar, euro and Australian dollar.

Exchange rate exposures are managed within approved policy parameters utilising FECs, currency options and currency swap agreements.

The group maintains a fully covered exchange rate position in respect of foreign currency borrowings and imported capital equipment resulting in these exposures being fully converted to rand. Trade-related import exposures are managed through the use of economic hedges arising from export revenue as well as through FECs. Trade-related export exposures are hedged using FECs and options with specific focus on short-term receivables.

Uncovered foreign debtors at 31 December 2017 amount to nil (2016: nil), whereas uncovered cash and cash equivalents amount to US$14,8 million (2016: US$22,9 million).

All capital imports were fully hedged. Monetary items have been translated at the closing rate at the last day of the reporting period US$1:R12,37 (2016: US$1:R13,63).

The FECs which are used to hedge foreign currency exposure mostly have a maturity of less than one year from the reporting date. When necessary, FECs are rolled over at maturity.

The following significant exchange rates applied for both group and company during the year:

	2017			2016		
	Average spot rate	Average achieved rate	Closing spot rate	Average spot rate	Average achieved rate	Closing spot rate
US$	13,30	13,49	12,37	14,69	14,54	13,63
€	15,03		13,85	16,25		14,34
AU$	10,20		9,65	10,93		9,85

Foreign currency sensitivity
The following table includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% increase in foreign currency rates and details the group and company sensitivity thereto. Foreign currency denominated monetary items such as cash balances, trade receivables, trade payables and loans have been included in the analysis.

	Group Profit/(loss) 2017 Rm	Group Profit/(loss) 2016 Rm
Group		
US$	18	31
Company		
US$	18	31

16.2.3.2.3 Interest rate risk management

The group is exposed to interest rate risk as it borrows and deposits funds at floating interest rates on the money market and extended bank borrowings.

The financial institutions chosen are subject to compliance with the relevant regulatory bodies. The interest-bearing borrowings were entered into at floating interest rates in anticipation of a decrease in the interest rate cycle.

The interest rate repricing profile for interest-bearing borrowings (excluding finance leases) is summarised below:

	1 – 6 months Rm	Total borrowings Rm
At 31 December 2017		
Non-current interest-bearing borrowings	6 477	6 477
Current interest-bearing borrowings	(14)	(14)
	6 463	6 463
Total borrowings (%)	100	100
At 31 December 2016		
Non-current interest-bearing borrowings	5 985	5 985
Current interest-bearing borrowings	471	471
	6 456	6 456
Total borrowings (%)	100	100

16.2 FINANCIAL INSTRUMENTS (CONTINUED)

16.2.3 RISK MANAGEMENT (CONTINUED)

16.2.3.2 Market risk management (CONTINUED)

16.2.3.2.3 Interest rate risk management (CONTINUED)

Interest rate sensitivity

The following table reflects the potential impact on earnings, given an increase in interest rates of 50 basis points:

	Group	
	(Loss)/profit	
	2017 Rm	2016 Rm
Increase of 50 basis points in interest rate	(21)	(32)

A decrease in interest rates of 50 basis points would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

16.2.3.3 Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements.

The group manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised borrowing facilities are maintained. The group aims to cover at least its net debt requirements through long-term borrowing facilities.

Borrowing capacity is determined by the directors, from time to time.

	Group	
	2017 Rm	2016 Rm
Amount approved	50 129	44 844
Total borrowings (excluding finance leases)	(6 463)	(6 456)
Unutilised borrowing capacity	43 666	38 388

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2017 and 2016 financial years.

Standard payment terms for the majority of trade payables is the end of the month following the month in which the goods are received or services are rendered.

A number of trade payables do, however, have shorter contracted payment periods.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timeous matching of orders placed with goods received notes or services acceptances and invoices.

16.2.3.3.1 Maturity profile of financial instruments

The following table details the group's and company's contractual maturities of financial assets and financial liabilities:

Group	Carrying amount Rm	Contractual cash flows Rm	Maturity 0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	More than 5 years Rm
2017						
Financial assets						
Derivative financial asset	4	4	4			
Non-current receivable	437	577	82	82	248	165
Trade and other receivables	2 654	2 654	2 654			
Cash and cash equivalents	6 606	6 606	6 606			
Total financial assets	9 701	9 841	9 346	82	248	165
Percentage profile (%)		100	95	1	3	1
Financial liabilities						
Interest-bearing borrowings	6 463	9 160	408	901	7 721	130
Contingent consideration	723	723	309	219	195	
Overdraft	54	54	54			
Trade and other payables	2 483	2 483	2 483			
Derivative financial liability	6	6	6			
Total financial liabilities	9 729	12 426	3 260	1 120	7 916	130
Percentage profile (%)		100	26	9	64	1
Liquidity gap identified[1]	(28)	(2 585)	6 086	(1 038)	(7 668)	35
2016						
Financial assets						
Loan to BEE shareholder	480	484	484			
Trade and other receivables	2 553	2 553	2 553			
Cash and cash equivalents	5 195	5 195	5 195			
Total financial assets	8 228	8 232	8 232			
Percentage profile (%)		100	100			
Financial liabilities						
Shareholder loans	18	18	18			
Interest-bearing borrowings	6 456	7 780	742	245	6 523	270
BEE share repurchase	3 524	3 524	3 524			
Contingent consideration	483	483	75	247	161	
Overdraft	12	12	12			
Trade and other payables	2 141	2 141	2 141			
Derivative financial liability	25	25	25			
Total financial liabilities	12 659	13 983	6 537	492	6 684	270
Percentage profile (%)		100	47	3	48	2
Liquidity gap identified[1]	(4 431)	(5 751)	1 695	(492)	(6 684)	(270)

[1] *The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place.*

CHAPTER 16: FINANCIAL INSTRUMENTS (CONTINUED)

