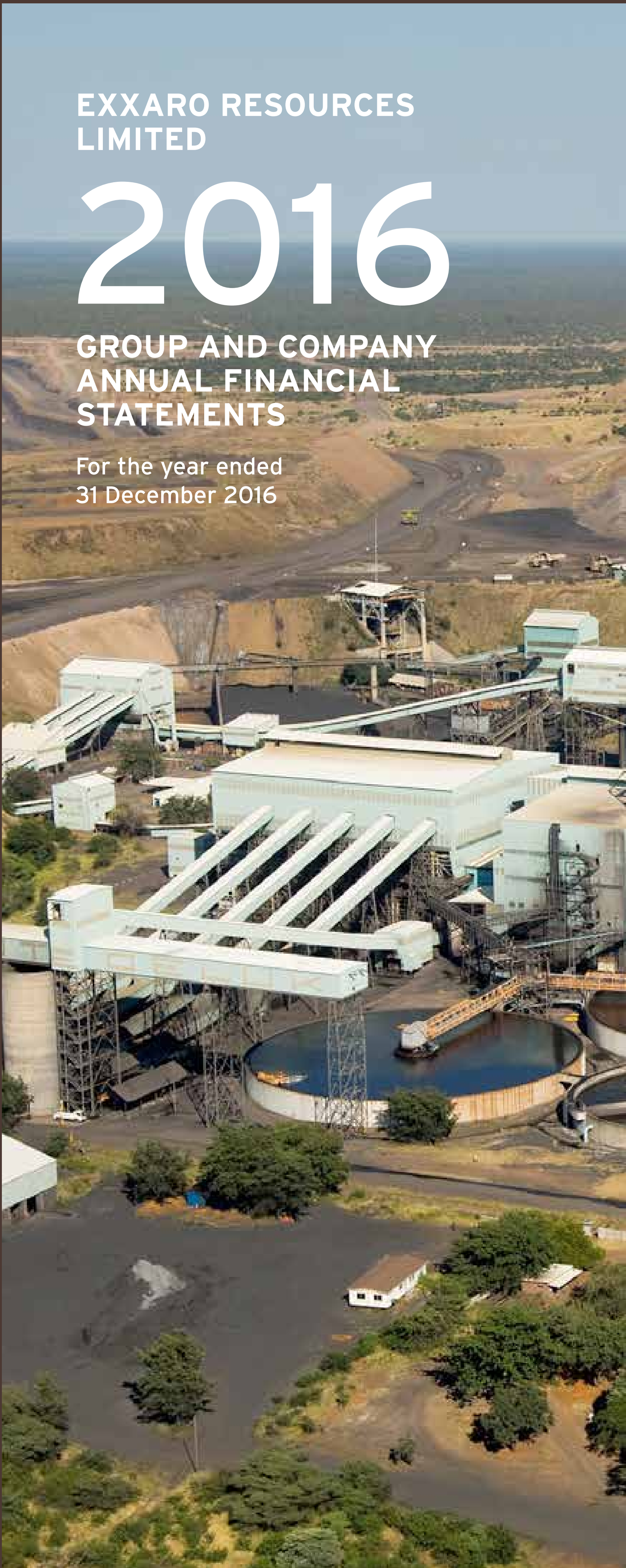
EXXARO RESOURCES LIMITED

2016

GROUP AND COMPANY ANNUAL FINANCIAL STATEMENTS

For the year ended
31 December 2016



exxaro

POWERING POSSIBILITY

CONTENTS

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
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
DBP	Deferred bonus plan
DCF	Discounted cash flow
DCM	Dorstfontein Coal Mine
DMTN	Domestic Medium-Term Note
ECC	Exxaro Coal Central Proprietary Limited
EITAG	Exxaro International Trading AG
EMJV	Ermelo joint venture
Exxaro	Exxaro Resources Limited
FCTR	Foreign currency translation reserve
FeCr	FerroChrome
FECs	Forward foreign exchange contracts
FY15	Financial year ended 31 December 2015
FY16	Financial year ended 31 December 2016
HEPS	Headline earnings per share
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standard
IPP	Independent Power Producer
JIBAR	Johannesburg Interbank Agreed Rate
JORC	Joint Ore Reserves Committee Code
JSE	JSE Limited
kcal	Kilocalorie
King III	King Report on Governance for South Africa 2009
KIO	Kumba Iron Ore Limited
KPI	Key performance indicator
kt	Kilo tonnes
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
Main Street 333	Main Street 333 Proprietary Limited (RF), controlling shareholder
Mmakau Coal	Mmakau Coal Proprietary Limited
MoI	Memorandum of Incorporation
MPower 2012	Exxaro Employee Empowerment Trust

ACRONYMS (CONTINUED)

MPRDA	Mineral and Petroleum Resources Development Act 28 2002
Mt	Million tonnes
NCC	New Clydesdale Colliery
NCOE	Notional cost of employment
NPC	Not for profit company
NYSE	New York Securities Exchange
PAYE	Pay as you earn
PPA	Purchase Price Allocation
PPI	Producer Price Index
PRC	People's Republic of China
PwC	PricewaterhouseCoopers Incorporated
Rbn	Rand billion
RBCT	Richards Bay Coal Terminal
Rm	Rand million
RMB	Chinese renminbi
RoC	Republic of Congo
RSA	Republic of South Africa
SAICA	South African Institute of Chartered Accountants
SARS	South African Revenue Service
SAR	Share appreciation right scheme
Scinta	Scinta Energy Proprietary Limited
SDCT	South Dunes Coal Terminal SOC Limited
SENS	Securities Exchange News Service
SIOC	Sishen Iron Ore Company Proprietary Limited
SOC	State-owned company
SSCC	Semi-soft coking coal
Tata Power	Tata Power Company Limited
TCSA	Total Coal South Africa Proprietary Limited
TiO_2	Titanium dioxide
Tronox	Tronox Limited
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
US$	United States dollar
USA	United States of America
VAT	Value added tax
WANOS	Weighted average number of shares
XAF	Central African franc

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BROAD-BASED ECONOMIC VALUE CREATION

CHAPTER 1: BROAD-BASED ECONOMIC VALUE CREATION

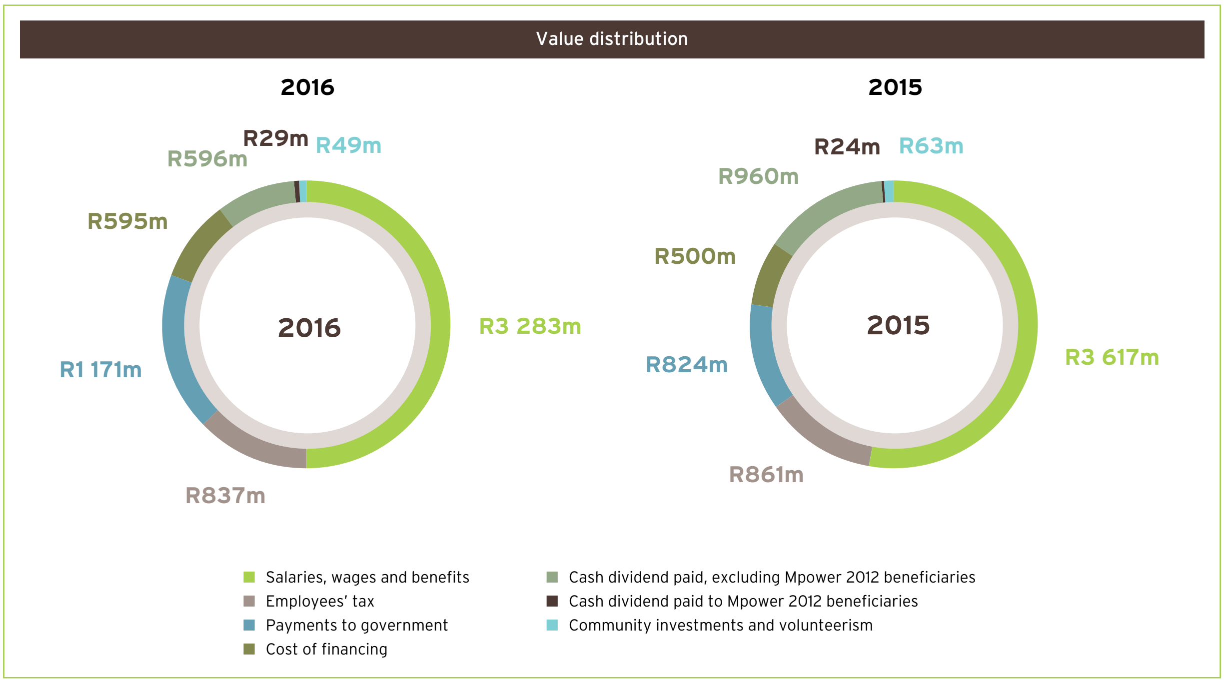
1.1 CASH VALUE ADDED STATEMENT (UNAUDITED)

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/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 2016 Rm	Group 2015 Rm
Direct economic value generated	11 226	11 202
Gross revenue from the sale of products and services (including VAT)	23 369	20 579
Income from investments and interest received	884	1 396
Operating costs	(13 027)	(10 773)
Economic value distributed	6 560	6 849
Employee salaries, wages and benefits (excluding employees' tax: PAYE)	3 283	3 617
Employees' tax (PAYE) deducted from remuneration paid	837	861
Payments to government (taxation contribution)	1 171	824
Cost of financing (interest paid and other loan cost)	595	500
Cash dividend paid, excluding Mpower 2012 beneficiaries	596	960
Cash dividend paid to Mpower 2012 beneficiaries	29	24
Community investments and volunteerism (including donations)	49	63
Net economic value retained in the group to maintain and develop operations	4 666	4 353
Included in the above are:		
Payments to government (taxation contribution)	1 171	824
Direct taxes per country (excluding deferred tax)	547	81
– RSA	529	78
– Netherlands	18	
– Other		3
VAT	441	558
– Levied on purchases of goods and services	(1 824)	(1 595)
– Charged on turnover	2 265	2 153
Additional amounts collected by the group on behalf of government		
– Unemployment Insurance Fund	13	14
Levies paid to government	170	171
– Rates and taxes	9	8
– Royalties	105	109
– Workers' Compensation Fund	7	5
– Unemployment Insurance Fund	13	14
– Skills Development Levy	36	35
Community investments and volunteerism per region	49	63
– Gauteng and corporate projects	18	14
– Limpopo	12	26
– Mpumalanga	19	23

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THE YEAR IN BRIEF

CHAPTER 2: THE YEAR IN BRIEF

ROBUST PERFORMANCE

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

The Exxaro improvement project to reduce costs and improve efficiencies achieved sustainable cost savings of R235 million in FY16.

COMPARABILITY OF RESULTS

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

Reporting segment	Description	2016 Rm	Description	2015 Rm
Coal	› Termination and voluntary severance packages	(10)	› Termination and voluntary severance packages	(110)
	› Gains on disposal of operation (Inyanda)[1]	100	› Impairment of goodwill recognised on the acquisition of ECC[1]	(1 524)
	› Gain on disposal of joint venture (SDCT)[1]	203		
	› Loss on disposal of property, plant and equipment[1]	(45)	› Gain on disposal of non-core assets, property, plant and equipment and insurance claim income[1]	137
			› Impairment of property, plant and equipment (reductants operation)[1]	(225)
Ferrous	› Termination and voluntary severance packages	(1)	› Termination and voluntary severance packages	(39)
	› Gain on disposal of property, plant and equipment[1]	10	› Gain on disposal of property, plant and equipment[1]	122
	› Gain on disposal of subsidiaries (Mayoko iron ore project and related subsidiaries)[1]	670	› Partial reversal of previous write-off of financial assets	11
	› Impairment of property, plant and equipment (FerroAlloys)[1]	(100)		
Other	› Termination and voluntary severance packages	(87)	› Termination and voluntary severance packages	(259)
	› Loss on dilution of shareholding in Tronox[1]	(36)	› Loss on dilution of shareholding in Tronox[1]	(10)
	› Fair value adjustment on contingent consideration relating to the acquisition of ECC	(445)	› Gain on disposal of property, plant and equipment and non-core assets[1]	17
			› Foreign exchange gain on US$ held for ECC acquisition	747
			› Gains on translation differences of foreign subsidiaries[1]	1 012
			› Other	(96)
Group	**Total net operating profit impact**	259	**Total net operating loss impact**	(217)
Coal	› Tax on disposal of property, plant and equipment[1]	13	› Tax on disposal of non-core assets, insurance claim income and impairment[1]	28
	› 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	› Tax on impairment of property, plant and equipment[1]	27	› Post-tax share of SIOC gains on disposal of non-core assets and insurance claims income[1]	3
	› Excess of fair value over cost of investment in SIOC[1]	221	› Post-tax share of SIOC's impairment of operation[1]	(866)
	› Post-tax share of SIOC loss on disposal of property, plant and equipment[1]	(28)		
	› Post-tax share of SIOC impairment of property, plant and equipment[1]	(1)		
TiO_2 and Alkali chemicals	› Post-tax share of Tronox restructuring costs	(9)	› Post-tax share of Tronox restructuring costs	(141)
	› Post-tax share of Tronox gain on disposal of property, plant and equipment[1]	4	› Post-tax share of Tronox loss on disposal of property, plant and equipment[1]	(21)
Group	**Total attributable earnings impact**	506	**Total attributable loss impact**	(1 214)

[1] *Excluded from headline earnings.*

GROUP

REVENUE AND NET OPERATING PROFIT

Group revenue increased by 14% to R20 897 million, while group net operating profit increased by 64% to R5 200 million (FY15: R3 173 million) mainly due to higher coal sales prices and the weakening of the rand against the US dollar in FY16. An average spot exchange rate of R14,69 to the US dollar was recorded for FY16, compared to R12,76 in FY15, a depreciation of 15%. Other contributing factors to the increased net operating profit included the following:

- Higher contributions from the coal operations (refer coal business performance below)
- The non-recurrence of impairments of goodwill and property, plant and equipment arising in FY15 of R1 749 million
- A R670 million gain on disposal of the Mayoko iron ore project and its related subsidiaries in FY16
- Lower cost in the ferrous segment due to the disposal of Mayoko iron ore project.
- Offset by the non-recurrence of gains in FY15 relating to:
  - Unrealised foreign exchange profits recorded on US dollar held for the ECC acquisition
  - Translation differences recycled to profit or loss on liquidation of foreign subsidiaries
- R445 million loss on the fair value adjustment recognised in FY16 relating to the contingent consideration which relates to the ECC acquisition.

EARNINGS

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

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

CASH FLOW AND FUNDING

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

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

Dividends received of R748 million (FY15: R1 341 million) consisted of R450 million (FY15: nil) from Mafube (a joint venture with Anglo), and R298 million (FY15: R668 million) from our investment in Tronox. No dividends were received from SIOC in FY16 (FY15: R673 million).

DEBT EXPOSURE

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

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

COAL BUSINESS PERFORMANCE

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

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

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

REVENUE AND NET OPERATING PROFIT

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

Net operating profit of R5 166 million (FY15: R2 574 million) represents an increase of 101%, at an operating margin of 25%, compared to FY15, mainly due to:

- Impairment of goodwill in 2015 which arose on the acquisition of ECC (R1 524 million)
- Higher prices (+R931 million)
- Lower buy-in prices from Mafube joint venture (+R441 million)
- Inclusion of ECC for the full year (+R429 million)
- Impairment of property, plant and equipment of the reductants operation in FY15 (+R225 million)
- Gain on the restructuring of SDCT shareholding (+R203 million)
- Exchange rate variances due to the weakening of the local currency against the US dollar (+R111 million).

COAL BUSINESS PERFORMANCE (CONTINUED)

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

FERROUS BUSINESS

NET OPERATING PROFIT

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

EQUITY-ACCOUNTED INVESTMENT

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

TiO_2 AND ALKALI CHEMICALS

EQUITY-ACCOUNTED INVESTMENT

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

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

On 21 February 2017, Tronox entered into a definitive agreement to acquire the TiO_2 business of Cristal (also known as The National Titanium Dioxide Company Limited) for US$1 673 million cash and shares, representing a 24% shareholding in the enlarged company. As Tronox's largest shareholder, Exxaro intends to vote its shares in favour of the proposed transaction.

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

ENERGY

EQUITY-ACCOUNTED INVESTMENT

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

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

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

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

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

SHAREHOLDER RETURN

Our dividend policy is based on a cover ratio of between 2,5 and 3,5 times core attributable earnings. While our target has been to move towards a 2,0 times core earnings cover, we are cognisant of the environment in which we operate and our stakeholders' needs. We continuously review this policy to ensure our dividend payouts are sustainable.

As such we were able to declare a final dividend of 410 cents for FY16, bringing our total FY16 dividend to 500 cents per share.

KEY PERFORMANCE INDICATORS

		2016[1]	2015[2]	2014[3]	2013[4]	2012[5]	2011[5]	2010	2009[6]	2008[7]	2007[7]
Selected ratios											
Net financing cost cover:EBITDA	Times	9	9	36	10	11	22	9	7	9	6
Return on equity (ROE):attributable earnings	%	16	57	14	16	19	36	34	19	32	14
Return on capital employed (ROCE)	%	24	12	14	19	27	44	38	25	34	20
Return on net assets (RONA)	%	22	11	14	19	27	43	42	28	39	24
Operating margin	%	25	27	15	19	43	20	15	2	19	14
Net debt/(cash):equity	%	4	9	3	20	18	(1)	13	29	18	31
Share statistics											
Total shares in issue at 31 December	Million	358	358	358	358	358	354	358	357	355	353
– Mpower/Mpower 2012	Million	2	3	3	3	3		11	11	11	11
– Ordinary	Million	356	355	355	355	355	354	347	346	344	342
Diluted WANOS	Million	357	356	355	355	354	348	347	345	343	341
WANOS	Million	355	355	355	356	355	353	361	358	361	355
Share price at 31 December	R	89,50	44,04	103,50	146,46	169,00	168,00	136,24	104,50	71,90	103,45
Market capitalisation at 31 December	Rbn	32	16	37	52	60	60	49	37	26	37
Net asset value per share	R	100	99	96	102	81	68	50	37	38	29
Dividend cover[8]	Times	3,20	0,55		3,18	5,47	2,75	3,00	1,48	2,65	2,62
Dividend cover (core)	Times	2,91	2,80	2,92	2,63	2,61	2,62	3,00	3,56	2,65	2,62
Dividend per share	Cents	500	150	470	550	500	800	500	200	375	160
– Interim	Cents	90	65	260	235	350	300	200	100	175	60
– Final	Cents	410	85	210	315	150	500	300	100	200	100
Other financial information											
Capital commitments											
– Authorised and contracted	Rm	2 333	2 162	2 887	4 204	6 283	8 029	6 475	3 550	889	450
– Authorised but not yet contracted	Rm	3 500	1 376	2 160	2 826	4 208	2 413	2 490	1 420	2 711	1 278
– Operating lease commitments	Rm	780	152	135	212	18	59	132	92	77	126
Guarantees and contingent liabilities	Rm	6 907	7 378	2 609	2 066	1 055	1 197	1 007	717	587	201
Finance lease liabilities	Rm	49					189	268	260	254	244
Share-based payments expenses	Rm	269	186	6	313	131	165	145	91	84	105
– SARs, LTIP, DBP, etc	Rm	152	79	(101)	222	87	138	115	61	72	59
– Mpower/Mpower 2012	Rm	117	107	107	91	44	27	30	30	12	46
Executive directors' remuneration	Rm	48	39	15	37	23	27	23	16	32	30

[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] *The declaration of the 2014 dividend was based on cash attributable earnings.*

OUTLOOK[1]

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

Exxaro expects an improvement in the operational results of the coal business in 2017 based on:

- Stable trading conditions in domestic markets
- Higher international coal prices compared to 2016
- Our operational excellence process delivering further results
- Technology and innovation improvements.

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

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

[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.*


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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 2017. 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 page 21.

Against this background, the directors accept responsibility for the group and company annual financial statements, which were approved by the board of directors on 7 April 2017 and are signed on its behalf by:

MDM Mgojo
Chief executive officer

PA Koppeschaar
Finance director

Pretoria
12 April 2017

3.2 CERTIFICATE BY GROUP COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I, CH Wessels, in my capacity as group company secretary, confirm that, to the best of my knowledge and belief, for the year ended 31 December 2016, Exxaro has filed with the Companies and Intellectual Property Commission all such returns and notices as are 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.

CH Wessels
Group company secretary

Pretoria
12 April 2017

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 2016.

NATURE OF BUSINESS

Exxaro, a public company incorporated in South Africa and listed on the JSE, is one of the largest South African-based diversified resources groups, 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 43,66% (2015: 43,87%) interest in Tronox, a global leader in the mining, production and marketing of inorganic minerals and chemicals. It also includes a 26% (2015: 26%) interest in Tronox's South African mineral sands operations and United Kingdom Limited Liability Partnership, its 20,62% (2015: 19,98%) interest in SIOC, which extracts and processes iron ore and its 50% (2015: 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 2016 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 present the integrated performance, impact and sustainability of the organisation.

CORPORATE GOVERNANCE

The board of directors endorses the principles contained in King III. Full details on how these principles are applied in Exxaro are set out in the supplementary information on the web, as well as limited information in the integrated report 2016. As explained in the integrated report, a process is under way to determine the gaps to achieve application of King IV. More detailed information on this process and next steps will be included in the integrated report for the 2017 financial year.

COMPARABILITY OF RESULTS

The results for the year ended 31 December 2016 and 2015 are not comparable due to the key events and transactions reported in the table on page 9.

ACCOUNTING POLICIES

The accounting policies applied during the year ended 31 December 2016 are consistent, in all material respects, with those applied in the group and company annual financial statements for the year ended 31 December 2015.

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 4 to the group and company annual financial statements on page 158.

CAPITAL MANAGEMENT

The board of directors is ultimately responsible to monitor debt levels, return on capital, total shareholders' return as well as compliance with contractually agreed loan covenants. The group aims to cover its annual net funding requirements through long-term loan facilities with maturities spread evenly over time.

During the year, Exxaro successfully refinanced the R8 billion term loan facility. The group has complied with all the contractually agreed loan covenants during the year.

Neither the company nor any of its subsidiaries are subject to externally imposed regulatory capital requirements. During 2016, Standard & Poor's lowered Exxaro's domestic credit rating to zaBB+/zaB.

The group continued its focus on prioritising the project pipeline, reducing input and overhead costs. In addition, the group continues to review its portfolio to ensure a robust portfolio of assets that can withstand a low commodity price environment.

The group is also in the process of finalising the implementation of the Exxaro improvement project to ensure a fit-for-purpose operating model and increased operational efficiencies. More information is contained in the integrated report 2016 and supplementary information.

SHARE REPURCHASE

As per the various SENS announcements made in the latter part of 2016 and early 2017, shareholders approved a specific repurchase of the company's shares from Main Street 333 on 30 December 2016 in relation to the BEE deal termination and new BEE structure implementation. The repurchase of the 43 943 744 ordinary shares for a consideration of R3 524 million became effective on 17 January 2017 and the shares were cancelled and delisted shortly thereafter.

SHARE CAPITAL

	31 December 2015 Number	31 December 2016 Number	20 January 2017[1] Number
Authorised ordinary shares of R0,01 each	500 000 000	500 000 000	500 000 000
Issued ordinary shares of R0,01 each	358 115 505	358 115 505	314 171 761
Treasury shares	2 889 780	2 552 231	2 552 231

[1] *Subsequent to specific share repurchase.*

SHAREHOLDERS

An analysis of shareholders and the respective percentage shareholdings appears in chapter 19: annexure 2 on page 154.

DIVIDEND PAYMENTS

Dividend number 27

Interim dividend number 27 of 90 cents per share was approved by the board of directors on 17 August 2016 and declared in South African currency in respect of the six months ended 30 June 2016. The dividend payment date was Monday, 12 September 2016 to shareholders recorded in the register of the company at close of business on Friday, 9 September 2016.

Dividend number 28

Final dividend number 28 of 410 cents per share was approved by the board of directors on 8 March 2017 and declared in South African currency in respect of the year ended 31 December 2016. The final dividend payment date is Monday, 24 April 2017 to shareholders recorded in the register of the company at close of business on Friday, 21 April 2017 (record date). To comply with the requirements of Strate, the last date to trade cum dividend is Tuesday, 18 April 2017. The shares will commence trading ex dividend on Wednesday, 19 April 2017.

The final dividend declared will be 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 328,00000 cents per share. The number of ordinary shares in issue at the date of this declaration is 314 171 761 after the share repurchase on 17 January 2017. Exxaro's company 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 on page 145 to the group and company annual financial statements 2016.

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 on page 152 in the group and company annual financial statements 2016 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 2016.

Details of directors' shareholding are contained in note 14.5.3 on page 107 to the group and company annual financial statements 2016.

As previously communicated, during the 2016 financial year, Messrs EJ (Ras) Myburgh and PCCH (Peet) Snyders were appointed as independent non-executive directors to the board and Mr PA (Riaan) Koppeschaar as finance director.

In accordance with the company's MoI, the appointments of Messrs Koppeschaar, Myburgh and Snyders, having been appointed by the board of directors during the year, are required to be confirmed through election by the shareholders at the forthcoming AGM to be held on 25 May 2017.

Dr CJ Fauconnier and Mr D Zihlangu are required to retire by rotation in terms of the MoI, and being eligible have offered themselves for re-election at the forthcoming AGM.

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 page 104 to page 117 of the group and company annual financial statements 2016.

3.3 REPORT OF THE DIRECTORS (CONTINUED)

GROUP COMPANY SECRETARY AND REGISTERED OFFICE

The group company secretary is Mrs CH (Carina) Wessels and her contact details appear in the administration section on page 158 to the group and company annual financial statements 2016.

INDEPENDENT EXTERNAL AUDITORS

PwC was re-elected as independent external auditors on 26 May 2016 in accordance with section 90 of the Companies Act and has again been proposed for re-election in respect of the 2017 financial year, to occur at the forthcoming AGM on 25 May 2017.

AUDIT COMMITTEE

The audit committee report appears on page 19 of the group and company annual financial statements 2016, as well as in the integrated report 2016.

