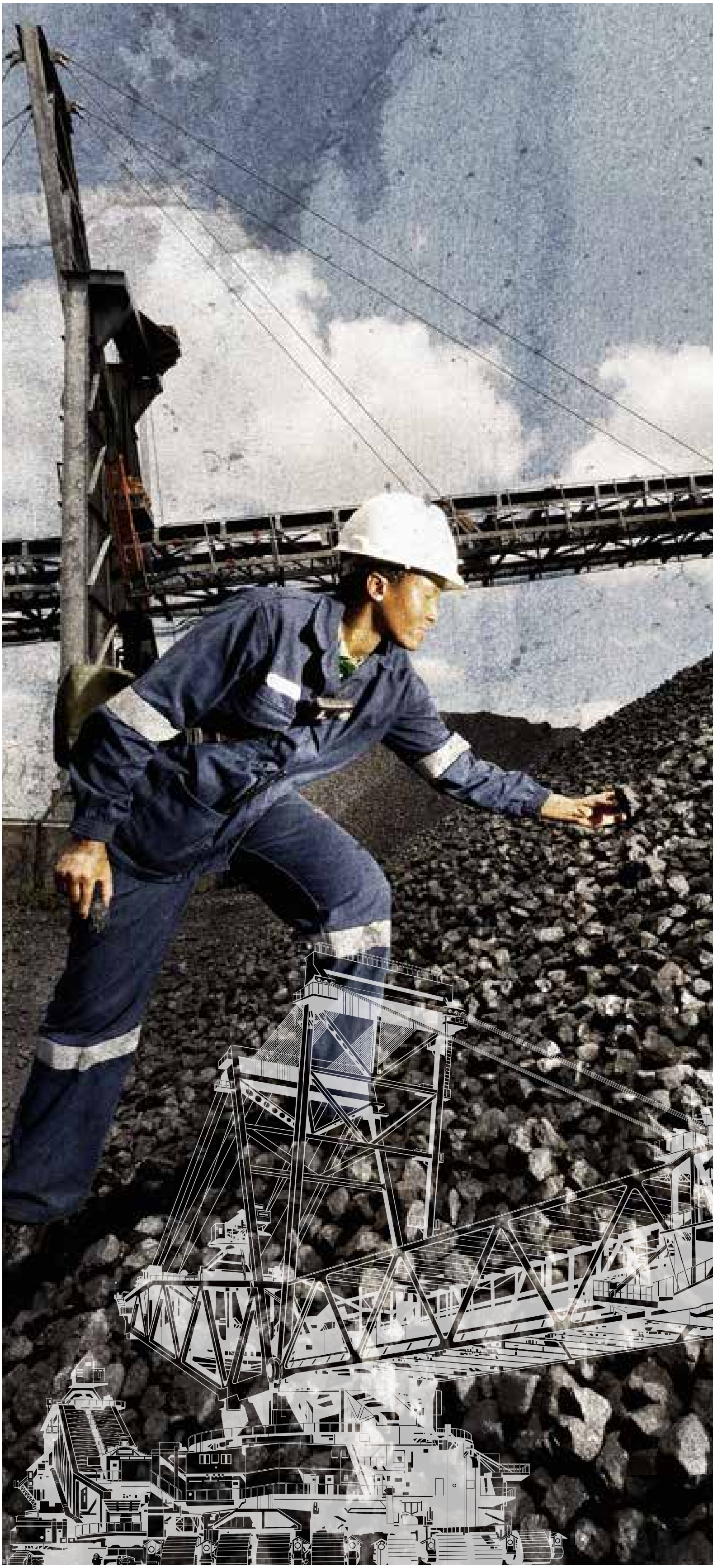
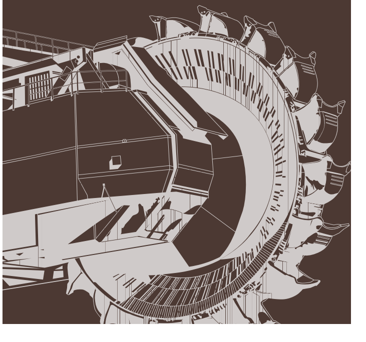


2014 INTEGRATED REPORT



exxaro

POWERING POSSIBILITY

CONTENTS

READ MORE>
Further details on noted page or a specific report in the 2014 suite of reports.

BOARD RESPONSIBILITY

The board acknowledges its responsibility for the integrity of Exxaro's integrated report and supplementary information. Although the process of integrated reporting is still evolving, we have integrated all the elements of our business and aligned this report with the international integrated reporting framework. Continuous efforts are made to incorporate best practice and improve our level of reporting, including an independent assessment of key aspects of sustainability reporting and disclosure by PricewaterhouseCoopers Incorporated (PwC).

The board reviewed and approved the content of the integrated report and accompanying statutory information (mailed to shareholders) prior to publication.

Len Konar
Chairman

Sipho Nkosi
Chief executive officer

9 April 2015

CERTIFICATE BY GROUP COMPANY SECRETARY

for the year ended 31 December 2014

In terms of section 88(2)(e) of the Companies Act 71 of 2008, as amended (Companies Act), I, CH Wessels, in my capacity as group company secretary, confirm that, to the best of my knowledge, for the year ended 31 December 2014, Exxaro Resources Limited (Exxaro) has filed with the Companies and Intellectual Property Commission all such returns and notices as required of a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.

Wessels

Carina Wessels
Group company secretary

Pretoria

9 April 2015

SALIENT FEATURES

Regrettably one fatality, lost-time injury frequency rate maintained at 0,19 – **27%** below coal industry average

Coal production volumes of **39,1Mt** up 1%

Coal exports of **5,3Mt** up 19%

Headline earnings per share (HEPS) of **1 372** cents, down 6%

Total dividend of **470** cents per share, down 15%

PERFORMANCE SNAPSHOT

	2014	2013	2012*	2011	2010	2009	2008	2007
LTIFR (per 200 000 hours worked) – target in brackets	0,19 (0,15)	0,19 (0,15)	0,29 (0,15)	**0,20 (0,21)**	0,22 (0,21)	0,25 (0,21)	0,39 (0,21)	0,36 (0,21)
Fatalities (number)	1	**0**	2	3	1	3	4	5
Coal production (Mt)	39,1	38,9	41,0	42,0	**45,8**	45,3	44,8	41,3
Revenue (Rbn)	16,4	13,6	16,1	**21,0**	17,2	15,0	15,0	10,2
Net operating profit/(loss) (Rbn)	(3,3)	3,6	**7,6**	4,1	2,6	0,3	2,5	1,4
Total dividend received (Rbn)	3,7	3,2	**3,4**	3,5	1,8	1,8	1,0	0,4
Total post-tax equity accounted income (Rbn)	2,5	3,6	3,6	**4,7**	3,7	1,9	1,7	0,7
Exxaro dividend declared (cps)	470	550	500	**800**	500	200	375	160
Headline earnings (cps)	1 372	1 463	1 401	**2 098**	1 495	729	1 058	425

- *Red figures (worst).*
- *Bold figures (best).*

* *Divested mineral sands business.*

ABOUT THIS REPORT

This integrated report should be read with the comprehensive supplementary information and mineral resources and reserves statement on this website. In addition, the notice of annual general meeting, form of proxy and summarised financial statements were mailed to shareholders as per statutory requirements.

Exxaro produces an integrated report each year, covering our economic, governance, social and environmental performance as well as the challenges and opportunities ahead for a group-wide understanding. This report (only available online) covers the financial year to 31 December 2014, as well as key subsequent developments, and follows the 2013 report.

In line with our corporate value of honest responsibility, this report reflects our commitment to sustainable development and determination to entrench global safety and sustainability best practices in all operations. It also reflects maturing processes in terms of our reporting and confidence in our ability to set and measure progress towards targets, as disclosed on page 22 (performance dashboard). For the first time, we disclose key performance indicators across the five sustainability capitals, with targets and actual performance, for an informed evaluation of our progress. The sixth capital – intellectual – will be included from 2015.

Content is guided by our strategic objectives (page 17), legislative and regulatory requirements, including the Companies Act 71 of 2008, as amended (Companies Act), and the Listings Requirements of the JSE Limited, as well as global best-practice standards, including the International Integrated Reporting Committee's framework for integrated reporting, United Nations Global Compact, Global Reporting Initiative (GRI) and the King Report on Governance for South Africa 2009 (King III).

Summarised (this report) and complete (website) group annual financial statements are prepared according to International Financial Reporting Standards.

Materiality is determined by careful analysis of our risks, strategic goals and ongoing consultation with stakeholders. The top risks facing our group are summarised on page 22, quantified on page 32, and detailed throughout the report.

Under the revised reporting requirements of the Department of Mineral Resources for the mining charter scorecard, Exxaro discloses its performance per mining right for the year to 31 December 2014 post the end-March 2015 deadline on its website. Mining right performance against the scorecard is disclosed in this report.

This report, produced in English, has been prepared in accordance with the GRI's 'core' application level, and the detailed GRI G4 index is on this website. The supplementary report provides detailed disclosure on key aspects of our operations. Methods for determining specific indicators are summarised in the text or detailed in our GRI index.

Each year, key indicators are selected for external assurance. Where possible, we present comparable information for trend analysis. Corporate activity since Exxaro's inception makes data comparability challenging in some areas; this is explained where it will aid understanding.

This report includes data for our Mayoko (Republic of the Congo) project. It also includes limited information on operations where we do not have management control but have a significant equity interest or joint control, namely Cennergi (energy), Sishen Iron Ore Company (iron ore) and Tronox Limited (titanium dioxide).

Disclaimer

Opinions expressed in this report are, by nature, subject to known and unknown risks and uncertainties. Changing information or circumstances may cause Exxaro's actual results, plans and objectives to differ materially from those expressed or implied in any forward-looking statements. Financial forecasts and data in this report are estimates which at times are based on reports prepared by experts who, in turn, may have relied on management estimates. Undue reliance should not be placed on such opinions, forecasts or data. No representation is made on the completeness or correctness of opinions, forecasts or data in this report. The company and its affiliates, advisors or representatives accept no responsibility for loss arising from the use of any opinion, forecast or data in this report. Forward-looking statements apply only from the date on which they are made and the company does not undertake any obligation to publicly update or revise its opinions or forward-looking statements to reflect new data or future events or circumstances. The financial information on which the forward-looking statements are based has not been audited nor reported on by Exxaro's independent external auditors.

Ongoing feedback from a range of stakeholders h elps us to contextualise certain issues better for more informed understanding by readers. We welcome your suggestions, which should be directed to:

Hanno Olinger
Manager: Sustainability
Tel: +27 12 307 3359
Fax: +27 12 307 5327
Mobile: +27 83 609 1094
Email: hanno.olinger@exxaro.com
Web: www.exxaro.com

OUR HERITAGE AND TRACK RECORD

Iscor	Eyesizwe	Kumba Resources		Exxaro Resources
1928	1999	2001	2006	2014
• Iscor established	• Eyesizwe Holdings founded and successfully bid for Anglo/Ingwe "Newco" to create Eyesizwe Coal	• Iscor unbundled • Iron ore, coal, mineral sands, base metals and industrial metals divisions listed as Kumba Resources	• Kumba Resources unbundled • Kumba Iron Ore lists separately • Kumba's coal and other assets merged with Eyesizwe Coal to create Exxaro	• Exxaro Resources consisting of: - Coal operations - Strategic investments (page 5)

- From state-owned to JSE-listed, broad-based black-owned and managed
- Developed and established based on principles of transformation in South Africa
- Evidence of sustainability (adaptation + growth) in a changing environment

AWARDS AND ACCOLADES

Ethical Boardroom magazine	Exxaro received the best corporate governance award in the mining category, Africa region, for 2015.
Nkonki Top 100 Integrated Reporting Awards 2014	Exxaro was the overall winner in 2014, first in the basic metals industry category and received an excellence award.
EY Excellence in Integrated Reporting 2014	Exxaro was among the top 10. These prestigious awards recognise companies that are emerging as leaders in this area as well as trends and best practice in integrated reporting. This award evaluates the top 100 JSE-listed companies by market capitalisation.
RobecoSAM 2015 Sustainability Yearbook	Exxaro received a bronze medal (for companies whose score is within 5% to 10% of the industry leader) and featured in the 2015 yearbook, one of only six South African companies recognised in this foremost reference guide on the world's leading companies based on their financially material ESG (environmental, social and governance) performance. RobecoSAM also publishes the globally recognised Dow Jones Sustainability Indices (DJSI).
Top Employers Institute	Ranked as top employer in the South African mining industry 2014 by this international group.
Universum IDEAL™ Employer Rankings survey	Exxaro earned a top 10 placing in the sciences category of this annual survey of South African students and young professionals. Over 33 000 students at South Africa's 23 accredited tertiary institutions and some 10 000 young professionals were surveyed about their ideal employer in four categories: business, engineering, sciences and humanities.

EXXARO GROUP
(continued)

Exxaro is one of the largest South Africa-based diversified resources groups. It is listed on the JSE Limited where it is a constituent of the Socially Responsible Investment (SRI) index and for most of 2014 was a constituent of the Top 40 Index. The group's current business interests span South Africa, Botswana, Republic of the Congo and Australia.

At present, Exxaro produces over 39 million tonnes of coal per annum (Mtpa). Completed expansion at our flagship Grootegeluk mine will increase this significantly.

At 31 December 2014, Exxaro had assets of R47,4 billion and a market capitalisation of R37,1 billion (US$3,2 billion). Although just eight years old, Exxaro's pedigree and skills were built over decades as a company rooted in South Africa and respected by its peers for its innovation, ethics and integrity.

Based on a well-executed strategy, solid returns, access to funds and quality resources, Exxaro is a unique listed investment opportunity into its chosen commodities.

GROUP STRUCTURE

Industrial Development Corporation (IDC)	Dreamvision Investments Proprietary Limited (Eyesizwe[1])	Capital Consortium Proprietary Limited (Eyabantu[1])	Morning Tide Investments 168 Proprietary Limited (KagisoTiso[1])	Basadi Ba Kopane Investments Proprietary Limited[1]
15,29%	**54,07%**	**9,71%**	**9,71%**	**11,22%**

Main Street 333 Proprietary Limited (BEE Holdco)	Anglo American plc[2]	Exxaro Mpower	Minorities (free float)	Other non-public shareholders
52,09%	**9,70%**	**0,81%**	**35,37%**	**2,03%**

exxaro

POWERING POSSIBILITY

COAL

- Two tied and four commercial operations
- Ramp-up of Grootegeluk Medupi expansion project

FERROUS

- Mayoko project
- FerroAlloys

NON-CONTROLLED OPERATIONS

- Sishen Iron Ore Company (19,98%)
- Tronox (43,98%)
- Black Mountain (26%)
- Joint ventures (50:50)
  - Mafube (Anglo)
  - Cennergi (Tata Power)

1 *Special purpose vehicle for shareholders in Main Street 333 Proprietary Limited.*
2 *Held through Anglo South Africa Capital Proprietary Limited.*

EXXARO GROUP
(continued)

* In closure.
\# Care-and-maintenance.

READ MORE>
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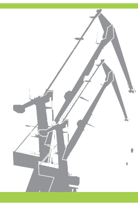
COAL



- **Six managed coal mines** 39Mtpa of power station, steam and coking coal. Most power station coal is supplied to the national power utility, Eskom
- **Semi-coke and related products** for the growing ferroalloys industry
- Grootegeluk is one of the most efficient mining operations in the world, and runs the world's **largest coal beneficiation complex**. It is the only producing mine in the coal-rich Waterberg, adjacent to Eskom's existing Matimba and new Medupi power stations
- **Robust pipeline** of greenfield and expansion projects:
  - By 2017, the R3,8 billion Belfast mine is scheduled to be commissioned. At full capacity the mine will deliver around 2,2Mtpa of export steam coal and 500ktpa of power station coal
  - Phase 1 of a bankable feasibility study for the opencast Thabametsi began in 2014 with construction planned for 2016. This will coincide with the development of GDF SUEZ's power station project (see non-controlled operations).

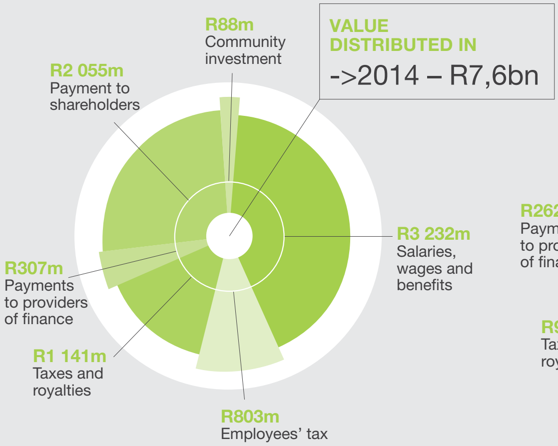
FERROUS

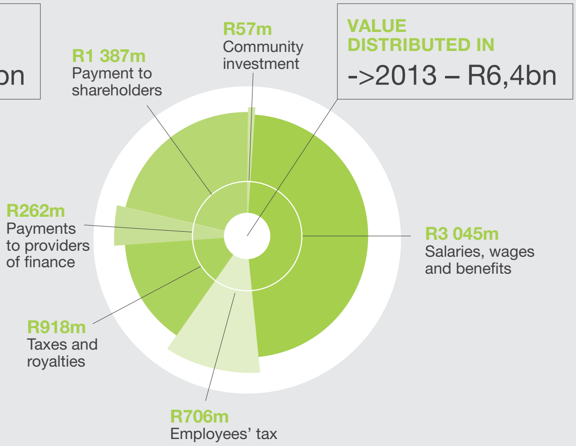
- Due to low iron ore prices, high project development costs and delays in concluding definitive port and rail agreements for the Mayoko project in the Republic of the Congo (RoC), the investment in this iron ore project – a total impact of R5,8 billion – was impaired (page 42). Exxaro is actively liaising with the RoC government to conclude these agreements before deciding on future prefeasibility studies
- Exxaro FerroAlloys produces gas-atomised ferrosilicon for use in dense medium separation plants. Under an approved expansion programme, commissioning of the new ferrosilicon plant was completed in November 2014.

NON-CONTROLLED OPERATIONS

- Exxaro holds 20% of Sishen Iron Ore Company in the listed Kumba Iron Ore Limited group, a leading supplier of high-quality iron ore to the global steel industry
- In titanium dioxide, Exxaro holds a 26% direct interest in each of KZN Sands and Namakwa Sands, as well as 43,98% of US-listed Tronox Limited, the world's largest fully integrated producer of titanium ore and titanium dioxide. Tronox owns the balance in KZN Sands and Namakwa Sands as well as other titanium dioxide interests outside South Africa
- By participating in renewable energy initiatives, we ensure that we contribute significantly to the national energy supply and reduce our carbon footprint. Cennergi Proprietary Limited, our joint venture with Tata Power, has two wind projects under way in the Eastern Cape. These are on track and in line with budget:
  - Amakhala Emoyeni near Bedford (139MW) – completion planned for mid-2016, with commercial operation in the third quarter of 2016
  - Tsitsikamma Community wind farm on Mfengu community land (95MW) – construction scheduled for completion in the final quarter of 2015, with commercial operation beginning in 2016
  - As part of each wind farm, Cennergi and its partners have developed detailed and consultative plans for community development
- Mafube – 50/50% joint venture with Anglo American
- We intend to divest from our remaining base metals portfolio (interests in Chifeng zinc refinery in Inner Mongolia and Black Mountain in South Africa). If we divest from Black Mountain, we will do so without disadvantaging its empowerment status
- Exxaro has a coal supply and offtake agreement for a 600MW coal-fired power plant to be developed in Limpopo with France's GDF SUEZ, a global leader in independent power production, and other partners
- Exxaro and Linc Energy Limited were developing energy solutions through underground coal gasification in sub-Saharan Africa. Due to the current economic environment and expected capital expenditure requirements, Exxaro has decided not to develop the project in 2015. This project will be reviewed when markets improve.

ADDING BROAD-BASED STAKEHOLDER VALUE





We are proud of exceeding compliance targets for the mining charter (supplementary report) and remain committed to empowering and developing our people. In 2014, Exxaro spent R221 million on training and developing its people to:

- Develop scarce technically skilled people through our talent pipeline and feeder scheme (business and country benefit)
- Create an available stream of core and key skills as well as scarce skills to enable operations to meet their business targets in supporting our strategy and growth, and to comply with legislation (business and employee benefit)
- Achieve our goal of filling 75% of positions internally (business and employee benefit)
- Satisfy operational and compliance requirements by ensuring competent job-related operational and technical training (business and employee benefit)
- Develop 700 employees in management programmes, leadership programmes and postgraduate studies (business and employee benefit).