16.2 FINANCIAL INSTRUMENTS (CONTINUED)

16.2.3 RISK MANAGEMENT (CONTINUED)

16.2.3.3. Liquidity risk management (CONTINUED)

16.2.3.3.1 Maturity profile of financial instruments (CONTINUED)

			Maturity			
Company	**Carrying amount Rm**	**Contractual cash flows Rm**	**0 – 12 months Rm**	**1 – 2 years Rm**	**2 – 5 years Rm**	**More than 5 years Rm**
2017						
Financial assets						
Trade and other receivables	2 004	2 004	2 004			
Cash and cash equivalents	5 508	5 508	5 508			
Total financial assets	7 512	7 512	7 512			
Percentage profile (%)		100	100			
Financial liabilities						
Put option	2 377	3 560				3 560
Interest-bearing borrowings	3 985	5 413	408	901	3 974	130
Contingent consideration	723	723	309	219	195	
Overdraft	37	37	37			
Trade and other payables	9 636	9 636	9 636			
Total financial liabilities	16 758	19 369	10 390	1 120	4 169	3 690
Percentage profile (%)		100	54	6	21	19
Liquidity gap identified[1]	(9 246)	(11 857)	(2 878)	(1 120)	(4 169)	(3 690)
2016						
Financial assets						
Loan to BEE shareholder	480	484	484			
Trade and other receivables	1 191	1 191	1 191			
Cash and cash equivalents	4 154	4 154	4 154			
Total financial assets	5 825	5 829	5 829			
Percentage profile (%)		100	100			
Financial liabilities						
Interest-bearing borrowings	6 456	7 780	742	245	6 523	270
BEE share repurchase	3 524	3 524	3 524			
Contingent consideration	483	483	75	247	161	
Overdraft	7	7	7			
Trade and other payables	8 575	8 575	8 575			
Total financial liabilities	19 045	20 369	12 923	492	6 684	270
Percentage profile (%)		100	64	2	33	1
Liquidity gap identified[1]	(13 220)	(14 540)	(7 094)	(492)	(6 684)	(270)

[1] *The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place. The majority of trade and other payables represent intercompany loans which are not expected to be repaid in the foreseeable future.*

16.2.3.4 Credit risk management
Credit risk relates to potential default by counterparties on cash and cash equivalents, investments, trade receivables and hedged positions.

The group limits its counterparty exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The group exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board annually.

Trade receivables consist of a number of customers with whom Exxaro has long-standing relationships. A high portion of term supply arrangements exists with such clients resulting in limited credit exposure which exposure is limited by performing customer creditworthiness or country risk assessments.

Exxaro establishes an allowance for non-recoverability or impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have historical data of payment statistics for similar financial assets.

16.2.3.4.1 Exposure to credit risk
The carrying amount of financial assets at both reporting dates represents the maximum credit risk exposure for both the group and company. None of the financial assets below were held as collateral for any security provided.

Detail of the trade receivables credit risk exposure:

	Group	
	2017 %	**2016 %**
By geographical area		
RSA	69	78
Europe	15	16
Asia	12	6
USA	2	
Australia	2	
Total	100	100
By industry		
Public utilities	50	68
Structural metal	3	10
Cement	6	7
Mining	10	5
Manufacturing	3	3
Merchants	26	3
Steel	2	1
Other		3
Total	100	100

16.2 FINANCIAL INSTRUMENTS (CONTINUED)

16.2.3 RISK MANAGEMENT (CONTINUED)

16.2.3.4 Credit risk management (CONTINUED)

16.2.3.4.1 Exposure to credit risk (CONTINUED)

	Group		Company	
At 31 December	**2017 Rm**	**2016 Rm**	**2017 Rm**	**2016 Rm**
The carrying amount of the financial assets:				
Neither past due nor impaired:	12 889	11 264	12 120	12 318
Trade receivables	2 458	2 194	1 943	1 117
Other receivables	139	269	53	52
Derivative financial asset	4			
Loan to joint venture	126	126	186	186
Preference dividends receivable from associate	2		2	
Loans to subsidiaries			4 020	6 019
Non-current receivables	2 129	1 768	408	310
Indemnification asset	1 268	1 100		
Loan to BEE shareholder		480		480
Lease receivables	118	132		
Trade receivables classified as non-current assets held-for-sale	39			
Cash and cash equivalents	6 606	5 195	5 508	4 154
Past due:	57	90	8	22
Trade receivables	48	58		
Other receivables	9	32	8	22
Total financial assets	12 946	11 354	12 128	12 340
Impaired:	131	185	104	186
Trade receivables	61	77		
Other receivables	70	108	70	108
Indebtedness by subsidiaries			34	78
Financial assets including impaired receivables	13 077	11 539	12 232	12 526

The group strives to enter into sales contracts with clients which stipulate the required payment terms. It is expected of each customer that these payment terms are adhered to. Where trade receivables balances become past due, the normal recovery procedures are followed to recover the debt, where applicable new payment terms may be arranged to ensure that the debt is fully recovered. The credit quality of the above assets is deemed to be neither past due nor impaired and considered to be within industry norm.

Exxaro has concentration risk as a result of its exposure to having one major customer. This is, however, not considered significant as the customer adheres to the stipulated payment terms.

16.2.3.4.2 Trade and other receivables age analysis

At 31 December	Group 2017 Rm	Group 2016 Rm	Company 2017 Rm	Company 2016 Rm
Past due but not impaired:				
1 to 30 days overdue		1		1
31 to 60 days overdue	49	76		14
61 to 90 days overdue		6		
90 to 180 days overdue				1
>180 days overdue	8	7	8	6
Carrying amount of trade and other receivables past due but not impaired[1]	57	90	8	22
Past due and impaired:				
1 to 30 days overdue		1		1
31 to 60 days overdue	22	1		1
61 to 90 days overdue	5	1		1
90 to 180 days overdue		48		1
>180 days overdue	104	134	70	104
Carrying amount of trade and other receivables past due and impaired	131	185	70	108
Total carrying amount of trade and other receivables past due or impaired	188	275	78	130

[1] *Group's past due but not impaired receivables of R10 million (2016: R83 million) relates to the RSA geographical area, R47 million (2016: R1 million) relates to Europe and nil (2016: R6 million) relates to Australia.*

Before the financial assets can be impaired, they are evaluated for the possibility of any recovery as well as the length of time at which the debt has been long outstanding.