BORROWING POWERS AND FINANCIAL ASSISTANCE

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

	Group	
	2016 Rm	2015 Rm
Amount approved	44 844	43 783
Total borrowings	(6 456)	(5 067)
Unutilised borrowing capacity	38 388	38 716

The borrowing powers of the group and company were set at 125% of shareholders' funds attributable to owners of the parent for both the 2016 and 2015 financial years.

Pursuant to the authorisation granted at the AGM of the company held on 26 May 2016, the board of directors at its meeting held on 30 November 2016, approved, in accordance with section 45 of the Companies Act, the giving of financial assistance to related and inter-related companies of the company up to an amount not exceeding R15 billion, at any time and from time to time during the period 1 January to 31 December 2017.

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 and 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 on page 97 to the group and company annual financial statements as well as the remuneration and nomination committee report in the integrated report 2016 and the supplementary information.

RELATED PARTY TRANSACTIONS

Details of the group's related party transactions are set out in note 15.1 on page 119 to the group and company annual financial statements 2016.

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 that may adversely impact the group and company or any material non-compliance with statutory or regulatory requirements.

ANNUAL GENERAL MEETING

The 16th AGM of shareholders of Exxaro will be held at the Corporate Office, Roger Dyason Road, Pretoria West, Republic of South Africa, at 11:00 on Thursday, 25 May 2017. The notice of the AGM and form of proxy have been mailed or emailed to shareholders.

3.4 AUDIT COMMITTEE REPORT

The audit committee is pleased to present its report for the financial year ended 31 December 2016.

PURPOSE

Apart from the statutory duties of an audit committee as set out in the Companies Act, Listings Requirements and King III, the ambit of this committee has been expanded to include financial risk management, financial compliance, combined assurance and aspects of integrated reporting. In terms of this mandate, its key objectives are to:

- Examine and review the group and company annual financial statements, reports and results
- Oversee the internal and external audit functions and their cooperation, and serve as a link between the board and these functions
- Evaluate the qualification, appropriateness, eligibility and independence of the external auditor
- Ensure effective internal financial controls are in place
- Review the integrity of financial risk control systems and policies
- Evaluate the competency of the finance director and finance function
- Oversee the effectiveness of the combined assurance plan and outcome.

EFFECTIVENESS AGAINST 2016 KPIs AND COMMITTEE EVALUATION

2016 KPI	Evaluation*
Greater oversight over IT governance and its maturity: › Higher level of understanding of the framework and debate/discussion of key issues › Increased time allocation to IT governance until an acceptable level of assurance is achieved	3,67
Greater oversight over implementation of combined assurance model: one committee member attending combined assurance forum as observer on a rotational basis to further enhance understanding and enable better oversight	3,56
Improved use of strategic dashboard to manage and monitor strategy: debate/questions asked and remedial actions requested to address below-appetite performance on KPIs	4,11
Sharing best practice: individual directors actively sharing appropriate and applicable best practice from other committees with the committee/company	3,63

** Scored out of 5.*

In addition to these specific KPIs, the committee carried out the duties and responsibilities stipulated in its terms of reference and detailed annual plan.

The committee set the following KPIs for 2017:

2017 KPI
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
Greater oversight on implementing combined assurance model: one committee member attending combined assurance forum as observer rotationally to further enhance understanding and enable better oversight
Sharing best practice: individual directors actively sharing appropriate and applicable best practice from other committees with the committee/company

COMPOSITION

The committee consisted of three independent non-executive directors:

Member	Attendance
J van Rooyen (chairman): entire period	4/4
Dr CJ Fauconnier: entire period	4/4
V Nkonyeni: entire period	3/4

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.

3.4 AUDIT COMMITTEE REPORT (CONTINUED)

EXTERNAL AUDITORS

The group's independent external auditors are PwC. Fees paid to the auditors are disclosed in note 7.1.3 and 7.1.4 to the group and company annual financial statements for the year ended 31 December 2016. 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 review period, PwC was paid R36 million (2015: R33 million), which included R25 million (2015: R24 million) for statutory audit and related activities as well as R11 million (2015: R9 million) for non-audit services, mainly for additional tax advisory and compliance services. 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 2017. 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 2016, more than one half of the members remain in 2017
- It remains independent, as required by section 94(7)(a) of the Companies Act and Listings Requirements.

Based on this assessment, the committee again nominated PwC as independent external auditors for 2017. Shareholders will therefore be requested to re-elect PwC in this capacity for the 2017 financial year at the AGM on 25 May 2017.

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 2016 and accounting practices in detail and is satisfied that the information contained in these statements as well as the application of accounting policies and practices are reasonable.

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 risk management philosophy, 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.

KEY ISSUES THAT RECEIVED ATTENTION DURING THE YEAR

- The committee was naturally closely involved in selecting the new finance director, given the importance of ensuring the chosen incumbent was able to generally support the chief executive officer and deliver on key strategic projects. As part of this process and in terms of the JSE Listings Requirements 3.84(h), the committee satisfied itself of the finance function's resources, experience and expertise as well as the appropriateness of the expertise and experience of the finance director
- The committee dealt with a number of tax-related matters during the year and, as in 2015, impairment testing was critical while economic conditions initially remained depressed
- The committee noted the discourse on mandatory audit firm rotation and will continue to monitor developments to align with any new requirements.

J van Rooyen
Chairman of the audit committee

Pretoria

12 April 2017

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 2016, 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 No 71 of 2008, as amended (Companies Act of South Africa).

What we have audited

Exxaro Resources Limited's group and company financial statements set out on pages 28 to 154 (annexure 2) comprise:

- The group and company statements of financial position as at 31 December 2016
- 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 (ISAs). 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

MATERIALITY

GROUP SCOPING

KEY AUDIT MATTERS

Overall group materiality
- Overall group materiality: R295 million, which represents 5% of profit before tax (adjusted for once-off items).

Group audit scope
- We conducted full scope audits at 16 business units
- Our audit addressed 98% of consolidated revenue and 92% of consolidated assets.

Key audit matters
- Impairment consideration of non-current assets
- Impairment consideration of significant investments
- Accounting for provisions: environmental rehabilitation
- Provision for uncertain tax positions.

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.

3.5 INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE AUDIT OF THE GROUP AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

Our audit approach (continued)

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 group financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall 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	R295 million
How we determined it	5% of profit before tax (adjusted for once-off items including impairment charges on the FerroAlloys operation, gains on disposal of South Dunes Coal Terminal SOC Limited joint venture and the Inyanda operation, and the excess of fair value over the cost of the investment which arose on the increased shareholding in Sishen Iron Ore Company Proprietary Limited).
Rationale for the materiality benchmark applied	We chose an adjusted profit before tax benchmark because, in our view, it is an appropriate measure of underlying performance and the benchmark against which the performance of the group and other companies in this industry is most commonly measured by users. 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.

The group is organised into four reportable segments — coal, ferrous, TiO_2 and Alkali chemicals, and other interests, all of which are supported by centralised functions. Each product group is made up of a number of operating businesses which represent separate business units. The group's assets and operations are primarily managed through six coal mines producing 42,8Mtpa of thermal coal, steam coal and coking coal. We determined the appropriate business units to perform work based on scoping benchmarks such as the business unit's contribution to key financial statement line items (revenue, total assets and profit before tax), risk associated with the business unit, and known accounting matters related to the business unit.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at business units by us, as the group engagement team, or component auditors from either other PwC network firms or non-PwC firms operating under our instruction. We identified six business units, which in our view required full scope audits, due to their significance to the group based on the relevant scoping benchmark. These business units were Grootegeluk, Exxaro International Trading AG (EITAG), Sishen Iron Ore Company Proprietary Limited (SIOC), Tronox Limited (Tronox), and Exxaro Resources corporate centre. In addition, 10 business units were identified for which full scope audits were performed. These business units were not financially significant, however, were scoped in due to the relevance and significance of these business units to their respective segment, as well as the contribution of these business units to the statutory entity to which they belong. This, together with additional procedures performed at group level, including testing of consolidation journals and intercompany eliminations, gave us audit evidence we needed to express our opinion on the group financial statements as a whole.

Where work was performed by component auditors, we were sufficiently involved in the audit work at those reporting components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole.

The respective business units and operations at which work was performed by the Group engagement team and component auditors accounted for 98% of consolidated revenue, 93% of consolidated underlying profit before tax, and 92% of consolidated total assets.

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.

3.5 INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE AUDIT OF THE GROUP AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment consideration of non-current assets *This key audit matter relates to the group financial statements.* *Refer notes 9.2 and 9.3 on page 57.* Exxaro has an existing production asset base which is material in value. At 31 December 2016, the group's statement of financial position includes property, plant and equipment amounting to R22 billion. Management is required to perform an impairment assessment on non-current assets when there is an indication that these assets may be impaired. An asset is impaired when its carrying amount exceeds its recoverable amount, being the higher of value-in-use and fair value less costs of disposal. 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. At 31 December 2016, the group's market capitalisation (R32 billion) was below the carrying amount of its net assets (R35 billion) which was an indication that the non-current assets of the group may be impaired. With specific reference to the ferrosilicon plant, the plant was expanded during 2013 and 2014 which led to an increase in production capacity with the commissioning of the plant in 2014. During 2016, one of the FerroAlloys operation's major customers was put into business rescue, and another major customer gave notice to terminate the current supply agreement. Management identified the significant lower demand from current customers and the lack of securing new customers for the product as an impairment indicator. Management performed impairment assessments for the operations within the Exxaro group, based on future estimated cash flows discounted to net present value. This included an impairment assessment of the FerroAlloys operation. The assessments performed by management required judgement in the determination of key assumptions and future market conditions, particularly in relation to: › the discount rate › the forecast of commodity prices › reserves and resources (in determination of life of mine (LOM)) › future cash flow forecasts taking into account the capital, working capital, and operating costs. Based on the results of the impairment assessment performed by management, an impairment charge of R100 million was recognised at 31 December 2016 in relation to property, plant and equipment within the FerroAlloys operation. Management's impairment assessments of the group's non-current assets were of most significance to our audit because of the magnitude of the group's non-current assets. An impairment charge could have a significant impact on the group's financial performance.	We considered management's impairment indicator analysis, including the conclusions reached. We obtained management's discounted cash flow impairment models, verified the mathematical accuracy of the calculations derived from the model, which included recalculating the recoverable amount for each respective cash-generating unit (CGU), and compared this to the respective net carrying values. We obtained audit evidence in relation to management's key assumptions used in the impairment model. The most significant assumptions used in the valuations included management's best estimates of LOM, forecast commodity prices, operating cash flow forecasts and discount rates. Management assumed a discount rate of 13,8% to discount the future cash flows of the various mining operations. With the assistance of our valuation experts, we independently calculated the discount rate. In calculating the discount rate, the key inputs used were independently sourced from market data and comparable companies. We also assessed the methodology applied in management's calculation of the discount rate. We compared the discount rate used by management to our independently calculated rate and found it to be within an acceptable range. We assessed the reasonableness of forecast commodity prices by comparing these to independent market data, and noted that these assumptions fell within an acceptable range. LOM is determined by considering the resources (measured and indicated) and the reserves (proved and probable) of the mine and by considering the planned production output of the mine. We agreed the LOM as used by management in the respective impairment models to the respective LOM plans. We assessed management's estimation process in determining reserves and resources, including whether management bias exists, and agreed these estimates to the estimates used in the impairment models. We placed reliance on the internal experts engaged by management involved in the estimation process and assessed their professional competence, objectivity, capabilities and adequacy of the work they performed. Based on the work performed, we accepted the reasonableness of the process followed by management to determine the assumptions in relation to LOM. We assessed the reasonableness of management's future forecasts of capital, revenue growth and operating costs included in the cash flow forecasts by comparing them to historical forecasts, current operational results, and existing contracts in place. Based on the work performed, we found these forecasts to be reasonable.

3.5 INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE AUDIT OF THE GROUP AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment consideration of significant investments *This key audit matter relates to the financial statements of the group and company.* *Refer notes 9.2, 9.3 and 10.5 on pages 57 and 68.* At 31 December 2016, the group and company statements of financial position include investments in associates and joint ventures amounting to R23 billion and R14 billion respectively. The major investments include Exxaro's 43,66% interest in Tronox, and a 20,62% equity interest in SIOC, which are both equity-accounted. An impairment assessment of non-current assets is required to be performed by management when there is an indication that these assets may be impaired. The carrying value of the investment in SIOC was reflected at R7,5 billion in the group financial statements at 31 December 2016. In the current year, various improvements in market conditions relating to the investment in SIOC occurred and were noted by management. This included: › Increase in iron ore prices from 2015 low of US\$38,50 to US\$79,65/dry metric tonne (dmt) by the end of 2016 › Increase in average index iron ore price by 5,3% to US\$58/dmt › Recovery in Chinese steel crude production. Given these improvements in market conditions, no impairment indicators were identified by management, and management therefore did not perform an impairment assessment in relation to the investment in SIOC. Due to the high level of judgement and estimation involved in determining whether impairment indicators exist, and the material impact that an impairment could have on the group's financial performance, we considered this a matter of most significance to our audit. At 31 December 2016, the carrying value of the investment in Tronox was reflected in the group and company financial statements at R8 billion and R11 billion respectively. Tronox operates two segments, being TiO_2 and Alkali chemicals. During the current financial year, the TiO_2 segment experienced challenging and volatile market conditions. Exxaro's share of Tronox's market value of R7,2 billion was below its carrying value as at 31 December 2016. Management identified these matters as impairment indicators. An impairment assessment was therefore performed using the value-in-use concept. The assessment involved considerable judgement, particularly in relation to: › Forecast commodity prices and volumes sold › The assessment of discount rates used › Estimated sustainable working capital levels required to achieve forecast future growth rates.	We considered management's impairment indicator analysis, including their conclusions reached. We independently assessed each of the market conditions noted by management in relation to the SIOC investment in the following manner: With the assistance of our SIOC component engagement team, we obtained audit evidence over the identified market and operational conditions at a SIOC operations level. This included independently obtaining the relevant market commodity prices for the current and prior year from external data sources, and performing a comparison we noted the improvement in commodity price. With the assistance of our Tronox component engagement team, we obtained audit evidence over the impairment assessment performed by management which included the following procedures: › We assessed management's forecast cash flows (which used the latest Tronox board-approved five-year budgets) for reasonability by comparing the actual results of the prior period to the prior year budget. Based on the testing we performed, the results were found to be within an acceptable range. › We compared forecast commodity prices and volumes sold to current contract prices, independent reputable market analyst reports and their long-term pricing forecasts. Commodity prices used were within the lower to mid-range of price forecasts determined by market analysts while forecast sales volumes were supported by independent market data and existing contracts in place. › With the assistance of our valuation experts, we compared the discount rates used in the cash flow models to economic and industry forecasts. Based on the procedures performed, we found management's assumptions to be within an acceptable range. › We noted that working capital trends reflected in the impairment assessment were supported by existing contracts, and working capital reduction initiatives undertaken in previous reporting periods.

3.5 INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE AUDIT OF THE GROUP AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Impairment consideration of significant investments (continued)
We determined that the impairment assessment of Tronox was a matter of most significance in the audit because of the magnitude of the carrying amount of the investment. An impairment charge could have a significant impact on the financial statements.

Based on the results of the detailed impairment assessment performed, the recoverable amount (value-in-use) of the investment was determined based on Exxaro's share of the present value of Tronox's cash flows, which was higher than the carrying value of the investment. This resulted in no impairment charge being recognised by Exxaro management at 31 December 2016.</td><td></td></tr>
<tr><td>Accounting for provisions: environmental rehabilitation
This key audit matter relates to the group financial statements.

Refer notes 13.1, 13.2 and 13.3 on pages 91 and 92.

The group has provisions for environmental obligations of R4,3 billion at 31 December 2016.

This was considered to be a matter of most significance to the current year audit for the following reasons:
› The calculation of these provisions requires management judgement in estimating these future costs, given the unique nature of each site and the potential associated obligations.
› These calculations also require management to determine an appropriate rate to discount future costs to their net present value. The discount rate was calculated by management using government bonds as a proxy. The LOM of the operations ranges from one to 30 and more years and as such the rates are separated to match bond maturities over five years, 15 years and 30 and more years.
› The judgement required to estimate such costs is further compounded by the fact that the restoration and rehabilitation of each site is relatively unique and there has been limited restoration and rehabilitation activity and historical precedent against which to benchmark estimates of future costs.
› Management reviews the site closure, restoration and environment obligations using experts to provide support in their assessment where appropriate. This review incorporates the effects of any changes in local laws and regulations and management's expected approach to restoration and rehabilitation.</td><td>We assessed management's process for their review of environmental provisions, and performed testing on the balance as well as the movements in the provision during the year.

With the assistance of our sustainability experts, we assessed the appropriateness of the data used in the cost estimates and the extent of rehabilitation activities that would need to be undertaken to comply with applicable laws and regulations.

As part of our testing, we evaluated the group's obligations with respect to restoration and rehabilitation against the respective accounting framework to assess the appropriateness of the obligation and associated cost estimate.

We placed reliance on the internal and external experts engaged by management involved in the estimation process and assessed their professional competence, objectivity, capabilities and adequacy of the work they performed.

Using our valuation experts, we independently calculated and assessed the appropriateness of the discount rate used in the estimation of the present value of the future closure costs. In calculating the discount rate, the inputs used in the determination of the discount rate were independently sourced from market data. We found the discount rate used by management to be within an acceptable range.

We also assessed the methodology applied in management's calculation of the discount rate, which was found to be acceptable.</td></tr>
</table>

3.5 INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE AUDIT OF THE GROUP AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for uncertain tax positions *This key audit matter relates to the financial statements of the group and company.* *Refer note 13.4 on page 94.* Exxaro received an assessment amounting to R442 million from the local tax authority in South Africa following an international income tax audit. The assessment proposes that certain international Exxaro companies will be subject to South African Income Tax under section 9D – foreign business establishment of the Income Tax Act. Exxaro formally responded to the assessment, disputing the basis for the proposed adjustments, and awaits the local tax authority's response. The matter has been disclosed as a contingent liability in the financial statements. This was considered to be a matter of most significance to the current year audit due to the material amount of the assessment.	With the assistance of our tax specialists, we gained an understanding of the current status of tax assessments and investigations, and monitored developments in the ongoing dispute. We read and assessed the relevant correspondence with the local tax authority in South Africa, as well as external tax and legal advice received by Exxaro to obtain audit evidence that the financial statements reflect the latest external developments.

Other information

The directors are responsible for the other information. The other information comprises the certificate by group company secretary, report of the directors and the audit committee report as required by the Companies Act of South Africa, and the report of directors' responsibility for financial reporting, which we obtained prior to the date of this auditor's report, and the 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's 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.

3.5 INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE AUDIT OF THE GROUP AND COMPANY FINANCIAL STATEMENTS (CONTINUED)

Auditor's responsibilities for the audit of the consolidated and separate financial statements (continued)

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's and the 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's and the 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 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 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 six years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: JFM Kotze
Registered Auditor

Johannesburg

12 April 2017

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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* judgement has been made by management to identify the reportable segments of the group.

4.3 OPERATING SEGMENTS

The group has four reportable segments, as described below. These 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. The following summary describes the operations in each of the group's reportable segments:

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% (2015: 50%) investment in Mafube (a joint venture with Anglo), as well as a 10,82% (2015: 9,37%) effective equity interest in RBCT. The coal operations produce thermal coal, metallurgical coal and SSCC.

FERROUS

The ferrous segment comprises a 20,62% (2015: 19,98%) 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). Although the SIOC investment is an investment in an iron ore commodity company and the executive committee classifies the investment as a non-controlled business, it is classified under the other ferrous segment where investments and other are reviewed by the executive committee. The iron ore operating segment (comprising the Mayoko iron ore project and related subsidiaries) was classified as a discontinued operation and sold on 23 September 2016.

TiO_2 AND ALKALI CHEMICALS

Exxaro holds a 43,66% (2015: 43,87%) equity interest in Tronox and a 26% (2015: 26%) equity interest in Tronox SA (both South African-based operations), as well as a 26% (2015: 26%) member's interest in Tronox UK.

OTHER

This reportable segment comprises the 50% (2015: 50%) investment in Cennergi (a South African joint venture with Tata Power), 26% (2015: 26%) equity interest in Black Mountain (located in the Northern Cape province), an effective investment of 11,7% (2015: 11,7%) in Chifeng (located in the PRC) as well as the corporate office which renders services to 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		Iron ore	
	Note	2016 Rm	2015 Rm	2016 Rm	2015 Rm	2016 Rm	2015 Rm
For the year ended 31 December							
External revenue (continuing operations)		3 483	3 835	17 190	14 258		
Segment net operating profit/(loss) (Re-presented)		226	195	4 940	2 379	613	(292)
– Continuing operations		226	195	4 940	2 379		
– Discontinued operations						613	(292)
Interest income (external)	12.1.2	2	3	50	27		
Finance lease interest income	12.1.2			11	11		
Interest expense (external)	12.1.2			(1)			
Amortisation of transaction costs	12.1.2						
Borrowing costs capitalised	12.1.2						
Unwinding of discount rate on rehabilitation cost	12.1.2	(105)	(63)	(239)	(154)		
Finance lease interest expense	12.1.2			(5)			
Depreciation and amortisation	7.1.3	(12)	(24)	(1 072)	(927)		
Income tax benefit/(expense)	8.3	13	(17)	(1 110)	(1 115)	(75)	
Impairment charges – goodwill	9.3				(1 524)		
Impairment charges – property, plant and equipment	9.3				(225)		
Write-off and impairment (charges)/reversals – trade and other receivables	7.1.3	(16)	(4)	(6)	(3)		11
Gain on disposal of Mayoko iron ore project and related subsidiaries	9.4.1					670	
Gain on disposal of operation	9.4.1			100	112		
Gain on disposal of joint venture	9.4.1			203			
Share of income/(loss) from equity-accounted investments	10.3			238	251		
Cash generated by/(utilised in) operations	7.1.5	260	332	5 426	4 300	(29)	(285)
Capital expenditure (property, plant and equipment)	11.1.5			(2 747)	(2 313)		
Increase in intangible assets	11.2.2						
At 31 December							
Segment assets and liabilities							
Deferred tax	8.5		39	49	47		
Investments in associates	10.4.1			2 217	1 919		
Investments in joint ventures	10.4.2			839	1 067		
External assets[1]		2 952	1 934	27 481	25 948	13	114
Assets		2 952	1 973	30 586	28 981	13	114
Non-current assets held-for-sale	9.5			1			
Total assets as per statement of financial position		2 952	1 973	30 587	28 981	13	114
External liabilities[2]		2 631	1 775	4 939	5 179		286
Deferred tax[3]	8.5	(54)	(30)	5 515	5 094		1
Current tax payable[3]		(14)	(100)	224	145		3
Liabilities		2 563	1 645	10 678	10 418		290
Non-current liabilities held-for-sale	9.5			1 101	1 044		
Total liabilities as per statement of financial position		2 563	1 645	11 779	11 462		290

[1] *Excluding deferred tax and investments in 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		Other				Total	
	Alloys		Other				Base metals		Other			
	2016 Rm	2015 Rm	2016 Rm	2015 Rm	2016 Rm	2015 Rm	2016 Rm	2015 Rm	2016 Rm	2015 Rm	2016 Rm	2015 Rm
	170	173							54	64	20 897	18 330
	(75)	10	28	(24)					(532)	905	5 200	3 173
	(75)	10	28	(24)					(532)	905	4 587	3 465
											613	(292)
	1								165	61	218	91
											11	11
									(495)	(546)	(496)	(546)
									(25)	(10)	(25)	(10)
									16	6	16	6
									(3)	(3)	(347)	(220)
											(5)	
	(7)	(7)		(4)					(107)	(67)	(1 198)	(1 029)
	21	(3)	2	6					(105)	27	(1 254)	(1 102)
												(1 524)
	(100)										(100)	(225)
	(5)								(12)	(81)	(39)	(77)
											670	
											100	112
											203	
			2 416	104	(384)	(1 503)	100	64	3	(53)	2 373	(1 137)
	(53)	(38)	(22)	(74)					(33)	291	5 549	4 526
	(14)	(28)							(19)	(49)	(2 780)	(2 390)
										(34)		(34)
	22	124	1	109					343	225	415	544
			7 549	5 081	11 232	12 270	520	420			21 518	19 690
									419	595	1 258	1 662
	201	189	25	29			178	210	5 760	2 178	36 610	30 602
	223	313	7 575	5 219	11 232	12 270	698	630	6 522	2 998	59 801	52 498
									129	128	130	128
	223	313	7 575	5 219	11 232	12 270	698	630	6 651	3 126	59 931	52 626
	39	37	4	52					10 520	4 908	18 133	12 237
		5							(61)	1	5 400	5 071
											210	48
	39	42	4	52					10 459	4 909	23 743	17 356
											1 101	1 044
	39	42	4	52					10 459	4 909	24 844	18 400

4.3 OPERATING SEGMENTS (CONTINUED)

The group received revenue from one major customer which accounted for at least 10% or more of the group's revenues (56% or R11 689 million (2015: 64% or R11 789 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	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Country of domicile				
– RSA	15 082	14 384	35 278	31 385
Foreign countries				
– Rest of Africa			3	4
– Europe	4 140	3 369	1 559	1 441
– Asia	1 637	577		
– Australia			38	44
– USA	38		7 946	8 997
Total segment	20 897	18 330	44 824	41 871

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

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/(loss) equals segment revenue less segment expenses, impairment charges, plus impairment reversals.

Segment operating expenses, assets and liabilities represent direct or reasonably allocatable operating expenses, assets and liabilities.

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

There were no differences in the way segment profit or loss is measured in comparison to the previous year or between the reportable segments' profits or losses and the group's profit or loss.