VALUE ADDED TO STAKEHOLDERS

R13 billion in value was generated in 2014 and R7,6 billion distributed:

- **R3,2 billion** as salaries, wages, **up 6%**
- **R1,9 billion** tax including value-added tax (VAT) and royalty payments, **up 20%**
- **R2 billion** returned to shareholders, up **48%**
- **R88 million** in corporate social investment initiatives, up **54%**
- Payments to providers of finance of **R307 million**, **up 17%**

We also reinvested cash generated into sustaining capex and the overall development of our operations.

Mpower 2012 distributed R23 million (2013: R16 million) to beneficiary employees. Of this, R14 million (2013: R11 million) was for dividends and R9 million (2013: R5 million) was for distributions to good leavers.

Mpower distribution	Rm
Mpower (2007-2011)	183[1]
Mpower 2012 (2012-2014)	49
Total distributions since inception	232

1 1 As a result of unwinding the first Mpower scheme, this includes a capital distribution of R101 million to beneficiary employees.

WHAT AFFECTS EXXARO'S ABILITY TO CREATE VALUE

EXXARO'S OPERATING ENVIRONMENT

Macro environment

In 2014, the world economy remained characterised by modest and uneven growth. While expansion in the US and UK continued, China's economy slowed further, euro-zone economic growth remained sluggish and Japan has again been in recession. Significantly lower oil prices and more supportive initiatives from key central banks are expected to boost global real GDP growth to the elusive 3% level in 2015, last achieved in 2009.

SA MINING MARKET

Exxaro's sustainability and response to its operating environment are guided by its philosophy as shown above. We pursue our strategic goals through leadership that creates shared value and alignment between the company's vision and values, its strategy as well as the needs and expectations of its stakeholders. See page 16 for more details.

US economic growth contracted significantly in the first half of 2014, mainly due to adverse weather conditions; however, economic activity bounced back in the second half to an annual real growth rate of 2,4%. The Federal Reserve's quantitative easing (QE) programme ended on 28 October 2014 with the much-anticipated normalisation of interest rates expected to start in 2015. US dollar strength is projected to continue into 2015, mainly on expected US economic growth of at least 3%, interest rate increases and significantly lower commodity prices.

Chinese economic growth decelerated from 7,7% in 2013 to 7,4% in 2014 with the construction sector one of the most affected. In 2015, further deceleration is expected in response to headwinds from a debt bubble, excess industrial capacity and unstable external demand. The Chinese government is in a balancing act of trying to squeeze out some of the excesses of debt-fuelled property and industrial capacity expansion, without precipitating any potential hard landing. As a result, real GDP growth is expected to slow to under 7% in 2015. Anything significantly lower than 6,5% would probably trigger additional monetary and fiscal stimulus.

In 2014, Japan recorded its fourth recession in six years. Consumption tax was increased in April from 5% to 8%, contributing to some volatility in the second and third quarters of 2014. Weak capital spending and a sharper-than-expected inventory destocking contributed to the setback during the second consecutive quarter of contraction. As a result, implementation of the second proposed consumption tax increase from 8% to 10% has been postponed from October 2015 to April 2017. A modest recovery in economic growth, very much dependent on the Bank of Japan's monetary easing programme, is likely in 2015, from 0,2% in 2014 to about 1,0% in 2015.

Euro-zone economic growth of 0,9% in 2014 was disappointing and anticipated to edge up slightly to a lacklustre 1,5% in 2015. While the euro zone still has serious challenges, the beneficial impact of sustained low oil prices, a markedly weaker euro exchange rate, increasingly accommodative monetary policy and low inflation should gradually support the economic growth outlook in 2015.

In 2014, the economies of some emerging markets deteriorated further, mainly reflected in downward pressure on their respective currencies. The 2015 outlook for key emerging economies remains divergent because of underlying dynamics and differential impacts of falling prices for energy, food and other primary commodities. The economic woes of Russia and Brazil will continue into 2015, while growth prospects for India, Indonesia, the Philippines, Kenya, Morocco and Poland are positive. As a result, the aggregate GDP for emerging markets is expected to decelerate for the fifth consecutive year to 4,0% in 2015 from 4,4% in 2014.

South Africa's economic growth outlook remains subject to a number of headwinds – prolonged strikes, frequent electricity supply disruptions, low business and consumer confidence, higher consumer debt levels and a fragile global economic backdrop. As a result, real GDP contracted (-0,6%) in the first quarter of 2014 before turning slightly positive for the rest of the year to record an annual growth rate of about 1,4%. A slightly better GDP growth rate of around 2,0% is expected for 2015.

South Africa's average annual consumer price index (CPI) increased to 6,1% in 2014, from 5,7% in 2013. The 2015 rate is expected to be significantly lower at about 5%, mainly reflecting the impact of the much lower anticipated Brent crude oil price.

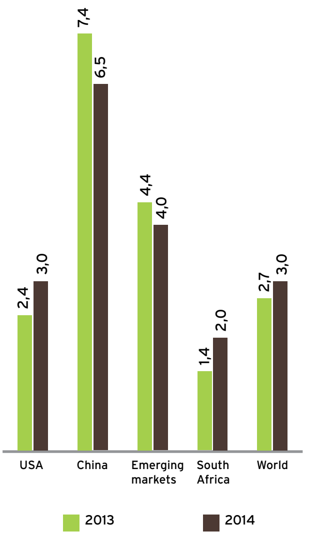
In December 2014, the rand exchange rate weakened to its low for the year – ZAR11,70/US$1,00. US dollar strength, combined with a wide current-account deficit and negative real interest rate levels, added to the currency's woes. In turn, the steady accumulation of reserves, underpinning foreign-investor interest and any upward-trending commodity prices (not the anticipated base case this year) as global growth gradually increases, have the potential to strengthen the rand. However, a sustained strengthening of the rand remains highly unlikely, given the challenging global economic and political environment which makes the local economy vulnerable to capital flow volatility. Against these ongoing developments, an average of around ZAR11,67 to the US dollar is forecast for 2015.

Commodity review

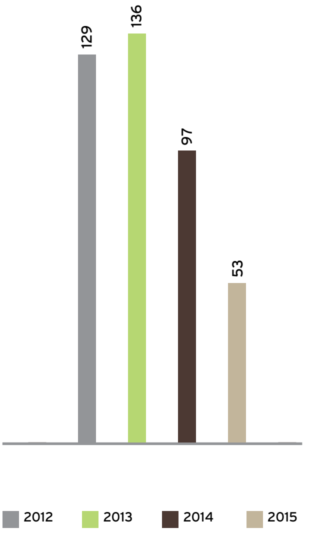
Mineral commodity demand growth remained lacklustre in 2014, with supply growth recorded in most commodity markets, and the net result being trading deep into respective cost curves. Towards the end of 2014, US dollar strength and falling oil prices lowered production cost and market-clearing prices across commodity producers. In an attempt to rebalance fundamentals, producers continue to cut both growth and sustaining capital. Against this background, unless weather or geopolitical risk events unfold, 2015 is highly unlikely to show any fundamental improvement over 2014 for most commodities.

Iron ore

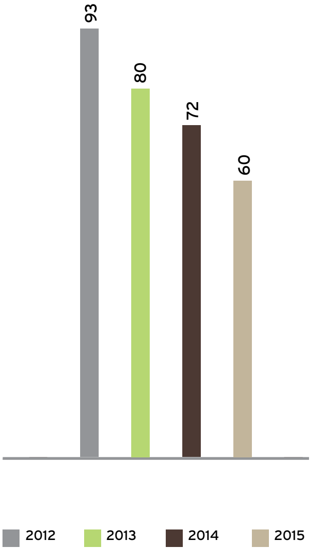
Estimates are that global crude steel production rose by about 1,2% in 2014 to 1 662Mt. In China, crude steel production expanded by only 0,9% from 2013 to some 823Mt. China's share of world production declined marginally from 49,7% in 2013 to 49,5% in 2014. Output in North America increased by 2,0% while Europe declined by 0,1%. Global crude steel production is expected to continue edging up in 2015, with output improving by a projected 3%, in line with anticipated consumption growth. China, Europe and Japan are all expected to record crude steel production growth of between 2% and 3% in 2015.



GDP growth rates (%)



Iron ore prices (ave US$/t)



RBCT steam coal prices (ave US$/t)

The iron ore fine spot price declined by 47,2% from January 2014 to December 2014, reaching US$67/t (cost and freight (CFR) China) in December 2014 – levels last seen in 2009. This was a direct result of both strong supply growth and weak demand growth. Despite weak demand growth in 2014, the majors (BHP Billiton, Rio Tinto, FMG and Vale) forged ahead with their initial plans and added a massive 134Mt to the market. Iron ore fine spot prices dropped to an average of US$74/t CFR China in the last quarter of 2014, frequently breaking through the US$70/t level. Seasonal restocking efforts have not materialised, given the cautious mood and additional supply pipeline for 2015. As a result, the 2014 average CFR China fine ore spot (62% Fe) price was US$97/tonne. Further new low-cost iron ore capacity – another 95Mt from majors – is expected to enter the market in 2015, causing much lower average prices compared to 2014, at around US$53/t CFR China. The industry has been very responsive to lower prices (albeit with a lag), with production displacements continuing, fundamentally supporting the expected rebalancing in the medium to long term.

Coal

The global coal sector had a very challenging 2014. Prices for both thermal and metallurgical coal declined steadily throughout the year. Lower-than-anticipated demand, particularly in China, combined with stubborn supply generated the weakest market conditions since 2009. Many producers in key producing countries such as Australia and Indonesia continued to operate at a loss; others, primarily in North America, took the difficult decision to close assets.

In contrast, depreciating local currencies against the US dollar supported the competitiveness of some key exporting operations, such as in Russia. The benefits of lower oil prices on mining, transport and freight costs have already enabled thermal coal prices to soften in early 2015. Combined with persistently sluggish Chinese demand, from both macro-economic conditions and policy-specific cuts, 2015 promises to be no different than 2014 – another challenging year for the coal trade.

In 2015, the metallurgical coal contract price is expected to average US$112/t free on board (FOB) Australia and spot steam coal (6 000kcal/kg) at around US$60/t FOB Richards Bay.

Mineral sands

Calendar 2014 has been a mixed bag for the titanium value chain – titanium dioxide (TiO_2) pigment producers have reduced inventories, demand has not picked up to sustainable levels and market conditions for feedstock producers remain tough. In 2014, prices for both feedstocks and TiO_2 pigment weakened further from 2013 averages. Any hopes of a price recovery in 2014 faded in the third quarter, after it became apparent that sufficient capacity and inventory existed to supply the market. Market conditions for TiO_2 pigment and feedstocks are expected to be similar in 2015.
In 2014, the zircon market adjusted to new lower levels of demand, following a cycle of rapid price increases from 2011 to mid-2012, with current significant idled capacity limiting any potential price recovery in 2015. As a result, the 2015 outlook for zircon pricing and demand remains flat, with limited downside risk.

How we govern and manage the business

The diagram presents a holistic view of our governance structures and processes and the value added by each. The key filter applied to this framework is materiality: the more material the issue to our strategy, the higher it is elevated up the governance structure. Less material or operational issues are handled through business unit or commodity structures.

Key governance-related developments in 2014 included:

- An item that has been identified as a deficiency in the past two years (the board setting the risk tolerance levels) was fully addressed in 2014, culminating in the integrated strategic dashboard (a leading example of integrated business practices)
- Significant changes in the JSE Listings Requirements had necessitated a review of processes and policies: these changes have generally been very favourably received by business as it aimed to simplify and streamline many requirements
- During the year, it was announced that the drafting process of King IV has begun. We are pleased that our chairman and group company secretary will be involved in the process
- Ethical Boardroom award – recognising the impact and success of the governance strategy approved in 2011 and implemented over the past three years
- Implementing a bespoke anti-bribery and corruption policy with extensive training, and further enhancing ethics management processes.

SHAREHOLDERS AND STAKEHOLDERS

BOARD OF DIRECTORS

Strategic leadership and guidance, and ultimate oversight in ensuring a sustainable business that is accountable to shareholders and responsible to other stakeholders.

SOCIAL AND ETHICS COMMITTEE

Independent oversight on matters in the remuneration and sustainability, risk and compliance committees' mandates by reviewing actions through a moral lens or based on a more holistic ethical view, as well as taking accountability for specific areas within its mandate.

STRATEGIC

AUDIT COMMITTEE

Assesses, questions and ensures the company's financial sustainability, and provides oversight over IT governance.

REMUNERATION AND NOMINATION COMMITTEE

Ensures optimal remuneration structures to attract, retain and motivate world-class employees who will enable and support the business strategy, and assists the board to identify and source appropriately skilled directors who can individually and collectively add value to the board.

SUSTAINABILITY, RISK AND COMPLIANCE COMMITTEE

Critically assesses all sustainability, risk and compliance key performance indicators, discipline strategies and performance, and reviews SHE incidents, thus assisting the board and management to enable safe, sustainable and legally compliant business practices.

EXECUTIVE/SENIOR MANAGEMENT

INFORMATION MANAGEMENT STEERING COMMITTEE
Ensures IT is well governed, and enables and supports the company's overall objectives at an acceptable cost.

EXECUTIVE COMMITTEE
Assists the CEO in managing the business to enable and ensure the company achieves its strategies and objectives.

ETHICS COMMITTEE
Investigates all claims of unethical behaviour and recommends appropriate action.

PORTFOLIO REVIEW COMMITTEE
Tests new strategies and initiatives against the company's mission and vision prior to further action/changes in strategy being recommended to the board.

INVESTMENT REVIEW COMMITTEE
Interrogates all capital projects above the executive heads' mandate against financial, technical and strategic metrics prior to action.

OFFSHORE REVIEW COMMITTEE
Ensures effective management and tax efficiency, and ensures local legislative compliance of the company's offshore and financing structures.

Commodity, business unit, functional discipline, departmental and project committees and forums

OPERATIONAL/TACTICAL

Stakeholder engagement

Please refer to detailed disclosure in our supplementary report

At Exxaro, building long-term, stable and mutually beneficial relationships with our stakeholders is a business imperative because it establishes the context within which we can conduct successful business activities and create value for stakeholders.

We have adopted the AccountAbility AA1000SES stakeholder engagement standard to guide the development of associated capabilities and activities in the company. This provides the basis for a generally applicable, open-source framework for designing, implementing, assessing and communicating quality of stakeholder engagement. In addition, we are also guided by the:

- King report on governance for South Africa 2009 (King III)
- Global Reporting Initiative guidelines
- Companies Act 71 of 2008 amended
- IIRC reporting framework.

A range of stakeholder engagement interventions took place in 2014:

- Employees – CEO, executive members and senior management conducted roadshows to business units to engage directly with employees on issues arising from the strike in the first half of 2013. The sessions form part of a programme that started in 2013 to provide a forum for frank discussions. The result is that Exxaro's leaders and employees reach mutual understanding on key issues and expectations relating to the company's responsibilities versus employee responsibilities.
- Local and regional government – senior management, led by the CEO, engaged with provincial and government leaders about regulatory and local developmental issues. Key to these discussions was the role of Exxaro as a mining company in contributing to socio-economic and environmental development in the region.
- Government – management interacts regularly with government counterparts in key areas including safety, labour, health and hygiene, environmental management and authorisations. The content of engagement includes legislative compliance and inputs to local and regional development plans.
- Engagements through industry bodies, such as the Chamber of Mines of South Africa, Business Leadership South Africa and Business Unity South Africa, with government on sector and general economic conditions including industrial relations, electricity supply and security, legislation and other business conditions in South Africa.
- Exxaro participated in various forums established by the Limpopo provincial government as well as bilateral engagements with the premier. Meetings with the Mpumalanga government are scheduled for 2015.
- There are a myriad of interventions between the company and communities surrounding our operations. These include rolling out social and labour plans and initiatives on education, small business development and broader socio-economic development.
- Emerging issues include the increasing demand by communities for an equity stake in Exxaro, for more investments to be made in community development beyond current budgeted amounts, and for adequate service provisioning from local authorities.

Our strategy is central to our philosophy, and complemented by our vision, mission and values. Equally, our strategy is reinforced by recognising the significance of stakeholder engagement in creating an enabling environment for our business to succeed.

BUSINESS PHILOSOPHY

Our business philosophy acknowledges that we exist within a particular context. It describes the links between our belief of who we are and why we exist, our vision for the business and society, and how we will achieve our mission through our business strategy.

Our sustainability is founded on creative, mutually constructive relationships and common values with our stakeholders and conducting our business activities in a way that creates success for Exxaro and society. By virtue of our existence and prosperity, we strive to make our society a better place to live in.

READ MORE>
Page 22

OUR STRATEGY AND OBJECTIVES

Vision

To be a powerful source of endless possibilities (reason for being).

Mission

Create value for our stakeholders through innovation and passion.

Values

The values that will guide us in our mission are:

- ***Empowered to grow and contribute:*** we develop and use our knowledge and ingenuity to achieve Exxaro's vision
- ***Teamwork:*** we succeed together through a climate of respect and equality
- ***Honest responsibility:*** we speak the truth and are accountable for our actions
- ***Committed to excellence:*** we always strive to achieve excellence for ourselves, others and Exxaro.

Invest

- Our capital expenditure programme was dominated by the coal business, a trend we foresee continuing over the next three years. Sustaining capex was up 36% compared to 2013 due primarily to a growing truck replacement programme for the Grootegeluk mine. Investment in coal expansion programmes included capex of R929 million for additional export volumes from Grootegeluk and completion of a bankable feasibility study for Belfast in Mpumalanga.

Develop

- The development of the Grootegeluk Medupi expansion project (GMEP) was concluded during the year and the project handed over to operations to start delivering on its supply agreement with Eskom's Medupi power station. Addendum 9 to the supply agreement was also concluded in the second half of the year and a total of 3,1Mt delivered in accordance with the contract
- Further developments to the Mayoko project were stopped following the impairment of the project in June 2014. Further investment development will depend on the iron ore market conditions and development of rail-port infrastructure by the RoC government
- We are pleased with the commencement of the two wind farms for 239MW of renewable energy through Cennergi, the 50/50 JV with Tata Power.

Grow

- The future growth of Exxaro will be driven by the coal business as determined by the capex programme for the next three years. Firstly, we anticipate growth from Grootegeluk as we ramp up to meet the demand from Medupi power station, which will reach a steady state of 14,6Mt in 2018 based on addendum 9.

  The Belfast project will provide further growth tonnage (2,7Mtpa) largely destined for export (2,2Mt). The latter end of this three-year outlook will see the beginning of the development of Thabametsi to supply the power station to be built in terms of the Department of Energy's coal IPP programme.

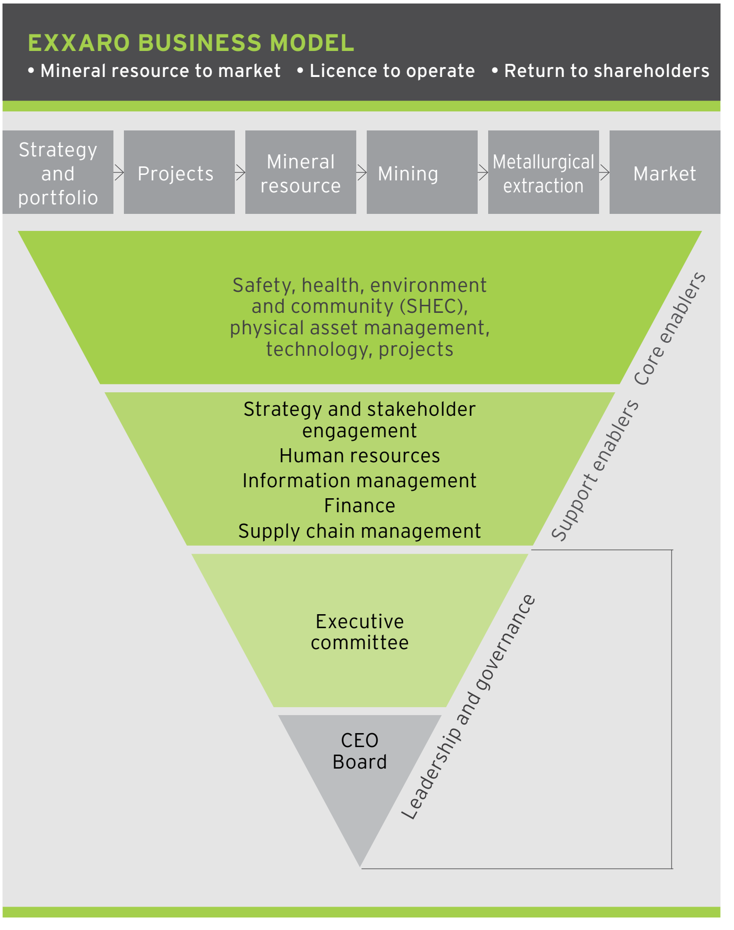
Our aim is to provide sustainable returns to shareholders and the countries in which we operate by being a world-class operator of a portfolio of assets, primarily in Africa, that are underpinned by growing global infrastructure and energy demand. This aspiration will be guided by our strategic objectives detailed above.