16.2.3.4.3 Credit quality of financial assets

The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings available from Fitch and Standard & Poor's.

At 31 December	Group 2017 Rm	Group 2016 Rm	Company 2017 Rm	Company 2016 Rm
Cash and cash equivalents				
Fitch ratings				
F1+	6 436	801	5 508	557
F1		3 842		3 597
Standard & Poor's ratings				
A-1+	11	12		
A-1	159	540		
Total cash and cash equivalents[1]	6 606	5 195	5 508	4 154

[1] *Excludes overdraft and cash and cash equivalents classified as non-current assets held-for-sale.*

CHAPTER 16: FINANCIAL INSTRUMENTS (CONTINUED)

16.2 FINANCIAL INSTRUMENTS (CONTINUED)

16.2.3 RISK MANAGEMENT (CONTINUED)

16.2.3.4 Credit risk management (CONTINUED)

16.2.3.4.3 Credit quality of financial assets (CONTINUED)

Fitch ratings
F1 Highest credit quality
"+" denotes any exceptionally strong credit feature

Standard & Poor's
A-1+ Highest certainty of payment
A-1 Very high certainty of payment

Loans and receivables designated at fair value through profit or loss
The group had no loans and receivables designated as at fair value through profit or loss during the period.

16.2.3.4.4 Collateral

No collateral was held by the group as security and other enhancements over the financial assets during the years ended 31 December 2017 and 2016.

Guarantees
The group did not obtain financial or non-financial assets by taking possession of collateral it holds as security or calling on guarantees during the financial year ended 31 December 2017 and 31 December 2016. The guarantees issued relate to operational liabilities (refer note 13.4 on contingent liabilities).

16.3 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO FINANCIAL INSTRUMENTS

	Group		Company	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Cash and cash equivalents				
Cash and cash equivalents	6 606	5 195	5 508	4 154
Bank overdraft	(54)	(12)	(37)	(7)
Cash and cash equivalents classified as held-for-sale	14			
Total cash and cash equivalents	6 566	5 183	5 471	4 147

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SUBSIDIARIES

CHAPTER 17: SUBSIDIARIES

17.1. ACCOUNTING POLICIES RELATING TO SUBSIDIARIES

17.1.1 INTEREST AND DIVIDEND INCOME

Interest is recognised on the time proportion basis, taking into account the principal amount outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the company.

Dividends receivable are recognised when the right to receive payment is established.

17.1.2 SUBSIDIARIES

The results of subsidiaries are included for the duration of the period in which the group exercises control over the subsidiary. All intercompany transactions and resultant profits or losses between group companies are eliminated on consolidation. Where necessary, accounting policies for subsidiaries are changed to ensure consistency with the policies adopted by the group. If it is not practical to change the policies, the appropriate adjustments are made on consolidation to ensure consistency within the group.

The results of the structured entities that, in substance, are controlled by the group, are consolidated.

The company carries its investments in subsidiaries at cost, including transaction costs and initial fair value of contingent consideration arising on acquisition date, less accumulated impairment losses. Subsequent fair value remeasurements of the contingent consideration are recognised in profit or loss.

Business combinations are accounted for using the acquisition method as at the acquisition date, ie when control is transferred to Exxaro. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, Exxaro takes into consideration potential voting rights that are currently exercisable. The group also assesses existence of control where it does not have more than 50% of the voting power, but is able to govern the financial and operating policies by virtue of de facto control.

De facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating activities.

17.1.2.1 Changes in ownership interest in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on the acquisition of non-controlling interests are also recorded in equity.

17.1.2.2 Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

17.1.2.3 Foreign operations

The results and financial position of all the group entities (none of which have the currency of a hyper-inflationary economy at or for the year ended 31 December 2017 and 2016) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities at rates of exchange ruling at the reporting date
- Equity items are translated at historical rates
- Income, expenditure and cash flow items at weighted average rates
- Goodwill and fair value adjustments arising on acquisition at rates of exchange ruling at the reporting date.

Exchange differences on translation are accounted for in other comprehensive income. These differences will be recognised in profit or loss upon realisation of the underlying operation.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (ie the reporting entity's interest in the net assets of that operation), and of borrowing and other currency instruments designated as hedges of such instruments, are taken to other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in other comprehensive income are recognised in profit or loss.

17.2 INCOME FROM INVESTMENTS IN SUBSIDIARIES

For the year ended 31 December	Company 2017 Rm	Company 2016 Rm
Unlisted shares		
Dividends[1]	1 328	3 000
Net finance income	654	443
– Interest expense on financial liabilities measured at amortised cost[2]	(543)	(459)
– Interest income on impaired loans and receivables		4
– Interest income on unimpaired loans and receivables[2]	1 197	898
Per statement of comprehensive income	1 982	3 443

[1] *2017 comprises a R1 000 million dividend declared and paid by Exxaro Coal Proprietary Limited and R328 million dividend declared and paid by Rocsi Holdings Proprietary Limited. 2016 comprises a dividend declared and paid by Exxaro Coal Proprietary Limited to Exxaro Resources Limited.*

[2] *Interest was calculated on the indebtedness balances.*

17.3 INVESTMENTS IN SUBSIDIARIES

At 31 December	Notes	Company 2017 Rm	Company (Restated) 2016 Rm
Shares at cost less impairment losses	17.5	8 538	3 147
Non-current portion		4 020	6 019
Total indebtedness	17.5	(3 400)	(1 223)
By subsidiaries		5 963	7 136
– Current		1 943	1 117
– Non-current		4 020	6 019
To subsidiaries (current)		(9 363)	(8 359)
Total current portion		7 420	7 242
– Included in trade and other receivables	7.2.3	(1 943)	(1 117)
– Included in trade and other payables	7.2.4	9 363	8 359
Per statement of financial position		12 558	9 166

TERMS AND CONDITIONS OF LOANS

There was no indebtedness to and from subsidiaries with fixed rates of interest for either 2017 or 2016.