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FINANCIAL STATEMENTS

CHAPTER 5: FINANCIAL STATEMENTS

5.1 STATEMENTS OF COMPREHENSIVE INCOME

		Group		Company	
For the year ended 31 December	Note	2016 Rm	Re-presented 2015 Rm	2016 Rm	2015 Rm
Revenue	7.1.2	20 897	18 330	1 464	1 322
Operating expenses	7.1.3	(16 413)	(13 116)	(1 979)	(2 791)
Operating profit/(loss)		4 484	5 214	(515)	(1 469)
Gain on disposal of joint venture	9.4	203			
Impairment charges of non-current assets	9.3	(100)	(1 749)		(797)
Net operating profit/(loss)		4 587	3 465	(515)	(2 266)
Finance income	12.1.2	229	102	143	43
Finance costs	12.1.2	(857)	(770)	(524)	(558)
Income from financial assets			1		
Share of income/(loss) of equity-accounted investments	10.3	2 373	(1 137)		
Dividends and other income from associates and joint ventures	10.3			390	1 429
Income from investments in subsidiaries	17.2			3 443	353
Profit/(loss) before tax		6 332	1 661	2 937	(999)
Income tax (expense)/benefit	8.3	(1 179)	(1 102)	(68)	26
Profit/(loss) for the year from continuing operations		5 153	559	2 869	(973)
Profit/(loss) for the year from discontinued operations	7.1.4	538	(292)		
Profit/(loss) for the year		5 691	267	2 869	(973)
Other comprehensive (loss)/income, net of tax		(549)	2 167		
Items that will not be reclassified to profit or loss:		(57)	124		
– Remeasurement of post-employment benefit obligation			(17)		
– Share of comprehensive (loss)/income of equity-accounted investments		(57)	141		
Items that may be subsequently reclassified to profit or loss:		(492)	2 043		
– Unrealised (losses)/gains on translation of foreign operations		(45)	329		
– Revaluation of financial assets available-for-sale		(5)	(141)		
– Share of comprehensive (loss)/income of equity-accounted investments		(442)	1 855		
Total comprehensive income/(loss) for the year		5 142	2 434	2 869	(973)
Profit/(loss) attributable to:					
Owners of the parent		5 679	296		
– Continuing operations		5 141	588		
– Discontinued operations		538	(292)		
Non-controlling interests		12	(29)		
– Continuing operations		12	(29)		
Profit/(loss) for the year		5 691	267		
Total comprehensive income/(loss) attributable to:					
Owners of the parent		5 130	2 463		
– Continuing operations		4 666	2 768		
– Discontinued operations		464	(305)		
Non-controlling interests		12	(29)		
– Continuing operations		12	(29)		
Total comprehensive income/(loss) for the year		5 142	2 434		

5.1 STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

		Group	
For the year ended 31 December	Note	**2016 cents**	**Re-presented 2015 cents**
Attributable earnings/(loss) per share	6.2		
Aggregate			
– Basic		1 600	83
– Diluted		1 591	83
Continuing operations			
– Basic		1 448	165
– Diluted		1 440	165
Discontinued operations			
– Basic		152	(82)
– Diluted		151	(82)

5.2 STATEMENTS OF FINANCIAL POSITION

		Group		Company	
At 31 December	Note	**2016 Rm**	**2015 Rm**	**2016 Rm**	**2015 Rm**
ASSETS					
Non-current assets		49 959	46 482	26 155	24 786
Property, plant and equipment	11.1.3	21 972	20 412	460	533
Biological assets		45	51		
Intangible assets	11.2.2	31	56	25	48
Investments in associates	10.4.1	21 518	19 690	13 152	13 152
Investments in joint ventures	10.4.2	1 258	1 662	696	641
Investments in subsidiaries	17.3			10 967	9 300
Financial assets	11.3.2	4 720	4 067	520	722
Deferred tax	8.5	415	544	335	390
Current assets		9 842	6 016	5 866	2 956
Inventories	7.2.2	1 036	1 240		
Financial assets	11.3.2	480		480	
Trade and other receivables	7.2.3	3 050	2 666	1 232	2 160
Current tax receivable		81	55		
Cash and cash equivalents		5 195	2 055	4 154	796
Non-current assets held-for-sale	9.5	130	128	82	81
Total assets		59 931	52 626	32 103	27 823
EQUITY AND LIABILITIES					
Capital and other components of equity					
Share capital	12.2.2	2 509	2 445	2 975	2 975
Other components of equity		2 085	6 911	(2 164)	1 091
Retained earnings		31 281	25 670	12 019	9 777
Equity attributable to owners of the parent		35 875	35 026	12 830	13 843
Non-controlling interests	17.6.1	(788)	(800)		
Total equity		35 087	34 226	12 830	13 843
Non-current liabilities		16 282	12 701	6 425	4 250
Interest-bearing borrowings	12.1.3	6 002	4 185	5 985	4 185
Provisions	13.3	4 162	3 112	32	26
Post-retirement employee obligations	14.4	239	217		
Financial liabilities	12.1.7	479	116	408	39
Deferred tax	8.5	5 400	5 071		
Current liabilities		7 461	4 655	12 848	9 730
Trade and other payables	7.2.4	3 010	3 546	8 760	8 837
Shareholder loans	16.2.1	18	21		
Interest-bearing borrowings	12.1.3	503	882	471	882
Current tax payable		210	48		
Financial liabilities	12.1.7	3 599		3 599	
Provisions	13.3	109	158	11	11
Overdraft		12		7	
Non-current liabilities held-for-sale	9.5	1 101	1 044		
Total liabilities		24 844	18 400	19 273	13 980
Total equity and liabilities		59 931	52 626	32 103	27 823

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 1 January 2015	2 409	4 167	116	1 695	(329)	382		25 985	34 425		34 425
Profit/(loss) for the year								296	296	(29)	267
Other comprehensive income/(loss)[1]		329			(17)	(141)			171		171
Reclassification of equity[2]						(360)		360			
Share of comprehensive income of equity-accounted investments		1 438	125	215	141	64		13	1 996		1 996
Issue of share capital[3]	36								36		36
Share-based payments movement				98					98		98
Dividends paid								(984)	(984)		(984)
Acquisition of subsidiaries										(771)	(771)
Liquidation of subsidiaries[4]		(1 012)							(1 012)		(1 012)
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[1]		(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[3]	64								64		64
Share-based payments movement				205					205		205
Dividends paid								(625)	(625)		(625)
Share repurchase[5]							(3 524)		(3 524)		(3 524)
Disposal of foreign subsidiaries[6]		(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

[1] *Available-for-sale revaluations comprise the fair value adjustments, net of tax, on the investments in RBCT nil (2015: R38 million) and Chifeng R5 million (2015: R103 million).*
[2] *Reclassification of equity relating to the RBCT investment which has been transferred out of financial assets available-for-sale and classified as an investment in associate (note 10.4.1 and 16.2.2.1).*
[3] *Vesting of Mpower 2012 treasury shares to good leavers.*
[4] *Gain on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary (Exxaro Esmore Cooperatief U.A.).*
[5] *Refer note 12.1.7.*
[6] *Gain on translation differences recycled to profit or loss on the disposal of the Mayoko iron ore project and related subsidiaries.*

Dividend distribution

Final dividend paid per share (cents) in respect of the 2015 financial year	85
Dividend paid per share (cents) in respect of the 2016 interim period	90
Final dividend payable per share (cents) in respect of the 2016 financial year	410

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.

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 1 January 2015	2 975	(2)	957		11 735	15 665
Loss for the year					(973)	(973)
Share-based payments movement			136			136
Dividends paid					(985)	(985)
At 31 December 2015	2 975	(2)	1 093		9 777	13 843
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)	12 019	12 830

[1] *Refer note 12.1.7.*

5.5 STATEMENTS OF CASH FLOWS

For the year ended 31 December	Note	Group 2016 Rm	Group 2015 Rm	Company 2016 Rm	Company 2015 Rm
Cash flows from operating activities		3 918	3 011	265	790
Cash generated by operations	7.1.5	5 549	4 526	1 404	2 268
Interest paid	12.1.6	(595)	(500)	(589)	(501)
Interest received	12.1.6	136	54	77	8
Tax paid	8.6	(547)	(85)		
Dividends paid	6.6	(625)	(984)	(627)	(985)
Cash flows from investing activities		(2 198)	(5 130)	1 727	(3 730)
Property, plant and equipment acquired to maintain operations	11.1.5	(2 413)	(1 663)	(20)	(49)
Property, plant and equipment acquired to expand operations	11.1.5	(367)	(727)		
Increase in investment in intangible assets	11.2.2		(34)		(34)
Proceeds from disposal of property, plant and equipment		35	198		19
Increase in investments in other non-current assets	Annexure 1	(160)	(106)	(126)	
Increase in loans to related parties			(400)		(400)
Proceeds from disposal of operations	9.4.1	47	70		
Proceeds from disposal of joint venture	9.4.1	200			
Increase in investment in joint venture		(55)	(374)	(55)	(374)
Increase in investment in associate		(233)			
Decrease in investment in subsidiaries	17.4.1			16	
Acquisition of subsidiaries	17.4.1		(3 436)		(3 381)
Increase in indebtedness by subsidiaries	17.4.2			(1 829)	(1 205)
Income from investments in associates and joint ventures	10.5.2	748	1 341	298	1 341
Dividend income from financial assets			1		
Income from subsidiaries	17.2			3 443	353
Cash flows from financing activities		1 483	2 000	1 441	2 000
Interest-bearing borrowings raised		7 565	4 320	7 501	4 320
Interest-bearing borrowings repaid		(6 066)	(2 320)	(6 047)	(2 320)
Shares acquired in the market to settle share-based payments		(16)		(13)	
Net increase/(decrease) in cash and cash equivalents		3 203	(119)	3 433	(940)
Cash and cash equivalents at beginning of the year		2 055	1 939	796	1 231
Translation difference on movement in cash and cash equivalents		(75)	235	(82)	505
Cash and cash equivalents at end of the year	16.3	5 183	2 055	4 147	796

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 they are either claimed by the relevant shareholder or the relevant shareholder's claim to such dividends prescribes (in which event such unclaimed dividends will become the property of the company).

6.2 ATTRIBUTABLE EARNINGS/(LOSS) PER SHARE

	Group	
For the year ended 31 December	**2016**	**Re-presented 2015**
Profit/(loss) for the year attributable to equity holders of the parent (Rm)	5 679	296
– Continuing operations (Rm)	5 141	588
– Discontinued operations (Rm)	538	(292)
Weighted average number of ordinary shares in issue (million)	355	355
Basic earnings/(loss) per share (cents)	1 600	83
– Continuing operations (cents)	1 448	165
– Discontinued operations (cents)	152	(82)
Diluted weighted average number of ordinary shares (million)	357	356
Weighted average number of ordinary shares in issue (million)	355	355
Adjusted for share-based payment instruments (million)	2	1
Diluted earnings/(loss) per share (cents)	1 591	83
– Continuing operations (cents)	1 440	165
– Discontinued operations (cents)	151	(82)

Exxaro did not issue any ordinary shares during 2016 (2015: nil). The treasury shares in Mpower 2012 were weighted for the number of days they were still in the group before being transferred to good leavers.

6.3 RECONCILIATION OF HEADLINE EARNINGS

	Group		
For the year ended 31 December 2016	**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			4 763
– Discontinued operations			(142)

6.3 RECONCILIATION OF HEADLINE EARNINGS (CONTINUED)

For the year ended 31 December 2015 (Re-presented)	Group Gross Rm	Group Tax Rm	Group Net Rm
Profit attributable to owners of the parent			296
Adjusted for:	1 683	(356)	1 327
– IAS 16 Gain on disposal of an operation	(112)	31	(81)
– IAS 16 Net gains on disposal of property, plant and equipment	(158)	2	(156)
– IAS 16 Compensation from third parties for items of property, plant and equipment impaired, abandoned or lost	(5)	2	(3)
– IAS 21 Gains on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary	(1 012)		(1 012)
– IAS 28 Loss on dilution of investment in associate	10		10
– IAS 28 Share of equity-accounted investments' separate identifiable remeasurements	1 211	(328)	883
– IAS 36 Impairment of property, plant and equipment	225	(63)	162
– IAS 36 Impairment of goodwill acquired in a business combination in terms of IFRS 3	1 524		1 524
Headline earnings/(loss)			1 623
– Continuing operations			2 035
– Discontinued operations			(412)

6.4 HEADLINE EARNINGS/(LOSS) PER SHARE

For the year ended 31 December	Note	Group 2016	Group Re-presented 2015
Headline earnings/(loss) (Rm)	6.3	4 621	1 623
– Continuing operations (Rm)		4 763	2 035
– Discontinued operations (Rm)		(142)	(412)
Weighted average number of ordinary shares in issue (million)		355	355
Headline earnings/(loss) per share (cents)		1 302	457
– Continuing operations (cents)		1 342	573
– Discontinued operations (cents)		(40)	(116)
For the diluted attributable earnings per share the weighted average number of ordinary shares above is adjusted (million)	6.2	357	356
Diluted headline earnings/(loss) per share (cents)		1 294	456
– Continuing operations (cents)		1 334	572
– Discontinued operations (cents)		(40)	(116)

6.5 DIVIDEND DISTRIBUTION

For the year ended 31 December	2016 cents	2015 cents
Dividend per share in respect of the interim period	90	65
Final dividend per share in respect of the financial year	410	85
Total dividend for the financial year	500	150

A gross final cash dividend number 28, of 410 cents per share, for the 2016 financial year has been declared and is payable to shareholders of ordinary shares. The gross local final dividend amount is 410 cents per share for shareholders exempt from dividend withholding tax. The final dividend declared will be subject to 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 328,00000 cents per share. The number of ordinary shares in issue at the date of this declaration is 314 171 761 after the share repurchase in January 2017. Exxaro's company tax reference number is 9218/098/14/4.

This final dividend, amounting to approximately R1 289 million (2015: R304 million), has not been recognised as a liability. It will be recognised in shareholders' equity in the year ending 31 December 2017.

The salient dates relating to the payment of the dividend:

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

No share certificate may be dematerialised or rematerialised between Wednesday, 19 April 2017 and Friday, 21 April 2017, 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, 24 April 2017.

The final 2015 dividend of 85 cents per share was paid on 18 April 2016.

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	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Dividends paid	(625)	(984)	(627)	(985)
– Final dividend	(304)	(752)	(305)	(752)
– Interim dividend	(321)	(232)	(322)	(233)

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	**2016 Rm**	**2015 Rm**	**2016 Rm**	**2015 Rm**
Sale of goods	20 856	18 282		
Services	41	48	1 464	1 322
Total revenue	20 897	18 330	1 464	1 322

7.1.3 OPERATING EXPENSES

		Group		Company	
For the year ended 31 December	Note	**2016 Rm**	**Re-presented 2015 Rm**	**2016 Rm**	**2015 Rm**
Cost by nature					
Raw materials and consumables		2 443	2 565	31	11
Staff costs		4 365	4 505	841	1 172
– Salaries and wages		3 535	3 610	614	799
– Share-based payments		269	186	107	63
– Termination benefits		226	372	83	261
– Pension and medical costs		335	337	37	49
General charges		2 944	1 908	760	320
Currency exchange differences		198	(1 846)		(432)
Legal and professional fees		303	404	178	233
Insurance		271	306	3	12
Royalties		82	126		
Railage and transport		1 847	1 232	1	2
Repairs and maintenance		1 710	1 817	9	6
Write-off and impairment charges/(reversals) of trade and other receivables and indebtedness by subsidiaries		39	88	(104)	1 394
Loss on dilution of investment in associate	10.4.1	36	10		
Loss on disposal of subsidiary[1]	9.4.2			137	
Gain on disposal of operations[2]	9.4.1	(100)	(112)		
Energy		563	502	9	9
Depreciation of property, plant and equipment	11.1.3	1 173	1 015	92	61
Amortisation of intangible assets	11.2.2	25	14	23	12
Movement in inventories		668	832		
Own work capitalised[3]		(117)	(220)	(1)	(7)
Sublease rental income		(37)	(30)		(2)
– Continuing operations		16 413	13 116	1 979	2 791
– Discontinued operations	7.1.4	57	292		
Total operating expenses		16 470	13 408	1 979	2 791

[1] *Relates to the sale of Mayoko Investment Company.*
[2] *Sale of the Inyanda operation in 2016 and the NCC operation in 2015.*
[3] *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 2016 Rm	Group Re-presented 2015 Rm	Company 2016 Rm	Company 2015 Rm
Cost by function					
Costs of goods sold/services rendered		14 694	12 033	1 946	1 399
Loss on dilution of investment in associate	10.4.1	36	10		
Loss on disposal of subsidiary	9.4.2			137	
Gain on disposal of operations	9.4.1	(100)	(112)		
Selling and distribution costs		1 781	1 127		
Sublease rental income		(37)	(30)		(2)
Write-off and impairment charges/(reversal) of trade and other receivables and indebtedness by subsidiaries		39	88	(104)	1 394
– Continuing operations		16 413	13 116	1 979	2 791
– Discontinued operations		57	292		
Total operating expenses		16 470	13 408	1 979	2 791
The above operating expenses include among others:					
Auditors' remuneration		33	32	14	15
– Audit fees		25	23	11	11
– Other services		8	9	3	4
Consultancy fees		230	340	144	202
Currency exchange differences		198	(1 846)		(432)
– Net realised losses/(gains)		116	(1 336)	(80)	67
– Net unrealised losses/(gains)		82	(510)	80	(499)
Termination benefits		226	372	83	261
Exploration expenditure		2	5		
Fair value (gains)/losses on financial assets at fair value through profit or loss		(95)	112	(1)	(1)
– Designated on initial recognition	16.2	(48)	(18)	(1)	(1)
– Held-for-trading		(47)	130		
Fair value losses/(gains) on financial liabilities at fair value through profit or loss		470	(5)	445	(10)
– Held-for-trading		25	(5)		(10)
– Designated on initial recognition[1]	16.2	445		445	
Net fee costs on financial liabilities not at fair value through profit or loss		42	32	10	5
Write-off and impairment charges of trade and other receivables		39	88	12	96
Impairment (reversals)/charges of indebtedness by subsidiaries				(116)	1 298
– Non-current					1 104
– Current				(116)	194
Inventories write-down to net realisable value		5	9		
Provisions expense/(income)	13.3; 14.4	896	(72)	3	(6)
Net loss/(gain) on disposal or scrapping of property, plant and equipment		44	(39)		(17)
Loss on dilution of investment in associate	10.4.1	36	10		
Loss on disposal of subsidiary	9.4.2			137	
Gain on disposal of operations	9.4.1	(100)	(112)		
Operating lease rental expenses		84	145	20	19
– Property		14	17	8	8
– Equipment		70	128	12	11
Operating sublease rental income					
– Property		(37)	(30)		(2)

[1] *Fair value adjustment on contingent consideration relating to the ECC acquisition.*

7.1 OPERATIONAL PERFORMANCE (CONTINUED)

7.1.4 DISCONTINUED OPERATIONS

Exxaro entered into a sale of shares agreement for the sale of the Mayoko iron ore project and related subsidiaries for a purchase consideration of US$2 million which became effective on 23 September 2016. The disposal group represents a major geographical area of operation and represents the iron ore operating segment within the ferrous reportable segment. Financial information relating to discontinued operations for the period to the date of disposal is set out below:

For the year ended 31 December	Note	Group 2016 Rm	Group Re-presented 2015 Rm
Financial performance			
Operating expenses[1]		(57)	(292)
Operating loss		(57)	(292)
Gain on disposal of subsidiaries	9.4.1	670	
Net operating profit/(loss)		613	(292)
Income tax expense	8.3	(75)	
Profit/(loss) for the year from discontinued operations		538	(292)
Cash flow information			
Cash flow attributable to operating activities		(29)	(326)
Cash flow attributable to investing activities		9	119
Cash flow attributable to discontinued operations		(20)	(207)

[1] *Mainly includes provisions expense of R5 million (2015: R3 million), net gain on disposal or scrapping of property, plant and equipment of R9 million (2015: R119 million), impairment reversals of trade and other receivables of nil (2015: R11 million), audit fees of nil (2015: R1 million) and non-audit fees of R3 million (2015: nil).*

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

7.1.5.1 Cash generated by operations

For the year ended 31 December	Note	Group 2016 Rm	Group 2015 Rm	Company 2016 Rm	Company 2015 Rm
Net operating profit/(loss)		5 200	3 173	(515)	(2 266)
Adjusted for non-cash movements					
– Depreciation and amortisation	7.1.3	1 198	1 029	115	73
– Impairment charges of non-current assets	9.3	100	1 749		797
– Write-off and impairment charges/(reversals) of trade and other receivables	7.1.4; 7.1.3	39	77	(104)	1 394
– Provisions	7.1.4; 7.1.3	899	(69)	3	(6)
– Foreign exchange revaluations and fair value adjustments		462	(1 479)	524	(500)
– Reconditionable spares usage		11	19		
– Net loss/(gain) on disposal or scrapping of property, plant and equipment	7.1.4; 7.1.3	24	(177)		(17)
– Net (gain)/loss on disposal of operation/subsidiaries/joint ventures	9.4	(973)	(112)	137	
– Loss on dilution of investment in associate	10.4.1	36	10		
– Indemnification asset movement		(56)			
– Share-based payment expense		269	137	107	29
– Translation of net investment in foreign operations		172	(390)		
– Translation of foreign currency items		(208)	801		
– Amortisation of transaction costs (revolving facility)		5	5	5	5
– Non-cash recoveries		(899)	(355)		
– Other non-cash movements		3	2		
Cash before working capital movements		6 282	4 420	272	(491)
Working capital movements					
– Decrease in inventories		206	2		
– (Increase)/decrease in trade and other receivables		(437)	96	915	3 499
– (Decrease)/increase in trade and other payables		(389)	148	217	(740)
– Utilisation of provisions		(113)	(140)		
Cash generated by operations		5 549	4 526	1 404	2 268

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), they are classified as current assets. If not, they 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. Accounts 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, they are presented as non-current liabilities.

7.2.2 INVENTORIES

	Group	
At 31 December	2016 Rm	2015 Rm
Finished products	485	715
Work-in-progress	79	55
Raw materials	3	7
Plant spares and stores	465	452
Merchandise	4	11
Total inventories	1 036	1 240

Included in merchandise are biological assets held-for-sale classified as inventories. No inventories were pledged as security for liabilities in 2016 nor 2015. Inventory (finished products) carried at net realisable value amounts to R44 million (2015: R82 million).

7.2.3 TRADE AND OTHER RECEIVABLES

		Group		Company	
At 31 December	Note	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Trade receivables		2 329	2 162		
Other receivables[1]		409	339	182	148
Indebtedness by subsidiaries after impairment[2]	17.3			1 117	2 094
Indebtedness by subsidiaries				1 195	2 288
Specific allowances for impairment				(78)	(194)
Derivative instruments	16.2		1		
Non-financial instruments[3]		497	310	41	14
Specific allowances for impairment		(185)	(146)	(108)	(96)
Total trade and other receivables		3 050	2 666	1 232	2 160

[1] *Includes sundry receivables and reclassifications of creditors with debit balances. The 2015 balance for the group is stated after an impairment reversal on sundry receivables of R11 million in respect of the Mayoko iron ore project. In 2015, R15 million related to a reclassification from held-for-sale to trade and other receivables.*

[2] *In 2016 the ECC loan impairment of R194 million, which was recognised in 2015, was reversed and an impairment of R78 million was recognised on the FerroAlloys indebtedness.*

[3] *Mainly includes VAT refundable and prepayments.*

7.2 WORKING CAPITAL (CONTINUED)

7.2.3 TRADE AND OTHER RECEIVABLES (CONTINUED)

At 31 December	Group 2016 Rm	Group 2015 Rm	Company 2016 Rm	Company 2015 Rm
Trade and other receivables are stated after the following allowances for impairment:				
Specific allowances for impairment				
At beginning of the year	(146)	(29)	(290)	
Impairment loss recognised	(39)	(127)	(12)	(96)
Indebtedness by subsidiaries' impairments			(78)	(194)
Indebtedness by subsidiaries' impairment reversal			194	
Impairment loss reversals		13		
Write-offs		(3)		
At end of the year	(185)	(146)	(186)	(290)
Of which relates to:				
Trade receivables	(77)	(50)		
Other receivables	(108)	(96)	(108)	(96)
Subsidiaries			(78)	(194)
Collective allowances for impairment				
At beginning of the year		(15)		
Impairment loss reversals		15		
At end of the year				

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

7.2.4 TRADE AND OTHER PAYABLES

At 31 December	Note	Group 2016 Rm	Group 2015 Rm	Company 2016 Rm	Company 2015 Rm
Trade payables		781	936	42	101
Other payables[1]		1 360	1 749	174	345
Non-financial instruments[2]		692	660	167	184
Leave pay accrual		152	160	18	25
Indebtedness to subsidiaries	17.3			8 359	8 182
Derivative instruments	16.2	25	41		
Total trade and other payables		3 010	3 546	8 760	8 837

[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)/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 profits 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 profits 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

In terms of the dividend withholding tax regime, the liability for paying the tax has moved from the company declaring the dividend to the beneficial owners (shareholders) receiving the dividend. The final dividend declared will be subject to dividend withholding tax of 20% (2015: 15%) 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 profit 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)/BENEFIT

	Group		Company	
For the year ended 31 December	**2016 Rm**	**Re-presented 2015 Rm**	**2016 Rm**	**2015 Rm**
Charge to income				
South African normal tax				
Current	(656)	(128)		
– Current year	(660)	(128)		
– Prior year	4			
Deferred	(478)	(961)	(68)	26
– Current year	(375)	(921)	17	26
– Current year: assets sold previously classified as held-for-sale		(66)		
– Prior year	(103)	26	(85)	
Foreign normal tax				
Current	(120)	(10)		
– Current year	(136)	(10)		
– Prior year	16			
Deferred		(3)		
– Current year		(3)		
Total charge to statement of comprehensive income	(1 254)	(1 102)	(68)	26
– Continuing operations	(1 179)	(1 102)		
– Discontinued operations	(75)			