Our strategy is dynamic – anticipating and responding to external and internal elements – and we have proven our ability to deliver as summarised below and detailed in the relevant sections.

In determining the path to our own strategic sustainability, we use a structured, tiered approach to understand the components that drive our sustainability and the cross-functional nature of the reporting process – culminating in the integrated report.

BUSINESS MODEL

The Exxaro business model is based on a resource-to-market value chain that involves the company seeking investment opportunities in energy, metals and minerals resources for development into products for designated markets and customers. We seek sustainable growth, through both organic and acquisitive opportunities and in strategically selected geographies, by applying our own capabilities, developing appropriate partnerships and innovation to generate a return equivalent or better than 1,5x WACC.



SUSTAINABILITY APPROACH

Exxaro acknowledges the five-capitals model (natural, human, social, manufactured and financial capital) as a balanced approach to sustainable growth to increase our potential to invest and develop. Equally, we believe sustainability is an outcome of our actions – it is not a separate objective, but the foundation for our commitment to our strategic objectives which are, themselves, aligned to the five capitals (page 21).

We add value to the capitals during the lifetime of every mining operation - with the intention of leaving each area holistically richer after mine closure, even though some capitals might be negatively perceived at points in the life cycle. During each stage of the mining value chain, which we refer to as the resource-to-market business model, the cumulative net effect is to leave a positive impact. Each sustainability capital that we affect will be responsibly managed to maximise the benefit to all stakeholders, internally and externally.

Our growth over the next three to five years will be driven by investment, development and growth in the current portfolio of commodities in energy, metals and minerals from the operations and opportunities detailed on page 52. Each commodity strategy is supported by a vision, description of growth prospects and the related timeline and estimate of capital.

In graphically illustrating our business model - or the chain of creating value - we have subjectively qualified our impacts as positive (green) or negative (red). In time, we aim to objectively quantify these impacts.

Exxaro's business model at activity level

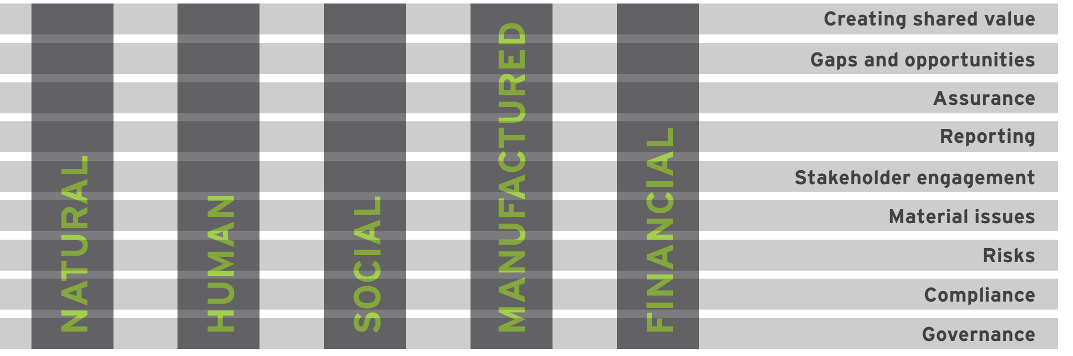
	PROJECTS	RESOURCE EXPLORATION	MINING	METALLURGICAL EXTRACTION	MARKET	CLOSURE
Specific inputs	Resource demands Viable mineral deposit Funding 2030 vision	Resource demands Innovation ideas Funding Mine plan Mineral resource	Own infrastructure	Run-of-mine Own infrastructure	Transport and logistics Public and private infrastructure Market demand	Exhausted mineral resources Uneconomic life of mine
Common inputs	**Mineral resources, funding, knowledge, skills, natural resources, energy, water, safety**					
Activities	Desktop studies Prospecting New innovative projects implemented NXXT programme developed	Feasibility studies Impact assessments Stakeholder engagement – community and regulator Securing mining rights Training and skills development	Mineral resource safely extracted Employee and community development	Run-of-mine crushed Responsible production Employee and community development	Logistics planning and transport of saleable product Meeting market demand for coal	Mine closure plan executed Sustainable communities established Rehabilitation
Common activities	**Stakeholder engagement, mine and infrastructure development, people development**					
Outputs	Mineral resource estimate	Secured mining rights Resource growth Mineral resource exposed and ready for extraction	Resource extraction ROM Greenhouse gas (GHG) emissions Waste	Saleable coal GHG emissions Waste Cogeneration	Stockpiled coal at correct grade Transported coal to market Revenue and profit	Sustainable communities Rehabilitated environment
Common outputs	**GHG emissions** **Safe working environment, improved employees skills, health and hygiene, equity opportunities**					

Sustainability outcomes of the business model

	PROJECTS	RESOURCE EXPLORATION	MINING	METALLURGICAL EXTRACTION	MARKET	CLOSURE
Natural capital	Potential	Increased economic value, disturbed, altered	Depletion, degradation	Depletion, degradation		Rehabilitation
Human capital	Skills used	Skills used Employment	Increased skills used Employment	Increased skills used Employment	Increased value of skills and employment maintained	Reduced employment
Social capital	Stakeholder relationship plan	Planned community development, and reputation enhanced	Benefit to communities and reputation	Benefit to communities and reputation	Increasing value to communities and reputation	Benefit to communities and reputation
Manufactured capital		Infrastructure built	Increased infrastructure	Increased infrastructure	Increased value maintained	Community infrastructure maintained
Financial capital	Improving asset base	Costs incurred and balance sheet assets increased	Costs incurred and product value increase	Costs incurred and product value increase	Revenue increased, tax paid	Financial rehabilitation provisions depleted

Key *(Colour-coded bars not to scale)*

- *Business activity or neutral impact.*
- *Value added to sustainability capital.*
- *Value destroyed on the sustainability capital.*



Understanding the components of specific tiers (from the bottom up) guides the development of our strategic performance dashboard:

- Governance: Our sustainability is supported by appropriate organisational structures, reporting lines, roles, responsibilities and the tone set from the top
- Compliance: Mandatory, but our aim is to always meet the spirit and not just the letter of legislation
- Risks: Using the enterprise risk management and Global Minerals Industry Risk Management (GMIRM) platforms consistently across Exxaro to capture, record and action all risks and material issues
- Stakeholder engagement: Using the AA1000SES stakeholder engagement standard (also referred to as stakeholder relationship management) at all levels necessary
- Material issues: Distilling the key inputs ranging from risks, to stakeholder issues, to performance KPIs to identify the critical issues that will affect Exxaro's ability to create value
- Reporting: Relevant, transparent and concise reporting on compliance with legislation, regulation and best practices as well as stakeholder expectations and key metrics
- Assurance: Aligning assurance audits across governance, compliance, findings, risks and material issues
- Gaps and opportunities: Close any gaps and identify opportunities – often via the combined assurance forum (ie audit findings)
- Creating shared value: Moving into new territories for example, our NXXT programme, which sets out our roadmap for the next 15 years.

This table is an extract of our strategic dashboard and describes our framework for measuring sustainability. It should be read with the risk matrix on page 32. The supplementary report contains more information on the dashboard. A critical principle for Exxaro in pursuing our business sustainability is balancing our efforts across each strategic objective, while focusing on priority issues distilled into the five material issues overleaf.

Our strategic performance reflects a challenging environment in 2014, where we underperformed against some targets for each strategic objective:

- On safety, we maintained our performance from 2013 but were below target. Initiatives to get closer to target in 2015 are detailed in our supplementary report. This includes continuing with visible felt leadership and empowering SHE representatives.
- Our financial performance, measured by core operating margin and ROCE, was adversely impacted by the Mayoko project impairment. However, the coal business recorded above-target margin performance despite lower US$ coal prices, offset by a weakening exchange rate. Margins will continue to improve in 2015 as GMEP ramps up, subject to consistent volume offtake from Medupi. Ongoing investment in sustaining and expansion capital should result in similar ROCE performance at current coal prices, but increased focus on productivity and cost efficiency should enhance margin and ROCE performance
- Resource efficiency like water intensity improved, reflecting less water use for the same production. This was due in part to water-conservation measures and the impending closure of Tshikondeni
- Our stakeholder relationship management initiatives produced a favourable operating climate. Relations with employees and unions improved, while interaction with regional government departments facilitated authorisations to further our projects.

Extract from strategic dashboard

Strategic objective	Material issue	Sustainability capital	KPI/metric to measure risk	Risk appetite 2014				Risk name	Risk ranking
				Worst	Best	Target	Achieved		
Portfolio and financial performance	Eskom	Financial	Core operating margin	15%	20%	>20%	17,52%	Dependency on Eskom as a key customer	1
			Annualised ROCE	18%	20%	>20%	(2,20%)		
		Manufactured	Productivity (total manufactured tonnes handled/ full-time equivalent – TTH FTE)	7 171	7 860	8 223	7 593*		
Portfolio and financial performance Operational excellence	Eskom	Financial and manufactured	Core operating margin	15%	20%	>20%	17,52%	Unavailability of electricity	2
Developing leadership and people	Employees	Human	Fatalities (months without a fatality)	<12	>24	Indefinite	5 (fatality in July 2014)	Safety concerns	3
			LTIFR	0,21	0,18	0,15	0,19		
Responsibility and accountability	Licence to operate	Natural	Stoppage directives (including for MHSA, MPRDA)	2	1	0	7		
Portfolio and financial performance	Operating efficiencies	Financial	Core operating margin	15%	20%	>20%	17,52%	Commodity price volatility	4
Portfolio and financial performance	Operating efficiencies	Financial and manufactured	People productivity (TTH/FTE)	7 171	7 860	8 223	7 593*	Unable to meet production demands	5
			People productivity (production tonnes/ FTE)	1 974	2 324	2 549	2 616*		
			Growth from coal commodities – percentage deviation from budget	10% or more deviation	Within budget	Within budget	(12,37%)		
Responsibility and accountability	Licence to operate	Natural	Water intensity (% improvement)	1,5%	2,5-5%	5%	32,30% improvement	Unavailability of water	6

* *Average.*

Extract from strategic dashboard									
				Risk appetite 2014					
Strategic objective	Material issue	Sustainability capital	KPI/metric to measure risk	Worst	Best	Target	Achieved	Risk name	Risk ranking
Operational excellence	Capital projects	Manufactured	Growth from coal commodities – percentage deviation from budget	10% or more deviation	Within budget	Within budget	(12,37%)	Infrastructure capital/access/ development/ funding	7
			Project delivery delays	>10%	1-10%	0	>10%		
			Individual projects' ROI, measured by risk-adjusted WACC (times)	1,35	1,5	>1,5	Not measured individually		
		Financial	Annualised ROCE	18%	20%	>20%	(2,20%)		
Operational excellence	Operating efficiencies	Manufactured	People productivity (TTH/FTE)	7 171	7 860	8 223	7 593*	Cost competitiveness of products	8
			People productivity (production tonnes/ FTE)	1 974	2 324	2 549	2 616*		
		Financial	Services cost as % of total operating cost	11%	10%	9%	10,7%		
			Core operating margin	15%	20%	>20%	17,52%		
		Manufactured	Growth from coal commodities – percentage deviation from budget	10% or more deviation	Within budget	Within budget	(12,37%)		
Responsibility and accountability	Licence to operate	Financial	Core operating margin	15%	20%	>20%	17,52%	State intervention in the mining sector	9
			Annualised ROCE	18%	20%	>20%	(2,20%)		
Portfolio and financial performance Operational excellence	Capital projects	Manufactured	Growth from coal commodities – percentage deviation from budget	10% or more deviation from budget	Within budget	Within budget	(12,37%)	Capital project execution	10
			Project delivery delays	>10%	1-10%	0	>10%		
			Individual project ROI, measured by risk-adjusted WACC (times)	1,35	1,5	>1,5	Not measured individually		
		Financial	Annualised ROCE	18%	20%	>20%	15,50%		

* *Average.*

Target: Risk appetite. Best: Best realistically achievable based on historical performance and/or prevailing conditions. Worst: Worst-tolerable performance.

MATERIAL ISSUES

In line with best practice, our integrated report focuses on the most material issues dealt with by Exxaro (material from the perspective of the company and its stakeholders) in 2014. In determining these issues, we follow a logical sequence in distilling:

- Exxaro's top risks
- Stakeholder issues raised, particularly investors, the media and suppliers
- Challenges facing our core coal operations.

These are aligned with our risk appetite framework, in turn based on metrics linked to our top risks. The result is a set of material issues, thematically grouped and detailed throughout this report.

Material issues are graphically depicted here and quantified where possible in this integrated report and detailed in the material issues section of our supplementary information on this website.

ESKOM

Material issue: Dependency on Eskom as both client and reliable supplier of electricity

Risk: High, with potential impacts on operational and financial results, as well as stakeholder relations

Stakeholders affected: Customers, suppliers, providers of capital, shareholders

Opportunity: Maintaining and building stable annuity revenue by participating in the direct and indirect energy supply for the South African economy

Focus areas

- Broadening local and international customer base
- Regular liaison with Eskom
- Renegotiating Medupi coal-supply agreement – addendum 9 finalised.

OPERATING EFFICIENCIES

Material issue: Operating efficiencies

Risk: High, with potential impacts on operational and financial results, as well as stakeholder relations

Stakeholders affected: Employees, communities, customers, suppliers, providers of capital, shareholders

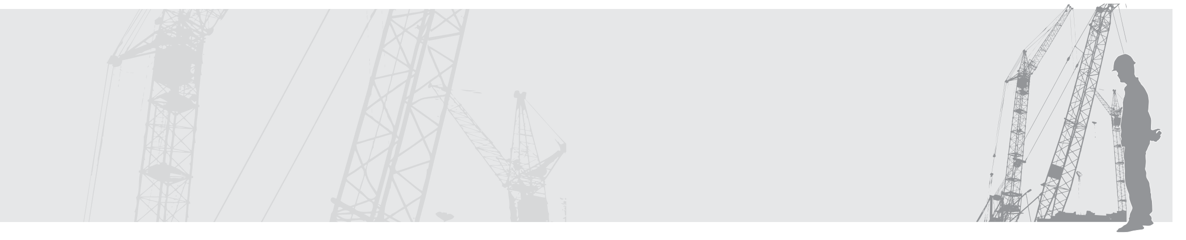
Opportunity: Implementing group-wide efficiency initiatives, maintaining Grootegeluk among the lowest-quartile cost producers in the world, growing in the global commodity downturn

Focus areas

- People productivity – target 2 549 production tonnes/full-time employee, achieved 2 616 on average
- Costs
- Production
- Commodity prices
- Markets: competition and products.

RISKS AND ISSUES RAISED

Top 20 risks + Stakeholder issues + Board agenda
+ Coal operations issues + Media issues + Investor and supplier issues
+
Key performance indicators (performance dashboard)
↓
Material issues



LICENCE TO OPERATE

Material issue: Maintaining licence
Risk: High, with potential impact on operational and financial results, as well as stakeholder relations

Stakeholders affected: Employees, communities, customers, suppliers, providers of capital, shareholders

Opportunity: Exceeding compliance standards supports community and enterprise development initiatives, in turn creating jobs; facilitates alternative energy developments; supports South Africa's national development plan and contributes to transformation in mining.

The national development plan (vision for 2030) articulates the challenges South Africa faces: the need to alleviate poverty, address unemployment, uplift communities, raise living standards, build economic capabilities via skills and infrastructure, and expand economic opportunities to all. In other words, creating a virtuous cycle of growth. The need to address these issues remains despite the global economic downturn impacting South Africa.

Focus areas

- Mining charter compliance for 2012-2014 (achieved except for senior management and people with disabilities target)
- Empowerment (revised codes from 2015) – current and future status
- Government relationships
- Social return on investment (index value) – successful implementation of community projects
- Environmental compliance
- Carbon management
- Water intensity
- Biodiversity.

CAPITAL PROJECTS

Material issue: Capital projects

Risk: High, with potential impacts on operational and financial results, as well as stakeholder relations

Stakeholders affected: Employees, communities, customers, suppliers, providers of capital, government, shareholders

Opportunity: Capital projects facilitate export agreements, support community and enterprise development initiatives, and advance clean technology methods, creating economic growth and contributing to the virtuous cycle of growth

Focus areas

- Project pipeline – constant review to accommodate market conditions
- Coal project portfolio Waterberg – Thabametsi
- Coal project portfolio Mpumalanga – Belfast approved
- Growth from coal commodities – percentage deviation from budget
- Project delivery – on time, on budget, and according to quality specifications – GMEP on time and within budget
- Project return on investment for individual projects
- Return on capital employed target of 20% – 2014 (2,20%) realised due to impairment charges.

EMPLOYEES

Material issue: Our people

Risk: High, with potential impacts on compliance levels, operational and financial results, as well as stakeholder relations

Stakeholders affected: Employees, customers, suppliers, providers of capital, shareholders

Opportunity: Attract, develop and retain skilled employees. Zero losses to fraud and corruption, maintaining business continuity, safety and become a recognised employer of choice

Focus areas

- Skills – shortages, training and development as percentage of payroll (2014: 6,8%), mining charter targets (achieved except for senior management and people with disabilities)
- Fraud and corruption – cases reported, investigated
- Labour unrest – number of actions, production losses, union rivalry, employee relations (2014: largely, strong employee relations, zero strikes)
- Safety – fatalities, LTIFR (2014: 1 fatality, LTIFR of 0,19 against target of 0,15).

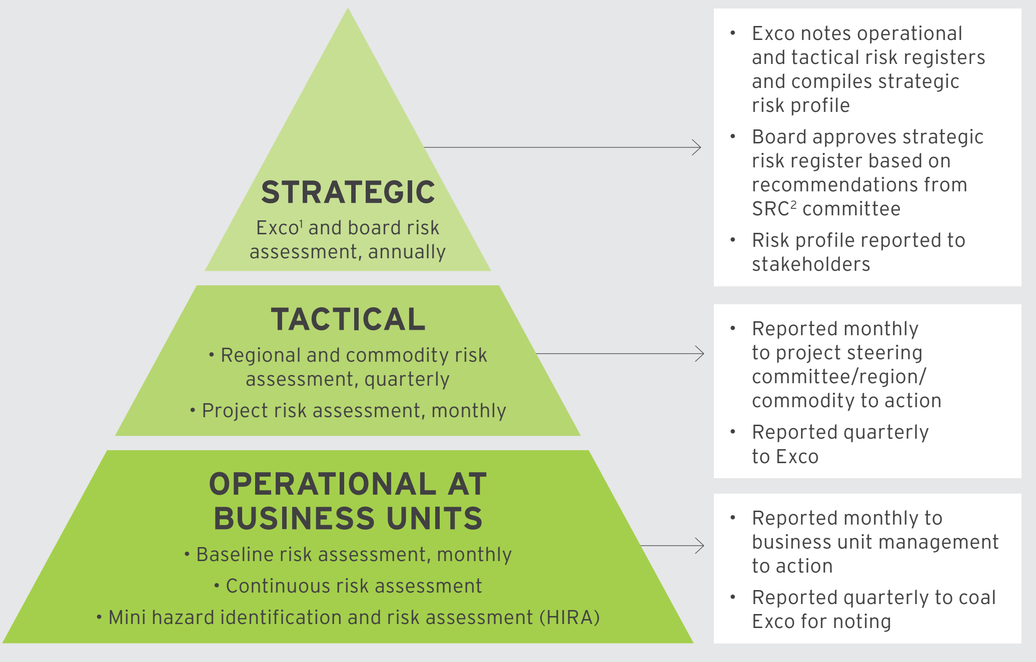
RISK AND COMPLIANCE MANAGEMENT TO ENSURE EXXARO'S SUSTAINABILITY

Exxaro's philosophy on risk management has always been not to entrench a compliance-driven approach but rather to view risk management as a strategic enabler to ensure that we think and act proactively at every layer (strategic, tactical and operational) in pursuit of our objectives.