There are no significant restrictions on the subsidiaries to transfer funds to Exxaro in the form of cash dividends or to repay loans or advances made by Exxaro.

Treasury loans

The current loans included in trade and other receivables and trade and other payables consist mainly of treasury loans. The treasury loans have no repayment terms and are payable on demand. Interest is charged at money market rates on applicable loans.

Back-to-back loans

The non-current loans and a portion of the current loans of 2016, relate to the back-to-back loans. During 2016 the terms of the loans were renegotiated due to the external group loans being refinanced. The back-to-back loans have similar terms as agreed with external lenders except for interest, which is charged based on JIBAR plus a margin. Refer note 12.1.4 for detailed terms and conditions of the loan facility.

17.3 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

TERMS AND CONDITIONS OF LOANS (CONTINUED)

Back-to-back loans (CONTINUED)

Below is a summary of the interest terms of the different back-to-back loans outstanding at 31 December:

	2017		2016	
Loan	**Margin %**	**Annual rate %**	**Margin %**	**Annual rate %**
Revolving credit facility	3,8	10,79	3,40	8,99
Bullet term loan	3,4	10,61	3,40	10,75
Amortised term loan	4,0	11,2	3,75	11,10
Bond – R480 million			1,70	8,87
Bond – R520 million	1,95	9,17	1,95	9,12

	Company	
	2017 Rm	**2016 Rm**
Non-current back-to-back loans		
Summary of loans by financial year of redemption		
2019	520	519
2021	3 250	5 250
2022 and onwards	250	250
Total unsecured non-current loans	4 020	6 019
Current portion of back-to-back loans		479
Total back-to-back loans	4 020	6 498

17.4 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO INVESTMENTS IN SUBSIDIARIES

	Company	
At 31 December	**2017 Rm**	**2016 Rm**
(Increase)/decrease in investment in subsidiaries		
Proceeds on share buy-back of Mayoko Investment Company		30
Increase in investment in Exxaro Australia Proprietary Limited		(14)
Acquisition of investment in NewBEECo	(2 481)	
Total (increase)/decrease in investment in subsidiaries	(2 481)	16
Decrease/(increase) in indebtedness by subsidiaries		
Decrease/(increase) in non-current indebtedness by subsidiaries	1 999	(1 829)
Total decrease/(increase) in indebtedness in subsidiaries	1 999	(1 829)

17.5 DETAILED ANALYSIS OF INVESTMENTS IN SUBSIDIARIES[1]

At 31 December	Country of incorporation[2]	Nature of business[3]	Public interest score[4]	Interest of company: Investment in shares 2017 R	Investment in shares (Restated) 2016 R	Indebtedness by/(to) 2017 Rm	Indebtedness by/(to) 2016 Rm
DIRECT INVESTMENTS							
AlloyStream Holdings Proprietary Limited[5]	RSA	H	1		746 163		23
Clipeus Investment Holdings Proprietary Limited[6]	RSA	H	1	1	1		12
Colonna Properties Proprietary Limited	RSA	B	1	2 518 966	2 518 966	1	1
Cullinan Refractories Proprietary Limited	RSA	M	1	1 000	1 000		
Exxaro Australia Iron Holdings Proprietary Limited[7]	AUS	H		451 012 768	442 876 618		
Exxaro Base Metals and Industrial Minerals Holdings Proprietary Limited	RSA	H	1	1	1	219	219
Exxaro Chairman's Fund	RSA	S					
Exxaro Coal Botswana Holding Company Proprietary Limited[8]	BOT	H		10	10		
Exxaro Coal Central Proprietary Limited[7]	RSA	M	77	2 616 170 522	1 512 355 094	(1 311)	127
Exxaro Coal Proprietary Limited[7]	RSA	M	30 512	1 868 325 864	1 000	4 594	5 861
Exxaro Employee Empowerment Participation Scheme Trust	RSA	S					
Exxaro Employee Empowerment Trust	RSA	S					
Exxaro Environmental Rehabilitation Fund	RSA	S					
Exxaro FerroAlloys Proprietary Limited[9]	RSA	A	363	1		178	28
Exxaro Foundation	RSA	S					
Exxaro Holdings Congo Proprietary Limited[5]	RSA	H	1		68 685 803		(69)
Exxaro Holdings Proprietary Limited	RSA	H	54	459 517 297	459 517 297	57	57
Exxaro Insurance Company Limited	RSA	I	313	5 000 000	5 000 000		
Exxaro Mountain Bike Academy NPC[10]	RSA	E	1			2	12
Exxaro People Development Initiative NPC	RSA	E	1				
Exxaro Properties (Groenkloof) Proprietary Limited[11]	RSA	B	1	1			
Exxaro Resources (Beijing) Commercial Company Limited	PRC	C		1 609 275	1 609 275	1	
Ferroland Grondtrust Proprietary Limited	RSA	F	67	2	2	165	69
Gravelotte Iron Ore Company Proprietary Limited[10]	RSA	M	5	1	1	21	41
K2016473215 (South Africa) Proprietary Limited (NewBEECo)[12]	RSA	S	2 482	2 480 517 136		25	
Kumba Resources Management Share Trust	RSA	S				(44)	(42)
Rocsi Holdings Proprietary Limited	RSA	H	2	653 722 945	653 722 945	(1 055)	(1 101)
Total direct investments in subsidiaries				8 538 395 790	3 147 034 176	2 853	5 238

CHAPTER 17: SUBSIDIARIES (CONTINUED)