8.4 RECONCILIATION OF TAX RATES

For the year ended 31 December	Group 2016 %	Group Re-presented 2015 %	Company 2016 %	Company 2015 %
Tax as percentage of profit/(loss) before tax	18,1	80,6	2,3	2,6
Tax effect of:				
– Net capital gains/(losses)[1]	4,6	0,5	(1,3)	
– Expenses not deductible for tax purposes	(0,1)	(6,2)		4,2
– Exempt income (not subject to tax)[2]	1,3	0,6	2,9	
– Special tax allowances	0,1	0,4		
– Post-tax equity-accounted income and investment income[3]	8,2	(23,3)	28,6	(37,6)
– Remeasurements of foreign tax rate differences	0,6	1,9		
– Prior year tax adjustments[4]	(1,2)	1,8	(2,9)	
– Deferred tax assets not recognised	0,4	(28,4)		
– Impairment of assets/investments	(0,3)	(34,6)	1,1	22,4
– Exchange differences on translations[5]	(1,8)	34,7		
– Write-down of indebtedness by subsidiaries				36,4
– Imputed income from controlled foreign companies and investments[6]	(1,9)		(2,7)	
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	26,8	25,9		

[1] *A non-taxable capital gain was realised on the sale of the Mayoko Investment Company as well as the sale of SDCT during 2016. The group was not impacted by the change in the inclusion rate of CGT.*
[2] *The majority of exempt income relates to a foreign exempt dividend that was received from EITAG for 2016.*
[3] *Post-tax equity-accounted income (mainly SIOC) increased significantly from the prior year from R1 137 million loss in the prior year to an income of R2 373 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.*
[5] *2016 relates to the FCTR realised on the sale of the Mayoko iron ore project and its related subsidiaries.*
[6] *Imputation of interest received by Tronox UK Finance Limited which is a controlled foreign company of Exxaro as well as the imputation of taxable profit from EITAG (new legislation changes to section 9D of the Income Tax Act).*

8.5 DEFERRED TAX

At 31 December	Group 2016 Rm	Group 2015 Rm	Company[1] 2016 Rm	Company[1] 2015 Rm
The movements on the deferred tax account are as follows:				
At beginning of the year	(4 527)	(3 193)	390	365
Statement of comprehensive income charge	(478)	(898)	(68)	26
– Current	(375)	(924)	17	26
– Prior	(103)	26	(85)	
Items charged directly to equity				
– Share-based payments movement	20	(1)	13	(1)
Items charged directly to other comprehensive income		30		
– Revaluation of available-for-sale investments		23		
– Retirement benefit obligation		7		
Acquisition of subsidiary		(465)		
At end of the year	(4 985)	(4 527)	335	390
– Deferred tax asset	415	544	335	390
– Deferred tax liability	(5 400)	(5 071)		

[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.*

8.5 DEFERRED TAX (CONTINUED)

Comprising the following items:

	Group							
	At 31 December 2015			Movement during the year		At 31 December 2016		
	Assets Rm	Liabilities Rm	Total net liability Rm	Recognised in profit or loss Rm	Recognised directly in equity Rm	Assets Rm	Liabilities Rm	Total net liability Rm
Property, plant and equipment[1]	648	(5 039)	(4 391)	(449)		553	(5 393)	(4 840)
Share-based payments	11	3	14	43	20	50	27	77
Other accruals and provisions	(6)	127	121	(90)		73	(42)	31
Bad debt reassessment	38		38	32		31	39	70
Restoration provisions	482	241	723	310		227	806	1 033
Decommissioning provision	64	55	119	23		8	134	142
Leave pay accrual	26	18	44	(1)		6	37	43
Retention payables	1	43	44	19			63	63
Prepayments	(8)	(13)	(21)	(1)		(2)	(20)	(22)
Environmental rehabilitation funds	(171)	(173)	(344)	(14)		(28)	(330)	(358)
Income received in advance	3		3	(2)		1		1
Inventories	11	(17)	(6)	(1)		(13)	6	(7)
Unrealised foreign currency gains/(losses)	1	46	47	(39)		1	7	8
Finance lease receivable		(23)	(23)	15		14	(22)	(8)
Local tax losses carried forward	456	91	547	31		461	117	578
Foreign tax losses carried forward	(19)	298	279	(274)		5		5
Revaluation of financial assets available-for-sale	(48)	(34)	(82)			19	(101)	(82)
Post-employment benefit obligation	7		7			7		7
Deferred tax assets not recognised or derecognised	(956)	(486)	(1 442)	(76)		(987)	(531)	(1 518)
Contingent liabilities	4		4	(4)				
Investment in RBCT		(208)	(208)			(11)	(197)	(208)
Total	544	(5 071)	(4 527)	(478)	20	415	(5 400)	(4 985)

[1] *Includes borrowing costs capitalised.*

	Company			
	At 31 December 2015	Movement during the year		At 31 December 2016
	Asset Rm	Recognised in profit or loss Rm	Recognised directly in equity Rm	Asset Rm
Property, plant and equipment	14	(14)		
Share-based payments	10	30	13	53
Other accruals and provisions	134	(53)		81
Restoration provision	7	2		9
Leave pay accrual	7	(2)		5
Environmental rehabilitation funds	(6)	(1)		(7)
Unrealised foreign currency gains/(losses)		1		1
Assessed losses	224	(31)		193
Total	390	(68)	13	335

8.5 DEFERRED TAX (CONTINUED)

Calculated tax losses

At 31 December	Group 2016 Rm	Group 2015 Rm	Company 2016 Rm	Company 2015 Rm
Tax losses available for set-off against future taxable income on which deferred tax was raised				
– Local	(2 064)	(1 954)	(689)	(800)
– Foreign	(18)	(996)		
Current year tax losses on which no deferred tax assets were raised	1 298	587		

8.6 NOTES TO THE STATEMENT OF CASH FLOWS RELATING TO TAXATION

8.6.1 TAX PAID

For the year ended 31 December	Group 2016 Rm	Group 2015 Rm
Amounts receivable at beginning of the year	7	51
Amounts unpaid at beginning of the year: non-current assets held-for-sale		(9)
Amounts charged to the statement of comprehensive income	(776)	(138)
Acquisition of subsidiaries		21
Arising on translation of foreign operations	82	(4)
Interest income on current tax receivable not yet received	16	1
Sale of foreign subsidiary	(5)	
Amounts payable/(receivable) at end of the year	129	(7)
Tax paid	(547)	(85)

8.7 TAX EFFECT OF OTHER COMPREHENSIVE INCOME

	Group					
	2016			2015		
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 differences on translation of foreign operations	(45)		(45)	329		329
Share of comprehensive income of equity-accounted investments	(589)	90	(499)	2 046	(50)	1 996
Revaluation of available-for-sale financial assets	(5)		(5)	(164)	23	(141)
Remeasurement of retirement benefit obligation				(24)	7	(17)
Total	(639)	90	(549)	2 187	(20)	2 167

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/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.

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

In applying IFRS 3 *Business Combinations* during 2015, management made certain judgements in respect of the fair value of the contingent consideration, the estimation of the contingent liability for a take-or-pay penalty as well as the consolidation of entities with less than 50% ownership.

In applying IFRS 5 *Non-current Assets Held-for-sale and Discontinued Operations*, management has made judgements as to which non-current assets and discontinued operations fall within the scope of the standard and had to be reclassified and measured in terms of IFRS 5 (refer notes 9.5 and 7.1.4).

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	**2016**
Discount rate (%)	13,80
Rand/US$ exchange rate	14,31 – 14,04
Coal commodity prices (US$/tonne)	53,28 – 65,00

Tronox investment	**2016**
Discount rate (%)	8,31 – 11,18
Zircon prices (US$/tonne)	895 – 1 394
TiO_2 pigment prices (US$/tonne)	2 286 – 2 849
TiO_2 feedstock blended prices (US$/tonne)	705 – 1 030

[1] *Includes rutile, synthetic rutile, slag and leucoxene.*

9.3 IMPAIRMENT CHARGES OF NON-CURRENT ASSETS

		Group		Company	
For the year ended 31 December	Note	**2016 Rm**	**2015 Rm**	**2016 Rm**	**2015 Rm**
FerroAlloys operation					
Impairment charges, net of tax		73			
– Property, plant and equipment	11.1.3	100			
– Tax effect		(27)			
ECC					
Impairment charges, net of tax			1 524		797
– Goodwill	11.2.2		1 524		
– Impairment of subsidiaries[1]					797
Reductants operation					
Impairment charges, net of tax			162		
– Property, plant and equipment	11.1.3		225		
– Tax effect			(63)		
Impairment charges of non-current assets		100	1 749		797
Net tax effect of impairment charges		(27)	(63)		
Net effect on attributable earnings		73	1 686		797

[1] *On 31 December 2015, an impairment assessment was performed by comparing the carrying amount of the investment in ECC to the net asset value of the ECC operations in which the investment was held. As a result, an impairment of R797 million was recognised.*

9.3 IMPAIRMENT CHARGES OF NON-CURRENT ASSETS (CONTINUED)

9.3.1 FERROALLOYS OPERATION

The ferrosilicon plant was expanded during 2013/4 which led to a material increase in production capacity on commissioning. This expansion project was in line with Exxaro's strategy and expected increased demand from customers. During 2016, one of the major customers was put into business rescue and another major customer gave notice to terminate the current supply agreement on 31 December 2018.

FerroAlloys has been engaged in product diversification, promotions and test campaigns at various plants and markets. Although some interest was shown in the product and positive test results were obtained, it is not possible to determine growth in the new market. The significant lower demand from current customers and the prospects of securing new customers for the ferrosilicon product have been identified as an impairment indicator (according to IFRS) and as a result an impairment assessment was performed at 31 December 2016. The ferrosilicon plant was fully impaired (R100 million) on 31 December 2016.

9.3.2 ECC

Exxaro acquired TCSA on 20 August 2015 and renamed it ECC. The PPA was completed and goodwill of R1 524 million was recognised at acquisition. The goodwill was assessed for impairment on 31 December 2015 and was fully impaired on that date.

9.3.3 REDUCTANTS OPERATION

The decline in demand, lower FeCr prices and rising production costs drastically impacted local producers. This, coupled with continued declining imported semi-coke and cheaper market coke prices resulted in producers increasing market coke usage and further reducing semi-coke demand. The char plant was fully impaired in 2015 based on the cessation of production.

9.3.4 OTHER IMPAIRMENT CONSIDERATIONS

Impairment indicators resulted in impairment assessments being performed for the operations and other investments within the Exxaro group on 31 December 2016. Other than the impairments discussed above, the recoverable amount exceeded the carrying value of the respective assets.

Sensitivity analysis

Tronox

If all assumptions remain unchanged, a 2,8% decrease in the pigment prices will result in the recoverable amount being equivalent to the carrying value of the investment or, if all assumptions remain unchanged, an 11,7% increase in the discount rate will result in the recoverable amount being equivalent to the carrying value of the investment.

9.4 GAINS/(LOSSES) ON THE DISPOSAL OF JOINT VENTURE, OPERATIONS AND SUBSIDIARIES

9.4.1 GROUP

Continuing operations

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

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

9.4 GAINS/(LOSSES) ON THE DISPOSAL OF JOINT VENTURE, OPERATIONS AND SUBSIDIARIES (CONTINUED)

9.4.1 GROUP (CONTINUED)

Continuing operations (continued)

For the year ended 31 December 2015	NCC operation Rm
Gain on disposal	
Consideration received:	
– Cash	70
Total disposal consideration	70
Carrying amount of net liabilities sold	42
– Property, plant and equipment	(149)
– Inventories	(7)
– Provisions	197
– Trade and other payables	1
Gain on disposal	112
Net tax effect	(31)

Discontinued operations

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

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

[2] *After tax of nil.*

9.4 GAINS/(LOSSES) ON THE DISPOSAL OF JOINT VENTURE, OPERATIONS AND SUBSIDIARIES (CONTINUED)

9.4.2 COMPANY

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 on 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.*

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

EMJV

Exxaro concluded the purchase of ECC in 2015. As part of this acquisition Exxaro acquired non-current liabilities held-for-sale relating to EMJV. The sale of 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, as well as section 43(2) approval for the transfer of environmental liabilities and responsibilities. EMJV remains a non-current liability held-for-sale for the Exxaro group at 31 December 2016.

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 corporate centre were classified as a non-current asset held-for-sale at 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. The sale is conditional at Exxaro entering into a leaseback agreement for a minimum of two years. These agreements have been finalised during January 2017. The land and buildings situated at corporate centre remains classified as a non-current asset held-for-sale at 31 December 2016.

9.5 NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE (CONTINUED)

The major classes of non-current assets and liabilities held-for-sale are as follows:

	Group		Company	
At 31 December	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Assets				
Property, plant and equipment	129	128	82	81
Deferred tax	1			
Non-current assets held-for-sale	130	128	82	81
Liabilities				
Non-current provisions	(1 083)	(1 027)		
Post-retirement employee obligations	(18)	(17)		
Non-current liabilities held-for-sale	(1 101)	(1 044)		
Net non-current (liabilities)/assets held-for-sale	(971)	(916)	82	81

9.6 BUSINESS COMBINATION

No business combination took place during the 2016 reporting year.

During the previous year, the group acquired a 100% controlling interest of the share capital of TCSA for a cash amount of US$262 million (R3 381 million) from Total S.A. plus a maximum additional amount of US$120 million structured in a series of deferred payments linked to the performance of the API4 price between 2015 and 2019 (contingent consideration). The acquisition was classified as an acquisition of a business, in accordance with IFRS 3 *Business Combinations*.

TCSA was renamed ECC, which forms part of the coal commercial operating segment for purposes of reporting to the chief operating decision-maker. ECC is a large-scale South African business which has a majority interest in two mining complexes, DCM and Forzando, located in the Witbank coal basin in the Mpumalanga province. The majority of ECC's production is export coal which is shipped via RBCT to international markets, mainly India and China. ECC also sells some of its production into the South African domestic market.

Contingent consideration

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

At acquisition date, the fair value of the contingent consideration arrangement of US$2,52 million (R32,51 million) was estimated by applying the discounted cash flow method. The fair value estimates were based on a discount rate of 3,44% and assumed API4 price per tonne between US$51 and US$63. This is a Level 3 fair value measurement.

At 31 December 2016, there was an increase of US$32,9 million (R445 million) (2015: US$0,03 million (R0,44 million)) recognised in profit or loss for the contingent consideration arrangement.

CHAPTER 9: BUSINESS ENVIRONMENT AND PORTFOLIO CHANGES (CONTINUED)

9.6 BUSINESS COMBINATION (CONTINUED)

Contingent consideration (continued)

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

- 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.

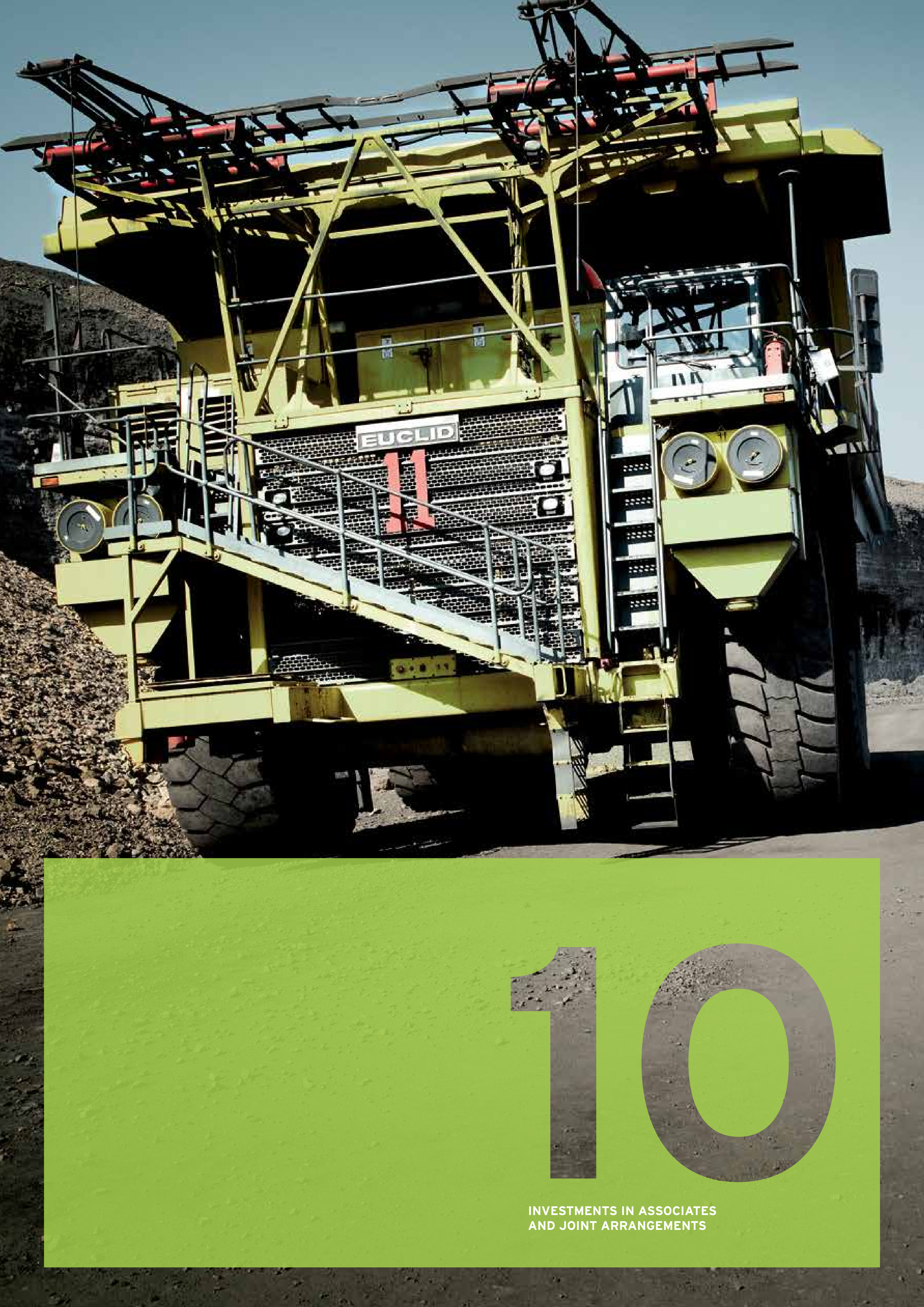
An additional payment to Total S.A. is required for the 2016 reference year as the API4 price was within the agreed range. No additional payment to Total S.A. was required for the 2015 reference year as the API4 price was below the range.

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

Indemnification asset

Total S.A. contractually agreed to indemnify Exxaro for any claims brought by Scinta (the buyer of ECC's interest in EMJV) or any third party in relation to the sale of ECC's interest in EMJV to Scinta, including without limitation all liabilities arising out of the mine closure in respect of EMJV and all environmental liabilities attributable to the mining operations which were subject of EMJV. At acquisition date, the Ermelo indemnification amounted to R1 044 million which was deducted from the consideration transferred for the business combination.

During 2016 there were changes in the amount recognised for the indemnification asset as a result of the changes in the indemnified liabilities. The balance of the indemnification asset amounts to R1 100 million as at 31 December 2016 (2015: R1 044 million).



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. They 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 consolidated 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 consolidated 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.
› Tronox: management concluded that the group does not have de facto control over Tronox (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	**2016 Rm**	**2015 Rm**	**2016 Rm**	**2015 Rm**
Associates	2 132	(1 339)	390	1 429
Listed investments	(391)	(1 646)	298	668
– Tronox	(391)	(1 646)	298	668
Unlisted investments	2 523	307	92	761
– SIOC[1]	2 416	104		673
– Tronox SA	(111)	40		
– Tronox UK[2]	118	103	92	88
– RBCT[1]		(4)		
– Black Mountain	100	64		
Joint ventures	241	202		
– Mafube	238	253		
– SDCT		2		
– Cennergi	3	(53)		
Total income/(loss) from investments in associates and joint ventures	2 373	(1 137)	390	1 429

[1] 2016 includes excess of fair value over the cost of the investment which arose on the increased shareholding:				
- SIOC	*221*			
- RBCT	*35*			

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

10.4 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

10.4.1 INVESTMENTS IN ASSOCIATES

	Group		Company	
At 31 December	**2016 Rm**	**2015 Rm**	**2016 Rm**	**2015 Rm**
Investments				
– Listed	7 946	8 997	10 880	10 880
– Unlisted	13 572	10 693	2 272	2 272
Total investments in associates	21 518	19 690	13 152	13 152

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

10.4 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

10.4.1 INVESTMENTS IN ASSOCIATES (CONTINUED)

	Note	Group Investments Rm	Group Total Rm
At 31 December 2016			
At beginning of the year		19 690	19 690
Additional interests acquired[1]		297	297
Loss on dilution of investment		(36)	(36)
Net share of results		2 129	2 129
– Share of equity-accounted income		1 876	1 876
– Excess of fair value of net asset value over cost of investment in associate[1, 2]		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
At 31 December 2015			
At beginning of the year		18 588	18 588
Loss on dilution of investment		(10)	(10)
Transfer from financial asset		683	683
Transfer from other assets		106	106
Acquisition of subsidiaries		1 133	1 133
Net share of results		(1 339)	(1 339)
Dividends received		(1 341)	(1 341)
Share of reserve movements		1 870	1 870
At end of the year	10.5	19 690	19 690

[1] *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.*

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

10.4.2 INVESTMENTS IN JOINT VENTURES

		Group		Company	
At 31 December	Note	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Investments (per statement of financial position)		1 258	1 662	696	641
Loans (included in financial assets)	11.3.2	126	105	186	60
Total investments and loans in joint ventures		1 384	1 767	882	701

10.4 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

10.4.2 INVESTMENTS IN JOINT VENTURES (CONTINUED)

	Note	Group		
		Investments Rm	Loans Rm	Total Rm
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 equity-accounted 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
At 31 December 2015				
At beginning of the year		966	83	1 049
Increase in investment[1]		374		374
Net share of results		196	2	198
– Share of equity-accounted income		200	2	202
– Elimination of intergroup profits		(4)		(4)
Share of reserve movements		126		126
Movement in indebtedness from joint ventures			20	20
At end of the year	10.5	1 662	105	1 767

[1] *Relates to Cennergi.*
[2] *The investment in SDCT was sold as part of the restructuring (note 10.4.1).*
[3] *Interest-free loan to Cennergi with no fixed repayments.*

	Note	Company		
		Investments Rm	Loans[1, 2] Rm	Total Rm
At 31 December 2016				
At beginning of the year		641	60	701
Increase in investment[3]		55		55
Movement in indebtedness from joint ventures			126	126
At end of the year	10.5	696	186	882
At 31 December 2015				
At beginning of the year		267	60	327
Increase in investment[3]		374		374
At end of the year	10.5	641	60	701

[1] *The loans to joint ventures are included in non-current financial assets on the statement of financial position (note 11.3.2).*
[2] *The loans have no fixed repayment terms. The loan to Cennergi 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

		Nature of business[1]	Country of incorporation	Percentage holding (legal)	
At 31 December	Note			2016 %	2015 %
Associated companies					
Listed					
– Tronox[3]		M	USA	43,66	43,87
Unlisted					
– SIOC[4]		M	RSA	20,62	19,98
– Tronox SA		M	RSA	26,00	26,00
– Tronox UK		F	UK	26,00	26,00
– RBCT		T	RSA	12,56	10,33
– Black Mountain[5]		M	RSA	26,00	26,00
Total associated companies	10.4.1				
Incorporated joint ventures[6]					
Unlisted					
– Mafube		M	RSA	50,00	50,00
› Investment					
– SDCT		T	RSA		33,33
› Investment					
› Loan					
– 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 investment in associates and joint ventures					

[1] *M – Mining, F – Financing, EN – Energy, T – Export terminal.*

[2] *Fair value represents the directors' value for unlisted investments and market value for listed investments at reporting date.*

[3] *The group's 43,87% investment in Tronox on 31 December 2015 was diluted during the year to 43,66% on 31 December 2016 due to share warrants and share options that were exercised by participants during the year. The fair value of the investment is based on a share price of US$10,31 on 31 December 2016 (31 December 2015: US$3,91), and an exchange rate against the US$ of R13,63 (31 December 2015: R15,48). The recoverable amount (value-in-use) of this investment was determined based on Exxaro's share of the present value of Tronox's cash flows, which resulted in no impairment charge being recognised on 31 December 2016. Subsequent to 31 December 2016, the Tronox share price improved to US$18,45 per share on 31 March 2017, an increase of 79%.*

[4] *The fair value of the investment is based on the share price of KIO on 31 December 2016 of R159,00 per share (31 December 2015: R41,20 per share), adjusted for a liquidity discount of 20% (2015: 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] *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 and 13.5 for details with regard to contingent liabilities and assets 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
	2016 Rm	**2015 Rm**	**2016 Rm**	**2015 Rm**	**2016 Rm**	**2015 Rm**		
	7 946	8 997	10 880	10 880	7 186	3 095	1	Listed market price
	7 549	5 081			11 070	2 900	2	Adjusted equity value
	1 728	1 833	1 181	1 181	1 728	1 833	3	Net asset value
	1 558	1 440	1 091	1 091	1 558	1 440	3	Net asset value
	2 217	1 919			2 960	2 026	3	DCF
	520	420			1 564	802	3	DCF
	21 518	19 690	13 152	13 152	26 066	12 096		
	839	1 067			1 403	1 453	3	DCF
	839	1 067						
		105				197	3	DCF
		105						
	545	595	882	701	1 394	1 112	3	DCF
	419	595	696	641				
	126		186	60				
	1 384	1 767	882	701	2 797	2 762		
	22 902	21 457	14 034	13 853	28 863	14 858		

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 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 Rm	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	40 268	5 064		40 155	882	1 772	409
Other income							198
Operating (expenses)/income	(39 726)	(5 233)	17	(25 174)	(1 225)	(1 100)	(330)
Net operating profit/(loss)	542	(169)	17	14 981	(343)	672	277
Finance income	51	100	834	276		33	27
Finance costs	(3 633)	(502)	(377)	(505)	(35)	(29)	(251)
Income from investments	1						
Impairment charges						(45)	
Share of income of equity-accounted investments				2			
(Loss)/profit before tax	(3 039)	(571)	474	14 754	(378)	631	53
Income tax benefit/(expense)	2 154	142	(19)	(3 875)	58	(186)	(46)
(Loss)/profit for the year from continuing operations	(885)	(429)	455	10 879	(320)	445	7
Profit for the year from discontinued operations				3			
(Loss)/profit for the year	(885)	(429)	455	10 882	(320)	445	7
Other comprehensive income/(loss)	194	25		(232)			
Total comprehensive (loss)/income for the year	(691)	(404)	455	10 650	(320)	445	7
Dividends paid to Exxaro	298					450	
Statements of financial position							
At 31 December 2016							
Non-current assets	55 999	12 803	4 913	36 224	22 562	1 818	6 175
Current assets	14 857	6 158	1 207	20 350	251	794	721
Non-current assets held-for-sale				937			
Total assets	70 856	18 961	6 120	57 511	22 813	2 612	6 896
Equity and liabilities							
Total equity	16 639	6 646	5 994	36 629	20 489	1 678	784
Equity attributable to owners of the parent	14 687	6 646	5 994	36 629	20 489	1 678	784
Non-controlling interests	1 952						
Non-current liabilities	46 863	9 027	102	14 275	1 728	643	5 436
Current liabilities	7 354	3 288	24	5 671	596	291	676
Non-current liabilities held-for-sale				936			
Total equity and liabilities	70 856	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)

10.5.2 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES AND JOINT VENTURES (CONTINUED)

	Associate companies					Joint ventures	
	Tronox Rm	Tronox SA Rm	Tronox UK Rm	SIOC Rm	RBCT[1] Rm	Mafube Rm	Cennergi Rm
Statements of comprehensive income							
For the year ended 31 December 2015							
Revenue	27 071	6 577		36 138	290	1 916	
Operating expenses	(29 007)	(6 034)	(15)	(27 611)	(327)	(1 215)	(175)
Net operating (loss)/profit	(1 936)	543	(15)	8 527	(37)	701	(175)
Finance income	90	88	776	246		34	13
Finance costs	(2 317)	(418)	(355)	(880)	(11)	(36)	
Impairment charges				(5 978)			
Share of income of equity-accounted investments				6			
(Loss)/profit before tax	(4 163)	213	406	1 921	(48)	699	(162)
Income tax benefit/(expense)	551	(61)	(11)	(1 398)	5	(202)	56
(Loss)/profit for the year	(3 612)	152	395	523	(43)	497	(106)
Other comprehensive income/(loss)	1 754	28		(2 223)	5		
Total comprehensive (loss)/income for the year	(1 858)	180	395	(1 700)	(38)	497	(106)
Dividends paid to Exxaro	668			673			
Statements of financial position							
At 31 December 2015							
Non-current assets	63 877	13 360	4 405	34 584	21 778	1 943	5 383
Current assets	17 207	5 456	1 205	14 014	346	1 313	180
Total assets	81 084	18 816	5 610	48 598	22 124	3 256	5 563
Equity and liabilities							
Total equity	18 268	7 049	5 538	25 439	20 482	2 133	1 136
Equity attributable to owners of the parent	16 519	7 049	5 538	25 439	20 482	2 133	1 136
Non-controlling interests	1 749						
Non-current liabilities	54 255	9 852	63	18 406	922	709	4 197
Current liabilities	8 561	1 915	9	4 753	720	414	230
Total equity and liabilities	81 084	18 816	5 610	48 598	22 124	3 256	5 563
Included above in joint ventures:							
Cash and cash equivalents						964	18
Financial liabilities (excluding trade and other payables and provisions)							3 973
– Non-current							3 853
– Current							120
Depreciation and amortisation						184	1

[1] *Statement of comprehensive income for 2015 relates to the period 1 September 2015 to 31 December 2015.*

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

10.5.3 RECONCILIATION OF CARRYING AMOUNT OF INVESTMENT

Set out below is a reconciliation of the equity attributable to owners of the parent (closing net assets) as disclosed, to the carrying value of the investment.