The group has made great strides in the past three years in managing risks, within its risk tolerance (risk-appetite thresholds), consistently, comprehensively and economically through effective enterprise risk management. Risks and risk thresholds, which indicate the appropriate level of risk for Exxaro to achieve its strategic objectives, as approved by the board, are monitored quarterly.

Our risk management governance, philosophy and process is set out in the Exxaro enterprise risk management (ERM) framework, which was approved by the board in November 2011. This framework was reviewed in 2014 and significant changes made to the Exxaro impact scale to ensure that consequence levels are aligned to our risk tolerance levels. The process of reporting risk at various levels is set out below:

RISK-REPORTING PROCESS



1 *Executive committee.*
2 *Sustainability, risk and compliance committee.*

RISK PROCESS

Enterprise risk management is a systematic application of management policies and procedures to the activities of communicating, consulting, establishing context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk. At Exxaro we understand that effective risk management can only occur when a proactive risk culture has been created, where everybody understands they have a role in managing risks in their environment.

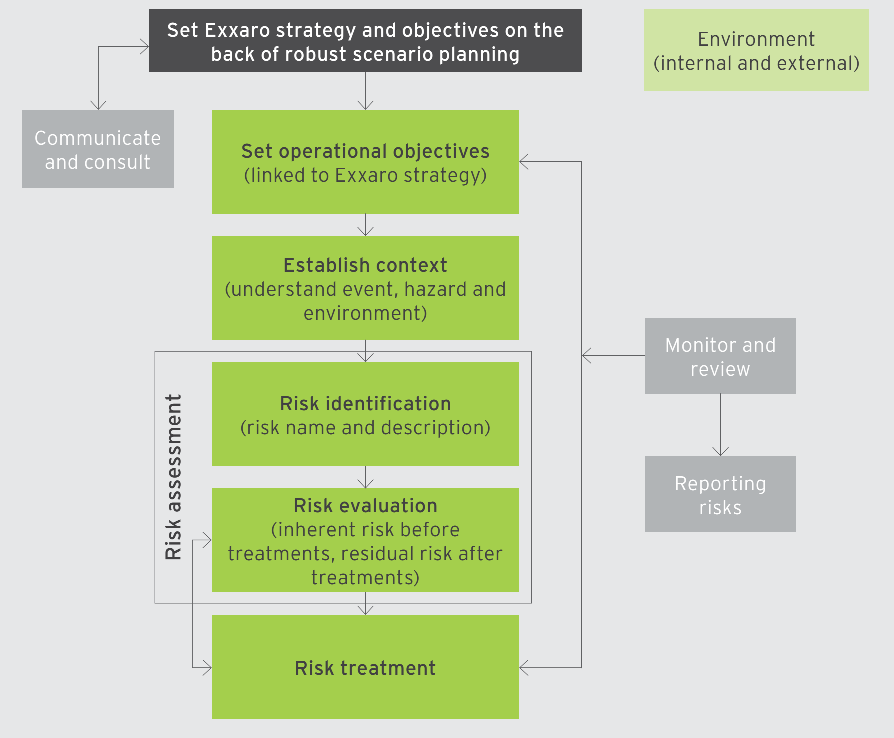
The ERM methodology is therefore followed across all functional areas and considers all hazards/root causes as well as all potential impacts (financial, operational, stakeholder, legal/compliance, safety, health and environment) that the risk event may trigger. Exxaro does not have a separate risk methodology for every type of impact or functional area, as this would undermine true integration and building a risk culture.

Risk owners are established across all layers for every risk and are accountable for ensuring the appropriate risk strategy is implemented. Control owners are appointed for every control and report to risk owners on the maintenance of controls and implementation of action plans.

Exxaro has reviewed its strategic risks and changes made to risk rankings mostly reflect changes in the probability and proximity of risks occurring.

The integrated Exxaro risk process is illustrated below:

INTEGRATED PROCESS



BOARD DISCLOSURE

Please refer to section 4.1 of the King III compliance report in the supplementary report.

2014 ACHIEVEMENTS

Reflecting on 2014	Achieved (Yes/No)	Comment
Upgrade our risk management enabler	Y	The system was upgraded successfully and users are working actively in the system with its enhanced functionality
Implement the SHEC (safety, health, environment and community) risk management enabler and roll out to business units	N	SHEC risk management systems training is under way. The system go-live date is 30 April 2015
Conduct risk review sessions	Y	Following quarterly reviews, updated risk reports were submitted to Exco and the board
Roll out the risk appetite framework to business units	N	The strategic risk appetite framework was embedded in Exxaro in 2014. The strategic risk appetite (or performance) dashboard was compiled and submitted to Exco and the board in the second half of 2014. Refinement and entrenchment will take place in 2015. The operational risk appetite framework will now only be rolled out to business units in 2016
Monitor and review risk thresholds to ensure business units operate within the board-approved framework	Y	Risk thresholds were reviewed and the strategic performance dashboard updated and monitored biannually
Review and update ERM framework	Y	The framework was reviewed and the updated version approved by the board in October 2014
Link key performance indicators (KPIs*) and key risk indicators (KRIs#) to management's performance contracts	N	This has taken place, but further integration is required
Conduct a risk maturity self-assessment	N	Postponed. Internal auditors will conduct this assessment in 2015

* *Key performance indicator: unit of measure to monitor risks, eg carbon footprint.*

\# *Key risk indicator: variance of the unit of measure to monitor the risk, eg target is to be carbon neutral and worst tolerable is an approved percentage of CO_2e reduction per annum.*

LOOKING FORWARD 2015

The following activities are planned for 2015:

- Implementing the SHEC risk management enabler and rolling it out to business units
- Quarterly risk updates at business units
- Embed the combined assurance process as part of the risk management process
- Conducting a risk maturity self-assessment
- Linking hazards to current legislative requirements
- Monitoring and reviewing risk thresholds to ensure business units operate within the board-approved framework
- Reporting on the independent mining rights audit at all operations.

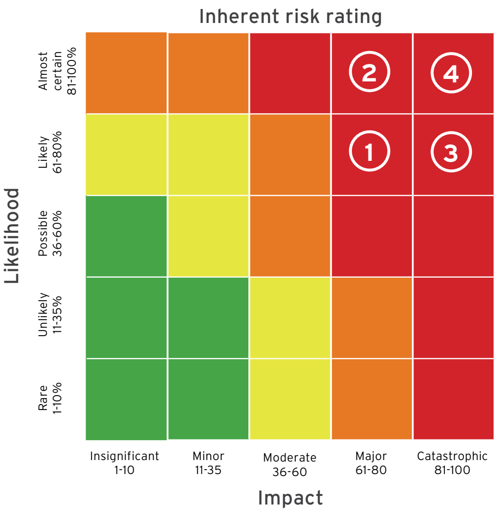
OUTCOME

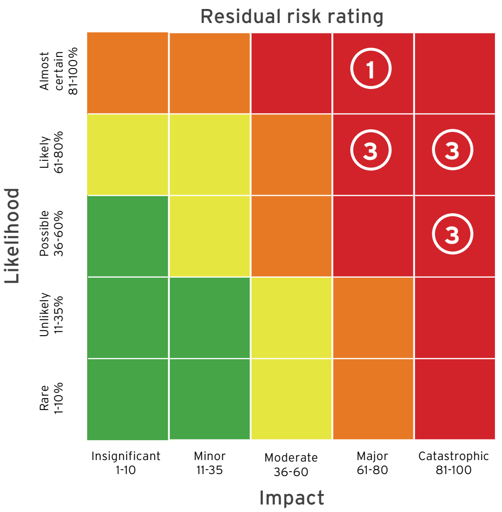
The table on page 32 illustrates Exxaro's top strategic risks as considered by the board. We use a top-down and bottom-up risk review approach where business unit risks, external risks as well as local and global risk survey information become input for the strategic layer.

TOP 10 HEAT MAP

The Exxaro heat map below indicates high-impact/low-likelihood risks as red. This emphasises to management that, should these risks materialise, they would have an extreme impact on Exxaro and therefore need to be monitored and reviewed constantly. The same applies to high-likelihood/low-impact risks, indicated in yellow as they occur frequently and need to be managed. Controls for these risks are considered critical and need to be monitored and reviewed constantly in line with the combined assurance approach.

The heat map illustrates Exxaro's top 10 strategic risks inherently (before any controls) as well as residually (after controls), identified through our ERM process and approved by the board. The circled numbers represent the quantum (not ranking) of risks.





RISK

Risks related to the strategic themes (percentages will not add to 100% as some risks are linked to more than one strategic objective):

Responsibility and accountability:
30%

Operational excellence:
40%

Developing leadership and people:
10%

Portfolio and financial performance:
60%

Half of the top 10 risks have internal sources and the other half have external sources

Risks related to sustainability capitals (percentages will not add to 100% as some risks are in more than one capital):

Natural:
10%

Human:
10%

Manufactured:
30%

Social:
10%

TOP RESIDUAL RISKS OVER THE LAST THREE YEARS

	2013	2014	2015
1	State intervention in the mining sector	Key dependency on customers (Eskom)	Dependency on Eskom as a key customer
2	Government relationships	Unable to meet production demands	Unavailability of electricity
3	Infrastructure capacity, access, development and funding	Safety concerns	Safety concerns
4	Inability to accurately determine financial closure obligations (cost of closure)	Government bureaucracy	Commodity price volatility
5	Compliance with environmental legislation	Commodity price volatility	Inability to meet production demands
6	Maintain social licence to operate	Unavailability of water	Unavailability of water
7	Mine rehabilitation	Infrastructure capacity, access, development and funding	Infrastructure capacity, access, development and funding
8	Ability to meet production demands (throughput)	Competitiveness of assets (cost/tonne)	Competitiveness of assets (cost/tonne)
9	Legal and regulatory compliance	State intervention in the mining sector	State intervention in the mining sector
10	Cost competitiveness of assets (cost/tonne)	Capital project execution	Capital project execution
11	Inability of the information systems to support business	Compliance to environmental legislation	Mine rehabilitation
12	Unavailability of water	Maintain a social licence to operate	Government bureacracy
13	Employee health and safety	Mine rehabilitation	Compliance to environmental legislation
14	Acid mine drainage	Inability to adequately calculate financial provision for environmental closure	Maintain a social licence to operate
15	Currency and commodity price volatility	Labour unrest	Inability to accurately calculate financial provision for environmental closure
16	Accuracy, reliability and integrity of information	Legal and regulatory compliance	Fraud and corruption
17	Labour unrest	Acid mine drainage	Legal and regulatory compliance
18	Climate change concerns	Climate change concerns	Labour unrest
19	Geographical and commodity concentration	Inability of IT systems to support business	Competition and product substitution
20	Acquisition of land	Competition and product substitution	Climate change concerns

Looking at top risks over the past three years, not only for Exxaro but also risks facing the mining sector as a whole, there have not been any major changes to the top 10-20 risks. The priorities or rankings of top risks have changed due to certain external and internal environment changes that trigger these unwanted events.

Risk matrix

Risk ranking	Risk name	Impact	Reporting comment
1	Dependency on Eskom as a key customer	• Legal and compliance – payment of penalties in terms of captive mine contracts (production demands cannot be met if capital approvals are outstanding) • Legal and compliance – non-compliance to the rehabilitation requirements under MPRDA • Operations – operational constraints following Eskom's delay with Medupi power station • Safety – safety compromised as capital approvals for safety initiatives rest with Eskom • Operations – potential halting of production if land purchases and capital expenditure are delayed • Financial – cash-flow constraints on Eskom mean that Exxaro may not be paid, or paid late	Eskom is experiencing a number of challenges that include security of supply, extensive plant maintenance issues and cash-flow constraints
2	Unavailability of electricity	• Financial – financial losses • Operations – production impacts • Legal and compliance – breach of contract • Safety – only to the extent that mines experience power cuts	A sharp increase in load shedding due to pressure on the grid as a result of challenges with both planned and unplanned maintenance by Eskom. This risk has an extreme impact on Exxaro customers on the back of load shedding and risk of a blackout. This in turn would impact Exxaro in terms of lowering production, pit liberation and profitability
3	Safety concerns	• Safety – serious safety incidents • Safety – fatalities • Operations – high frequency of machine breakdowns • Financial – fines and penalties – section 54/55 (DMR) • Stakeholder relations – reputational damage	The likelihood of the basket of risks in relation to safety has increased after the fatality at Arnot in 2014
4	Commodity price volatility	• Financial – financial losses • Stakeholder relations – reputational damage	Significant decline in commodity prices globally underpinned by global economic uncertainty and lower demand
5	Inability to meet production demands	• Stakeholder relations – reputational damage • Operations – production targets missed • Legal and compliance – breach of contract • Stakeholder relations – pressure on the client (Eskom) • Finance – financial losses	Improved resource optimisation coupled with lower demand locally and globally
6	Unavailability of water	• External: force majeure – drought • External: other – delays in the building of water infrastructure by government • External: other – traditional areas of operation have little water • External: other – limited water resources in RSA	Water resources are under strain as the community and business compete for the current available water resources. Infrastructure is also lagging both current and anticipated future demand

Critical controls	Assurance 2014*	Residual risk score 2014	Trend	Residual risk score 2015
• Broadening local and international customer base • Establishing rehabilitation trust fund • Regular liaison with Eskom • Renegotiating Medupi coal-supply agreement	Tier 1	66	➡	66
• Ensure long-term contract and commercial agreement in place • High-level engagements with Eskom and municipalities • Invest in alternative energy	Tier 1, 2		✶	65
• Analyse historical incident data to identify trends to get to root causes • Conduct compliance awareness training • Continuously report incidents • Continuously review industry benchmark on safety • Establish compliance-based committees to manage, educate and communicate safety programmes • Implement robust preventive maintenance processes and systems • Integrate reporting system (plant maintenance, safety, HR) • Invest in education, training, communication and behaviour-based safety programmes • Review operational processes to advance on technology • Use predictive modelling techniques to develop prevention strategies	Tier 1, 2	64	➡	64
• Consider how changes to the above affect risk appetite • Develop a communication plan that quickly communicates changes to operations • Improve mine planning to match price volatility • Match commodity prices to customer base • Negotiate long-term fixed-price contracts	Tier 1, 2	47	⬆	59
• Accelerate business improvement projects under way • Conduct more accurate geological studies • Develop and implement a communication plan • Develop condition-based budget model feeding from life-of-mine plan • Implement performance management • Implement initiatives to retain skills/staff • Implement skills development programmes (professionals in training and bursaries) • Improve maintenance and asset management • Maintain stockpile threshold • Ongoing capital infrastructure planning aligned to strategy • Regular interaction with unions, Eskom, Transnet Freight Rail (TFR), Richards Bay Coal Terminal (RBCT) and government	Tier 1, 2	64	⬇	55
• Establish public-private partnerships • Introduce and measure water intensity targets • Liaise through Chamber of Mines with government • Link water intensity targets to performance targets • Provide for water treatment	Tier 1, 2, 3	45	➡	45

RISK, COMPLIANCE AND ASSURANCE (continued)

Risk ranking	Risk name	Impact	Reporting comment
7	Infrastructure cap/access/develop/fund	• Stakeholder relations – reputational impacts • Human resources – opportunity losses for new employment • Financial – limitations on potential to expand • Financial – financial losses	Mines are often in remote areas and prospective mines are often in undeveloped areas. This means that little or no infrastructure is available to ensure the mine can deliver product to be transported and exported. Access to funding at competitive rates also remains a challenge
8	Cost competitiveness of products	• Stakeholder relations – social impact • Stakeholder relations – reputational damage • Financial – financial losses and margin squeeze • Operations – premature mine closure	Exxaro's services cost as a percentage of total operating cost is still beyond its approved tolerance level despite sustainable reduction initiatives to date
9	State intervention in the mining sector	• Human resources – loss of employment • Stakeholder relations – labour and community unrest • Legal and compliance – mining rights need to be renegotiated in terms of new MPRDA bill, creating uncertainty on a valid and enforceable mining right • Financial – Increase in taxes (carbon tax) • Stakeholder relations – prolonged international criticism of opaque regulatory framework in South Africa and negative perception by current and potential investors on interference by government in the affairs of private and publicly owned companies • Financial – decline in investment in the sector over the long term	Although the MPRD bill has been sent back to test the constitutionality of certain aspects, the mining industry is still regarded as a source for equitable distribution of resources
10	Capital project execution	• Stakeholder relations – reputational damage • Stakeholder relations – community unrest (business and job opportunities) • Financial – cost overruns • Project – project delays	According to an independent study on project time and cost, 69% of projects face cost overruns, while 50% of projects are reporting schedule delays

Report specification:

Legend

⬆	The residual risk score increased from the previous period.
⬇	The residual risk score reduced from the previous period.
➡	The residual risk score stayed unchanged from the previous period.
✶	This is a new risk identified and did not exist in the previous period.

* *Tier 1 and 2 – first- and second-line assurance; executive control.*
Tier 3 – third-line assurance; non-executive control.

Critical controls	Assurance 2014*	Residual risk score 2014	Trend	Residual risk score 2015
• Collaborate with government stakeholders to improve and initiate new infrastructure • Identify other stakeholders to co-develop solution and extend infrastructure • Regular liaison with TFR, RBCT and other stakeholders • Understand return on infrastructure and consider appropriate funding • External assurance of mega and major projects	Tier 1, 2	45	➡	45
• Create strategic joint ventures to optimise economies of scale • Focus on sustainable cost reduction programmes/business improvement initiatives • Focus on business unit controllable efficiencies • Increased awareness of cost management • Investigate and divest non-core assets • Quarterly reviews by operational executive committees • Rebalancing product chains to better use infrastructure (integrated logistics) • Optimise capital fleet – mine-haul trucks, light vehicles, shovels etc • Review and monitor performance of suppliers and service providers	Tier 1, 2	43	➡	43
• Diversification (commodity mix and geographical areas) • Become an invaluable part of infrastructure in host country (align economic and political initiatives) • Conduct regular budget reviews (adjust to changes) • Ensure effective stakeholder relations (recognised forums, DMR) • Generate direct sustainable benefits for host communities – social and community development programme • Increase transparency of payments to governments • Invest in transparent relationships with government to foster understanding • Participate in Chamber of Mines discussions on government engagement • Partner with state-owned enterprises • Stay abreast of legislative changes • Work with multilateral agencies and other stakeholders	Tier 1	43	➡	43
• Asset portfolio review and management • Disciplined execution of value engineering study review • Encourage a culture to report both successes and failures (lessons learnt) • Ensure project and supply chain performance is monitored and managed • Ensure all project members understand value drivers and impacts • Establish contingency plan • Establish robust governance structure • Implement advanced assurance frameworks (independent review and oversight) • Implement effective risk management process • Improve capex forecast accuracy • Monitor and track progress of capital projects • Project role clarification and accountability • Secure contractor's commitment to assigning a strong and experienced management team • Standardise design and construction methodologies	Tier 1, 2, 3	42	➡	42

COMBINED ASSURANCE

In 2014, Exxaro continued to embed combined assurance and ensure its activities are risk-based. A number of initiatives are improving the combined assurance process across the company to ensure key controls are monitored and users understand the need to link assurance with their risk profiles.

Work to date has given Exxaro a holistic picture of material issues that need to be addressed to improve internal control systems.

The risk registers at business units and commodity business level form the basis of developing a combined assurance coverage plan where tests are conducted to assess and provide assurance on the adequacy and effectiveness of systems of internal control to treat our top risks. The assurance providers' planned activities for the year were linked to the top business risks to limit duplication of work and additional costs.

More on combined assurance in 3.5 of King III compliance report (supplementary report).

Combined assurance structure and reporting lines

Providing assurance on enterprise risk management process (extract from ERM framework):

One of the key requirements of the board is to gain assurance that the enterprise risk management process is working effectively and that the key risks identified are being managed to an acceptable level. Internal audit, as an independent, objective assurance and consulting activity, provide the board with assurance that the risk management framework is operating effectively and that an appropriate assessment of risk is performed, that responsibility is appropriately assigned and that management actions are carried out in a timely and effective manner.

Coordinating the combined assurance (three lines of defence) model:

The combined assurance model aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on risks facing the organisation. The Exxaro group has adopted an organisational risk governance structure, which reflects the concepts outlined in the three lines of defence model set out below. The diagram illustrates how this model will be applied in Exxaro, together with the hierarchical reporting structure on managing enterprise risks:

MANAGING ENTERPRISE RISKS

	Executive		Non-executive
	First line	Second line	Third line
What it covers	• Strategy • Tone at the top • Code of conduct • Risk management • Compliant and risk-aware operating practices • Performance management	• Clear and well-communicated risk policies • Effective treatment/control/response and monitoring systems • Risk oversight	• Independent assurance and oversight
Responsibility	• Group CEO • Executive committee • Management • All employees	• Line 2a – management control, ie CEO, FD and each level of management • Line 2b – group risk, all risk and compliance officers and other specialist functions	• Internal audit • External audit • Board committees

ISSUE TRACKING MANAGEMENT TOOL

Background

All findings raised by assurance provided are logged and maintained in an issue tracking management (ITM) tool. This is a real-time, secure, web-based application that enables audit teams and management to centrally capture, monitor and report on progress in implementing management action plans. It is administered by Exxaro internal audit.