17.5 DETAILED ANALYSIS OF INVESTMENTS IN SUBSIDIARIES[1] (CONTINUED)

				Interest of company			
				Investment in shares		Indebtedness by/(to)	
At 31 December	Country of incorporation[2]	Nature of business[3]	Public interest score[4]	2017 R	2016 R	2017 Rm	2016 Rm
INDIRECT INVESTMENTS							
Coastal Coal Proprietary Limited	RSA	M	152			6	39
Dorstfontein Coal Mines Proprietary Limited (74%)	RSA	M	2 567				
Eloff Mining Company Proprietary Limited (51%)[13]	RSA	M	26				
Exxaro Australia Iron Investments Proprietary Limited	AUS	H					
Exxaro Australia Proprietary Limited	AUS	M & P					2
Exxaro Base Metals China Limited	HK	H					
Exxaro Base Metals International BV	NE	H					214
Exxaro Coal Mpumalanga Proprietary Limited	RSA	M	9 798			583	263
Exxaro International BV	NE	H				(6 953)	(6 953)
Exxaro International Trading AG	SW	C					1
Exxaro Mineral Sands BV[5]	NE	P					167
Exxaro Reductants Proprietary Limited	RSA	A	179			111	(194)
Forzando Coal Mines Proprietary Limited (74%)	RSA	M	1 987				
Inyanda Coal Proprietary Limited[5]	RSA	M					
Ithemba Farm Proprietary Limited	RSA	F	1				
Manyeka Coal Mines Proprietary Limited[13]	RSA	H	1				
Masinketa Coal Mines Proprietary Limited (74%)	RSA	H	2				
Matla and Arnot Rehabilitation Trust	RSA	S					
Mmakau Coal Proprietary Limited (49%)[14]	RSA	P	6				
Newcastle Coal Mines Proprietary Limited	RSA	M	3				
The Vryheid (Natal) Railway Coal and Iron Company Proprietary Limited	RSA	M	115				
Total Coal Holdings South Africa Nature Conservation Trust[15]	RSA	S					
Tumelo Coal Mines Proprietary Limited (49%)[16]	RSA	M	54				
Total indirect investment in subsidiaries						(6 253)	(6 461)
Total investment in subsidiaries				8 538 395 790	3 147 034 176	(3 400)	(1 223)

[1] At 100% holding except where otherwise indicated.
[2] RSA – Republic of South Africa, AUS – Australia, HK – Hong Kong, NE – Netherlands, BOT – Botswana, PRC – People's Republic of China, SW – Switzerland.
[3] M – Mining, B – Property, C – Service, E – Not for profit company, F – Farming, H – Holdings, I – Insurance, A – Manufacturing, P – Exploration, S – Structured entity.
[4] Public interest scores are only applicable to entities incorporated in the RSA.
[5] Liquidated during 2017.
[6] Loan forgiveness during 2017.
[7] Loan capitalisation during 2017.
[8] Liquidation in process at 31 December 2017.
[9] Impairment during 2016 was reversed in 2017.
[10] Loan was impaired during 2017.
[11] Assets within this investment are classified as non-current assets held-for-sale at 31 December 2017 and 31 December 2016.
[12] It was concluded that Exxaro controls NewBEECo even though it holds a 24,9% interest in the company. Refer note 9.5. The company was renamed to Eyesizwe (RF) Proprietary Limited on 14 March 2018.
[13] This investment is classified as a non-current asset held-for-sale at 31 December 2017.
[14] It was concluded that the ECC group controls Mmakau Coal, even though it holds less than half of the voting rights of this subsidiary. This is because the group has provided the majority of the funding, is exposed to the downside risk and carries all the operational risk for the company.
[15] Renamed to The Exxaro Coal Central Trust Fund on 22 February 2018.
[16] It was concluded that the ECC group controls Tumelo, even though it holds less than half of the voting rights of this subsidiary. This is because the group performs the management function of this subsidiary.

17.6 NON-CONTROLLING INTERESTS' SUMMARISED FINANCIAL INFORMATION

The summarised financial information (100%) set out below relates to the subsidiaries with non-controlling interests that are material to the group.

	Dorstfontein Coal Mines Proprietary Limited Rm	Other Rm
Statements of financial position		
At 31 December 2017		
Non-current assets	1 150	166
Current assets	163	29
Total assets	1 313	195
Non-current liabilities	3 705	295
Current liabilities	179	37
Total liabilities	3 884	332
Net liabilities	(2 571)	(137)
Accumulated non-controlling interests	(668)	(70)
Statements of comprehensive income		
For the year 31 December 2017		
Revenue	1 702	
Operating expenses	(1 436)	(8)
Net operating profit/(loss)	266	(8)
Finance income		2
Finance costs	(59)	(1)
Profit/(loss) before tax	207	(7)
Income tax benefit/(expense)	4	(2)
Profit/(loss) for the year	211	(9)
Other comprehensive income		
Total comprehensive income/(loss) for the year	211	(9)
Profit/(loss) attributable to:	211	(9)
Owners of the parent	156	(4)
Non-controlling interests	55	(5)
Total comprehensive income/(loss) attributable to:	211	(9)
Owners of the parent	156	(4)
Non-controlling interests	55	(5)
Statements of cash flows		
For the year 31 December 2017		
Cash flows from operating activities	294	8
Cash flows from investing activities	(165)	(4)
Cash flows from financing activities	(122)	(4)
Net increase in cash and cash equivalents	7	

17.6 NON-CONTROLLING INTERESTS' SUMMARISED FINANCIAL INFORMATION (CONTINUED)

	Dorstfontein Coal Mines Proprietary Limited Rm	Other Rm
Statements of financial position		
At 31 December 2016		
Non-current assets	1 012	152
Current assets	127	31
Total assets	1 139	183
Non-current liabilities	3 763	286
Current liabilities	157	25
Total liabilities	3 920	311
Net liabilities	(2 781)	(128)
Accumulated non-controlling interests	(723)	(65)
Statements of comprehensive income		
For the year 31 December 2016		
Revenue	1 393	
Operating expenses	(1 130)	(5)
Net operating profit/(loss)	263	(5)
Finance income	1	2
Finance costs	(190)	(10)
Profit/(loss) before tax	74	(13)
Income tax benefit/(expense)	2	(2)
Profit/(loss) for the year	76	(15)
Other comprehensive income		
Total comprehensive income/(loss) for the year	76	(15)
Profit/(loss) attributable to:	76	(15)
Owners of the parent	56	(7)
Non-controlling interests	20	(8)
Total comprehensive income/(loss) attributable to:	76	(15)
Owners of the parent	56	(7)
Non-controlling interests	20	(8)
Statements of cash flows		
For the year ended 31 December 2016		
Cash flows from operating activities	81	(15)
Cash flows from investing activities	(136)	4
Cash flows from financing activities	56	15
Net increase in cash and cash equivalents	1	4

No dividends were paid during 2017 or 2016.