	Associate companies					Joint ventures	
	Tronox Rm	Tronox SA Rm	Tronox UK Rm	SIOC Rm	RBCT Rm	Mafube Rm	Cennergi[1] Rm
At 31 December 2016							
Closing net assets	14 687	6 646	5 994	36 629	20 489	1 678	784
Interest in equity-accounted investment (%)	43,66	26,00	26,00	20,62	10,82	50,00	50,00
Interest in equity-accounted investment	6 412	1 728	1 558	7 552	2 217	839	392
Excess of carrying value over fair value of identifiable assets and liabilities[2]	1 534						
Unrealised profit in closing balances				(3)			(33)
Loans to equity-accounted investments							186
Carrying value	7 946	1 728	1 558	7 549	2 217	839	545
At 31 December 2015							
Closing net assets	16 519	7 049	5 538	25 439	20 482	2 133	1 136
Interest in equity-accounted investment (%)	43,87	26,00	26,00	19,98	9,37	50,00	50,00
Interest in equity-accounted investment	7 246	1 833	1 440	5 082	1 919	1 067	568
Excess of carrying value over fair value of identifiable assets and liabilities[2]	1 751						
Unrealised profit in closing balances				(1)			(33)
Loans to equity-accounted investments							60
Carrying value	8 997	1 833	1 440	5 081	1 919	1 067	595

[1] *R60 million of the loan to Cennergi is capitalised to the investment in the accounting records of the Exxaro group.*
[2] *The excess of carrying value over fair value of identifiable assets and liabilities (goodwill) is treated as part of the assets and liabilities of the foreign operation and is translated at the closing rate.*

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.

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:

	2016			2015		
	Coal	Ferrous	Other	Coal	Ferrous	Other
Mineral properties	1 – 25 years or 6,7Mt – 72,7Mt	N/A	N/A	1 – 25 years or 638kt – 62,2Mt	7 – 25 years	N/A
Residential buildings	1 – 40 years	N/A	N/A	1 – 40 years	25 years	N/A
Buildings and infrastructure	1 – 40 years	10 – 20 years	3 – 25 years	1 – 40 years	10 – 25 years	3 – 25 years
Machinery, plant and equipment	13 000 – 50 000 hours or 1 – 40 years or 6,7Mt – 72,7Mt	5 – 25 years	1 – 20 years	13 000 – 50 000 hours or 1 – 40 years or 638kt – 62,2Mt	1 – 15 years	1 – 20 years
Site preparation, mining development and rehabilitation	1 – 25 years or 6,7Mt – 72,7Mt	N/A	N/A	1 – 25 years or 638kt – 62,2Mt	25 years	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 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 and Congolese 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 infra-structure Rm	Machinery, plant and equipment Rm	Site preparation, mining develop-ment and rehabili-tation Rm	Assets under con-struction 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	9.3				(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

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 infra-structure Rm	Machinery, plant and equipment Rm	Site preparation, mining develop-ment and rehabili-tation Rm	Assets under con-struction Rm	Total Rm
At 31 December 2015									
Gross carrying amount									
At beginning of the year		264	3 618	643	2 576	16 088	262	5 070	28 521
Additions			2		195	1 297	25	926	2 445
Changes in decommissioning assets	13.3				(7)	(66)			(73)
Acquisition of subsidiaries		17	1 032		9	2	4		1 064
Borrowing costs capitalised	12.1.2							6	6
Disposals of items of property, plant and equipment					(4)	(335)	(7)		(346)
Net reclassification to non-current assets held-for-sale		20			(60)			(81)	(121)
Transfer between classes		2	(1)	22	732	1 882	21	(2 658)	
Transfer to other assets								(1)	(1)
Exchange differences on translation		6			3	162		275	446
At end of the year		309	4 651	665	3 444	19 030	305	3 537	31 941
Accumulated depreciation									
At beginning of the year		(9)	(1 002)	(90)	(648)	(3 508)	(193)	(12)	(5 462)
Depreciation charges	7.1.3		(79)	(10)	(122)	(778)	(26)		(1 015)
Disposals of items of property, plant and equipment					1	160	8		169
Net reclassification to non-current assets held-for-sale					18				18
Transfer between classes				(13)		1		12	
Exchange differences on translation						(5)			(5)
At end of the year		(9)	(1 081)	(113)	(751)	(4 130)	(211)		(6 295)
Impairment of assets									
At beginning of the year			(1 916)		(1)	(1 058)		(1 740)	(4 715)
Charges for the year	9.3				(78)	(143)	(4)		(225)
Disposals of items of property, plant and equipment						139			139
Exchange differences on translation						(159)		(274)	(433)
At end of the year			(1 916)		(79)	(1 221)	(4)	(2 014)	(5 234)
Net carrying amount at end of the year		300	1 654	552	2 614	13 679	90	1 523	20 412

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 for further details):

	Group	
	2016 Rm	2015 Rm
Gross carrying amount	58	
Accumulated depreciation	(15)	
Net carrying amount at end of the year	43	

11.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

11.1.3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Company			
		Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Assets under construction Rm	Total Rm
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)
Disposals 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
At 31 December 2015					
Gross carrying amount					
At beginning of the year		8	710	211	929
Additions				49	49
Disposals of items of property, plant and equipment			(16)		(16)
Net reclassification to non-current assets held-for-sale				(81)	(81)
Transfer between classes			80	(80)	
Transfer to other assets				(1)	(1)
At end of the year		8	774	98	880
Accumulated depreciation					
At beginning of the year		(4)	(296)		(300)
Charges for the year	7.1.3		(61)		(61)
Disposal of items of property, plant and equipment			14		14
At end of the year		(4)	(343)		(347)
Net carrying amount at end of the year		4	431	98	533

11.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

11.1.4 CAPITAL COMMITMENTS

At 31 December	Group 2016 Rm	Group 2015 Rm	Company 2016 Rm	Company 2015 Rm
Capital expenditure contracted for property, plant and equipment	2 333	2 162	3	3
Capital expenditure authorised for property, plant and equipment but not contracted	3 500	1 376	34	46
Capital commitments include the group's share of capital commitments of associates and joint ventures	951	441		

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

11.1.5 INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT

At 31 December	Group 2016 Rm	Group 2015 Rm	Company 2016 Rm	Company 2015 Rm
Investments in property, plant and equipment to maintain operations				
Replacement of property, plant and equipment	(2 350)	(1 640)	(20)	(49)
Reconditional spares	(63)	(23)		
Property, plant and equipment acquired to maintain operations	(2 413)	(1 663)	(20)	(49)
Investments in property, plant and equipment to expand operations				
Property, plant and equipment acquired to expand operations[1]	(367)	(727)		
Total investment in property, plant and equipment	(2 780)	(2 390)	(20)	(49)

[1] *Expansion and new technology.*

11.2 INTANGIBLE ASSETS

11.2.1 ACCOUNTING POLICIES RELATING TO INTANGIBLE ASSETS

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the enterprise and the cost can be reliably measured. Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

Impairment of intangible assets

Intangible assets that have indefinite useful lives or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Intangible assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

Amortisation of intangible assets

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date they are available for use.

Useful lives and residual values are reviewed at each reporting date and adjusted where appropriate.

The estimated useful lives of items of intangible assets are:

	2016	2015
Patents and licences		
Options and rights	10 – 20 years	10 – 20 years
Software licences	1 – 10 years	1 – 10 years
Technology licences – intellectual property	25 years	25 years

11.2 INTANGIBLE ASSETS (CONTINUED)

11.2.2 INTANGIBLE ASSETS COMPOSITION AND ANALYSIS

	Note	Group		
		Goodwill[1] Rm	Patents and licences[2] Rm	Total Rm
At 31 December 2016				
Gross carrying amount				
At beginning of the year		2 544	294	2 838
Disposal of subsidiary		(1 020)	(1)	(1 021)
Exchange differences			1	1
At end of the year		1 524	294	1 818
Accumulated amortisation				
At beginning of the year			(36)	(36)
Charges for the year	7.1.3		(25)	(25)
Disposal of subsidiary			1	1
Exchange differences			(1)	(1)
At end of the year			(61)	(61)
Accumulated impairment				
At beginning of the year		(2 544)	(202)	(2 746)
Disposal of subsidiary		1 020		1 020
At end of the year		(1 524)	(202)	(1 726)
Net carrying amount at end of the year			31	31

[1] During 2016, the Mayoko iron ore project was sold which has resulted in the derecognition of the related goodwill and impairment balances. Goodwill and impairment balances relate to the ECC acquisition.
[2] Includes software licences, intellectual property, which was previously impaired, as well as an option to receive specific quantities of water from the Eungella water pipeline (Australia) and the right to receive water from the Zeeland Water Treatment Works (Lephalale, South Africa).

	Note	Group		
		Goodwill[1] Rm	Patents and licences[2] Rm	Total Rm
At 31 December 2015				
Gross carrying amount				
At beginning of the year		1 020	258	1 278
Additions			34	34
Acquisition of subsidiary		1 524	2	1 526
At end of the year		2 544	294	2 838
Accumulated amortisation				
At beginning of the year			(22)	(22)
Charges for the year	7.1.3		(14)	(14)
At end of the year			(36)	(36)
Accumulated impairment				
At beginning of the year		(1 020)	(202)	(1 222)
Charges for the year	9.3	(1 524)		(1 524)
At end of the year		(2 544)	(202)	(2 746)
Net carrying amount at end of the year			56	56

[1] Goodwill was allocated to ECC and AKI at acquisition. The full amount of goodwill relating to the ECC acquisition was impaired at 31 December 2015.
[2] Includes software licences, intellectual property, which was previously impaired as well as an option to receive specific quantities of water from the Eungella water pipeline (Australia) and the right to receive water from the Zeeland Water Treatment Works (Lephalale, South Africa).

11.2 INTANGIBLE ASSETS (CONTINUED)

11.2.2 INTANGIBLE ASSETS (CONTINUED)

	Note	Company	
		Patents and licences[1] Rm	Total Rm
At 31 December 2016			
Gross carrying amount			
At beginning of the year		277	277
At end of the year		277	277
Accumulated amortisation			
At beginning of the year		(27)	(27)
Charges for the year	7.1.3	(23)	(23)
At end of the year		(50)	(50)
Accumulated impairment			
At beginning of the year		(202)	(202)
At end of the year		(202)	(202)
Net carrying amount at end of the year		25	25
At 31 December 2015			
Gross carrying amount			
At beginning of the year		245	245
Additions		32	32
At end of the year		277	277
Accumulated amortisation			
At beginning of the year		(15)	(15)
Charges for the year	7.1.3	(12)	(12)
At end of the year		(27)	(27)
Accumulated impairment			
At beginning of the year		(202)	(202)
At end of the year		(202)	(202)
Net carrying amount at end of the year		48	48

[1] *Includes software licences.*

11.3 FINANCIAL ASSETS

11.3.1 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.

11.3.2 FINANCIAL ASSETS COMPOSITION

		Group		Company	
At 31 December	Note	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Non-current financial assets					
Environmental rehabilitation funds	16.2	1 401	1 329	24	17
Loans to joint ventures	10.4.2	126	105	186	60
Non-current receivables		1 768	803	310	219
Loan to BEE shareholder[1]	16.2		426		426
Indemnification asset[2]	9.6	1 100	1 044		
Investments	16.2	193	214		
– Available-for-sale		178	210		
– Fair value through profit or loss		15	4		
Lease receivables		132	146		
Total non-current financial assets		4 720	4 067	520	722
Current financial assets					
Loan to BEE shareholder[1]	16.2	480		480	
Total current financial assets		480		480	
Total financial assets		5 200	4 067	1 000	722

[1] *Exxaro provided a loan to Main Street 333, during 2015, which has been classified as current for the reporting period ended 31 December 2016. The loan is repayable by April 2017 and attracts interest at prime plus 5%.*

[2] *The indemnification asset arose on the ECC business combination transaction. Refer note 9.6.*

11.4 NET INVESTMENT IN FINANCE LEASE

11.4.1 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.

11.4 NET INVESTMENT IN FINANCE LEASE (CONTINUED)

11.4.2 NET INVESTMENT IN FINANCE LEASE ANALYSIS

At 31 December	Note	Group 2016 Rm	Group 2015 Rm
Total gross investment in finance lease		146	160
– Not later than one year		14	14
– Later than one year but not later than five years		56	56
– Later than five years		76	90
Less: Unearned finance income	12.1.7	(66)	(77)
Present value of minimum lease payments receivable		80	83
– Not later than one year		4	3
– Later than one year but not later than five years		22	19
– Later than five years		54	61

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 their 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 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	**2016 Rm**	**2015 Rm**	**2016 Rm**	**2015 Rm**
Total finance income		229	102	143	43
– Interest income		218	91	143	43
– Finance lease interest income		11	11		
Total finance costs		(857)	(770)	(524)	(558)
– Interest expense		(496)	(546)	(496)	(546)
– Unwinding of discount rate on rehabilitation cost	13.3	(347)	(220)	(3)	(2)
– Finance lease interest expense		(5)			
– Amortisation of transaction costs		(25)	(10)	(25)	(10)
– Borrowing costs capitalised[1]	11.1.3	16	6		
Total net financing costs		(628)	(668)	(381)	(515)
[1] *Borrowing costs capitalisation rate (%)*		*9,55*	*6,94*		
Included in interest income:					
– Interest income on unimpaired loans and receivables		97	30	70	26
– Interest income on cash and cash equivalents		96	34	73	17
– Interest income on financial assets designated at fair value through profit or loss		24	21		
– Interest income on non-financial assets		1	6		
Total interest income		218	91	143	43
Included in interest expense:					
– Interest expense on financial liabilities measured at amortised cost		(488)	(490)	(488)	(490)
– Interest expense on bank overdrafts		(8)	(56)	(8)	(56)
Total interest expense		(496)	(546)	(496)	(546)

12.1 DEBT (CONTINUED)

12.1.3 INTEREST-BEARING BORROWINGS

		Group		Company	
At 31 December	Note	**2016 Rm**	**2015 Rm**	**2016 Rm**	**2015 Rm**
Interest-bearing borrowings					
Summary of loans and finance leases by financial year of redemption[1]					
2016			882		882
2017		503	1 274	471	1 274
2018		5	795	(9)	795
2019		514	1 317	511	1 317
2020		(9)	799	(9)	799
2021		5 244		5 244	
2022 onwards		248		248	
Total interest-bearing borrowings	16.2	6 505	5 067	6 456	5 067
– Non-current interest-bearing borrowings[2]		6 002	4 185	5 985	4 185
– Current interest-bearing borrowings[3]		503	882	471	882

[1] *During 2016 the R8 billion loan facility was refinanced which resulted in a new redemption profile.*
[2] *The non-current portion includes R35 million (2015: R15 million) in respect of transaction costs that will be amortised using the effective interest rate method, over the term of the facilities.*
[3] *The current portion represents capital repayments amounting to R512 million (2015: R800 million), interest capitalised amounting to nil (2015: R90 million) reduced by amortised transaction costs amounting to R9 million (2015: R8 million).*

	Group	
At 31 December	**2016 Rm**	**2015 Rm**
Finance leases		
Included in the above interest-bearing borrowings are obligations relating to finance leases.		
Minimum finance lease payments:		
– Not later than one year	35	
– Later than one year but not later than five years	18	
Total	53	
Less: Future finance charges	(4)	
Present value of finance lease liabilities	49	
– Non-current	17	
– Current	32	

		Group		Company	
At 31 December	Note	**2016 Rm**	**2015 Rm**	**2016 Rm**	**2015 Rm**
Overdraft					
Bank overdraft	16.2	12		7	

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

12.1 DEBT (CONTINUED)

12.1.4 DETAILED ANALYSIS OF INTEREST-BEARING BORROWINGS

Exxaro refinanced the previous senior loan facility by entering into a new facility agreement during July 2016.

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

	Refinanced loan facility			Senior loan facility	
	Bullet term loan	Amortised term loan	Revolving credit facility	Term loan	Revolving credit facility
At 31 December	**2016**	**2016**	**2016**	**2015**	**2015**
Aggregate nominal amount (Rm)	3 250	2 000	2 750	5 000	3 000
Issue date/draw down date	29 July 2016	29 July 2016	29 July 2016	31 May 2012 24 February 2015	24 April 2012
Maturity date	29 July 2021	29 July 2023	29 July 2021	30 June 2020	30 June 2017
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	10 equal payments for the outstanding amount from 29 January 2016	No fixed/ determined payments, the total outstanding amount is payable on final maturity date
Duration (months)	60	84	60	97	62
Secured/unsecured	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured
Undrawn portion (Rm)	Nil	1 750	750	1 000	3 000
Interest					
Interest payment basis	Floating rate	Floating rate	Floating rate	Floating rate	Floating rate
Interest payment period	Three months	Three months	Monthly	Six months	One month
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%)	JIBAR plus a margin of 275 basis points (2,75%)	JIBAR plus a margin of 250 basis points (2,50%)
Effective interest rates for the transaction costs	0,17%	1,17%	N/A	0,47%	N/A
Rate of interest per year	10,60%	10,81%	10,26%	9,38%	9,26%

There were no defaults or breaches in terms of interest-bearing borrowings during both reporting periods, except in respect of the dividend declaration financing covenant in 2015 (ie net profit after tax to distribution covenant). The latter was as a result of the non-cash impairments in 2015. The group obtained approval from the providers of finance for the waiver of this covenant on the basis that the impairments are non-cash flow items, which approval was received.

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

12.1 DEBT (CONTINUED)

12.1.4 DETAILED ANALYSIS OF INTEREST-BEARING BORROWINGS (CONTINUED)

	DMTN Programme (Bond)			
	R480 million senior unsecured floating rate note		R520 million senior unsecured floating rate note	
At 31 December	**2016**	**2015**	**2016**	**2015**
Aggregate nominal amount (Rm)	480	480	520	520
Issue date/draw down date	15 May 2014	15 May 2014	15 May 2014	15 May 2014
Maturity date	19 May 2017	19 May 2017	19 May 2019	19 May 2019
Capital payments	No fixed/ determined payments, the total outstanding amount is payable on final maturity date	No fixed/ determined payments, the total outstanding amount is payable on final maturity date	No fixed/ determined payments, the total outstanding amount is payable on final maturity date	No fixed/ determined payments, the total outstanding amount is payable on final maturity date
Duration (months)	36	36	60	60
Secured/unsecured	Unsecured	Unsecured	Unsecured	Unsecured
Interest				
Interest payment basis	Floating rate	Floating rate	Floating rate	Floating rate
Interest payment period	Three months	Three months	Three months	Three months
Interest rate	JIBAR plus a margin of 170 basis points (1,70%)	JIBAR plus a margin of 170 basis points (1,70%)	JIBAR plus a margin of 195 basis points (1,95%)	JIBAR plus a margin of 195 basis points (1,95%)
Effective interest rates for the transaction costs	0,13%	0,13%	0,08%	0,08%
Rate of interest per year	8,86%	8,29%	9,11%	8,55%

12.1.5 NET DEBT RECONCILIATION[1]

	Group	
At 31 December	**2016 Rm**	**2015 Rm**
Net debt is presented by the following items on the statement of financial position (excluding assets and liabilities classified as held-for-sale):	(1 322)	(3 012)
– Cash and cash equivalents	5 195	2 055
– Non-current interest-bearing borrowings	(6 002)	(4 185)
– Current interest-bearing borrowings	(503)	(882)
– Overdraft	(12)	
Calculation of movement in net debt		
Cash inflow/(outflow) from operating and investing activities:	1 720	(2 119)
Add:		
– Shares acquired in market to settle share-based payments	(16)	
– Movement in external shareholder loans	(3)	
– Movement for interest capitalised/interest accrued	89	(47)
– Amortisation of transaction costs	(25)	(10)
– Translation differences of movements in cash and cash equivalents	(75)	235
Decrease/(increase) in net debt	1 690	(1 941)

[1] *Non-IFRS measure.*

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	Note	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Interest received		136	54	77	8
Total finance income	12.1.2	229	102	143	43
Non-cash flow items:					
– Interest income not yet received		(82)	(37)	(66)	(35)
– Finance lease interest income adjustment		(11)	(11)		
Interest paid		(595)	(500)	(589)	(501)
Total finance costs	12.1.2	(857)	(770)	(524)	(558)
Non-cash flow items:					
– Unwinding of discount rate on rehabilitation cost	13.3	347	220	3	2
– Amortisation of transaction costs		25	10	25	10
– Borrowing costs capitalised		(16)	(6)		
– Finance cost capitalised to loan less finance costs paid and interest accrued not yet paid		(94)	46	(93)	45
Net financing cost paid		(459)	(446)	(512)	(493)

12.1.7 FINANCIAL LIABILITIES

		Group		Company	
At 31 December	Note	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Non-current financial liabilities					
Finance lease	11.4.2	66	77		
Contingent consideration[1]	16.2	408	39	408	39
Other		5			
Total non-current financial liabilities		479	116	408	39
Current financial liabilities					
Contingent consideration[1]	16.2	75		75	
Share repurchase[2]	16.2	3 524		3 524	
Total current financial liabilities		3 599		3 599	
Total financial liabilities		4 078	116	4 007	39

[1] *Relates to the contingent consideration which arose on the 2015 ECC business combination transaction (note 9.6). A portion of the contingent consideration has been classified as current as it is payable in 2017, due to the API4 export price being within the agreed range for the 2016 reference year (note 16.2.2.9).*

[2] *On 30 December 2016 Exxaro shareholders approved the repurchase of shares by means of a special resolution. Subsequent to year end Exxaro repurchased 43 943 744 ordinary shares from Main Street 333 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	**2016 Rm**	**2015 Rm**	**2016 Rm**	**2015 Rm**
Share capital at par value				
Authorised				
500 000 000 ordinary shares of R0,01 each	5	5	5	5
Issued and fully paid				
358 115 505 (2015: 358 115 505) ordinary shares of R0,01 each	4	4	4	4
Share premium	2 971	2 971	2 971	2 971
Treasury shares held by Kumba Resources Management Share Trust and Mpower 2012[1]	(466)	(530)		
Total	2 509	2 445	2 975	2 975

[1] *These trusts have been consolidated.*

	Group		Company	
	Number of shares		Number of shares	
Reconciliation of authorised shares not issued	**2016 '000**	**2015 '000**	**2016 '000**	**2015 '000**
Number of authorised unissued ordinary shares at beginning of the year	144 775	144 961	141 884	141 884
Unissued shares	141 884	141 884	141 884	141 884
Treasury shares held by Kumba Resources Management Share Trust and Mpower 2012[1]	2 891	3 077		
Treasury shares distributed by Mpower 2012 to good leavers	(338)	(186)		
Number of authorised unissued shares at end of the year	144 437	144 775	141 884	141 884

[1] *These trusts have been consolidated.*

Refer to the notice of the AGM in the summarised group financial statements and notice of the AGM 2016 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

No shares were repurchased by the company during 2016 or 2015. Refer note 18.4 regarding detail on the share repurchase in January 2017.