ITM was implemented at Exxaro in the latter part of 2012. Since then, it has assisted in driving accountability and responsibility.

Number of findings

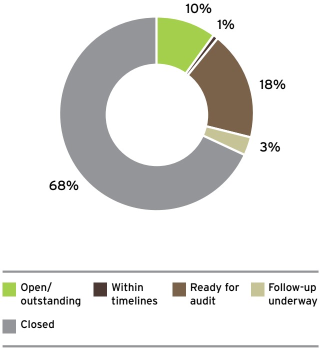
A total of 957 findings have been raised by all assurance providers over three years, as shown below.

Audit source	2014 (Year 3)	2013 (Year 2)	2012 (Year 1)	Total
Internal audit	97	247	307	651
Other assurance providers	14	92	200	306
Total	111	339	507	957

The improvement in the control environment is evident in the decreased number of findings raised year on year.

Status of management action plans

The status of findings raised is shown below:

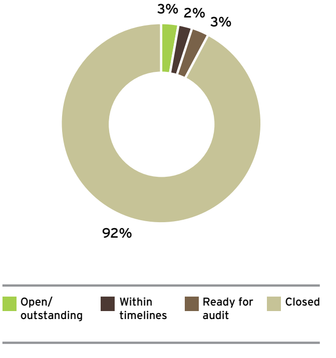


The majority of findings have been resolved. In addition, 204 findings are reported to be ready for follow-up audit.

Management has expedited resolution of overdue action plans and these are being monitored by the respective governance structures.

Findings from sustainability KPI reviews

A total of 142 findings related to the review of sustainability KPIs in the 2012 and 2013 financial years. These KPIs were derived from the top strategic risks of the organisation, and the current status of their reviews is shown below:



Management has expedited resolution of the majority of overdue action plans for findings raised from sustainability reviews.

RISK, COMPLIANCE AND ASSURANCE (continued)

Snapshot of 2014

Highlights	Comments
Establishing the combined assurance forum to coordinate assurance activities and monitor implementation of annual coverage plan	The forum was established and met four times
Enhanced process of developing an integrated audit assurance coverage plan by sourcing information directly associated with risk profiles of the company	The strategic and operational risk profiles were used as input to the annual internal audit plan
Rolling out issue tracking management (ITM) tool to record, manage and report on findings and actions plans	The system is now actively used as the only platform for tracking issue resolution to findings
Sizeable cost reduction on assurance activities across the company	Significant cost savings were achieved without compromising risk coverage

Challenges	Comments
Some combined assurance activities proceeding outside the normal scope, resulting in duplicated resources	There are challenges, however greater functional representation will alleviate this issue
Embedding combined assurance framework and process, largely around role clarity on assurance lines of defence	Optimisation of required assurance and the preferred service providers still not at required level
Timely implementation of the outcomes and recommendations of assurance reviews and developing relevant actions to address deficiencies	The ITM has now been accepted as the only integrated platform, which will support the process

Reflection	Achieved (Yes/No)	Comments
Engage business units, regions and corporate office to take ownership of the assurance process	Yes	Structured engagements took place but with limited success
Rolling out initiatives to embed combined assurance across the company at business units, regions, functional and corporate office	Yes	The ITM is a standing agenda item at the audit committee, Exco, coal executive committee and business unit level meetings
Strengthen combined assurance forum and continuously engage key stakeholders	Yes	The forum has been expanded to include more business and functional representation
Continuously align the outcomes of combined assurance reviews with risk management efforts to redirect the business to risks that require attention	Yes	The risk platform is used as the main driver for compiling the internal audit plan and other assurance activities

Looking forward to 2015

- Provide a strategic view of the combined assurance plan to the audit committee
- Highlight third-tier assurance that has been conducted
- Link overall results of assurance work done to strategic risks

CHAIRMAN'S MESSAGE

Conditions in the South African mining industry remained difficult in the 12 months to 31 December 2014. For Exxaro, this was exacerbated by the first-half impairment of our Mayoko investment (Republic of the Congo) and the significant drop in iron ore and coal prices in the second half. These events combined into the proverbial perfect storm, obscuring the truth that Exxaro is fundamentally a very strong business – a pragmatic business operating in a cyclical industry, and well prepared for the upturn by controlling what we can and managing what we cannot control.

This fundamental strength was reflected in the performance of our coal business, which increased revenue 21% in a weak coal market while maintaining margins. Coal production rose 1% year-on-year, a commendable result given the loss of production from two mines that are ramping down ahead of life-of-mine closure (Tshikondeni and Inyanda), and one mine on care-and-maintenance (New Clydesdale, which has been sold).

Exxaro continues to explore opportunities to diversify both geographically and into commodities within the parameters of its risk appetite. Despite encountering numerous challenges, some of them unexpected, our Mayoko iron ore project is one example of this strategic diversification.

Long-term view

Mining is a cyclical industry in which losses may turn to super profits and then reverse in a year. Understanding this, the company takes a long-term view on planning to ensure returns for shareholders and benefits for stakeholders.

Volatile commodity prices are a constant risk for our industry, although the scale of recent fluctuations caught many industry observers off guard. South African mining companies also had to manage the continued deterioration in the exchange rate – while a weak rand makes our exports more attractive, it counters efforts to reduce costs incurred in US dollars.

Some critics accuse us of being exploitative, which is neither true nor sustainable. Mining is about balance – ensuring the profits of today support the business of tomorrow when profit is harder to achieve. Equally, in South Africa, business plays a greater role in social responsibility, with a large portion of this mandated by legislation. While companies such as Exxaro willingly accept this responsibility, we believe our role as an important national economic contributor depends on less volatility and more flexibility – from all stakeholders.

Limited progress was made in 2014 on clarifying legislative issues impeding the industry. We continue to work with regulatory stakeholders to reach policy certainty, and welcome the progress that has been made during the year. While the government has made it clear that our industry is a key catalyst in national economic development, we believe only mutual flexibility, regulatory certainty with consistent application, and appropriate and timely infrastructure will encourage further investment by mining companies and foreign investors alike. We are committed to working with the minister of mineral resources and through industry bodies to achieve a common goal to benefit all South Africans.

Following positive feedback from stakeholders, we continue to provide detailed discussions on our performance drivers (page 22), approach to sustainability (page 18), top risks (page 32) and operating environment (page 9) and performance (page 52). Supplementary information to this concise integrated report appears on this website.

We have, however, improved disclosure by publishing our detailed strategic performance dashboard for the top ten risks. This is a very honest assessment of our progress against specific targets. We have also included detailed discussion on our top material issues. Our confidence in inviting stakeholder scrutiny at this level reflects a significantly more mature and holistic understanding of our strategic drivers, risks and opportunities at every level, itself a key indicator of how integrated thinking is being entrenched in the group.

In addition, we have taken shareholder comments to heart and provide significantly more information on how remuneration is linked to these metrics in our remuneration and nomination committee report (page 81).

We again welcome your feedback which will aid in achieving our aim to make our reporting meaningful, comparable and accurate.

Corporate governance

Exxaro's governance standards compare well with best practice, guiding the group as we expand our operating areas. This was recognised when we received Ethical Boardroom magazine's best corporate governance award in the mining category in the Africa region for 2015.

The standard of our governance is also evident in our combined assurance approach, where the level of sophistication achieved over the past three years is notable in both greatly reduced findings and level of severity. We believe our audit results reflect the stability of Exxaro, reliability of our data, integrity, discipline, sound internal controls and robust governance structures in place. However, despite all our efforts and excellent practices, decisions are inherently about balancing risk and uncertainties with potential growth and opportunities, which will always be an imperfect science.

For us, compliance is the starting point — throughout this report and in the supplementary information, you will find examples of how Exxaro aims to live up to the spirit of legislation to set new standards in our industry.

Last year, we welcomed Dr Con Fauconnier back to Exxaro as an independent non-executive director and member of several board committees. We are already benefiting from his wealth of applicable knowledge and experience. Jurie Geldenhuys retired at the 2014 annual general meeting after serving as a director of Exxaro since its inception, while Nkululeko Sowazi resigned from the board in June 2014. Our sincere appreciation goes to both directors for their contributions during their respective tenures. We welcomed Vuyisa Nkonyeni as an independent non-executive director and audit committee member in June 2014.

Succession

Post year end, we announced that Exxaro's chief executive officer (CEO), Sipho Nkosi, will retire on 31 March 2016. Mxolisi Mgojo, who currently heads our carbon operations, has been appointed CEO-designate in a transition period from 1 May 2015 to 31 March 2016 when his appointment as CEO will become effective. These appointments are part of a carefully considered succession plan managed by the Exxaro board over the past three years. Dr Nombasa Tsengwa, currently general manager of our Mpumalanga coal operations, will be acting executive head: carbon operations from 1 May 2015 until a replacement is appointed.

Sipho was instrumental in establishing Exxaro from the merger of Kumba Resources' coal, mineral sands and base metals assets with Eyesizwe Coal, a company he formed with others. Under his leadership, Exxaro has become one of the largest and foremost black-owned, South Africa-based diversified resources companies, managed by an experienced, capable and diverse executive team well-placed to take the group forward.

On behalf of the board, I thank Sipho for his tenure during which the group's net asset value increased by well over 200% to R96 per share from R29 in 2007. In addition to delivering significant value to stakeholders, he spearheaded the safety focus that has seen an 80% reduction in fatalities and 50% reduction in our lost-time injury frequency rate. Today, the group has a strong balance sheet, solid growth potential and is poised to move to the next level of growth.

Our CEO-designate, Mxolisi Mgojo (54) has over 20 years' experience in the operational, financial, logistics and marketing arenas, predominantly in the investment banking and resources sectors. We look forward to the strategic management, business acumen and operational know-how he will bring to bear in rolling out the corporate strategy.

Appreciation

Exxaro is guided by decades of experience and a number of unique attributes that ensure it continues to grow despite the challenges of its industry. While still a relatively young company, the benefit of a skilled board of directors and executive management team – under the capable leadership of Sipho Nkosi – and the commitment of a workforce of over 7 800 people are the cornerstones of our continued long-term growth.

Outlook

Following the board strategy process in the past year, a few key conclusions were reached by the board and executive committee. Firstly, the operating environment will remain challenging for our business, reflecting subdued growth in developing countries and thus depressed demand for our commodities. Secondly, coal and pigment prices are likely to remain flat, at best, while iron ore prices will continue to decline, given anticipated volumes to be delivered by major producers over the next two to three years. Locally, Eskom's circumstances remain concerning, particularly its liquidity and rating status. However, we maintain a positive outlook based on the addendum 9 agreement reached in the second half of 2014. The socio-political environment is likely to remain uncertain amid rising expectations for social delivery from mining companies, higher wage demands and changes in legislation.

Given this outlook, our strategy in the short to medium term will focus on consolidating growth in our existing portfolio of commodities:

- We anticipate continued growth in our coal portfolio after ramping up Grootegeluk upgrades and expansion to supply Eskom's Medupi power station
- Extracting synergies from integrating the Total Coal SA operations into our existing portfolio, particularly the growth in export volumes from Grootegeluk and, in time, the Belfast project. Further details on Total Coal will be provided when the transaction closes after all conditions precedent have been fulfilled.

We have some major decisions on the future of our investment in Tronox and considerable effort is being devoted to ensuring we execute a value-adding transaction.

With the Mayoko project, we have decided to withhold any further capital expenditure to develop the project while we engage with the RoC government on the availability of key logistics infrastructure, conclude definitive agreements and assess market conditions.

We are excited about the impending delivery of electricity to the grid from wind farms being developed by our 50% joint venture, Cennergi, in the Eastern Cape. Commissioning of the first, Tsitsikamma Community Development wind farm (95MW), will take place in the second half of 2015, contributing to alleviating electricity constraints in the country.

We have developed a new five-year programme of social and labour plans and we will be working closely with government at all levels, community leaders and beneficiaries to ensure successful delivery of mutually agreed projects that will have a positive impact on people's lives and well-being.

Finally, ahead of the termination of our current empowerment shareholding structure in 2016, we are examining our options for a new structure that will potentially aim to empower Exxaro indefinitely. As a proudly South African company, and one that transacts significant business with Eskom, empowerment and transformation underpin our continued growth.

Dr Len Konar
Chairman

9 April 2015

CHIEF EXECUTIVE OFFICER'S MESSAGE

The review period was another tough one for Exxaro and all resource companies. We started the year focused on extending the roll out of our strategy as a diversified mining company by:

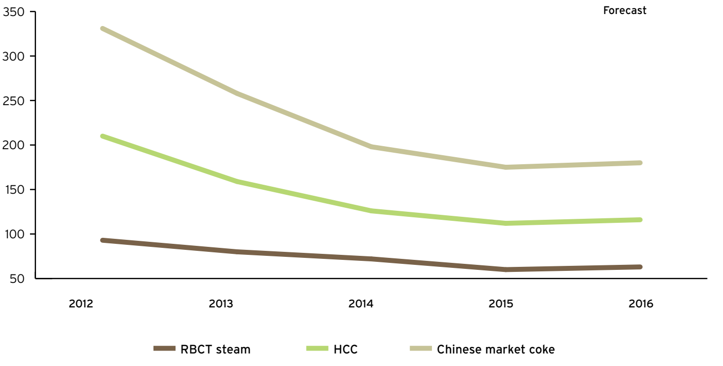
- Deepening our presence in coal/carbon
- Identifying further opportunities for exporting coal
- Continuing with the ferrous business
- Continuing to develop our energy business
- Reviewing our strategic investments and project portfolio.

Our people and their welfare are integral to our strategy. Accordingly, we focused on developing individual potential, enhancing their participation and contribution. We also deepened our relationships with organised labour, reflected in a stable operating environment and improved employee engagement.

We continued to develop our strong project pipeline while saving costs internally. Our major project at present is the Grootegeluk Medupi expansion project, completed on time and within budget. While ongoing delays to the construction and commissioning of Eskom's Medupi power station clearly affect our own plans, we are ready to fulfil our contractual commitments.

Overview of 2014

As detailed in our macro-economic review on page 9, a combination of South African and global headwinds changed the picture fairly dramatically during the year. Markets turned sharply in the wrong direction, leading to an excess supply of commodities and significant fall in prices, most notably Brent crude.



Coal and market coke prices (US$/t)

For Exxaro – although demand for our commodities was stable – the sharp drop in iron ore prices, and then coal, had a twin impact: the lower iron ore price affected our dividend income from the Sishen Iron Ore Company (SIOC) while lower coal prices affected our export revenue, which generates high margins. As a result, and despite a stable dividend from Tronox, group income dropped sharply.

This required a more clinical assessment of our business against our strategic goals (page 17), and the need to accelerate implementation of project Turnkey – an 18-month initiative to December 2014 focused primarily on refining a more efficient operating model and consequently reducing some costs through, inter alia, voluntary severances and structure optimisation. In addition, current market conditions dictated a review of capital expenditure early in 2015, with several major projects delayed (principally, Thabametsi phase II, Moranbah South, Reductants retorts 7 and 8, underground coal gasification and Mayoko). We also discontinued further development of our proprietary AlloyStream technology from March 2015.

Of course, the headline news on Exxaro in 2014 focused on the R5,8 billion impairment of our iron ore project in the Republic of the Congo (RoC). After signing the mining convention in January 2014, we had expected government authorisations and definitive port and rail access agreements to be finalised by March 2014, but unfortunately these did not materialise, contributing to the need to impair. We continue to engage with the RoC government on a mutually beneficial solution: the mining convention was extended by a further two years and a second amendment to this convention is being prepared for submission to the RoC government mid-2015. This amendment addresses a revised ramp-up and project schedule as well as detailed conditions to be met prior to considering implementation of the schedule.

We also commissioned an independent review of the Mayoko project investment process, as requested by our board. Most notably, unanticipated and significant delays in finalising the agreements contributed to a gradual erosion of projected returns over time. This was a harsh lesson that affected our excellent track record on delivering complex, large-scale projects on time and within budget. Although we are confident there are no fatal flaws in the project, the lessons learned will be etched into strengthened project management and governance processes for our group.

We have not yet made a final decision on the long-term strategy guiding our presence in the RoC. As with any other project, we are continuously evaluating its returns versus the cost of investment. Although current iron ore prices are not attractive, we still believe in the long-term fundamentals of iron ore. Our teams continue to assess the market conditions and future commercial viability of this project and we will keep stakeholders informed of our progress.

Progress in 2014

Important progress was made in our core business, coal, which for the first time contributed more headline earnings per share than the ferrous business. This is detailed in the performance review on page 52. Summarised highlights include:

- The stable performance of our coal business under difficult market conditions – 1% growth in production despite lower production from three mines as noted by the chairman. We have a strong coal portfolio that is on track for optimisation and we retain access to quality assets with growth potential. Our portfolio is characterised by a multi-product business for domestic and export markets
- At our flagship Grootegeluk mine, the Grootegeluk Medupi expansion project or GMEP was completed. Despite delays at Eskom's new Medupi power station, the power utility has honoured its agreements with our group. While we are committed to playing our part in alleviating South Africa's power situation by providing technical assistance to Eskom in certain areas, at the same time we are concerned about the impact of delayed synchronisation of unit 6 at Medupi (which finally began early in 2015) on our own performance
- To maintain our world-class Grootegeluk mine, infrastructure and equipment upgrades are now under way. These will be major contributors in the next few years, with capital expenditure of around R250 million carefully phased to match Eskom's progress in ramping up Medupi
- The bankable feasibility study for the first phase of Thabametsi North is under way, and some of the required licences have been granted, paving the way to capitalise on this greenfield operation's synergies with Grootegeluk. Thabametsi will supply coal to a proposed 600MW independent power plant built by our partner GDF SUEZ/Marubeni, which will tender this bid in June 2015
- Our greenfields Belfast project in Mpumalanga was approved by the board, supporting our growth and export targets. Several licence appeals have, however, been submitted and we will keep stakeholders informed of developments
- September 2014 marked the last production at Tshikondeni, while Inyanda's life of mine will end in the third quarter of 2015. We are collaborating with the Peace Parks Foundation on a post-mine closure project to ensure socio-economic development continues at Tshikondeni. At Inyanda, a disposal process is under way to source a buyer for the assets and liabilities of this mine – chiefly infrastructure consisting of a beneficiation plant and private rail siding
- Good rail performance by Transnet Freight Rail (TFR) in 2014, together with collaborative initiatives on daily train planning, reduced train handling, turnaround and loading times. The strike rate of 98% was achieved and we expect it to be maintained, improving future rail operational performance. We also achieved our 5Mtpa export target after TFR expanded rail capacity
- We are acquiring Total Coal South Africa (TCSA), which will add 4Mtpa to our export capacity. The transaction has been approved by the competition authorities, but the transfer of the mining right under section 11 of the MPRDA from the current owner to Exxaro was outstanding at the time of finalising this report.

Much of this progress reflects a stable political environment after the 2014 elections, and tangible progress in key areas, for example the pace at which the regulator grants mining licences. Recognising that a delay in approving licences can have an enormous (and often negative) impact on projects, government is looking at centralising the process to expedite applications and guarantee final consideration and responses in under 300 days. We have long stated that dialogue with the regulators must happen much earlier and more frequently in the project lifecycle – given that this is directly related to building positive relationships between the industry and respective government regulators.

More is needed, however, to clear backlogs, expedite appeals against approved licences and make South Africa attractive for foreign investment. This includes harmonising legislation and codes regulating our industry, specifically amendments to the Mineral and Petroleum Resources Development Act and codes of broad-based black economic empowerment (BBBEE – under the new codes, almost all mining companies will drop several scorecard levels, affecting their ability to transact with government departments).

Further delays in finalising amendments to the Mineral and Petroleum Resources Development bill – specifically the agreed price mechanism at which minerals could be sold locally – have heightened uncertainty and pose a potentially crippling threat to the South African mining industry.