The principal place of business of all the subsidiaries with non-controlling interest is in Mpumalanga, South Africa.

18

COMPLIANCE

CHAPTER 18: COMPLIANCE

18.1 BASIS OF PREPARATION

18.1.1 STATEMENT OF COMPLIANCE

The group and company annual financial statements as at and for the year ended 31 December 2017 have been prepared under the supervision of Mr PA Koppeschaar CA(SA), SAICA registration number: 00038621. The principal accounting policies of the Exxaro Resources Limited company and group of companies (the group) as well as the disclosures made in the annual financial statements comply with IFRS and IFRIC interpretations effective for the group's financial year as well as the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act, applicable to companies reporting under IFRS and the Listings Requirements.

18.1.2 BASIS OF MEASUREMENT

The annual financial statements are prepared on the historical cost basis, except for the revaluation to fair value of financial instruments and biological assets. The annual financial statements are prepared on the going concern basis.

The annual financial statements are presented in South African rand, which is the company's functional and presentation currency. However, the group measures the transactions of each of its material operations using the functional currency determined for that specific entity, which, in most instances, is the currency of the primary economic environment in which the operation conducts its business.

Management considers key financial metrics and loan covenant compliance in its approved medium-term budgets, together with its existing term facilities, to conclude that the going concern assumption used in compiling the annual financial statements is relevant.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the group and company annual financial statements, are disclosed within the annual financial statements.

18.1.3 BASIS OF CONSOLIDATION

The accounting policies applied for 2017 are consistent with those applied in 2016 by the Exxaro group of companies. The group annual financial statements present the consolidated financial position and changes therein, operating results and cash flow information of the company and its subsidiaries.

18.1.4 JUDGEMENTS MADE BY MANAGEMENT

Judgements, apart from those involving estimates, have been made by management in the process of applying the group's accounting policies that have the most significant effect on the amounts recognised in the annual financial statements. Details of these judgements have been included within the relevant chapters.

18.1.5 KEY ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING ACCOUNTING POLICIES

Key assumptions concerning the future, and other key sources of estimation uncertainty at the financial year end, may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year if the assumption or estimation changes significantly. The financial information on which some of the assumptions are based has not been reviewed nor reported on by the group's independent external auditors. Details of key assumptions and key sources of estimation uncertainty have been included within the relevant chapters.

18.2 ADOPTION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

18.2.1 NEW, AMENDED AND REVISED STANDARDS ADOPTED BY THE GROUP DURING 2017

The group has applied the following new, amended and revised standards for the first time for the annual reporting period commencing on 1 January 2017:

- Amendment to IAS 7 *Statement of Cash Flows*
- Amendment to IAS 12 *Income Taxes*
- Amendments to IFRS from the 2014 to 2016 annual improvements cycle.

The adoption of IAS 7 has resulted in enhanced disclosures surrounding the changes (both cash and non-cash flow movements) in liabilities arising from financing activities (refer note 12.1.5). Other than that, the adoption of these amendments did not have any impact on the current period or any prior period.

18.2.2 NEW, AMENDED AND REVISED STANDARDS NOT YET ADOPTED BY THE GROUP

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

Standard	Nature of change	Impact
IFRS 9 *Financial Instruments (effective 1 January 2018)*	IFRS 9 introduces extensive changes to IAS 39 *Financial Instruments: Recognition and Measurement* guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. IFRS 9 also provides new guidance on the application of hedge accounting.	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. 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 (effective 1 January 2018)*	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 *Revenue* which covers contracts for goods and services and IAS 11 *Construction Contracts* which covers construction contracts. IFRS 15 establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRS, including how to account for variable pricing, customer refund rights, and others.	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 accepts 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. *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 stockpile 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. For the company, some of its contracts with subsidiaries is expected to fall outside the scope of IFRS 15 due to the collectability criteria not being met. The company expects to apply the standard retrospectively and to make use of the practical expedient in IFRS 15 par C5(a) which will allow the company not to restate completed contracts that began and ended within the same annual reporting period. The practical expedient is only available when using the retrospective approach and will result in no restatement of amounts of revenue recognised previously as all the service contracts are renewed at each reporting period with a duration of only 12 months. Disclosure of the revenue from contracts with customers will expand to include the more detailed disclosure requirements of IFRS 15 regarding the performance obligations and payment terms, as well as significant judgements made by management. A formal decision has not been taken on the aggregation of the revenue, but it is expected to follow the current disclosure per the segmental reporting. Exxaro is currently in the process of finalising the impact assessment of IFRS 15 on the group.
IFRS 16 *Leases (effective 1 January 2019)*	IFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard.	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.

18.2 ADOPTION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

18.2.2 NEW, AMENDED AND REVISED STANDARDS NOT YET ADOPTED BY THE GROUP (CONTINUED)

There are no other standards that are not yet effective and that would be expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date.

18.3 RE-PRESENTATION AND RESTATEMENT OF COMPARATIVE INFORMATION

GROUP

The prior year results as per the group 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 7.1.4)
- 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.

COMPANY

Re-presentation

The prior year results as per the company statement of comprehensive income (and related notes) have been re-presented as a result of:

- The investment in Tronox Limited being identified as a discontinued operation (refer note 7.1.4).

Restatement

The company statement of financial position (and related notes) and the company statement of changes in equity have been restated to show the impact of an error which has been identified.

Exxaro Holdings Congo Proprietary Limited (Exxaro Holdings Congo), previously named Exxaro Holdings Sands Proprietary Limited, a wholly owned subsidiary of Exxaro, was liquidated during 2017. On liquidation, it was identified that the investment should have been impaired in a prior reporting period. In 2012, an impairment indicator arose as a result of Exxaro Holdings Congo declaring a dividend to Exxaro subsequent to the divestment from the mineral sands operations. An impairment charge of R1 801 million should have been recognised at that point in time as the recoverable amount of the investment was R69 million.