13

PROVISIONS, CONTINGENCIES AND OTHER COMMITMENTS

CHAPTER 13: PROVISIONS, CONTINGENCIES AND OTHER COMMITMENTS

13.1 ACCOUNTING POLICIES RELATING TO PROVISIONS, CONTINGENCIES AND OTHER COMMITMENTS

ENVIRONMENTAL REHABILITATION AND DECOMMISSIONING

Provision is made for environmental rehabilitation (including possible affected water treatment) and decommissioning costs. Estimates are based on costs that are regularly reviewed and adjusted as appropriate for new circumstances. 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, created in accordance with statutory requirements, to provide for the funding of the estimated cost of pollution control and rehabilitation during, and at the end of the life of mines. The environmental rehabilitation funds are consolidated.

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

Estimates are made in determining the present obligation of environmental and decommissioning provisions, which include the actual estimate, the discount rate used and the expected date of closure of mining activities in determining the present value of environmental and decommissioning provisions. Estimates are based on costs that are regularly reviewed, by internal and independent external experts, and adjusted as appropriate for new circumstances.

All mines expected to cease operations within five years from the end of the financial period under review, include an estimate for social and labour costs expected to be incurred as part of the rehabilitation process. The estimate will be a minimum of 2% of the total immediate closure cost of the mine, depending on the social exposure risk as determined by management.

For other provisions, estimates are made of legal or constructive obligations which may result in a possible outflow of economic benefits. The expected date of probable outflow of economic benefits is estimated, in order to assess whether the provision should be discounted or not.

Management considers the existence of possible obligations which may arise from legal action as well as the possible non-compliance of the requirements of project completion guarantees and other guarantees provided. The estimation of the amount disclosed is based on the expected possible outflow of economic benefits should there be a present obligation.

KEY ASSUMPTIONS

	2016 %	2015 %
PPI	5,5	5,5
Discount rate		
– LOM 1 to 5 years	8,45 – 8,85	7,69 – 9,66
– LOM 6 to 15 years	9,12 – 9,27	8,11 – 10,01
– LOM 16 to 30 years	9,80 – 9,98	8,75 – 10,62

A 1% increase in the discount rate used to determine the environmental rehabilitation provision at 31 December 2016 will result in a decrease of the provision of R287 million, whereas a 1% decrease in the discount rate used will result in an increase in the provision to the amount of R329 million, on the basis that all other assumptions remain consistent.

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

13.3 PROVISIONS

	Note	Group				
		Environmental rehabilitation Rm	Decommis-sioning Rm	Other site closure cost Rm	Litigation Rm	Total Rm
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 subsidiaries/operation		(57)	(9)	(4)	(17)	(87)
Total provisions at end of the year		3 690	506	75		4 271
– Current provisions		58	19	32		109
– Non-current provisions		3 632	487	43		4 162
At 31 December 2015						
At beginning of the year		1 828	427	201	17	2 473
Charge to operating expenses		(65)	(29)	2	2	(90)
– Additional provision		513	32	15	2	562
– Unused amounts reversed		(578)	(61)	(13)		(652)
Unwinding of discount rate on rehabilitation cost	12.1.2	158	52	10		220
Provisions capitalised to property, plant and equipment	11.1.3		(73)			(73)
Utilised during the year		(26)		(114)		(140)
Exchange differences		1			1	2
Acquisition of subsidiaries		830	48			878
Total provisions at end of the year		2 726	425	99	20	3 270
– Current provisions		83		55	20	158
– Non-current provisions		2 643	425	44		3 112

13.3 PROVISIONS (CONTINUED)

	Note	Company		
		Environmental rehabilitation Rm	Other site closure cost Rm	Total Rm
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 cost	12.1.2	3		3
Total provisions at end of the year		32	11	43
– Current provisions			11	11
– Non-current provisions		32		32
At 31 December 2015				
At beginning of the year		30	11	41
Charge to operating expenses		(6)		(6)
– Unused amounts reversed		(6)		(6)
Unwinding of discount rate on rehabilitation cost	12.1.2	2		2
Total provisions at end of the year		26	11	37
– Current provisions			11	11
– Non-current provisions		26		26

Funding of environmental and decommissioning rehabilitation
Contributions towards the cost of the mine closure are made to the environmental rehabilitation funds. The balance of the funds amount to R1 401 million at 31 December 2016 (2015: R1 335 million). Of this amount, R1 401 million (2015: R1 329 million) is included in financial assets and nil (2015: R6 million) in trade and other receivables of the group. Cash flows will take place when the mines are rehabilitated.

Other site closure cost
The liability 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 liability includes social and labour costs for mines closing in the near future in terms of approved social and labour plans for these sites.

13.4 CONTINGENT LIABILITIES

	Group		Company	
At 31 December	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Total contingent liabilities	6 907	7 378	1 524	1 746
– DMC Iron Congo S.A.		6		
– Pending litigation and other claims[1]	1 136	1 233	24	
– Operational guarantees[2]	4 331	3 559	1 500	1 746
– Share of contingent liabilities of equity-accounted investments[3]	1 440	2 580		

[1] *Pending litigation and other claims consist of legal cases as well as tax disputes with Exxaro as defendant. The outcome of these claims is uncertain and the amount of possible legal obligations that may be incurred can only be estimated at the date of reporting.*
[2] *Operational guarantees include guarantees to banks and other institutions in the normal course of business from which it is anticipated that no material liabilities will arise.*
[3] *The decrease mainly relates to SIOC settlement with SARS.*

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 intent from SARS following an international income tax audit for the years of assessment 2009 to 2013. According to the letter, SARS proposes that certain international Exxaro companies will 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. The group is awaiting SARS' response.

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.

13.5 CONTINGENT ASSETS

	Group	
At 31 December	2016 Rm	2015 Rm
Total contingent assets	150	86
– Share of contingent assets of equity-accounted investments	150	86

Timing and occurrence of any possible inflows of the contingent assets are uncertain.

13.6 OTHER COMMITMENTS

	Group		Company	
At 31 December	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases are as follows:				
– Not later than one year	77	74	39	33
– Later than one year but not later than five years	214	78	214	44
– Later than five years	489		489	
Total operating lease commitments	780	152	742	77

14

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 recharge the subsidiaries for the share schemes granted to the subsidiaries' employees.

The movement in equity in the company's separate financial statements relating to share-based payments of subsidiaries is accounted for against indebtedness by/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 Benefits*, 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%, with the employer's contribution of 15% to the above funds being expensed as incurred.

Other members generally pay a contribution of 7% (2015: 7%), with the employer's contribution of 10% (2015: 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 2016 and 31 December 2015 and employer contributions to each fund were as follows:

	Employer contributions		Working members[1]	
	2016 Rm	2015 Rm	2016 Number	2015 Number
Group				
Exxaro Pension and Provident Fund	99	108	1 987	2 321
Iscor Employees' Umbrella Provident Fund	52	49	2 167	2 531
Mine Workers Provident Fund	24	25	963	1 508
Sentinel Retirement Fund	63	57	1 425	1 752
Other funds	9	10	78	29
Total	247	249	6 620	8 141
Company				
Exxaro Pension and Provident Fund	33	44	430	690
Iscor Employees' Umbrella Provident Fund	1	1	22	39
Sentinel Retirement Fund	2	5	9	52
Total	36	50	461	781

[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 R98,8 million (2015: R94 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.

Two-tier performance incentive

First tier

The first tier is a line-of-sight incentive based on achieving 100% (2015: 100%) of a combination of the business unit's net operating profit and production targets and is currently equal to 8,33% (2015: 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% (2015: 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 are 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. On the final date, after the five-year period lapses, the trustees of the trust will deliver the subscription shares underlying each unit to the participants. The Mpower 2012 scheme is 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.

14.3 EMPLOYEE BENEFITS (CONTINUED)

14.3.4 EQUITY COMPENSATION BENEFITS (CONTINUED)

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 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% of the retention of qualifying employees during the vesting period, subject to achievement of environmental, safety and governance 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.

Participants to the 2015 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:

- 50% of the retention of qualifying employees during the vesting period
- 50% of HEPS 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 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

		2016	2015
		Number of instruments '000	Number of instruments '000
Outstanding at beginning of the year		2 507	2 690
Issued during the year		23	84
Exercised during the year		(339)	(186)
Lapsed/cancelled during the year		(67)	(81)
Outstanding at end of the year		2 124	2 507
Terms of outstanding instruments at end of the year	Expiry date 2017	2 124	2 507
Exercise price range for instruments exercised since inception (R)		41,04 – 169,81	41,04 – 169,81

SARs

		2016		2015	
		Number of instruments '000	Grant price range[1] R	Number of instruments '000	Grant price range[1] R
Outstanding at beginning of the year		1 486	67,07 – 163,95	1 970	67,07 – 210,84
Exercised during the year		(654)	70,60 – 84,95	(104)	67,07
Lapsed/cancelled during the year		(38)	67,07 – 150,66	(380)	83,50 – 110,65
Outstanding at end of the year		794	110,91 – 150,66	1 486	67,07 – 163,95
Terms of outstanding instruments at end of the year	Expiry date				
	2016			4	126,77
	2017	782	110,91 – 127,27	674	67,07 – 126,77
	2018	12	150,66	792	110,91 – 127,27
	2019			16	126,77 – 150,66
		794		1 486	
Vested but not sold during the year		794	110,91 – 150,66	1 486	67,07 – 150,66
Total proceeds if shares are issued (Rm)		71,1		65,7	

[1] *Grant 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)

Details of the schemes (continued)

LTIP

		2016		2015	
		Number of instruments '000	Face value range[1] R	Number of instruments '000	Face value range[1] R
Outstanding at beginning of the year		8 953	99,25 – 212,26	6 453	99,25 – 212,26
Issued during the year		4 324	63,45 – 100,80	4 325	40,84 – 111,01
Exercised during the year		(78)	66,15 – 82,45	(453)	40,95 – 112,48
Lapsed/cancelled during the year		(2 654)	72,70 – 165,02	(1 372)	100,16 – 212,26
Outstanding at end of the year		10 545	40,84 – 150,49	8 953	99,25 – 212,26
Terms of outstanding instruments at end of the year	Expiry date				
	2016			2 090	142,33 – 165,02
	2017	2 459	111,01 – 150,49	2 688	111,01 – 150,49
	2018	3 861	40,84 – 100,80	4 175	40,84 – 100,80
	2019	4 225	63,45 – 89,70		
		10 545	40,84 – 150,49	8 953	40,84 -165,02
Total value of shares outstanding (Rm)		943,8		395,9	

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

DBP

		2016		2015	
		Number of instruments '000	Share price range[1] R	Number of instruments '000	Share price range[1] R
Outstanding at beginning of the year		256	67,59 – 163,40	168	112,68 – 163,40
Issued during the year		101	72,97 – 78,57	113	67,59 – 109,72
Exercised during the year		(60)	65,90 – 83,00	(22)	62,85 – 110,50
Lapsed/cancelled during the year		(19)	67,69 – 161,98	(3)	140,52 – 163,40
Outstanding at end of the year		278	65,90 – 161,98	256	67,59 – 163,40
Terms of outstanding instruments at end of the year	Expiry date				
	2016			52	161,98 – 167,72
	2017	85	140,52 – 150,49	91	140,52 – 150,49
	2018	93	67,59 – 109,72	113	67,59 – 109,72
	2019	100	72,97 – 78,57		
		278	67,59 – 150,49	256	67,59 – 167,72
Total value of shares outstanding (Rm)		24,9		11,3	

[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.

		2016	2015
Weighted average fair value for grants during the year (R):			
– LTIP		60,95	44,67
– DBP		66,37	132,01
Inputs to the valuation models for:			
– LTIP	Share price at valuation date (R)	72,73	97,00
	Weighted average option life (years)	3	3
	Dividend yield (%)	2,85	2,74
	Risk-free interest rate (%)	7,99	6,88
	Employee forfeiture rate (%)	4,71	4,77
– DBP	Share price at valuation date – March (R)	72,00	133,00
	Share price at valuation date – August (R)	75,23	67,82
	Weighted average option life (years)	3	3
	Dividend yield – March (%)	2,88	1,74
	Dividend yield – August (%)	2,80	2,35
	Risk-free interest rate – March (%)	7,95	6,96
	Risk-free interest rate – August (%)	7,76	7,34
	Employee forfeiture rate (%)	1,93	1,35

14.4 POST-RETIREMENT MEDICAL OBLIGATION

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. 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's contribution to the post-retirement medical aid benefit of retired employees for the year ended 31 December 2016 amounts to R5,42 million (2015: R4,97 million).

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

14.4 POST-RETIREMENT MEDICAL OBLIGATION (CONTINUED)

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

	Group	
At 31 December	**2016 Rm**	**2015 Rm**
At beginning of the year	217	167
Charge to operating expenses	22	21
– Current service costs	6	8
– Interest expense	23	17
– Expected employer benefit payments	(7)	(4)
Remeasurements[1]		24
Reclassification from non-current liabilities held-for-sale		5
At end of the year	239	217

[1] *Tax on remeasurements amounts to nil (2015: R7 million).*

	2016 Rm	2015 Rm
The defined benefit medical obligation is composed by country as follows:		
– RSA	239	217
Present value of unfunded obligations	239	217
The actuarial assumptions were as follows:		
Discount rate (%)	10,9	10,9
Salary growth rate (%)	9,9	9,9
Healthcare cost inflation (%)	10,4	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 14,9%	Increase by 19,4%
Healthcare cost inflation	1,00%	Increase by 18,8%	Decrease by 14,7%
Expected retirement age	1 year	Decrease by 3,8%	Increase by 3,9%

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 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 ended 31 December 2017 amount to R8 million.

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	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[5]	1 808 708	114 091	165 105	1 764 407	30 799
SA Nkosi[6]	1 930 661	24 766	190 944	863 814	5 524 261
WA de Klerk[7]	2 357 341	123 580	242 196	1 563 074	431 708
Total executive directors' remuneration	11 527 420	474 097	1 070 480	7 475 488	6 484 584
Prescribed officers					
V Balgobind[8]	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[9]	337 725		337 725
VZ Mntambo	457 791		457 791
RP Mohring[10]	212 686		212 686
EJ Myburgh[11]	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[12]	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] Appointed as finance director on 1 July 2016.
[6] Retired on 31 March 2016.
[7] Resigned on 30 June 2016.
[8] Appointed on 1 January 2016.
[9] Fees paid to employer.
[10] Deceased on 14 March 2016.
[11] Appointed on 1 September 2016.
[12] 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 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
	3 000		3 886 110	986 566	(30 799)	4 841 877
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	48 900	8 646 163	44 710 444	9 722 545	(6 484 584)	47 948 405
	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 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.2 SUMMARY OF REMUNERATION (CONTINUED)

	NCOE/guaranteed remuneration plus circumstantial			Short-term incentives	Long-term incentives
2015	**Basic salary R**	**Benefits and allowances[1] R**	**Retirement fund contributions R**	**Performance bonuses[2] R**	**Gains on management share schemes R**
Executive directors					
SA Nkosi	7 657 353	98 226	757 320	4 652 386	2 592 636
MDM Mgojo[5]	4 903 361	191 468	426 409	2 728 533	1 072 537
WA de Klerk	4 727 814	233 063	472 036	2 697 499	1 598 667
Total executive directors' remuneration	17 288 528	522 757	1 655 765	10 078 418	5 263 840
Prescribed officers					
AW Diedericks[6]	2 261 164	89 097	223 631	1 395 863	437 559
JG Meyer[6]	2 180 164	170 097	223 631	1 378 557	319 143
MI Mthenjane	2 973 693	76 353	258 582	1 328 415	
M Piater[7]	3 344 971	131 802	330 821	1 890 474	1 393 339
Dr N Tsengwa[8]	1 583 085	376 673	148 616	1 197 487	6 556
PE Venter[9]	1 098 893	42 829	95 556		856 782
M Veti	2 963 323	38 013	293 076	2 280 343	400 306
CH Wessels	1 848 058	71 638	149 842	779 202	159 062
Total prescribed officers' remuneration	18 253 351	996 502	1 723 755	10 250 341	3 572 747

2015	**Fees for services R**	**Benefits and allowances R**	**Total R**
Non-executive directors			
S Dakile-Hlongwane	474 042	2 726	476 768
Dr CJ Fauconnier	917 947	9 482	927 429
MW Hlahla[5]	124 339		124 339
Dr D Konar (chairman)	1 555 441		1 555 441
S Mayet[10]	96 758		96 758
NB Mbazima[11]	341 881		341 881
VZ Mntambo	476 170		476 170
RP Mohring	899 532	10 741	910 273
V Nkonyeni	513 602		513 602
Dr MF Randera	474 740	6 295	481 035
J van Rooyen	643 779		643 779
D Zihlangu	455 850	3 615	459 465
Total non-executive directors' remuneration	6 974 081	32 859	7 006 940

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 *Appointed on 4 June 2015.*
6 *Appointed on 1 April 2015.*
7 *Termination on 31 December 2015, severance package.*
8 *Appointed to act as executive head: coal operations on 1 May 2015.*
9 *Termination on 31 March 2015, severance package.*
10 *Appointed on 18 August 2015, fees paid to employer.*
11 *Resigned on 18 August 2015.*

Other							
Exit payment R	Recognition[3] R	Other[4] R	Total remuneration R	Share-based payment expense R	Gains on management share schemes R	Total remuneration expense R
	5 190		15 763 111	4 517 714	(2 592 636)	17 688 189
	5 190		9 327 498	2 326 852	(1 072 537)	10 581 813
	5 190		9 734 269	2 910 051	(1 598 667)	11 045 653
	15 570		34 824 878	9 754 617	(5 263 840)	39 315 655
	1 646		4 408 960	731 188	(437 559)	4 702 589
	14 512		4 286 104	639 648	(319 143)	4 606 609
	5 190	667 368	5 309 601	572 621		5 882 222
11 687 117	45 480		18 824 004	1 358 175	(1 393 339)	18 788 840
	1 694		3 314 111	464 372	(6 556)	3 771 927
16 929 984	96 010	3 167 432	22 287 486	640 746	(856 782)	22 071 450
	5 190		5 980 251	804 330	(400 306)	6 384 275
	5 190	24 468	3 037 460	416 651	(159 062)	3 295 049
28 617 101	174 912	3 859 268	67 447 977	5 627 731	(3 572 747)	69 502 961

14.5.3 INTEREST IN EXXARO SHARES

(i) Number of shares

	2016		2015	
Directors at 31 December	**Direct**	**Indirect**	**Direct**	**Indirect**
Beneficial interest				
S Dakile-Hlongwane		470 382		488 763
WA de Klerk				23 844
Dr CJ Fauconnier	47 500		47 500	
Dr D Konar (chairman)	6 168		6 168	
PA Koppeschaar	4 191			
MDM Mgojo	16 047	5 029 721	16 047	6 662 997
VZ Mntambo		5 043 678		5 529 881
RP Mohring			1 000	
SA Nkosi			80 142	9 656 935
J van Rooyen		1 500		1 500
D Zihlangu		2 452 705		2 818 552
Non-beneficial interest				
WA de Klerk				468
Dr CJ Fauconnier		1 400		1 000
PA Koppeschaar		5 500		
MDM Mgojo		25 287		

(ii) Percentages (direct and indirect)

	2016	2015
S Dakile-Hlongwane	0,13	0,14
MDM Mgojo	1,41	1,87
VZ Mntambo	1,41	1,54
SA Nkosi		2,72
D Zihlangu	0,69	0,79

There have been changes in the directors' interests in Exxaro shares between the end of the financial year 2016 and the date on which the annual financial statements were approved as a result of the share repurchase.

Percentage (direct and indirect) subsequent to share repurchase

S Dakile-Hlongwane	0,10
MDM Mgojo	1,17
VZ Mntambo	1,17
D Zihlangu	0,57

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

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.

2015	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	Shares forfeited[3] Number	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors										
SA Nkosi		112,35	01/04/2015			41 780				
	67 430	67,07	01/04/2016	2 969 617						
	45 474	126,77	01/04/2017	2 002 675						
	112 904			4 972 292		41 780				
MDM Mgojo		112,35	01/04/2015			15 720				
	27 530	67,07	01/04/2016	1 212 421						
	16 358	126,77	01/04/2017	720 406						
	43 888			1 932 827		15 720				

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS (CONTINUED)

Management SARs (continued)

2015	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	Shares forfeited[3] Number	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
Prescribed officers										
AW Diedericks	6 988	126,77	01/04/2017	307 752						
	6 988			307 752						
JG Meyer		112,35	01/04/2015			4 560				
	7 910	67,07	01/04/2016	348 356						
	4 666	126,77	01/04/2017	205 491						
	12 576			553 847		4 560				
M Piater		112,35	01/04/2015			9 420				
		67,07	01/04/2016		16 330		67,07	102,59	580 042	31/03/2015
	9 380	126,77	01/04/2017	413 095						
	9 380			413 095	16 330	9 420			580 042	
Dr N Tsengwa		112,35	01/04/2015			9 170				
	8 312	126,77	01/04/2017	366 060						
	8 312			366 060		9 170				
PE Venter	17 376	126,77	01/04/2017	765 239						
	17 376			765 239						

[1] *Refers to rights held by employees including vested, not yet exercised as well as unvested rights.*
[2] *Based on a share price of R44,04 which prevailed on 31 December 2015.*
[3] *Shares forfeited due to performance conditions not being fully met.*

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

Management share scheme – LTIP

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		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			

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 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									
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			
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.*
[3] *Retired 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)

2015	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									
SA Nkosi		01/04/2015			20 234	48 331	100,8	2 039 587	01/04/2015
	94 011	01/04/2016	4 140 244	4 140 244					
	135 608	01/04/2017	5 972 176	5 972 176					
	196 751	01/04/2018	8 664 914	8 664 914					
	426 370		18 777 334	18 777 334	20 234	48 331		2 039 587	
MDM Mgojo		01/04/2015			8 208	19 604	100,8	827 366	01/04/2015
	38 843	01/04/2016	1 710 646	1 710 646					
	47 848	01/04/2017	2 107 226	2 107 226					
	68 820	01/04/2018	3 030 833	3 030 833					
	63 889	01/05/2018	2 813 672	2 813 672					
	219 400		9 662 377	9 662 377	8 208	19 604		827 366	
WA de Klerk		01/04/2015			10 237	24 452	100,8	1 031 890	01/04/2015
		01/11/2015			4 318	10 312	57,29	247 378	12/11/2015
	58 439	01/04/2016	2 573 654	2 573 654					
	82 010	01/04/2017	3 611 720	3 611 720					
	121 218	01/04/2018	5 338 441	5 338 441					
	261 667		11 523 815	11 523 815	14 555	34 764		1 279 268	
Prescribed officers									
AW Diedericks		01/04/2015			3 641	8 696	100,8	367 013	01/04/2015
	16 036	01/04/2016	706 225	706 225					
	20 081	01/04/2017	884 367	884 367					
	34 387	01/04/2018	1 514 403	1 514 403					
	70 504		3 104 995	3 104 995	3 641	8 696		367 013	
JG Meyer		01/04/2015			2 169	5 179	100,8	218 635	01/04/2015
		02/08/2015			1 508	3 603	66,65	100 508	26/08/2015
	15 213	01/04/2016	669 981	669 981					
	18 988	01/04/2017	836 232	836 232					
	34 387	01/04/2018	1 514 403	1 514 403					
	68 588		3 020 616	3 020 616	3 677	8 782		319 143	
MI Mthenjane	21 589	01/05/2016	950 780	950 780					
	23 246	01/04/2017	1 023 754	1 023 754					
	33 435	01/04/2018	1 472 477	1 472 477					
	78 270		3 447 011	3 447 011					
M Piater		01/04/2015			4 614	11 018	100,8	465 091	01/04/2015
		01/11/2015			2 540	6 066	57,29	145 517	03/11/2015
	30 632	01/04/2016	1 349 033	1 349 033					
	37 876	01/04/2017	1 668 059	1 668 059					
	54 478	01/04/2018	2 399 211	2 399 211					
	81 558	01/09/2018	3 591 814	3 591 814					
	81 558	12/12/2018	3 591 814	3 591 814					
	286 102		12 599 931	12 599 931	7 154	17 084		610 608	

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS (CONTINUED)

Management share scheme – LTIP (continued)

2015	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
Prescribed officers (continued)									
Dr N Tsengwa		01/04/2015				8 747	100,8	369 130	01/04/2015
	16 263	01/04/2016	716 223	716 223					
	20 109	01/04/2017	885 600	885 600					
	28 922	01/04/2018	1 273 725	1 273 725					
	65 294		2 875 548	2 875 548		8 747		369 130	
PE Venter		01/04/2015			8 357	19 961	100,8	842 386	01/04/2015
	41 015	01/04/2016	1 806 301	1 806 301					
	50 523	01/04/2017	2 225 033	2 225 033					
	91 538		4 031 334	4 031 334	8 357	19 961		842 386	
M Veti		01/04/2015			3 667	8 757	100,8	369 634	01/04/2015
	18 458	01/04/2016	812 890	812 890					
	23 146	01/04/2017	1 019 350	1 019 350					
	33 291	01/04/2018	1 466 136	1 466 136					
	74 895		3 298 376	3 298 376	3 667	8 757		369 634	
CH Wessels		01/04/2015			1 578	3 767	100,8	159 062	01/04/2015
	8 849	01/04/2016	389 710	389 710					
	10 942	01/04/2017	481 886	481 886					
	15 737	01/04/2018	693 057	693 057					
	35 528		1 564 653	1 564 653	1 578	3 767		159 062	

[1] *Based on a share price of R44,04 which prevailed on 31 December 2015.*
[2] *Shares forfeited due to performance conditions not being fully met.*

Management share scheme – DBP

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	

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
Executive directors (continued)									
SA Nkosi[2]		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[3]		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	
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	

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 (continued)									
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	
Dr N Tsengwa		08/03/2016			87		80,04	6 963	15/03/2016
		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.*
[2] *Retired on 31 March 2016.*
[3] *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)