As an industry, we are fully committed to transformation and we are working with government through the Chamber of Mines and other industry bodies to clarify legislative inconsistencies as soon as possible so that we can develop appropriate and ideally longer-term plans to comply with new targets. At the same time, we caution that ever-increasing compliance levels are becoming prohibitive. The collective impact of complying with financial, legislative, regulatory and listings requirements has become a significant concern for all companies – in time and cost – particularly in our industry. This impact is only compounded by the legislative uncertainty currently hampering South African mining companies.

Managing the risks in mining

Mining has always been an industry with complex and changing risks – and 2014 again proved the point.

Arguably, apart from the legislative uncertainty noted above, the greatest emerging risk into the early months of 2015 was electricity. This is a particular paradox for Exxaro as Eskom is both a key customer (revenue) and key risk (security of supply but only if the grid collapses – as a key component of the Eskom supply chain, Exxaro mines are exempt from load-shedding). For South Africa Inc, the financial cost of load-shedding or the worst-case scenario of blackout is incalculable, and this was immediately reflected in lower growth forecasts off a low base. For mining companies in particular, the power crisis presents a social issue as companies aim for energy self-sufficiency while operating among often impoverished rural communities.

More positively, mining presents opportunities for companies prepared to invest for a shared future, with shared value.

Capitalising on those opportunities requires a dynamic strategy, with the flexibility to respond to changing markets and the strength that comes from a deep understanding of those markets. The comprehensive risk analysis on page 32 illustrates the progress in viewing our business and our future from an integrated perspective, but always focused on our strategic goals.

To illustrate this using the capitals framework and our top risks in each:

- **Financial:** expanding our commodity portfolio and geographic footprint reduces the dependency on key customers, while improving production through expansion and productivity enhancements ensures we meet demand
- **Human:** our ongoing focus on safety and occupational health underscores our commitment to our people and determination to reduce the cost – most importantly, the human cost of an untimely death or disability. However, globally, the impact of non-communicable diseases (so-called lifestyle diseases) is fast becoming a much greater risk than occupational health issues. While Exxaro has a programme in place to address lifestyle diseases, at board level we are analysing our approach to ensure we are effectively managing the risk at all levels. In terms of skills development, we focus on our own needs as well as those of the country: over the past five years, Exxaro has spent over R760 million on training for historically disadvantaged South Africans, benefiting hundreds of people. While the direct benefit for Exxaro is arguably one of the best qualified workforces in our industry, all those who graduate from our training centres are equipped with skills that make them employable. This addresses one of South Africa's most pressing needs – qualified artisans
- **Social:** constant interaction with government authorities accelerates the approval process that enables us to implement comprehensive social and labour plans, with far-reaching benefits for our community stakeholders. Between 2013 and 2017, we will spend R300 million on these projects (2014: R88 million)
- **Manufactured:** to ensure appropriate infrastructure is in place, we are collaborating with government and industry stakeholders to improve existing facilities (from water treatment works to roads) and initiate new developments. This has national economic benefits
- **Natural:** complying with environmental legislation is a minimum standard for Exxaro. We are making notable progress on every aspect — from energy, water and emissions to biodiversity and rehabilitation — underscoring our significant investment in recent years to ensure meaningful data for measurable improvement.

Sustainability

Our commitment to good governance and the sustainability of our business, with associated benefits for all stakeholders, is reflected in numerous awards (page 3). While these are indeed gratifying, recognition is not a goal for our group.

At all times, our corporate values (page 17) guide the way we do business, how we select our partners and how we interact with our stakeholders. In addition to being a signatory to the United Nations Global Compact, we support the UN guiding principles on business and human rights, and other global sustainability codes aimed at ensuring beneficial relationships between all stakeholders. These are integrated into the way we do business and our progress is monitored by the social and ethics committee of the board (page 78).

Outlook

Our outlook for the year ahead and beyond is on page 58. Exxaro is in good shape – to remain a resilient, sustainable enterprise, we will continuously shape and adapt our business to market conditions and geographic locations. A dynamic strategy and focus on costs will help us weather the challenges of the next few years, which will be characterised by cost pressures, subdued global demand and lower available sources of finance that are critical to running a value-adding business.

We remain confident of meeting these challenges through discipline, focus and the commitment of all our people.

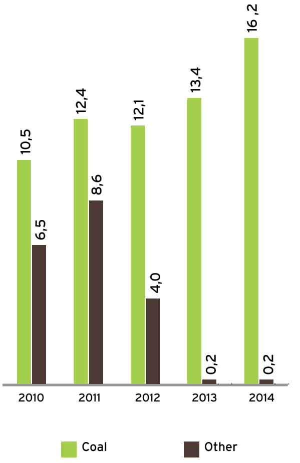
Sipho Nkosi
Chief executive officer

9 April 2015

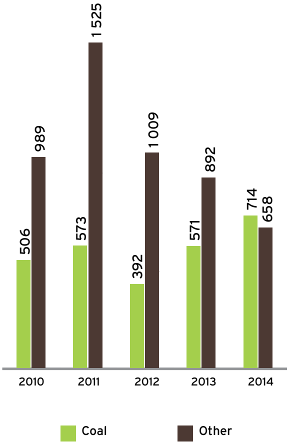
FINANCE DIRECTOR'S REVIEW

Exxaro has delivered a solid set of financial results for the 2014 year in a subdued bulk commodity industry. Some of the main features included:

- 14% increase in our coal business' net operating profit
- 32% decrease in the equity-accounted investment contribution from SIOC
- 11% reduction in losses recorded by Tronox
- A strong financial position with a debt: equity ratio of 3%
- A final dividend of 210 cents per share, bringing 2014 total dividend declared to 470 cents per share (cps).



Revenue (Rbn)



Headline earnings per share (cents)

Comparability of results

Several key events and transactions in the past two years make financial results for 2014 and 2013 not comparable, mainly the impairment of our Mayoko iron ore project in the ferrous operating segment in 2014, as well as profit on the sale of our base metals subsidiaries in 2013.

Group performance

Group revenue increased by 21% to R16,4 billion for 2014 compared with R13,6 billion in 2013, mainly due to higher revenue from the coal business. The group's headline earnings declined by 6% to R4,9 billion as Exxaro faced the same challenges as experienced by the industry, particularly iron ore as evident in the 32% decrease in the equity-accounted investment contribution from SIOC. This was partially offset by a 25% increase in the coal business's contribution to R2,5 billion.

Coal business

We are proud of the performance of our coal business, which achieved overall production volumes (excluding buy-ins and semi-coke) that were 0,34Mt higher than 2013, while sales volumes were 1,47Mt higher. Grootegeluk achieved an increase of 11% in metallurgical coal production as a result of more trains being available and an increase of 869kt (kilo tonnes) in power station coal volumes as Medupi is ramping up. Transnet Freight Rail (TFR) performed on a stable platform of around 72Mt. Exports increased by 19% due to higher availability of trains (Grootegeluk) and higher third-party buy-ins (700kt) mainly to balance export volumes, logistics and commitments.

Exxaro recorded a 19% lower average dollar price at US$65 (2013: US$80) but only an 8% lower rand price of R709 (2013: R771) due to lower average overall US$ commodity prices and lower quality in export mix (67% vs 92%).

Coal's net operating profit increased by 19% to R3 297 million for review period, mainly due to higher volumes (R632 million), favourable exchange rate as the local currency weakened against the US$ (R561 million), lower allocated corporate costs (R91 million), the saving against prior-year losses realised at NCC after it was placed under care-and-maintenance (R243 million), offset by higher royalty tax provision (R86 million); higher distribution costs (R137 million); higher depreciation costs (R141 million); higher buy-ins from Mafube JV (R181 million), weaker prices (R54 million); inflationary pressures recorded at a general inflation rate of 7,5% (R400 million), as well as the impact of changes in environmental rehabilitation provision other than the unwinding of the discount rate (R768 million).

We have initiated a proactive implementation of the DMR's requirements for probable future liabilities provisions for affected water treatment, governed by the MPRDA and National Water Act (NWA). Given the limited guidance on determining liabilities in these pieces of legislation, we have calculated the probable future liabilities' net present values, which resulted in an additional R370 million of water treatment potential liabilities being recorded in the second half of 2014.

FINANCE DIRECTOR'S REVIEW (continued)

The Medupi coal supply agreement addendum 9 was successfully finalised between Exxaro and Eskom in the third quarter of 2014. This followed on coal tonnages delivered to Medupi power station in July 2014. In total, GMEP produced 2,7Mt of coal for Medupi in 2014 with deliveries of 3,1Mt as per addendum 9. The total capital expenditure for the project remains within the forecast R10,2 billion.

In line with our capital allocation discipline, we continue to review our allocation programmes. Our group capital expenditure at R3,2 billion (of which coal-related capital expenditure amounts to R2,2 billion) was 33% less than 2013, with future expansion capex significantly reduced.

Ferrous business

In January 2014, the Mayoko mining convention was signed by the government of the RoC, along with in-principle agreement on rail and port infrastructure to develop the 12Mtpa Mayoko mine. A concept study on a revised 12Mtpa project was concluded in June 2014. The outcome of this study and delays in concluding further definitive agreements for rail and port infrastructure resulted in Exxaro impairing its investment in the project.

The overall ferrous net operating loss increased to R6 238 million mainly due to the impairment of the Mayoko iron ore project (R5 803 million) and higher costs incurred on the Mayoko project which are no longer eligible for capitalisation after the impairment in 2014.

The reality of current market conditions and their impact on our equity-accounted investment SIOC has meant that SIOC's core post-tax equity-accounted contribution to Exxaro's net profit after tax has declined by 32% to R2,8 billion. Combined with the 17% higher dividend cover applied by SIOC, our share of its dividend declared decreased by 42%. However, even at the bottom of the cycle, SIOC remains a great investment and significant contributor to our bottom line of some 60% of group HEPS, albeit at a lower level than in the past.

Titanium dioxide

Although lower selling prices were recorded in all regions, the core equity-accounted loss contribution from Tronox decreased by 11% to R568 million, mainly on a significant improvement in operating income from the pigment segment due to sales volume gains and lower feedstock costs. Operating income from the mineral sands segment declined from 2013, driven mainly by lower selling prices and sales volumes. The US$ losses were exacerbated by the impact of the weak rand exchange rate.

As a major shareholder, we are encouraged by Tronox's latest announcement of the acquisition of Alkali Chemicals, a division of FMC Corporation Limited. Alkali Chemicals is expected to add stability and has a history of consistently delivering strong operational and financial performance. Exxaro will continue to equity-account the Tronox investment, including the contribution made by the Alkali Chemicals business.

Energy

The equity-accounted investment in Cennergi contributed R92 million in losses, an 11% decrease on losses recorded in 2013 mainly due to lower operating, business development and project costs.

Other

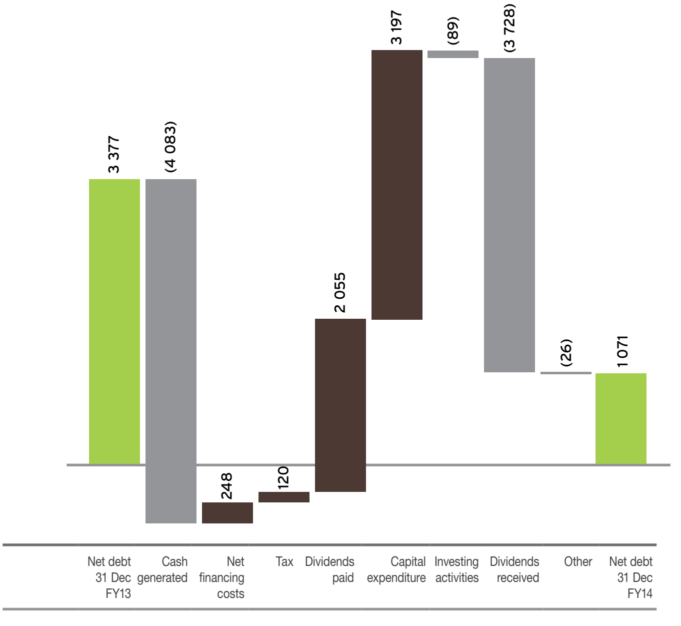
It is pleasing to see our people's efforts to reduce costs come to fruition. Support functions' costs (functions other than those directly linked to mining activities) reduced by R124 million on the prior year. This resulted in a net lower recovery from the coal and ferrous businesses of R116 million. The cost reduction was mainly due to savings on salaries, bonuses and share scheme payments.

Cash flow and funding requirements

The group is reaping the benefits of its diligent cash flow management over the last five years. This strategy has put us in a strong position to deal with many headwinds at the bottom of the cycle. We realised strong cash flow from operations which enabled us to pay for sustaining and expansion capital expenditure. Dividends from our investments (mainly SIOC and Tronox) were sufficient to pay our own dividends, interest and tax while the surplus was used to repay debt. In the end, we decreased debt by over R2 billion to end the year at just above R1 billion. We are therefore comfortably within the covenant terms of our finance providers as well as our board's strategic guidelines at 31 December 2014, with a strong financial position; sufficient undrawn facilities, and a comfortable maturity profile.

We have also arranged for sufficient facilities in preparation for funding requirements on the TCSA transaction. Once payment is effected, we expect that we will still be comfortably within our financial covenants.

Net debt analysis (R million)



Shareholder return

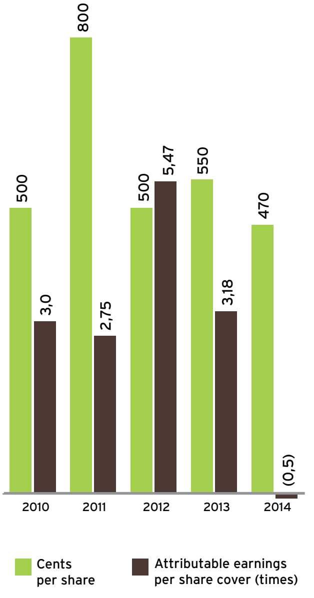
We remain committed to returning regular income through dividends to our shareholders and ensuring long-term capital growth on shares held. After careful consideration of the challenges that face Exxaro and the industry, the budget for the short to medium term, covenants with our finance providers as well as overall liquidity and the going-concern position, the board declared a final dividend of 210 cents per share, bringing the total dividend to 470 cents per share for 2014. The board believes this dividend can be safely declared without putting the current and future business under strain. The total dividend of 470 cents for 2014 represents a dividend yield of 7% (2013: 4%).

FINANCE DIRECTOR'S REVIEW (continued)

Outlook

We expect the challenging economic conditions that faced commodity markets in 2014 to continue in 2015. Economic growth is expected to remain constrained, and the rand exchange rate against the US$ to remain weak for most of 2015. We believe Exxaro will be able to withstand the downturn in US$ export coal prices through our exposure to the domestic Eskom business.

Group-wide sustainable cost management has become part of our life. To protect margins in future, ongoing focus is directed at managing controllable costs across the business.



Dividends (cps)

It is important to note that a change in sourcing coal will be required by the imminent Inyanda mine closure. This will be facilitated by the increase in exports from Grootegeluk on the back of more trains being allocated. As such, export performance in 2015 will hinge largely on TFR performance between the Waterberg and RBCT. Transnet is expected to maintain its record 2014 performance levels in 2015 as well. We expect overall 2015 exports to be around 4,5Mt as we plan to eliminate low-margin buy-ins.

Mayoko project expenditure for 2015 is expected to be limited to the cost of maintaining the minimal remaining footprint in the RoC, as well as costs for the project team's interaction with the RoC government until a final decision is made.

For more on the summarised group annual financial statements, refer to page 91.

Wim de Klerk
Finance director

9 April 2015

OUR ASSET BASE

Exxaro's attributable coal resources are estimated as 14 876Mt and 3 770Mt coal reserves, the bulk of which lie in the coal-rich Waterberg region, contributed by Grootegeluk. Iron ore resources are estimated at 795Mt, mineral sands at 1 852Mt resources and 678Mt reserves, and base metals (primarily zinc, lead, copper) at 70,6Mt resources and 16,4Mt reserves.

As detailed on our website, Exxaro includes all estimates directly under its management control (100% shareholding) but also includes estimates of entities in which we hold a 25% or larger interest. Mineral resources and mineral reserves are reported at 100%, irrespective of the percentage attributable to Exxaro. The mineral resources and mineral reserves underpinning Exxaro's current operations and growth projects are summarised in the tables of the consolidated mineral resources and reserves report.

* *Refer to detailed spread overleaf.*

PERFORMANCE (continued)

OUR ASSET BASE

WATERBERG NORTH	
Location	West of Lephalale
Project stage	Concept phase
Product	Thermal coal
Resources (inclusive)	2 253Mt
Reserve	Not yet declared
Mining method	Open-cut

GROOTEGELUK	
Location	West of Lephalale
Product	Thermal, metallurgical and coking coal
Market	Domestic and export
Resources (inclusive)	4 719Mt
Reserve	3 261Mt
Mining method	Open-cut
Run of mine	37,9Mt
Life of mine	30+ years

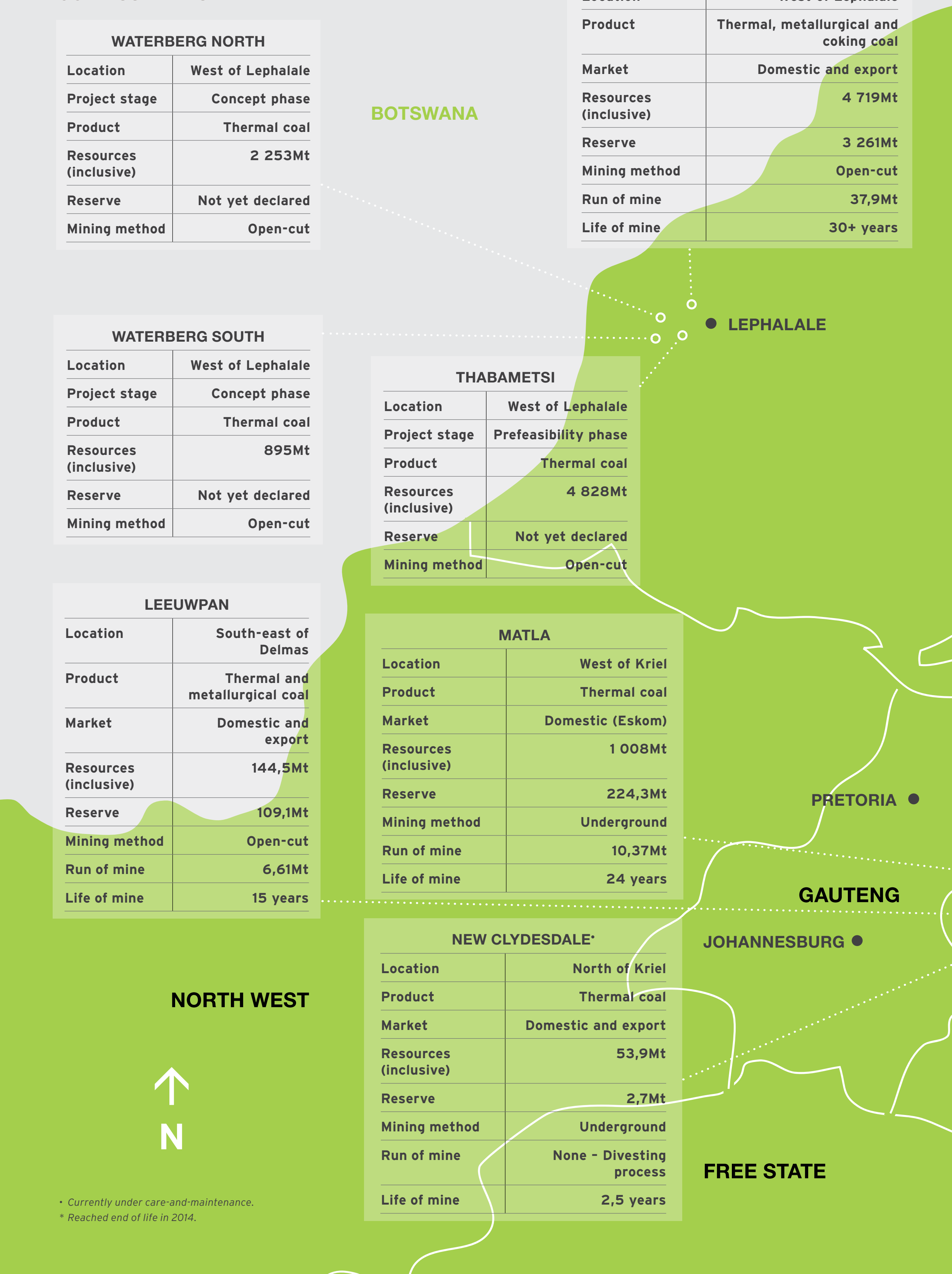
WATERBERG SOUTH	
Location	West of Lephalale
Project stage	Concept phase
Product	Thermal coal
Resources (inclusive)	895Mt
Reserve	Not yet declared
Mining method	Open-cut