This restatement had no impact on the group.

The error has been corrected by restating each of the affected financial statement line items for the prior year as follows:

	31 December 2016 (Previously presented) Rm	Adjustment Rm	31 December 2016 (Restated) Rm
Statement of financial position			
Non-current assets	26 155	(1 801)	24 354
Investment in subsidiaries	10 967	(1 801)	9 166
Total assets	32 103	(1 801)	30 302
Retained earnings	12 019	(1 801)	10 218
Equity attributable to owners of the parent	12 830	(1 801)	11 029
Total equity	12 830	(1 801)	11 029
Total equity and liabilities	32 103	1 801	30 302
Statement of changes in equity			
Retained earnings			
At 31 December 2015	9 777	(1 801)	7 976
At 31 December 2016	12 019	(1 801)	10 218
Total equity			
At 31 December 2015	13 843	(1 801)	12 042
At 31 December 2016	12 830	(1 801)	11 029

18.3 RE-PRESENTATION AND RESTATEMENT OF COMPARATIVE INFORMATION (CONTINUED)

	Company		
	31 December 2015 (Previously presented) Rm	Adjustment Rm	31 December 2015 (Restated) Rm
Statement of financial position			
Non-current assets	24 786	(1 801)	22 985
Investment in subsidiaries	9 300	(1 801)	7 499
Total assets	27 823	(1 801)	26 022
Retained earnings	9 777	(1 801)	7 976
Equity attributable to owners of the parent	13 843	(1 801)	12 042
Total equity	13 843	(1 801)	12 042
Total equity and liabilities	27 823	1 801	26 022
Statement of changes in equity			
Retained earnings			
At 31 December 2014	11 735	(1 801)	9 934
At 31 December 2015	9 777	(1 801)	7 976
Total equity			
At 31 December 2014	15 665	(1 801)	13 864
At 31 December 2015	13 843	(1 801)	12 042

The corresponding notes to the company annual financial statements have accordingly been restated as follows:

Note 17.3 Investments in subsidiaries

	31 December 2016 (Previously disclosed) Rm	Adjustment Rm	31 December 2016 (Restated) Rm
Shares at cost less impairment losses	4 948	(1 801)	3 147
Per statement of financial position	10 967	(1 801)	9 166

Note 17.5 Detailed analysis of investments in subsidiaries

	Company		
	31 December 2016 (Previously disclosed) R	Adjustment R	31 December 2016 (Restated) R
Exxaro Holdings Congo Proprietary Limited	1 869 951 859	(1 801 266 056)	68 685 803
Total direct investments in subsidiaries	4 948 300 232	(1 801 266 056)	3 147 034 176
Total investment in subsidiaries	4 948 300 232	(1 801 266 056)	3 147 034 176

18.4 EVENTS AFTER THE REPORTING PERIOD

Details of the final dividend proposed are given in note 6.5.

On 13 February 2018 Exxaro declared a special dividend amounting to R4 502 million (refer note 6.5).

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 9.4).

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.


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ANNEXURES

CHAPTER 19: ANNEXURES

ANNEXURE 1: SHAREHOLDER ANALYSIS

1.1 EXXARO PUBLIC AND NON-PUBLIC SHAREHOLDING 2017

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued share capital
Non-public shareholders	26	0,19	108 047 516	30,12
NewBEECo[1]	1	0,01	107 612 026	30,00
Kumba Management Share Trust	1	0,01	158 218	0,04
Directors	5	0,04		
– CJ Fauconnier			48 500	0,01
– D Konar			6 168	0,00
– PA Koppeschaar[2]			15 335	0,01
– MDM Mgojo[3]			18 741	0,01
– J van Rooyen[4]			1 500	0,00
Subsidiary directors	19	0,13	187 028	0,05
Public shareholders	13 334	99,81	250 659 238	69,88
Total	13 360	100,00	358 706 754	100,00

[1] *Includes indirect shareholding through NewBEECo of the following directors:*

– MDM Mgojo	*4 806 028*	*1,34*
– S Dakile-Hlongwane	*188 655*	*0,05*
– VZ Mntambo	*4 462 866*	*1,24*
– D Zihlangu	*344 899*	*0,10*

[2] *Includes direct and DBP shareholding.*

[3] *Includes DBP shareholding.*

[4] *Shares held indirectly through Uranus Financial Services Proprietary Limited.*

1.2 REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders at 31 December 2017:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued share capital
1 to 1 000 shares	11 114	83,19	2 415 311	0,67
1 001 to 10 000 shares	1 383	10,35	4 471 738	1,25
10 001 to 100 000 shares	573	4,29	19 597 503	5,46
100 001 to 1 000 000 shares	228	1,71	73 256 218	20,42
1 000 001 shares and above	62	0,46	258 965 984	72,20
Total	13 360	100,00	358 706 754	100,00

1.3 SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS ABOVE 3%

Through regular analysis of Strate registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held 3% or more (directly and indirectly) of the issued share capital as at 31 December 2017:

	Number of shares	% of issued share capital
Investment management shareholdings		
NewBEECo	107 612 026	30,00
Coronation Asset Management Proprietary Limited	28 242 550	7,87
Public Investment Corporation (PIC)	22 927 477	6,39
Old Mutual Plc	14 085 585	3,93
Prudential Investment Managers	14 075 752	3,92
Total	186 943 390	52,11
Beneficial shareholdings		
NewBEECo	107 612 026	30,00
Government Employees Pension Fund	28 300 858	7,89
Total	135 912 884	37,89

ANNEXURE 2: DEFINITIONS

ATTRIBUTABLE CASH FLOW PER ORDINARY SHARE
Cash flow from operating activities after adjusting for participation of non-controlling interests therein divided by the weighted average number of ordinary shares in issue during the year.

CAPITAL EMPLOYED
Total equity plus net debt minus non-current financial assets.