2015	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	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors								
SA Nkosi		06/03/2015			569	109,72	62 431	16/03/2015
		28/02/2015			1 346	109,72	147 683	17/03/2015
		31/03/2015			3 099	102,59	317 926	13/04/2015
		31/08/2015			370	67,59	25 008	08/09/2015
	1 326	08/03/2016	58 397	58 397				
	1 004	31/08/2016	44 216	44 216				
	3 204	07/03/2017	141 104	141 104				
	409	31/08/2017	18 012	18 012				
	1 933	06/03/2018	85 129	85 129				
	15 959	31/03/2018	702 834	702 834				
	23 835		1 049 692	1 049 692	5 384		553 048	
MDM Mgojo		06/03/2015			252	109,72	27 649	17/03/2015
		28/02/2015			558	109,72	61 224	17/03/2015
		31/03/2015			1 455	102,59	149 268	13/04/2015
		31/08/2015			104	67,59	7 029	08/09/2015
	127	08/03/2016	5 593	5 593				
	3 854	01/04/2016	169 730	169 730				
	574	31/08/2016	25 279	25 279				
	2 255	07/03/2017	99 310	99 310				
	4 560	31/03/2017	200 822	200 822				
	778	31/08/2017	34 263	34 263				
	12 148		534 997	534 997	2 369		245 170	
WA de Klerk		06/03/2015			355	109,72	38 951	18/03/2015
		28/02/2015			842	109,72	92 384	18/03/2015
		31/03/2015			1 679	102,59	172 249	02/04/2015
		31/08/2015			234	67,59	15 816	08/09/2015
	827	08/03/2016	36 421	36 421				
	4 320	31/03/2016	190 253	190 253				
	640	31/08/2016	28 186	28 186				
	2 082	07/03/2017	91 691	91 691				
	5 687	31/03/2017	250 455	250 455				
	262	31/08/2017	11 538	11 538				
	1 236	06/03/2018	54 433	54 433				
	8 790	31/03/2018	387 112	387 112				
	23 844		1 050 089	1 050 089	3 110		319 400	

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS (CONTINUED)

Management share scheme – DBP (continued)

2015	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	Sale price/ market price R	Pre-tax gain R	Date exercised
Prescribed officers								
AW Diedericks		28/02/2015			373	109,72	40 926	16/03/2015
		31/03/2015			658	102,59	67 504	08/04/2015
		31/08/2015			45	67,59	3 042	08/09/2015
	55	08/03/2016	2 422	2 422				
	1 807	01/04/2016	79 580	79 580				
	339	31/08/2016	14 930	14 930				
	440	07/03/2017	19 378	19 378				
	2 350	31/03/2017	103 494	103 494				
	137	31/08/2017	6 033	6 033				
	649	06/03/2018	28 582	28 582				
	3 618	31/03/2018	159 337	159 337				
	1 276	31/08/2018	56 195	56 195				
	10 671		469 951	469 951	1 076		111 472	
JG Meyer	468	08/03/2016	20 611	20 611				
	1 360	01/04/2016	59 894	59 894				
	1 028	07/03/2017	45 273	45 273				
	2 196	31/03/2017	96 712	96 712				
	130	31/08/2017	5 725	5 725				
	614	06/03/2018	27 041	27 041				
	3 450	31/03/2018	151 938	151 938				
	1 240	31/08/2018	54 610	54 610				
	10 486		461 804	461 804				
MI Mthenjane	138	31/03/2016	6 078	6 078				
	563	07/03/2017	24 795	24 795				
	701		30 873	30 873				
M Piater		08/03/2016			250	109,72	27 430	18/03/2015
		28/02/2015			609	109,72	66 819	18/03/2015
		31/03/2015			947	102,59	97 153	13/04/2015
		31/08/2015			167	67,59	11 288	08/09/2015
	597	08/03/2016	26 292	26 292				
	1 330	01/04/2016	58 573	58 573				
	252	31/08/2016	11 098	11 098				
	1 462	07/03/2017	64 386	64 386				
	4 046	31/03/2017	178 186	178 186				
	185	31/08/2017	8 147	8 147				
	867	06/03/2018	38 183	38 183				
	3 107	31/03/2018	136 832	136 832				
	1 526	31/08/2018	67 205	67 205				
	13 372		588 902	588 902	1 973		202 690	

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS (CONTINUED)

Management share scheme – DBP (continued)

2015	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	Sale price/ market price R	Pre-tax gain R	Date exercised
Prescribed officers (continued)								
Dr N Tsengwa		28/02/2015			376	109,72	41 255	17/03/2015
		31/03/2015			772	102,59	79 199	02/04/2015
		31/08/2015			97	67,59	6 556	08/09/2015
	87	08/03/2016	3 831	3 831				
	889	01/04/2016	39 152	39 152				
	87	31/08/2016	3 831	3 831				
	46	07/03/2017	2 026	2 026				
	159	31/08/2017	7 002	7 002				
	896	06/03/2018	39 460	39 460				
	1 812	31/03/2018	79 800	79 800				
	532	31/08/2018	23 429	23 429				
	4 508		198 531	198 531	1 245		127 010	
PE Venter		31/08/2015			213	67,59	14 397	02/09/2015
					213		14 397	
M Veti		06/03/2015			197	109,72	21 615	18/03/2015
		31/08/2015			134	67,59	9 057	08/09/2015
	461	08/03/2016	20 302	20 302				
	208	31/08/2016	9 160	9 160				
	688	07/03/2017	30 300	30 300				
	88	31/08/2017	3 876	3 876				
	416	06/03/2018	18 321	18 321				
	2 581	13/05/2018	113 667	113 667				
	727	31/08/2018	32 017	32 017				
	5 169		227 643	227 643	331		30 672	
CH Wessels	428	01/04/2016	18 849	18 849				
	126	31/08/2016	5 549	5 549				
	430	07/03/2017	18 937	18 937				
	735	31/03/2017	32 369	32 369				
	55	31/08/2017	2 422	2 422				
	262	06/03/2018	11 538	11 538				
	1 163	31/03/2018	51 219	51 219				
	3 199		140 883	140 883				

[1] *Based on a share price of R44,04 which prevailed on 31 December 2015.*

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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	
	2016	2015	2016	2015
	Rm	Rm	Rm	Rm
Items of income and expense incurred during the year				
– Group sales of goods and services rendered	191	56		4
– Group purchases of goods and services received		47	888	949
The outstanding balances at 31 December				
– Included in trade and other receivables	115	39		
– Included in trade and other payables			108	915

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 Exxaro for essential services rendered:

	2016 Rm	2015 Rm
Exxaro Coal Proprietary Limited[1]	1 399	1 260
Exxaro FerroAlloys Proprietary Limited	19	13
Ferroland Grondtrust Proprietary Limited	14	3

[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 Environmental Rehabilitation Fund	Trust fund for mine closure
Exxaro Employee Empowerment Participation Scheme Trust	Employee share incentive trust
Exxaro Employee Empowerment Trust	Employee share incentive trust
Exxaro Foundation	Local social economic development[1]
Exxaro Chairman's Fund	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
Matla and Arnot Rehabilitation Trust	Trust fund for mine closure
Exxaro Mountain Bike Academy NPC	Local social economic development[1]
Total Coal South Africa Nature Conservation Trust	Trust fund for mine closure

[1] *Non-profit organisations.*

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 2016 and 2015, the executive committee has been identified as being both key management personnel and prescribed officers. Refer note 14.5 for details on their remuneration.

SHAREHOLDERS
The principal shareholders of the company at 31 December 2016 are detailed in annexure 2.

During 2016 Exxaro received payments amounting to R15,5 million from Main Street 333, Exxaro's majority BEE shareholder, for interest on the loan granted in July 2015. Subsequent to the reporting date, Main Street 333 settled the loan and accrued interest thereon.

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 2016	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		1 168	233				1 401
– Loans to joint ventures			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 Mining Company Proprietary Limited. 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.

16.2 FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group						
	At fair value through profit or loss						
At 31 December 2015	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		1 113	216				1 329
– Loans to joint ventures			105				105
– KIO		4					4
– Chifeng				210			210
– Lease receivables[1]						146	146
– Indemnification asset			1 044				1 044
– Loan to BEE shareholder			426				426
– Non-current receivables			803				803
Total non-current financial assets		1 117	2 594	210		146	4 067
Current							
Trade and other receivables, consisting of:							
– Trade receivables			2 112				2 112
– Other receivables[2]			243				243
– Derivative financial asset	1						1
Cash and cash equivalents			2 055				2 055
Total current financial assets	1		4 410				4 411
Total financial assets	1	1 117	7 004	210		146	8 478
Financial liabilities							
Non-current							
Interest-bearing borrowings					4 185		4 185
Financial liabilities, consisting of:							
– Contingent consideration		39					39
– Finance lease[1]						77	77
Total non-current financial liabilities		39			4 185	77	4 301
Current							
Trade and other payables, consisting of:							
– Trade and other payables					2 685		2 685
– Derivative financial liability	41						41
Shareholder loans[3]					21		21
Interest-bearing borrowings					882		882
Total current financial liabilities	41				3 588		3 629
Total financial liabilities	41	39			7 773	77	7 930

[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, reclassification of creditors with debit balances and R6 million in respect of the short-term portion of the environmental rehabilitation funds.*
[3] *Shareholder loans relate to the outside shareholders of Eloff Mining Company Proprietary Limited. 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.

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
– Loans to joint ventures		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 FINANCIAL INSTRUMENTS (CONTINUED)

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

	Company			
At 31 December 2015	**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		4 190		4 190
Financial assets, consisting of:				
– Environmental rehabilitation fund	17			17
– Loans to joint ventures		60		60
– Loan to BEE shareholder		426		426
– Non-current receivables		219		219
Total non-current financial assets	17	4 895		4 912
Current				
Trade and other receivables, consisting of:				
– Trade receivables		2 094		2 094
– Other receivables[1]		52		52
Cash and cash equivalents		796		796
Total current financial assets		2 942		2 942
Total financial assets	17	7 837		7 854
Financial liabilities				
Non-current				
Interest-bearing borrowings			4 185	4 185
Financial liabilities, consisting of:				
– Contingent consideration	39			39
Total non-current financial liabilities	39		4 185	4 224
Current				
Trade and other payables			8 628	8 628
Interest-bearing borrowings			882	882
Total current financial liabilities			9 510	9 510
Total financial liabilities	39		13 695	13 734

[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)

16.2.2 FAIR VALUES

The financial assets and financial liabilities designated at fair value through profit and 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
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)

Reconciliation of Level 3 hierarchy	Contingent consideration Rm	Chifeng Rm	Total Rm
Opening balance	(39)	210	171
Movement during the year			
Total losses for the period recognised in profit or loss	(445)		(445)
Total losses for the period recognised in other comprehensive income (pre-tax effect)		(5)	(5)
Exchange losses for the period recognised in other comprehensive income		(27)	(27)
Exchange gains for the period recognised in profit or loss	1		1
Closing balance	(483)	178	(305)

Group	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
2015				
Financial assets held-for-trading at fair value through profit or loss	1		1	
– Current derivative financial assets	1		1	
Financial assets designated at fair value through profit or loss	1 117	1 117		
– Environmental rehabilitation funds	1 113	1 113		
– KIO	4	4		
Available-for-sale financial assets	210			210
– Chifeng	210			210
Financial liabilities held-for-trading at fair value through profit or loss	(41)		(41)	
– Current derivative financial liabilities	(41)		(41)	
Financial liabilities designated at fair value through profit or loss	(39)			(39)
– Non-current contingent consideration	(39)			(39)
Net financial assets/(liabilities) held at fair value	1 248	1 117	(40)	171

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	RBCT Rm	Total Rm
2015				
Opening balance		267	973	1 240
Movement during the year				
Total losses for the period recognised in other comprehensive income (pre-tax effect)[1]		(103)	(61)	(164)
Acquisition of subsidiaries	(33)			(33)
Reclassification of loan repayments			(229)	(229)
Exchange gains for the period recognised in other comprehensive income		46		46
Exchange losses for the period recognised in profit or loss	(6)			(6)
Transfers out of Level 3[2]			(683)	(683)
Closing balance	(39)	210		171

[1] *Tax on RBCT amounts to R23 million.*
[2] *Relates to the RBCT investment now accounted for as an investment in associate.*

Company	Fair value Rm	Level 1 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	Total
Opening balance	(39)	(39)
Movement during the year		
Total losses for the period recognised in profit or loss	(445)	(445)
Exchange gains for the period recognised in profit or loss	1	1
Closing balance	(483)	(483)

Company	Fair value Rm	Level 1 Rm	Level 3 Rm
2015			
Financial assets designated at fair value through profit or loss	17	17	
– Environmental rehabilitation funds	17	17	
Financial liabilities designated at fair value through profit or loss	(39)		(39)
– Non-current contingent consideration	(39)		(39)
Net financial (liabilities)/assets held at fair value	(22)	17	(39)

Reconciliation of Level 3 hierarchy	Contingent consideration Rm	Total Rm
Movement during the year		
Acquisition of subsidiary	(33)	(33)
Exchange losses for the period recognised in profit or loss	(6)	(6)
Closing balance	(39)	(39)

16.2 FINANCIAL INSTRUMENTS (CONTINUED)

16.2.2 FAIR VALUES (CONTINUED)

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 2016 and 31 December 2015, as shown in note 16.2.2.1.

During 2015, the RBCT investment was transferred out of Level 3 of the fair value hierarchy and classified as an investment in associate following the acquisition of an additional interest in RBCT through the ECC acquisition. Refer note 10.4.1 for further details of the step acquisition in relation to the RBCT investment.

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, which is recoverable from Eskom.

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.

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 2016, the shares were trading at R159,00 per share (2015: R41,20 per share).

16.2.2.7 New Age Exploration Limited

The New Age Exploration Limited investment, of 2 136 824 shares, was acquired by Exxaro through AKI on 14 February 2012. Subsequently the shares were sold to Exxaro Australia Proprietary Limited.

The investment is classified within Level 1 as the price is listed on the ASE. At 31 December 2016, the shares were trading at AU$0,03 per share (2015: AU$0,004 per share).

16.2.2.8 Non-current receivables

Included in the non-current receivables is an amount of R1 767 million (2015: R802 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 2016			
Observable inputs			
Rand/RMB exchange rate	R1,96/RMB1	Strengthening of the rand to the RMB	18
RMB/US$ exchange rate	RMB6,52 – RMB7,13/US$1	Strengthening of the RMB to the US$	158
Zinc LME price (US$ per tonne in real terms)	US$2 026 – US$2 113	Increase in price of zinc concentrate	158
Unobservable inputs			
Production volumes (tonnes)	85 000 tonnes	Increase in production volumes	33
Operational costs (US$ million per annum in real terms)	US$58,97 – US$74,38	Decrease in operations costs	(129)
Discount rate (%)	11,23%	Decrease in the discount rate	(15)
At 31 December 2015			
Observable inputs			
Rand/RMB exchange rate	R2,31/RMB1	Strengthening of the rand to the RMB	21
RMB/US$ exchange rate	RMB6,26 – RMB7,12/US$1	Strengthening of the RMB to the US$	203
Zinc LME price (US$ per tonne in real terms)	US$1 611 – US$2 200	Increase in price of zinc concentrate	203
Unobservable inputs			
Production volumes (tonnes)	85 000 tonnes	Increase in production volumes	31
Operational costs (US$ million per annum in real terms)	US$56,94 – US$75,22	Decrease in operations costs	(173)
Discount rate (%)	9,93%	Decrease in the discount rate	(19)

[1] *Change in observable/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

A derivative financial liability, arising on the contingent consideration relating to the acquisition of ECC, 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.

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)

b) Contingent consideration (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 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 – US$75,00	Increase in API4 export price per tonne	248
Unobservable inputs			
Discount rate (%)	3,44%	Decrease in the discount rate	(21)
At 31 December 2015			
Observable inputs			
Rand/US$ exchange rate	R15,48/US$1	Strengthening of the rand to the US$	4
API4 export price (price per tonne)	US$51,15 – US$62,50	Increase in API4 export price per tonne	175
Unobservable inputs			
Discount rate (%)	3,44%	Decrease in the discount rate	(1)

[1] *Change in observable/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 the reporting periods.

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.

16.2 FINANCIAL INSTRUMENTS (CONTINUED)

16.2.3 RISK MANAGEMENT (CONTINUED)

16.2.3.1 Financial risk management (continued)

Capital management

The board of directors is ultimately responsible to monitor debt levels, return on capital, total shareholders' return as well as compliance with contractually agreed loan covenants. The group aims to cover its annual net funding requirements through long-term loan facilities with maturities spread evenly over time.

During the year, there were changes to loan covenants as a result of the refinancing arrangement which was entered into. Under the terms of the refinancing arrangement, the group is required to comply with the following financial covenants:
- Ratio of consolidated EBITDA to net interest expense of the group for any measurement period shall not be less than 4:1.
- Ratio of consolidated net debt to equity of the group for any measurement period shall be less than 0,8:1.
- Ratio of consolidated net debt to consolidated EBITDA of the group for any measurement period shall be less than 3:1.

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

Neither the company nor any of its subsidiaries are subject to externally imposed regulatory capital requirements.

During 2016, Standard & Poor's lowered Exxaro's domestic credit rating to zaBB+/zaB.

The group continued its focus on prioritising the project pipeline, reducing input and overhead costs. In addition, the group continues to review the portfolio to ensure a robust portfolio of assets that can withstand a low commodity price environment. The group is also in the process of finalising the Exxaro improvement project to ensure a fit-for-purpose operating model. This has resulted in persistent low debt levels and increased operational efficiencies.

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 below). 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, Australian dollar and XAF.

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.

16.2 FINANCIAL INSTRUMENTS (CONTINUED)

16.2.3 RISK MANAGEMENT (CONTINUED)

16.2.3.2 Market risk management (continued)

16.2.3.2.2 Foreign currency risk management (continued)

Uncovered foreign debtors at 31 December 2016 amount to nil (2015: nil), whereas uncovered cash and cash equivalents amount to US$22,9 million (2015: US$43,7 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:R13,63 (2015: US$1:R15,48).

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:

	2016			2015		
	Average spot rate	Average achieved rate	Closing spot rate	Average spot rate	Average achieved rate	Closing spot rate
US$	14,69	14,54	13,63	12,76	13,23	15,48
€	16,25		14,34	14,17		16,81
XAF	0,02		0,02	0,02		0,03
AU$	10,93		9,85	9,58		11,30

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.

	Profit/(loss)	
	2016 Rm	2015 Rm
Group		
– US$	31	91
Company		
– US$	31	91

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 2016		
Non-current interest-bearing borrowings	5 985	5 985
Current interest-bearing borrowings	471	471
	6 456	6 456
Total borrowings (%)	100	100
At 31 December 2015		
Non-current interest-bearing borrowings	4 185	4 185
Current interest-bearing borrowings	882	882
	5 067	5 067
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:

	(Loss)/profit	
	2016 Rm	2015 Rm
Increase of 50 basis points in interest rate	(32)	(25)

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	
	2016 Rm	2015 Rm
Amount approved	44 844	43 783
Total borrowings	(6 456)	(5 067)
Unutilised borrowing capacity	38 388	38 716

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2016 and 2015 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 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

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

Group	Carrying amount Rm	Contractual cash flows Rm	Maturity: 0 – 12 months Rm	Maturity: 1 – 2 years Rm	Maturity: 2 – 5 years Rm	Maturity: More than 5 years Rm
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)
2015						
Financial assets						
Derivative financial asset	1	1	1			
Loan to BEE shareholder	426	521		521		
Trade and other receivables	2 349	2 349	2 349			
Cash and cash equivalents	2 055	2 055	2 055			
Total financial assets	4 831	4 926	4 405	521		
Percentage profile (%)		100	89	11		
Financial liabilities						
Shareholder loans	21	21	21			
Interest-bearing borrowings	5 067	6 120	1 281	1 792	3 047	
Contingent consideration	39	39			39	
Trade and other payables	2 685	2 685	2 685			
Derivative financial liability	41	41	41			
Total financial liabilities	7 853	8 906	4 028	1 792	3 086	
Percentage profile (%)		100	45	20	35	
Liquidity gap identified[1]	(3 022)	(3 980)	377	(1 271)	(3 086)	

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

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)

Company	Carrying amount Rm	Contractual cash flows Rm	Maturity: 0 – 12 months Rm	Maturity: 1 – 2 years Rm	Maturity: 2 – 5 years Rm	Maturity: More than 5 years Rm
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)
2015						
Financial assets						
Loan to BEE shareholder	426	521		521		
Trade and other receivables	2 146	2 146	2 146			
Cash and cash equivalents	796	796	796			
Total financial assets	3 368	3 463	2 942	521		
Percentage profile (%)		100	85	15		
Financial liabilities						
Interest-bearing borrowings	5 067	6 120	1 281	1 792	3 047	
Contingent consideration	39	39			39	
Trade and other payables	8 628	8 628	8 628			
Total financial liabilities	13 734	14 787	9 909	1 792	3 086	
Percentage profile (%)		100	67	12	21	
Liquidity gap identified[1]	(10 366)	(11 324)	(6 967)	(1 271)	(3 086)	

[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 is not expected to be repaid in the foreseeable future.*

16.2 FINANCIAL INSTRUMENTS (CONTINUED)

16.2.3 RISK MANAGEMENT (CONTINUED)

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 represents the maximum credit exposure. None of the financial assets below were held as collateral for any security provided.

The maximum exposure to credit risk at both reporting dates was equal to the carrying value of financial assets for both group and company.

Detail of the trade receivables credit risk exposure:

	Group	
	2016 %	2015 %
By geographical area		
South Africa	78	71
Europe	16	25
Asia	6	4
Total	100	100
By industry		
Public utilities	68	78
Structural metal	10	4
Cement	7	
Mining	5	3
Manufacturing	3	5
Merchants	3	7
Steel	1	2
Other	3	1
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)

At 31 December	Group 2016 Rm	Group 2015 Rm	Company 2016 Rm	Company 2015 Rm
The carrying amount of the financial assets				
Neither past due nor impaired	11 264	6 935	12 318	7 837
– Trade receivables	2 194	2 112	1 117	2 094
– Other receivables	269	243	52	52
– Derivative financial asset		1		
– Loans to joint ventures	126	105	186	60
– Loans to subsidiaries			6 019	4 190
– Non-current receivables	1 768	803	310	219
– Indemnification asset	1 100	1 044		
– Loan to BEE shareholder	480	426	480	426
– Lease receivables	132	146		
– Cash and cash equivalents	5 195	2 055	4 154	796
Past due	90	92	22	10
– Trade receivables	58	90		10
– Other receivables	32	2	22	
Total financial assets	11 354	7 027	12 340	7 847
Impaired	185	146	186	290
– Trade receivables	77	50		
– Other receivables	108	96	108	96
– Indebtedness by subsidiaries			78	194
Financial assets including impaired receivables	11 539	7 173	12 526	8 137

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 FINANCIAL INSTRUMENTS (CONTINUED)

16.2.3 RISK MANAGEMENT (CONTINUED)

16.2.3.4 Credit risk management (continued)

16.2.3.4.2 Trade and other receivables age analysis

At 31 December	Group 2016 Rm	Group 2015 Rm	Company 2016 Rm	Company 2015 Rm
Past due but not impaired				
1 – 30 days overdue	1	76	1	3
31 – 60 days overdue	76	6	14	
61 – 90 days overdue	6			
91 – 180 days overdue		1	1	
>180 days overdue	7	9	6	7
Carrying amount of trade and other receivables past due but not impaired[1]	90	92	22	10
Past due and impaired				
1 – 30 days overdue	1	1	1	1
31 – 60 days overdue	1	1	1	1
61 – 90 days overdue	1	1	1	1
91 – 180 days overdue	48	34	1	2
>180 days overdue	134	109	104	91
Carrying amount of trade and other receivables past due and impaired	185	146	108	96
Total carrying amount of trade and other receivables past due or impaired	275	238	130	106

[1] *Group's past due but not impaired receivables of R83 million (2015: R18 million) relates to the South Africa geographical area, R6 million relates to Australia and R1 million (2015: R72 million) relates to Europe.*

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 and derivative financial assets has been assessed by reference to external credit ratings available from Fitch and Standard & Poor's.

	Group 2016 Rm	Group 2015 Rm	Company 2016 Rm	Company 2015 Rm
Cash and cash equivalents				
Fitch ratings				
F1+	801	1 023	557	682
F1	3 842	191	3 597	114
Standard & Poor's ratings				
A-1+	12	10		
A-1	540	831		
A-2				
Total cash and cash equivalents[1]	5 195	2 055	4 154	796

[1] *Excludes overdraft.*

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

A-2 Good 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 2016 and 2015.

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 2016 and 31 December 2015. 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	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Cash and cash equivalents				
Cash and cash equivalents	5 195	2 055	4 154	796
Overdraft	(12)		(7)	
Total cash and cash equivalents	5 183	2 055	4 147	796

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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 special purpose 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 2016 and 2015) 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 earnings 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 as part of the gain or loss on disposal.

17.2 INCOME FROM INVESTMENTS IN SUBSIDIARIES

For the year ended 31 December	Company 2016 Rm	Company 2015 Rm
Unlisted shares		
Dividends[1]	3 000	
Net finance income	443	353
– Interest expense on financial liabilities measured at amortised cost[2]	(459)	(1 163)
– Interest income on impaired loans and receivables	4	4
– Interest income on unimpaired loans and receivables	898	1 512
Per statement of comprehensive income	3 443	353

[1] *Comprises a dividend declared and paid by Exxaro Coal Proprietary Limited to Exxaro Resources Limited.*
[2] *Interest was calculated on the balances of the intercompany loans.*

17.3 INVESTMENTS IN SUBSIDIARIES

At 31 December	Note	Company 2016 Rm	Company 2015 Rm
Shares at cost less impairment losses	17.5	4 948	5 110
Non-current portion		6 019	4 190
Total indebtedness	17.5	(1 223)	(1 898)
By subsidiaries[1]		7 136	6 284
– Current[2]		1 117	2 094
– Non-current		6 019	4 190
To subsidiaries (current)		(8 359)	(8 182)
Total current portion		7 242	6 088
– Included in trade and other receivables	7.2.3	(1 117)	(2 094)
– Included in trade and other payables	7.2.4	8 359	8 182
Per statement of financial position		10 967	9 300

[1] *2016 includes an impairment reversal of R194 million relating to ECC and an impairment charge of R78 million relating to Exxaro FerroAlloys Proprietary Limited. The 2015 indebtedness by subsidiaries are stated after impairments of R194 million and R1 104 million on the current and non-current loans of ECC respectively.*
[2] *Includes R479 million (2015: R885 million) for the current portion of the back-to-back (non-current) loans.*

TERMS AND CONDITIONS OF LOANS

There was no indebtedness to and from subsidiaries with fixed rates of interest for either 2016 or 2015.