THABAMETSI	
Location	West of Lephalale
Project stage	Prefeasibility phase
Product	Thermal coal
Resources (inclusive)	4 828Mt
Reserve	Not yet declared
Mining method	Open-cut

LEEUWPAN	
Location	South-east of Delmas
Product	Thermal and metallurgical coal
Market	Domestic and export
Resources (inclusive)	144,5Mt
Reserve	109,1Mt
Mining method	Open-cut
Run of mine	6,61Mt
Life of mine	15 years

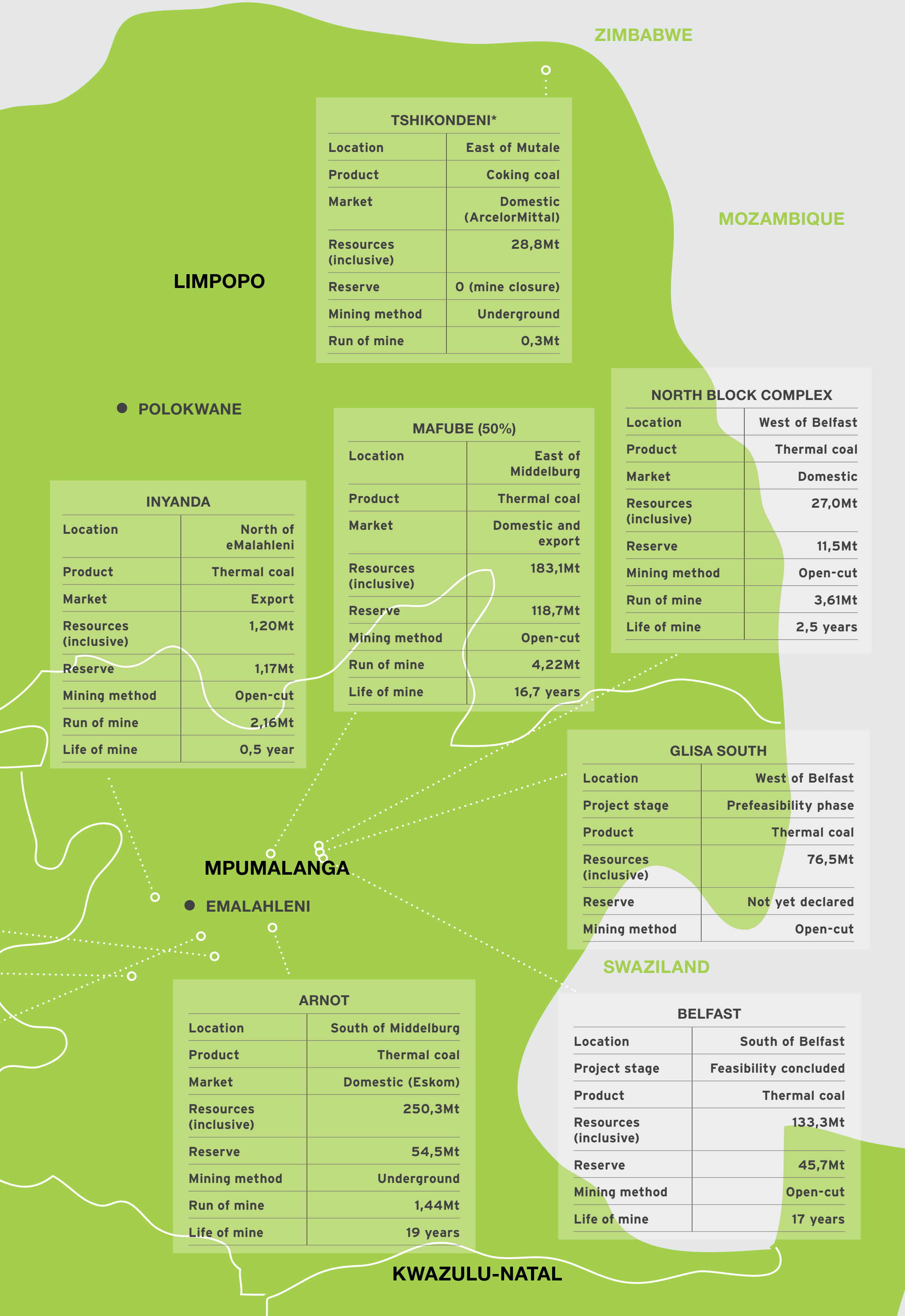
MATLA	
Location	West of Kriel
Product	Thermal coal
Market	Domestic (Eskom)
Resources (inclusive)	1 008Mt
Reserve	224,3Mt
Mining method	Underground
Run of mine	10,37Mt
Life of mine	24 years

NEW CLYDESDALE•	
Location	North of Kriel
Product	Thermal coal
Market	Domestic and export
Resources (inclusive)	53,9Mt
Reserve	2,7Mt
Mining method	Underground
Run of mine	None - Divesting process
Life of mine	2,5 years



• *Currently under care-and-maintenance.*

* *Reached end of life in 2014.*



TSHIKONDENI*	
Location	East of Mutale
Product	Coking coal
Market	Domestic (ArcelorMittal)
Resources (inclusive)	28,8Mt
Reserve	0 (mine closure)
Mining method	Underground
Run of mine	0,3Mt

NORTH BLOCK COMPLEX	
Location	West of Belfast
Product	Thermal coal
Market	Domestic
Resources (inclusive)	27,0Mt
Reserve	11,5Mt
Mining method	Open-cut
Run of mine	3,61Mt
Life of mine	2,5 years

MAFUBE (50%)	
Location	East of Middelburg
Product	Thermal coal
Market	Domestic and export
Resources (inclusive)	183,1Mt
Reserve	118,7Mt
Mining method	Open-cut
Run of mine	4,22Mt
Life of mine	16,7 years

INYANDA	
Location	North of eMalahleni
Product	Thermal coal
Market	Export
Resources (inclusive)	1,20Mt
Reserve	1,17Mt
Mining method	Open-cut
Run of mine	2,16Mt
Life of mine	0,5 year

GLISA SOUTH	
Location	West of Belfast
Project stage	Prefeasibility phase
Product	Thermal coal
Resources (inclusive)	76,5Mt
Reserve	Not yet declared
Mining method	Open-cut

ARNOT	
Location	South of Middelburg
Product	Thermal coal
Market	Domestic (Eskom)
Resources (inclusive)	250,3Mt
Reserve	54,5Mt
Mining method	Underground
Run of mine	1,44Mt
Life of mine	19 years

BELFAST	
Location	South of Belfast
Project stage	Feasibility concluded
Product	Thermal coal
Resources (inclusive)	133,3Mt
Reserve	45,7Mt
Mining method	Open-cut
Life of mine	17 years

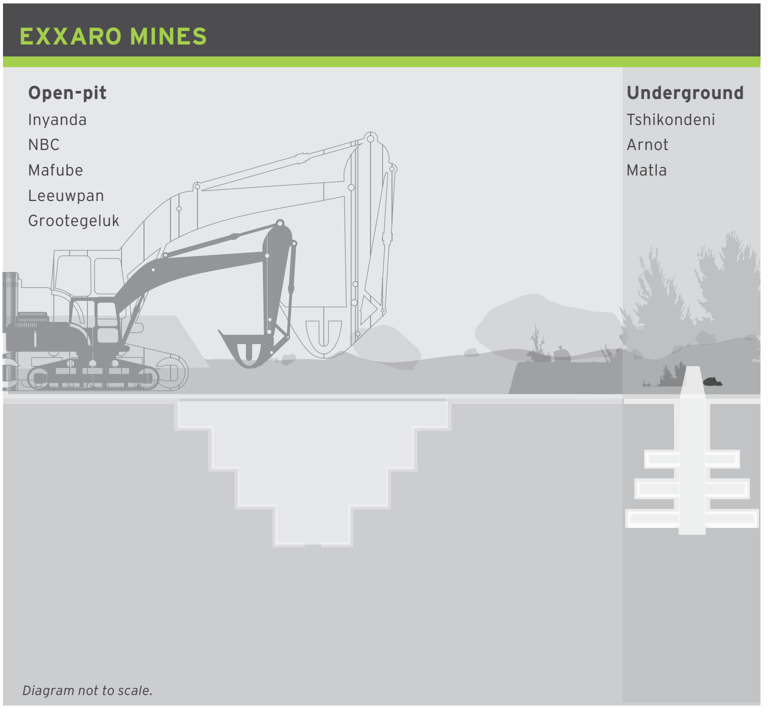
OPERATIONAL PERFORMANCE

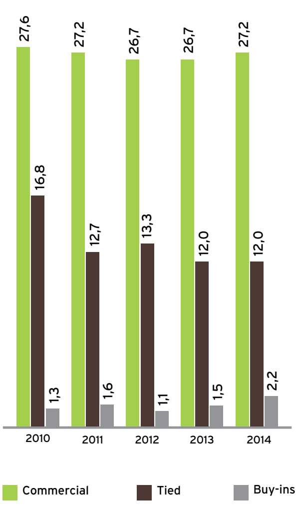
Coal

General trading conditions in the coal commodity remained challenging in 2014, with average coal export prices dropping from US$83/t in January to a low of US$63/t in November, closing the year at US$66/t (20% lower). Export volumes, however, increased from 4,5Mt to 5,3Mt. The group realised an average export price of US$65/t in 2014 compared to US$80/t in 2013, mainly on higher sales of lower-value product. An average of 67% of export sales was on the RB1 product (a specific quality of coal), compared with 92% in 2014.

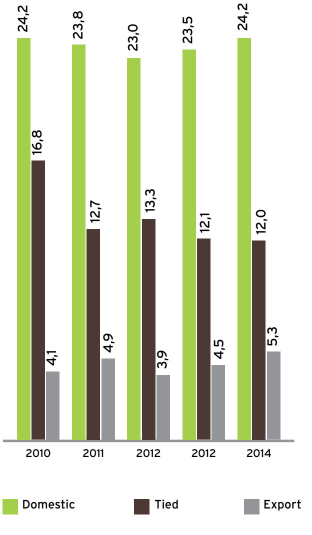
Production and sales volumes

Overall coal production volumes (excluding buy-ins and semi-coke) were 0,34Mt higher (1%) than in 2013 and sales volumes were 1,47Mt higher (4%).

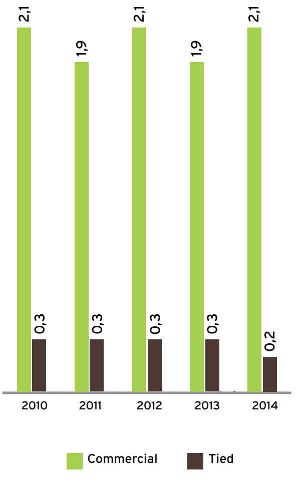




Total coal production (Mt)



Total coal sales (Mt)



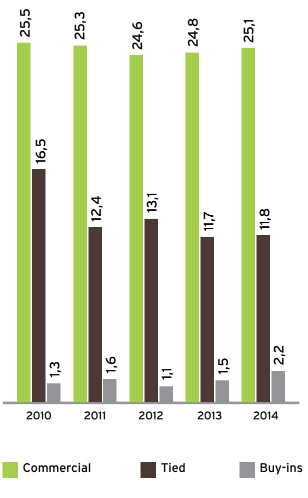
Metallurgical coal production (Mt)

Metallurgical coal

Year on year, Grootegeluk's production was 212kt (11%) higher and sales 357kt (19%) higher, mainly reflecting increased TFR train allocations to RBCT as well as higher ArcelorMittal demand. Tshikondeni production was 189kt (55%) lower and sales were 102kt (30%) lower than 2013 after the mine stopped production in September 2014 as it reached the end of its life.

Thermal coal

Power station coal production from the tied mines was marginally higher (48kt), mainly due to production at Matla which was up 241kt (2%) on improved cutting rates at the short walls, offset by 193kt (12%) lower production at Arnot due to the fatality in July and difficult geological conditions.



Thermal coal production (Mt)

The commercial mines' power station coal production was 933kt (5%) higher, mainly reflecting the 869kt increase at Grootegeluk due to the Medupi power station supply which started in the second half of the year. Higher throughput at Leeuwpan increased production by 130kt (5%) while North Block Complex production was 66kt lower due to the limitation on Eskom contractual volumes. Eskom demand from Leeuwpan was impacted by the Majuba silo collapse in the fourth quarter of 2014, with Leeuwpan production negatively affected by approximately 200kt.

Domestic power station coal sales from our commercial mines were 658kt higher than 2013, primarily due to higher demand as Medupi offtake began, while export sales increased by 515kt due to the ongoing review and balancing of export volumes, market commitments and opportunities as well as improving export logistics capacity.

Portfolio improvement

Grootegeluk Medupi expansion project (GMEP)

Construction on GMEP to supply Medupi with 14,6Mtpa of coal has progressed well and Exxaro met its contractual commitments under addendum 9 on time and within budget. Total capital expenditure for the project remains within the budget R10,2 billion. The project has achieved 34,6 million hours without a fatality, and its LTIFR remained at 0,17.

All plant modules have been individually commissioned, tested and the ramp-up to nameplate capacity will continue in line with the revised Eskom Medupi ramp-up plan. While we are committed to playing our part in alleviating the power situation, we are also concerned about the impact of delayed synchronisation of unit 6 at Medupi on our own performance. In the meantime, we continue to deliver against the latest addendum (finalised in August 2014) to the coal supply agreement and we continue to ramp-up the GMEP plant to deliver agreed volumes.

Total Coal South Africa Proprietary Limited (TCSA)

Exxaro entered into a binding agreement in July 2014 with Total Societé Anonyme, subject to certain conditions precedent, to acquire 100% of the issued share capital of TCSA and its related export marketing rights under a primary RBCT allocation. Exxaro will pay a total of US$472 million (US$386,5 million to acquire the issued share capital of TCSA and US$85,5 million to settle outstanding loan claims of Total Finance against TCSA). While three of the conditions precedent have been fulfilled (approval by the competition authorities, South African Reserve Bank, and RBCT), consent by the DMR under section 11 of the MPRDA is still outstanding.

Thabametsi

Thabametsi is a prospective greenfields opencast coal mine adjacent to Grootegeluk mine in the Waterberg, Limpopo. Development will be phased over a 10–15-year period, as well as improved export logistics capacity ramping up to a 20Mtpa mining complex. Through its phase 1 development, the mine will supply some 3,8Mtpa run-of-mine coal to the 600MW Waterberg independent power producer (IPP) post ramp-up.

The prefeasibility study to develop Thabametsi North phase 1 will be completed in the second half of 2015 and the bankable feasibility study will be completed by end-2015. The environmental authorisation was granted in December 2014 and the mining right application process is progressing.

Exxaro is also engaging with relevant stakeholders to conclude implementation plans on integrated infrastructure such as bulk water supply for the Waterberg coalfields, which is crucial to developing all projects in the region.

Belfast

The board approved the R3,8 billion Belfast project in 2014, subject to required licences and regulatory approvals being obtained. With an estimated life of 16 years, this greenfields mine is potentially Exxaro's last sizeable value-adding project in Mpumalanga and supports our strategy of increasing thermal coal exports. Belfast will form part of North Block Complex with an anticipated primary product of 2,2Mtpa export coal and secondary product of 0,5Mtpa of power station coal to Eskom.

The integrated water use licence (IWUL) was granted in September 2014, and rezoning appeals are under way. Construction may begin in 2015 after detailed engineering, with commissioning scheduled for the second half of 2017.

Moranbah South

We have obtained the environmental impact study authorisation to develop an underground dual longwall mine on the Moranbah South project (50% JV with Anglo American plc), in the Bowen Basin of Queensland, Australia. The mine is expected to reach 18Mtpa run-of-mine production of high-quality hard coking coal. However, the development schedule has been postponed due to current market conditions, and this position will be reviewed in 2015.

Reductants

Semi-coke capacity expansion is determined by the availability of suitable feedstock and is being executed in phases. The bankable feasibility study for retorts 5 and 6 is on track for completion in the first half of 2015. The concept study on adding retorts 7 and 8 has been postponed until market conditions improve.

North Block Complex

During the year, the suspension of the integrated water use licence for Eerstelingsfontein was finally lifted after a successful petition to the minister of water and sanitation. The coal resources at Eerstelingsfontein will supplement supply from North Block Complex to Eskom.

Mines in closure

September marked the last production at Tshikondeni. Inyanda's life-of-mine will end in the third quarter of 2015 which is expected to result in lower exports in FY15. Exxaro will implement and execute approved projects in line with closure commitments and the social and labour plans for both mines.

Ferrous

Production and sales volumes

Changes in the product mix (adding a blend product made from a combination of buy-ins and own product) at FerroAlloys in 2014 increased overall production 30% or by 1 637 tonnes from 2013. Sales volumes rose by 1 361 tonnes (19%) mainly due to higher production and commissioning the new ferrosilicon plant in November 2014.

Portfolio improvement

Mayoko iron ore

As discussed in the CEO and FD's reviews, the RoC government indicated that it will take responsibility for the required upgrades to public rail and port infrastructure to enable Exxaro to transport and export up to 12Mtpa of ron ore from the Mayoko mine. Any further development expenditure on this project will be determined through a staged approach after considering the outcome of a prefeasibility study, bankable feasibility study and commodity market conditions.

FerroAlloys

During the year, we successfully applied our ultra-high dense medium separation technology at Sishen Iron Ore Company. The ferrosilicon expansion project was completed and we are investigating the potential for further application of this ground-breaking technology. We have, however, discontinued the AlloyStream project.

Non-controlled operations

SIOC

Equity-accounted income from Exxaro's 19,98% interest in SIOC in 2014 decreased by 32% to R2 830 million, mainly due to a 47% decrease in iron ore prices in 2014 compared to 2013's closing price.

Titanium dioxide – Tronox

Equity-accounted losses from our 43,98% effective interest in Tronox, together with the 26% equity interest in Tronox South Africa and Tronox UK, were R568 million, mainly due to low sales prices across most products.

As a major shareholder, we are encouraged by Tronox's acquisition of Alkali Chemicals in 2014. This U$$1,6 billion all-cash transaction is expected to add stability and diversification to the Tronox business, and offer significant annual synergies.

Energy – Cennergi

Together with Tata Power of India, Exxaro is participating in renewable energy projects through Cennergi. Cennergi began constructing its two wind projects in the second half of 2014, with completion expected in the second half of 2016.

Base metals

Based on Exxaro's strategic decision to divest from the zinc business, we will divest from our holdings in Black Mountain (South Africa) and Chifeng (Inner Mongolia).

Safety and health

The safety of our people is fundamental to our business, and we will not rest until we achieve our safety goals through collective responsibility, commitment and ongoing focus. As part of this focus, all operational business units have international health and safety accreditation (OHSAS 18001).

Our target for 2014 was zero fatalities and a lost-time injury frequency rate (LTIFR per 200 000 hours worked) of 0,15. Regrettably we recorded one fatality, and actual LTIFR performance was 0,19 – while stable year on year, it was above our target.

Exxaro is making steady progress in managing occupational health risks, with a 39% reduction in reported occupational diseases in 2014. In common with the mining industry, we still face challenges with tuberculosis cases. An integrated HIV/Aids and tuberculosis policy was approved during the year as part of our efforts to manage this risk. We recorded a 19% improvement in the number of employees enrolled on the HIV/Aids programme. We are aggressively managing chronic diseases of lifestyle – now the second-highest cause of death after HIV/Aids.

Leadership and people

As a group, we remain focused on transformation, developing our people and rewarding top performers. We have met our employment equity targets for top, middle and junior management, and women. We are nearing the target for the senior management category, while appointing people with disabilities remains an industry-wide challenge.

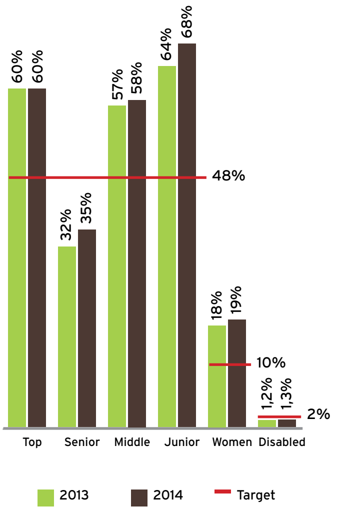
Exxaro invested 6,8% of total salaries and wages or R221 million (2013: 6,5% or R200 million) on industry-related training initiatives during the year, ranging from ABET (adult basic education and training) to postgraduate studies. This training involved some 800 youth candidates, of which over 80% were historically disadvantaged South Africans (HDSAs) selected for learnerships, internships, bursaries and various skills programmes. We also have over 380 South African employees enrolled in postgraduate studies or management development programmes.