CASH AND CASH EQUIVALENTS
Comprise cash on hand and current accounts in bank, net of bank overdrafts, together with any highly liquid investments readily convertible to known amounts of cash and not subject to significant risk of changes in value.

CORE ATTRIBUTABLE EARNINGS
Earnings attributable to owners of the parent adjusted for non-core items.

CURRENT RATIO
Current assets divided by current liabilities.

DIVIDEND COVER
Attributable earnings per ordinary share divided by dividends per ordinary share.

DIVIDEND COVER (CORE)
Core attributable earnings per ordinary share divided by dividends per ordinary share.

DIVIDEND YIELD
Dividends per ordinary share divided by the closing share price on the JSE.

EARNINGS PER ORDINARY SHARE
Attributable earnings basis
Earnings attributable to owners of the parent (Exxaro) divided by the weighted average number of ordinary shares in issue (net of treasury shares) during the year.

Headline earnings basis
Headline earnings divided by the weighted average number of ordinary shares in issue (net of treasury shares) during the year.

EFFECTIVE INTEREST RATE
The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

FINANCING COST COVER
- EBIT – net operating profit before interest and tax divided by net financing costs
- EBITDA – net operating profit before interest, tax, depreciation, amortisation, impairment charges and net loss or gain on sale of investments (including FCTR recycled to profit or loss) and assets divided by net financing cost.

GOOD LEAVERS
A participant whose employment with employer companies is terminated due to:
(i) The participant's:
  - Retrenchment
  - Retirement
  - Death
  - Serious disability or incapacitation
  - Promotion out of the relevant qualifying category; or

(ii) The employer company ceasing to form part of the employer companies, provided that any transfer of employment by a participant to another employer company shall not be deemed to constitute any terminations of employment by a participant with the employer companies.

HEADLINE EARNINGS
Earnings attributable to owners of the parent (Exxaro) adjusted for gains or losses on items of a capital nature, recognising the tax and non-controlling interests impact on these adjustments.

HEADLINE EARNINGS YIELD
Headline earnings per ordinary share divided by the closing share price on the JSE.

INVESTED CAPITAL
Total equity, interest-bearing debt, non-current provisions and net deferred tax less cash and cash equivalents.

NET ASSETS
Total assets less current and non-current liabilities less non-controlling interests which equates to equity of owners of the parent (Exxaro).

NET DEBT TO EQUITY RATIO
Interest-bearing debt less cash and cash equivalents as a percentage of total equity.

NET OPERATING PROFIT
Net operating profit or loss equals revenue less operating expenses, major once-off expense items and impairment charges, plus impairment reversals and major non-recurring income items. Major non-recurring items are presented separately on the statement of comprehensive income between operating profit or loss and net operating profit or loss and relate to significant corporate activities.

NON-CORE ITEMS
Gains and losses on transactions adjusted in the calculation of headline earnings plus any other gains or losses relating to major non-recurring transactions or corporate actions, which is defined by management at each reporting period.

NUMBER OF YEARS TO REPAY INTEREST-BEARING DEBT
Interest-bearing debt divided by cash flow from operating activities before dividends paid.

OPERATING MARGIN
Net operating profit as a percentage of revenue.

OPERATING PROFIT
Operating profit or loss equals revenue less operating expenses before impairment charges or reversals and major non-recurring items.

OPERATING SEGMENTS
An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses; and whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to the segment and assess its performance; and for which discrete financial information is available.

RETURN ON CAPITAL EMPLOYED
Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments as a percentage of average capital employed.

RETURN ON INVESTED CAPITAL
Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments as a percentage of the average invested capital.

RETURN ON NET ASSETS
Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments as a percentage of the average net assets.

RETURN ON ORDINARY SHAREHOLDERS' EQUITY
Attributable earnings
Earnings attributable to owners of the parent (Exxaro) as a percentage of average equity attributable to owners of the parent (Exxaro).

Headline earnings
Headline earnings as a percentage of average equity attributable to owners of the parent (Exxaro).

REVENUE PER EMPLOYEE
Revenue divided by the average number of employees during the year.

TOTAL ASSET TURNOVER
Revenue divided by average total assets.

WANOS IN ISSUE
The number of shares in issue at the beginning of the year, increased by shares issued during the year, decreased by share repurchases during the year and treasury shares, weighted on a time basis for the period in which they have participated in the income of the group.

In the case of shares issued pursuant to a share capitalisation award in lieu of dividends, the participation of such shares is deemed to be from the date of issue.

CHAPTER 19: ANNEXURES (CONTINUED)

ANNEXURE 3: ADMINISTRATION

GROUP COMPANY SECRETARY AND REGISTERED OFFICE
SE van Loggerenberg
Exxaro Resources Limited
Roger Dyason Road
Pretoria West, 0183
(PO Box 9229, Pretoria, 0001)
South Africa
Telephone +27 12 307 5000

Company registration number: 2000/011076/06
JSE share code: EXX
ISIN code: ZAE000084992
ADR code: EXXAY

AUDITORS
PricewaterhouseCoopers Incorporated
4 Lisbon Lane
Waterfall City, Jukskei View, 2090

COMMERCIAL BANKERS
ABSA Bank Limited

CORPORATE LAW ADVISERS
EOH Legal Services Proprietary Limited
Roger Dyason Road
Pretoria West, 0183

UNITED STATES ADR DEPOSITORY
The Bank of New York Mellon
101 Barclay Street
New York NY10286
United States of America

SPONSOR
ABSA Bank Limited (acting through its Corporate and Investment Bank Division)
Barclays Sandton North
15 Alice Lane
Sandton, 2196

REGISTRARS
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

PREPARED UNDER SUPERVISION OF:
PA Koppeschaar CA(SA)
SAICA registration number: 0038621

ANNEXURE 4: SHAREHOLDERS' DIARY

Financial year end	31 December
Annual general meeting	May
Reports and accounts published	
Announcement of annual results	March
Integrated report and annual financial statements	April
Interim report for the half-year (30 June)	August
Distribution	
Final dividend declaration	March
Payment	April
Interim dividend declaration	August
Payment	September/October

www.exxaro.com