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 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 refinanced 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 2016:

Loan	Margin %	Annual rate %
Revolving credit facility	3,40	11,04
Bullet term loan	3,40	11,20
Amortised term loan	3,75	11,41
Bond – R480 million	1,70	9,38
Bond – R520 million	1,95	9,65

In 2015, the interest on the term loan facility was paid on a six-monthly basis at 9,38% per annum. Interest was based on JIBAR plus a margin of 275 basis points. Refer note 12.1.4 for detailed terms and conditions of the term loans.

	Company	
	2016 Rm	2015 Rm
Non-current back-to-back loans		
Summary of loans by financial year of redemption		
2017		1 276
2018		797
2019	519	1 318
2020		799
2021 and onwards	5 500	
Total unsecured non-current loans	6 019	4 190
Current portion of back-to-back loans	479	885
Total back-to-back loans	6 498	5 075

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

	Group		Company	
At 31 December	2016 Rm	2015 Rm	2016 Rm	2015 Rm
DECREASE/(INCREASE) IN INVESTMENT IN SUBSIDIARIES				
Proceeds on share buy-back of Mayoko Investment Company			30	
Increase in investment in Exxaro Australia Proprietary Limited			(14)	
Purchase consideration paid for acquisition of ECC		(3 381)		(3 381)
ECC overdraft balances acquired		(55)		
Total (increase)/decrease in investment in subsidiaries		(3 436)	16	(3 381)
INCREASE IN INDEBTEDNESS BY SUBSIDIARIES				
Increase in non-current indebtedness by subsidiaries			(1 829)	(1 205)
Total increase in indebtedness by subsidiaries			(1 829)	(1 205)

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 2016 Rm	Investment in shares 2015 Rm	Indebtedness by/(to) 2016 Rm	Indebtedness by/(to) 2015 Rm
DIRECT INVESTMENTS							
AlloyStream Holdings Proprietary Limited	RSA	H	1	746 163	746 163	23	23
AlloyStream Proprietary Limited[5]	RSA	A			1		
Clipeus Investment Holdings Proprietary Limited	RSA	H	1	1	1	12	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	AUS	H		442 876 618			
Exxaro Australia Proprietary Limited[6]	AUS	M & P			423 782 774		5
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	BOT	H		10	10		
Exxaro Coal Central Proprietary Limited	RSA	M	370	1 512 355 094	1 512 355 094	127	
Exxaro Coal Proprietary Limited	RSA	M	31 016	1 000	1 000	5 861	5 437
Exxaro Employee Empowerment Participation Scheme Trust	RSA	S					
Exxaro Employee Empowerment Trust	RSA	S					
Exxaro Environmental Rehabilitation Fund	RSA	S					
Exxaro FerroAlloys Proprietary Limited[7]	RSA	A	326		1	28	21
Exxaro Foundation	RSA	S					
Exxaro Holdings Congo Proprietary Limited	RSA	H	1	1 869 951 859	1 869 951 859	(69)	(69)
Exxaro Holdings Proprietary Limited	RSA	H	1	459 517 297	459 517 297	57	56
Exxaro Insurance Company Limited	RSA	I	215	5 000 000	5 000 000		
Exxaro Mountain Bike Academy NPC	RSA	E	1			12	11
Exxaro People Development Initiative NPC	RSA	E	1				
Exxaro Properties (Groenkloof) Proprietary Limited[8]	RSA	B	1				
Exxaro Resources (Beijing) Commercial Company Limited	PRC	C		1 609 275	1 609 275		
Ferroland Grondtrust Proprietary Limited	RSA	F	67	2	2	69	55
Gravelotte Iron Ore Company Proprietary Limited	RSA	M	5	1	1	41	41
Kumba Resources Management Share Trust	RSA	S				(42)	(41)
Mayoko Investment Company[9]	MAU	H			180 666 137		
Rocsi Holdings Proprietary Limited	RSA	H	1	653 722 945	653 722 945	(1 101)	(553)
Skyprops 112 Proprietary Limited[5]	RSA	H			1		
Total direct investment in subsidiaries				4 948 300 232	5 109 872 528	5 238	5 218

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

At 31 December	Country of incorporation[2]	Nature of business[3]	Public interest score[4]	Interest of company: Investment in shares 2016 Rm	Investment in shares 2015 Rm	Indebtedness by/(to) 2016 Rm	Indebtedness by/(to) 2015 Rm
INDIRECT INVESTMENTS							
African Iron Exploration SA (85%)[9]	CON	P					
African Iron Proprietary Limited[9]	AUS	H					
AKI Exploration (Bermuda) Proprietary Limited[9]	BER	H					
AKI Exploration Proprietary Limited[9]	AUS	H					
Coastal Coal Proprietary Limited	RSA	M	148			39	22
DMC Iron Congo SA[9]	CON	M					
DMC Mining Proprietary Limited[9]	AUS	H					
Dorstfontein Coal Mines Proprietary Limited (74%)	RSA	M	2 238				
Eloff Mining Company Proprietary Limited (51%)	RSA	M	29				
Exxaro Australia Iron Investments Proprietary Limited	AUS	H					
Exxaro Australia Proprietary Limited[6]	AUS	M & P				2	
Exxaro Base Metals China Limited	HK	H					
Exxaro Base Metals International BV	NE	H				214	214
Exxaro Coal Mpumalanga Proprietary Limited	RSA	M	10 317			263	(222)
Exxaro International BV	NE	H				(6 953)	(6 939)
Exxaro International Trading AG	SW	C				1	
Exxaro Mayoko SA[9]	CON	G					
Exxaro Mineral Sands BV	NE	P				167	167
Exxaro Reductants Proprietary Limited	RSA	A	122			(194)	(358)
Ferrowest Shareblock (RF) Proprietary Limited[5]	RSA	B					
Forzando Coal Mines Proprietary Limited (74%)	RSA	M	1 691				
Inyanda Coal Proprietary Limited	RSA	M	2				
Ithemba Farm Proprietary Limited	RSA	F	1				
Manyeka Coal Mines Proprietary Limited	RSA	H	1				
Masinketa Coal Mines Proprietary Limited (74%)	RSA	H	2				
Matla and Arnot Rehabilitation Trust	RSA	S					
Mmakau Coal Proprietary Limited (49%)[10]	RSA	P	5				
Newcastle Coal Mines Proprietary Limited	RSA	M	3				
Quindong Minerals Proprietary Limited[11]	AUS	G					
The Vryheid (Natal) Railway Coal and Iron Company Proprietary Limited	RSA	M	114				
Total Coal South Africa Nature Conservation Trust	RSA	S					
Tumelo Coal Mines Proprietary Limited (49%)[12]	RSA	M	45				
Total indirect investment in subsidiaries						(6 461)	(7 116)
Total investment in subsidiaries				4 948 300 232	5 109 872 528	(1 223)	(1 898)

[1] *At 100% holding except where otherwise indicated.*
[2] *RSA – Republic of South Africa, AUS – Australia, HK – Hong Kong, MAU – Mauritius, NE – Netherlands, BER – Bermuda, BOT – Botswana, CON – Republic of Congo, PRC – Peoples' Republic of China, SW – Switzerland.*
[3] *M – Mining, B – Property, C – Service, E – Not for profit company, F – Farming, G – Dormant, 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 2016.*
[6] *Restructured during 2016 to an indirect subsidiary.*
[7] *Impaired during 2016.*
[8] *Assets within this investment are classified as held-for-sale at 31 December 2016.*
[9] *Sold during 2016.*
[10] *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.*
[11] *Deregistered during 2016.*
[12] *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 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 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

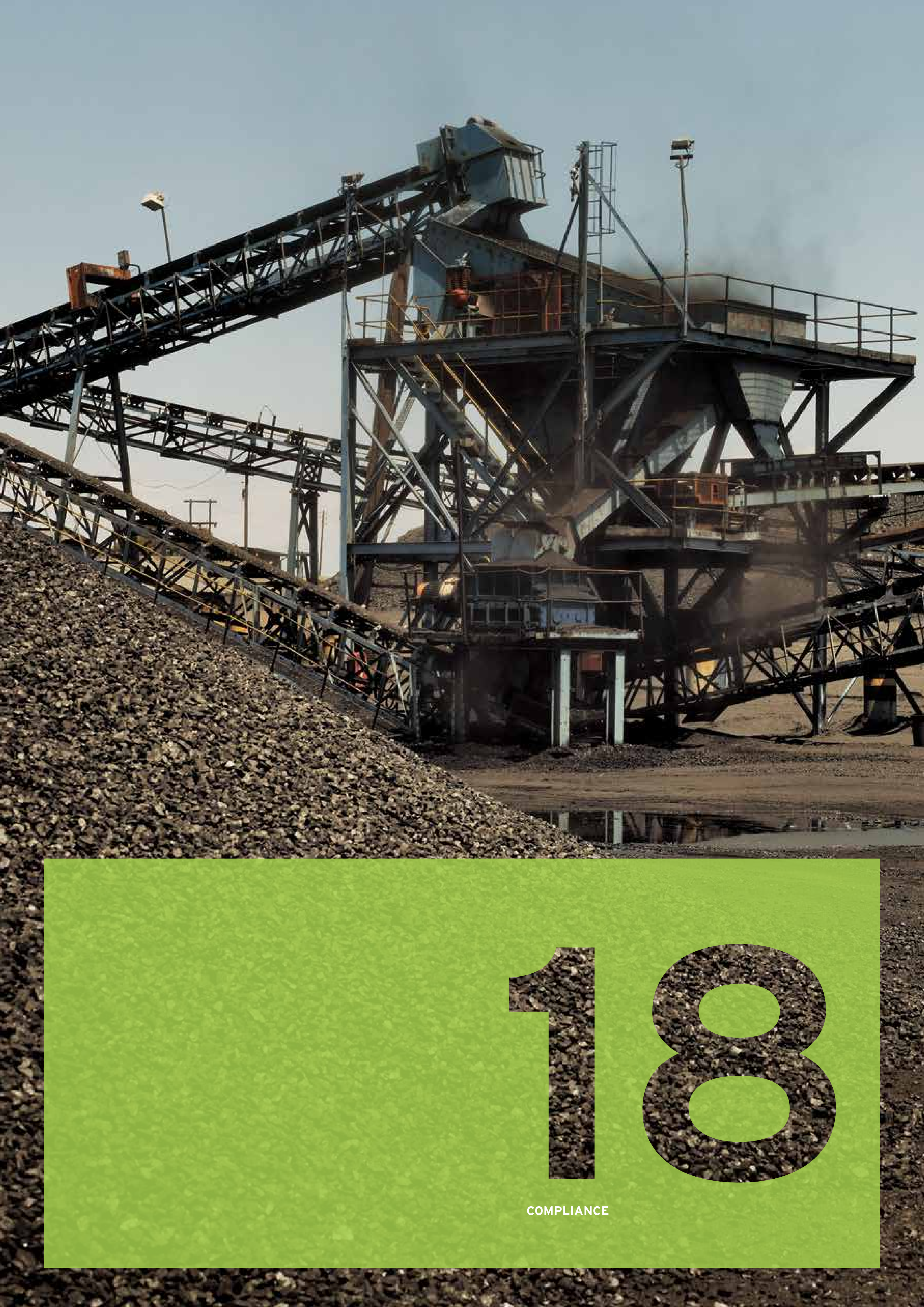
17.6 NON-CONTROLLING INTERESTS' SUMMARISED FINANCIAL INFORMATION (CONTINUED)

	Dorstfontein Coal Mines Proprietary Limited Rm	Other Rm
Statements of financial position		
At 31 December 2015		
Non-current assets	957	146
Current assets	123	23
Total assets	1 080	169
Non-current liabilities	3 808	275
Current liabilities	130	6
Total liabilities	3 938	281
Net liabilities	(2 858)	(112)
Accumulated non-controlling interests	(743)	(57)
Statements of comprehensive income		
For the period 31 December 2015[1]		
Revenue	524	
Operating (expenses)/income	(517)	1
Net operating profit	7	1
Finance income	1	1
Finance costs	(109)	(5)
Loss before tax	(101)	(3)
Income tax expense		(1)
Loss for the period	(101)	(4)
Other comprehensive income		
Total comprehensive loss for the period	(101)	(4)
Loss attributable to:	(101)	(4)
– Owners of the parent	(75)	(2)
– Non-controlling interests	(26)	(2)
Total comprehensive loss attributable to:	(101)	(4)
– Owners of the parent	(75)	(2)
– Non-controlling interests	(26)	(2)
Statements of cash flows[1]		
For the period ended 31 December 2015		
Cash flows from operating activities	5	(9)
Cash flows from investing activities	(32)	4
Cash flows from financing activities	27	7
Net increase in cash and cash equivalents		2

[1] *For the period 1 September to 31 December 2015.*

No dividends were paid during 2016 or 2015.

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



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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 2016 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 company and group annual financial statements, are disclosed within the annual financial statements.

18.1.3 BASIS OF CONSOLIDATION

The accounting policies applied for 2016 are consistent with those applied in 2015 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 2016

The group has applied the following new, amended and revised standards for the first time for the annual reporting period commencing on 1 January 2016:

- Amendment to IFRS 11 *Joint Arrangements* regarding acquisition of an interest in a joint operation.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* regarding depreciation and amortisation.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* regarding bearer plants.
- Amendment to IAS 27 *Separate Financial Statements* regarding the equity method.
- IFRS 14 *Regulatory Deferral Accounts*.
- Amendment to IAS 1 *Presentation of Financial Statements*.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures*.
- Annual improvements to IFRS 2012 to 2014 cycle.

The adoption of amendments to IAS 1 has resulted in improved financial statement disclosures. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

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 2016 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	Mandatory application date
Amendments to IAS 7 *Statement of Cash Flows*	The amendments require disclosure that enables users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.	The group intends on presenting a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities in order to satisfy the new disclosure requirements. This reconciliation will be included in the note disclosures to the statement of cash flows.	1 January 2017
IFRS 9 *Financial Instruments*	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 actual impact of adopting IFRS 9 on the group's financial statements in 2018 is not known and cannot be reliably estimated because it is dependent on the financial instruments that the group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. Based on a preliminary assessment, the group does not believe that the new classification requirements, if applied at 31 December 2016, would have had a material impact on its accounting for trade receivables, loans and investments in equity securities that are managed on a fair value basis. At 31 December 2016, the group had an equity investment, Chifeng, classified as available-for-sale with a fair value of R178 million that is held for long-term strategic purposes. If this investment continues to be held for the same purpose at initial application of IFRS 9, the group may elect to classify the investment as fair value through other comprehensive income or fair value through profit or loss. The group has not yet made a decision in this regard. The group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new impairment model, it may result in an earlier recognition of credit losses. The disclosure requirements 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.	1 January 2018

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)

Standard	Nature of change	Impact	Mandatory application date
IFRS 15 *Revenue from Contracts with Customers*	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.	The group is currently assessing the effects of applying the new standard on the group's financial statements and has identified the following areas that are likely to be impacted: – Accounting policy applied by the group for the measurement and recognition of revenue for the sale of commodities and the rendering of services – Judgements and estimates made by management – Information to be disclosed in relation to its contracts with customers. The group must still take a decision on the transition method to be applied as well as the practical expedients to be used, if elected. At this stage, the group is not able to estimate the impact on the group's financial statements.	1 January 2018
IFRS 16 *Leases*	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 has started an initial assessment of the potential impact on its group financial statements. The standard will affect primarily the accounting for the group's operating leases. As at reporting date, the group has non-cancellable operating lease commitments of R780 million. However, the group has not yet determined to what extent these commitments will result in the recognition of a right-of-use asset and a finance lease liability as well as the effect on profit or loss and classifications of cash flows. The group has not yet decided whether it will use the optional exemptions. No significant impact is expected for the group's finance leases.	1 January 2019

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 OF COMPARATIVE INFORMATION

The prior period of the group statement of comprehensive income (and related notes) has been re-presented as a result of the ferrous iron ore operating segment being identified as discontinued operations. Refer note 7.1.4 on discontinued operations.

18.4 EVENTS AFTER THE REPORTING PERIOD

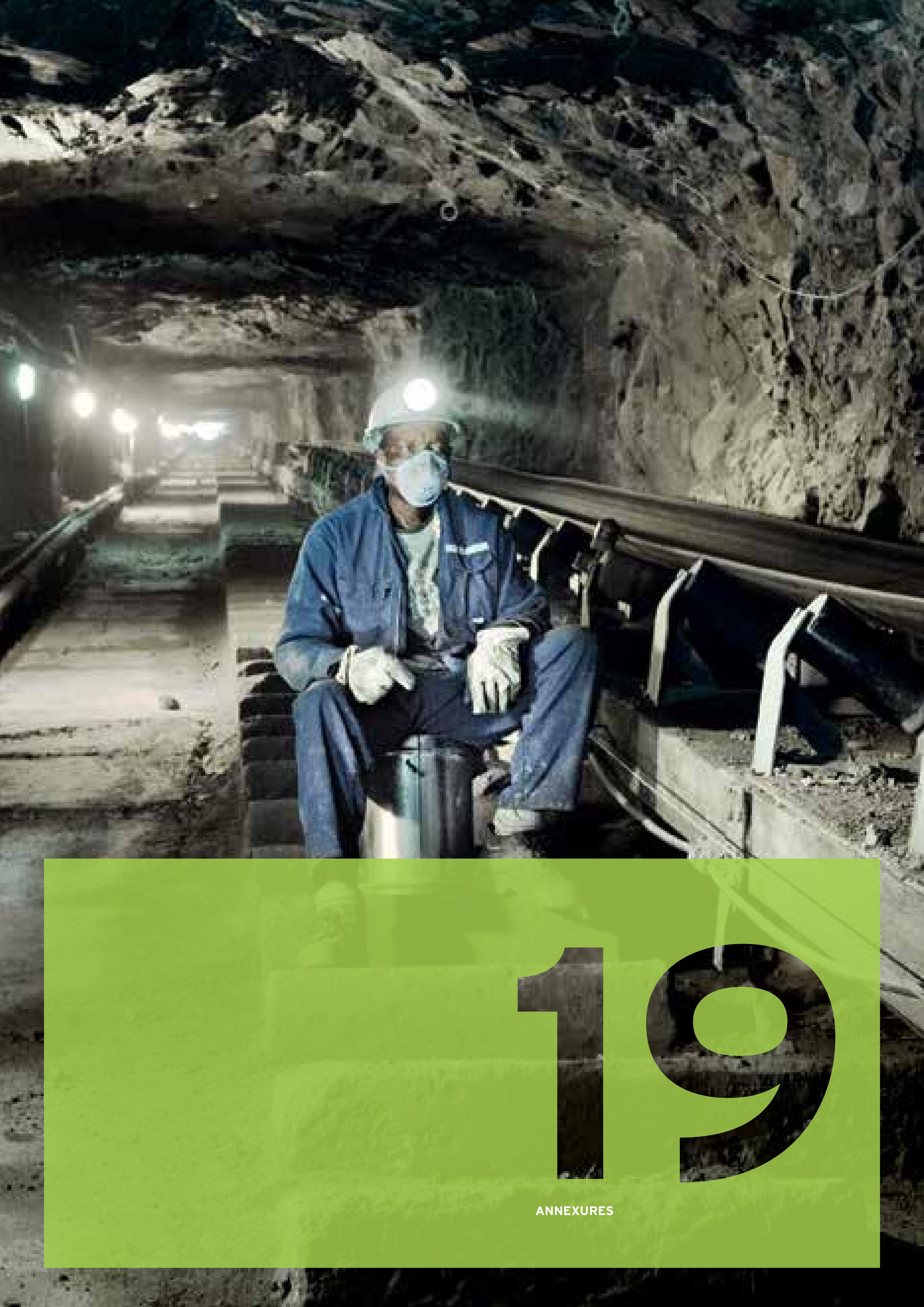
Details of the final dividend proposed are given in note 6.5.

On 17 January 2017 Exxaro paid R3 524 million to Main Street 333 for the repurchase of 43 943 744 ordinary shares. On 20 January 2017 Main Street 333 settled its loan with Exxaro.

On 21 February 2017, Tronox entered into a definitive agreement to acquire the TiO_2 business of Cristal for US$1 673 million cash and shares, representing a 24% shareholding in the enlarged company. As Tronox's largest shareholder, Exxaro intends to vote its shares in favour of the proposed transaction.

On 8 March 2017, Exxaro announced its intention to explore available alternatives to sell its Tronox shares in a thoughtful, efficient and staged process over time to focus on its core activities.

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: OTHER NOTES TO THE STATEMENTS OF CASH FLOWS

	Group		Company	
	31 December		31 December	
	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Investment in other non-current assets				
Decrease in loans to joint ventures	42			
Decrease in non-current receivables	1	141		
Decrease in non-current financial assets	18	24		
Increase in non-current receivables	(66)	(67)		
Increase in environmental rehabilitation funds	(29)	(184)		
Increase in loans to joint ventures	(126)	(20)	(126)	
Total increases in investment in other non-current assets	(160)	(108)	(126)	

ANNEXURE 2: SHAREHOLDER ANALYSIS

2.1 EXXARO PUBLIC AND NON-PUBLIC SHAREHOLDING 2016

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued share capital
Non-public shareholders	35	0,26	165 295 235	46,14
Main Street 333[1]	1	0,01	162 381 537	45,34
Kumba Management Share Trust	1	0,01	158 218	0,04
Exxaro Employee Empowerment Share Trust	1	0,01	2 394 013	0,67
Directors	8	0,06		
– WA de Klerk[2]			39 834	0,01
– CJ Fauconnier			48 900	0,01
– D Konar			6 168	0,00
– PA Koppeschaar			9 691	0,00
– MDM Mgojo[3]			41 334	0,01
– RP Mohring			1 000	0,00
– SA Nkosi[3]			29 990	0,01
– J van Rooyen[4]			1 500	0,00
Subsidiary directors	24	0,17	183 050	0,05
Public shareholders	14 208	99,74	192 820 270	53,86
Total	14 243	100,00	358 115 505	100,00

[1] *Includes indirect shareholding through Main Street 333 of the following directors:*

– SA Nkosi	*7 302 441*	*2,04*
– MDM Mgojo	*5 029 721*	*1,40*
– S Dakile-Hlongwane	*470 382*	*0,13*
– VZ Mntambo	*5 043 678*	*1,41*
– D Zihlangu	*2 452 705*	*0,68*

[2] *Includes direct, indirect, beneficial and non-beneficial holdings.*
[3] *Incudes direct and DBP shareholding.*
[4] *Shares held indirectly through Uranus Financial Services Proprietary Limited.*

ANNEXURE 2: SHAREHOLDER ANALYSIS (CONTINUED)

2.2 REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders at 31 December 2016:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued share capital
1 – 1 000 shares	11 951	83,91	2 677 811	0,75
1 001 – 10 000 shares	1 504	10,56	4 785 948	1,34
10 001 – 100 000 shares	545	3,83	18 917 095	5,28
100 001 – 1 000 000 shares	199	1,40	60 141 160	16,79
1 000 001 shares and above	44	0,30	271 593 491	75,84
Total	14 243	100,00	358 115 505	100,00

2.3 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 directly and indirectly equal to or in excess of 3% of the issued share capital as at 31 December 2016:

	Number of shares	% of issued share capital
Investment management shareholdings		
Coronation Asset Management Proprietary Limited	44 947 787	12,55
Investec Asset Management	19 823 047	5,54
Public Investment Corporation (PIC)	19 611 341	5,48
Total	84 382 175	23,57
Beneficial shareholdings		
Main Street 333	162 381 537	45,34
Government Employees Pension Fund	21 215 487	5,92
Total	183 597 024	51,26

ANNEXURE 3: 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.

CURRENT RATIO

Current assets divided by current liabilities.

DIVIDEND COVER

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 during the year.

Headline earnings basis

Headline earnings divided by the weighted average number of ordinary shares in issue 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.

ANNEXURE 3: DEFINITIONS (CONTINUED)

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/gain on sale of investments and assets divided by net financing cost.

GOOD LEAVERS

A participant whose employment with employer companies is terminated due to his or her:

- Retrenchment
- Retirement
- 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 termination of employment by a participant with the employer companies
- Death
- Serious disability
- Serious incapacity
- Promotion out of the relevant qualifying category.

HEADLINE EARNINGS

Earnings attributable to owners of the parent (Exxaro) adjusted for profits 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 percentage of total equity.

NET EQUITY PER ORDINARY SHARE

Equity attributable to owners of the parent (Exxaro) divided by the number of ordinary shares in issue at the year end.

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 PER EMPLOYEE

Net operating profit divided by the average number of employees during the year.

ANNEXURE 3: DEFINITIONS (CONTINUED)

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.

REPORTABLE SEGMENTS

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria:

- Its reported revenue, from both external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; or
- The absolute measure of its reportable profit or loss is 10% or more of the greater of
  i) the combined reported profit of all operating segments that did not report a loss; and
  ii) the combined reported loss of all operating segments that reported a loss, or its assets are 10% or more of the combined assets of all operating segments.

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, and treasury share distributed to beneficiaries of employee share schemes, 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.

ANNEXURE 4: ADMINISTRATION

GROUP COMPANY SECRETARY AND REGISTERED OFFICE
CH Wessels
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
2 Eglin Road
Sunninghill, 2157

COMMERCIAL BANKERS
ABSA Bank Limited

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

UNITED STATED 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 5: 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 ended 30 June	August
Distribution	
– Final dividend declaration	March
– Payment	April
– Interim dividend declaration	August
– Payment	September/October

BASTION GRAPHICS

exxaro

POWERING POSSIBILITY

www.exxaro.com