Our employee share ownership plan, Mpower 2012, paid dividends of R14 million for the 2014 financial year (2013: R11 million), benefiting over 7 000 employees.

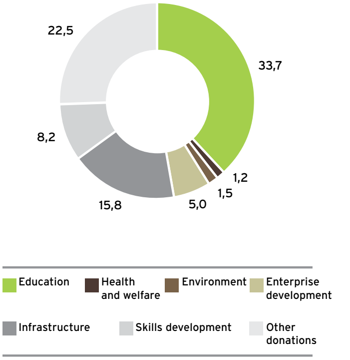
Our communities

Please refer to detailed disclosure in our supplementary information on this website.

Most social and labour plan projects are channelled through the Exxaro Chairman's Fund (ECF) to which all our operations contribute. The group spent R88 million (2013: R57 million) on social and labour plans (SLPs) and other community-related projects, mainly on education for teacher and learner development, enterprise development and infrastructure such as building roads and houses. We have also aligned our focus areas to those agreed between the industry and the DMR in 2013.



HDSA statistics (%)

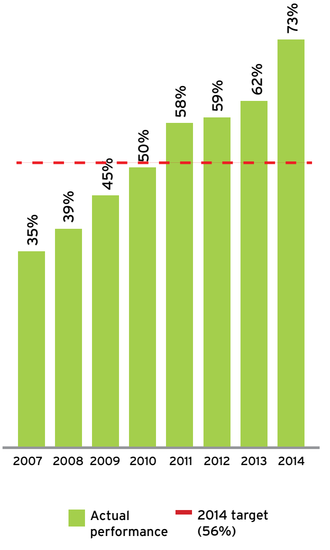


Community development – 2014 (R88 251 132) (Rm)

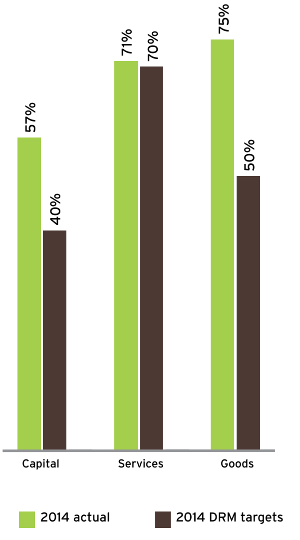
Supply chain management

Our sustained commitment to procuring from HDSA (including black-owned, black-empowered, black women-owned and black-influenced) suppliers is reflected in the steady progression from under 40% in 2007 to 73% (against a target of 56%) in 2014. This represents R7,7 billion spent with HDSA-owned companies (2013: R7,9 billion).

Measured against mining charter definitions, Exxaro spent R7,2 billion in 2014 with qualifying BEE entities, exceeding procurement targets set for capital, services and consumables for that year. In summary, Exxaro therefore complies with the preferential procurement criteria of the DMR scorecard.



HDSA progression: 2007 to 2014



2014 preferential procurement perfomance vs 2014 DMR

Our environment

Sustainable development issues – particularly water, energy, air, biodiversity and land – are central to our business. We focus on responsible use by conserving natural resources and reducing the burden of pollutants on the environment by:

- Ensuring all activities are properly authorised
- Complying with all statutory environmental requirements as a minimum
- Using energy and water efficiently
- Ensuring activities are conducted responsibly from the twin perspectives of compliance and natural resource use
- Actively participating in voluntary environmental benchmarks such as the global carbon and water disclosure projects, among others
- Developing innovative policies and programmes for addressing environmental impacts and use of natural resources.

All Exxaro's business units have ISO 14001 accreditation, reflecting the global industry standards in place to minimise environmental impacts.

All our South African operations have environmental management programmes (EMPs) as required under the MPRDA and National Environmental Management Act (NEMA). These are key indicators in ensuring Exxaro remains a sustainable business. We also adopt the precautionary principle entrenched in NEMA in evaluating the environmental impacts of business opportunities.

All South African operations have submitted applications for integrated water use licences. In the outstanding areas, Exxaro's water use is permitted under the Water Act 54 1956 (see supplementary report).

Focus areas

After a strategic review of key environmental risks from Exxaro's operations, the following challenges were identified:

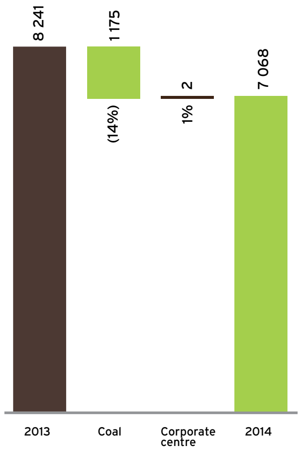
- Air quality management
- Water quality management, security of supply
- Hazardous waste management
- Biodiversity management
- Ongoing rehabilitation
- Cost of, and provision for, environmental liabilities
- Lead time for securing environmental authorisations
- Increasing statutory and non-statutory environmental requirements.

Our progress on the most important of these is summarised below and readers are referred to our supplementary report on this website.

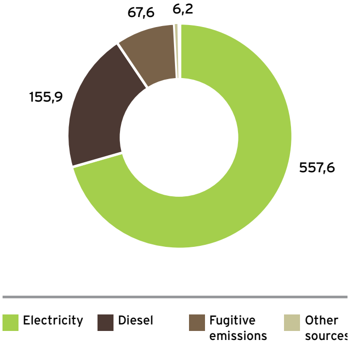
Water management

Under a holistic strategy, we are managing water-related risks, minimising impacts, and operating efficiently through reduction, reuse and recycling. Most of our operations have drafted water conservation plans that support the national strategy to ensure equitable distribution of water resources that allows for business growth and protection (sustainable use).

We are also committed to protecting and improving water quality by ensuring the water we discharge is of the same or better quality than the original. Central to this are the three water treatment plants planned for our Mpumalanga region as part of our long-term water management strategy. These plants will have total capacity to treat 17,5 mega litres per day. The plant at Matla has been commissioned and performance tests are under way. The plant at North Block Complex's Glisa will be commissioned once the water-use licence is approved and



Water withdrawal performance – 2013 versus 2014 (mega litres)



Greenhouse gas emissions by source (kt CO_2e)

is expected to be fully operational by 2016. The Arnot plant is at feasibility stage.

Hazardous waste

In 2014, Exxaro reviewed existing waste management contracts and awarded new contracts to service providers. The aim of this review was to promote and enforce initiatives such as reducing, reusing and recycling. This will facilitate the process of diverting all recyclable wastes currently being sent to landfill sites for potential and practical reuse options that make economic sense.

Exxaro participates in the Department of Environmental Affairs' industry waste management forum initiatives to address waste-related issues. These issues are also addressed through Business Unity SA and the Chamber of Mines.

Rehabilitation and environmental liabilities

At 31 December 2014, total land disturbed was 9 311ha and total rehabilitated 2 247ha. The Exxaro Environmental Rehabilitation Fund (EERF) provides for most liabilities, while additional bank guarantees are taken out to provide for new developments and cover any shortfalls in financial provisions. Environmental rehabilitation liabilities are updated biannually for internal reporting at interim and financial year end, and submitted annually to the DMR.

Exxaro contributed R24 million to the environmental trust fund in 2014 and had R753 million in its trust fund at year end for mine-closure activities (2013: R92 million and R673 million respectively). In addition, the group had bank guarantees of R1 153 million in place by December 2014. Updating these provisions biannually highlights potential rehabilitation alternatives that could decrease the long-term closure liabilities of mines.

Greenhouse gas emissions

(kt CO_2e)	2014	2013	2012	2011
Scope 1	**230**	236	245	238
Scope 2	**558**	525	519	516
Total scope 1 and 2	**788**	761	764	754
Year-on-year change (%)	**3,4**	(0,4)	1,4	
Scope 3	**74 768**	69 737	70 581	70 471
Year-on-year change (%)	**7,2**	(1,2)	0,2	

GHG reduction targets per annum

Tolerable	1%
Realistic	5%
Final target	carbon neutral

Diesel and electricity remain the primary sources of energy for Exxaro. Total energy consumed increased by 2,5% in 2014 to 4 318 894 giga joules (GJ), reflecting mainly higher electricity use which rose by 6,2%. The bulk of this was due to expansion activities at Grootegeluk. Energy sourced from diesel consumption decreased 1,2 % in 2014.

	Electricity (MWh)				Production (kt)				Electricity intensity (MWh/kt)			
	2014	2013	2012	2011	2014	2013	2012	2011	2014	2013	2012	2011
Coal	**566 521**	534 363	527 125	534 232	**37 203**	37 332	38 808	39 244	**15,95**	14,3	13,6	13,6
Change %	**6,0**	1,4	(1,3)		**(0,4)**	(3,8)	(1,1)		**11,5**	5,2	0,0	

OUTLOOK

We expect that the challenging conditions facing most commodity markets in 2014 will continue into 2015. However, significantly lower oil prices and more supportive monetary policy from key central banks are expected to boost global real GDP growth to the 3% level in 2015, last achieved in 2009.

The average coal export price expected for 2015 is around US$60/t (free-on-board RBCT). The rand exchange rate against the US$ is expected to remain weak for most of 2015, mainly due to the combination of lower commodity prices and the overall strength of the US$.

The group will continue to exercise caution and discipline in allocating capital to projects in 2015. Like many others in the industry, we have reduced our expansion capital expenditure in the short to medium term. Continuing projects such as Belfast and Thabametsi will be characterised by the same meticulous project management evident in GMEP.

In the medium term, we will continue to optimise our portfolio, concentrating on specific opportunities and challenges:

- Our focus on safety is resolute, with ongoing intensified awareness and training campaigns to achieve our LTIFR target of 0,15, despite current initiatives to conserve costs
- Economic conditions: diligent group-wide cost management and business improvement initiatives will run in tandem with spreading our risk across coal, iron ore and titanium dioxide. We are also focusing on generating strong internal cash flow to counter lower dividends from Sishen Iron Ore
- BEE structure: as we approach the end of our successful 10-year BEE structure in November 2016, we will ensure we implement an alternative structure that will continue the legacy of sustainably empowering our people
- Regulatory uncertainty: ongoing dialogue and collaboration with key role players, such as government and state-owned enterprises
- Infrastructure: close collaboration with Transnet Freight Rail on train scheduling given that Grootegeluk will now be the major supplier of coal to the export market after Inyanda's closure.

Location of Exxaro Resources mineral and ore reserves declared

Exxaro is committed to the principles of transparency, materiality and competence in reporting its mineral resources and ore reserves.

This summary is supported by a consolidated Exxaro mineral resources and reserves report (CMRR) on this website. The mineral resources and ore reserves underpinning Exxaro's current operations and growth projects are summarised in the tables in the CMRR report. The CMRR report is aligned with JSE Listings Requirements (section 12) and provides information on reporting governance, competence, tenure, risk, liabilities and assurance as well as auxiliary descriptions of applicable projects, operations and exploration activities.

Mineral resources and ore reserves are reported as those remaining on 31 December 2014 and mineral resources are reported inclusive of those resources that have been converted to ore reserves and at 100%, irrespective of the percentage attributable to Exxaro. An exception is our reporting for Gamsberg and Black Mountain, as figures received from Vedanta Resources plc (JORC Code, 2012) represent resources, exclusive of those mineral resources converted to reserves, and reported as on 31 March 2014. Significant changes in the resource or reserve figures are explained by footnotes to each table.

Mineral resources and ore reserves were estimated by competent persons on an operational or project basis and in accordance with the SAMREC Code (2009) for African properties, except for Vedanta's property, and the JORC Code (2012) for Australian properties.

In addition, the annual estimation and reporting process is managed through the Exxaro geosciences policy and associated mineral resource and reserve reporting and mineral resource estimation procedures. Both the policy and procedures are aligned with the guidelines of the SAMREC Code and, for South African coal reporting, SANS (SANS 10320:2004). The policy and procedures dictate technical requirements for estimation and reporting, and include guidelines on methodologies, processes and deliverables. Procedures are also implemented for the geophysical, rock engineering, geotechnical, structural geology, tenure management, hydro-geological and mine planning disciplines that prescribe methodologies and minimum standards for compliance.

The mineral resource and ore reserve tables are compiled from comprehensive independent statements received from appointed resource and reserve competent persons. Each statement is supported by a project/operation mineral resources and reserves report in the format aligned with table 1 of the SAMREC Code, which encapsulates the systematic and detailed estimation process conducted or supervised by the applicable competent person. The content of each report is reviewed and signed off by the applicable competent persons, their supporting technical teams and the operational management team. Individual mineral resources and reserves reports are available from the Exxaro group company secretary on request.

Exxaro reporting governance framework

Regulatory	Governance	Deliverables	Assurance
JSE Listings Requirements (section 12) SAMREC Code (2009) table 1 SANS (SANS 10320:2004) JORC Code (2012)	Geosciences policy Geosciences, mineral asset management and exploration strategy Exxaro mineral resource and reserve reporting procedure Exxaro mineral resource estimation procedure Exxaro mineral reserve estimation procedure	Annual resource and reserve estimation schedule Mineral resource and reserve fact pacts Annual operation/project competent person's report (CPR) Consolidated Exxaro mineral resource and reserve report and statement (CMRR)	Annual review and update of policy and procedures Competent person's critical skills update and review Annual individual competent person's report review and lead competent person sign off Applicable competent person and technical team sign off Internal and external review/ audit process

Exxaro reports mineral estimates that are directly under its management control (100% shareholding) but also includes estimates for entities in which Exxaro holds a 25% interest or more. Mineral resource and ore reserve estimates are stated in full (as 100% shareholding). For Kumba Iron Ore Limited, where Exxaro owns 19,98% of Kumba subsidiary Sishen Iron Ore Company (SIOC) but which accounts for a material percentage of our net profit before tax, the reader is referred to the Kumba mineral resources and ore reserves at www.kumbaironore.co.za/reports.

Competent persons have sufficient, relevant experience in the style of mineralisation, type of deposit, mining method and activity for which they have taken responsibility, to qualify as a 'competent person' as defined in the applicable codes at the time of reporting. The competent persons have signed off their respective estimates and consent to the inclusion of information in this report in the form and context in which it appears. The resource and reserve competent persons are listed in the consolidated Exxaro mineral resource and reserve report (CMRR).

Resource estimations are based on the latest available resource models, which incorporate all new validated geological information and, if applicable, revised resource definitions and classifications. The resource models are compiled as a rule between May and August of the reporting year to align with the subsequent reserve estimation process. For Exxaro operations and projects, we use a systematic review process that measures the level of maturity of exploration work done, the extent of geological potential, current and future mineability, security of tenure and associated geological risks/opportunities to establish an eventual extraction outline (EEO). The outline reflects the boundary within which mineral occurrences are considered to have reasonable and realistic prospects for eventual economic extraction.

The various aspects of eventual economic extraction are continuously evaluated for individual projects and operations to improve their definition and application. All mineral resources in which Exxaro holds the controlling interest have been reviewed in 2014 to comply with reasonable and realistic prospects for eventual economic extraction.

The location, structure, continuity of grade/quality and geology in the EEO are known within varying degrees of confidence and are continuously tested by conducting exploration activities such as geophysical surveys, drilling and bulk sampling. Information obtained from drill core logging, core sampling, down-hole geophysical logging and surface mapping are interpreted and combined to generate two-dimensional or three-dimensional geological models. Validated assay data is used in the geological models to interpolate grades/qualities and other parameters, including relative density, using a number of appropriate interpolation techniques into predefined blocks or grids (coal) throughout the deposit to create and fill block models or stratified interpolated seam models (coal). The interpolated grades/qualities and other parameters in the models are used to estimate the grades/ qualities and tonnages of mineral resources under consideration.

Mineral resources are classified into inferred, indicated or measured categories based on the degree of geological confidence. Distribution of points of observation (drilling positions, trenches, etc), quality assurance and quality control in sample collection, evaluation of structural complexities and, in the case of operations, reconciliation results, are considered in classifying resources. For coal, the guidelines of SANS (SANS 10320:2004) are followed as a base-line approach, where valid points of observation (drill holes with thickness measurements and applicable quality analysis) are used for distance gridding to adhere to prescribed classification guidelines.

Ore reserves have the same meaning as mineral reserves as defined in the applicable reporting codes. Ore reserves are estimated using the relevant modifying factors at the time of reporting (mining, metallurgical, economic, marketing, legal environmental, social and regulatory requirements).

Modifying factors are signed off before and after reserve estimation by the responsible persons to ensure that all factors are timeously and appropriately considered. Comprehensive modifying factor sign-off and reserve fact pacts that record losses, recoveries/yields and other factors applied are documented in each independent mineral resources and reserves report. Exxaro's life-of-mine policy dictates the process and deliverables for reserve estimation.

For reserves, geological data received is extensively validated and then converted into a mining model. Firstly, an exploitation strategy is created, incorporates resource boundaries, infrastructure, social and environmental and mining and economic considerations. Secondly, an operational methodology is applied on material flow, equipment strategy, position of infrastructure and rehabilitation. The final phase is delineation of the mining envelope that forms the basis of the business case, namely an optimised pit shell or layout. The shell is converted to a practical mine layout by applying realistic designs (roads, infrastructure, etc) based on the most accurate information available at that time. Yearly assurance audits will challenge/change the physical standards and norms.

Changes in the market, increased awareness of protecting the natural environment and changing legislation and statutory requirements demand a change in the utilisation strategy and execution of mining operations. Exxaro continuously assesses the various life-of-mine strategic plans to consider the best way of addressing these challenges.

It is critical for Exxaro management and investors to have a high level of confidence in the company's mineral assets and the assurance that these resources and reserves will deliver the expected value. Assurance is implemented on a two–tier basis, aligned with the guidelines of the Exxaro mineral resource and reserve reporting procedure. On tier 1, an assurance is addressed concurrently on each operation/project during the resource and reserve estimation process, which is executed under a formal schedule.

On tier 2, Exxaro's mining and exploration operations are internally reviewed on a three-year cycle. Reviews are conducted by the lead competent persons, technical specialists from the central geological and mining consulting services and competent persons (peers) from other operations and projects. Calculations associated with the mineral resource estimates have been audited by internal competent persons and are audited by external consultants when deemed essential to establish transparency. Findings are prioritised and corrective measures are implemented if required and tracked. For mines or projects where Exxaro does not hold the controlling interest, figures have been compiled by competent persons from those companies and have not been audited by Exxaro.

MINERAL RIGHTS

The status of prospecting and mining rights is tabled in the CMRR report.

The converted mining right for Arnot coal mine, a dedicated coal supplier to Eskom, is executed. This mine, which traditionally consisted of underground workings and extracting coal seam 2, also includes open-cut developments on the farms Mooifontein and Grootlaagte, targeting coal seams 1, 2, 4 and 5. Ongoing technical studies, surface acquisition and environmental authorisations (eg Mooifontein Re, 1, 7 and Grootlaagte) for the various farms' portions in the open-cut areas are progressing well and at varying levels of finalisation.

The converted mining right of Matla mine, a dedicated coal supplier to Eskom, has been granted. Execution of the right is expected to be concluded in the first quarter of 2015.

The converted mining right and adjacent new mining right at Leeuwpan mine have both been executed. The approval of a ministerial consent (section 102) submitted to amalgamate the two rights is pending. All environmental approvals for the strategic Leeuwpan OI reserve were submitted timeously and Exxaro has a reasonable expectation that approvals will not be withheld. Exxaro owns all surface rights for phase 1 and 2 of the OI reserve and negotiations for the surface rights for phase 3 are under way.

North Block Complex includes the traditional mining areas of Glisa (converted mining right), Strathrae (converted mining right) and Eerstelingsfontein, an executed new mining right. Environmental approvals for Eerstelingsfontein have been granted and approval for the renewal of the mining right, timeously submitted in March 2013, is pending. In addition, a renewal for a prospecting right and a new mining right for the Glisa South project area, immediately adjacent to Glisa, was timeously submitted in November 2013.

In 2013, Exxaro initiated a process to disinvest from New Clydesdale Colliery. A ministerial consent (section 11) was submitted in April 2014 to cede the mining right. All requests for additional information by the DMR have been timeously addressed and Exxaro has a reasonable expectation that the approval will not be withheld.

The Belfast mining right was received in October 2013 and subsequently executed. All environmental authorisations have been received and operational implementation will proceed.

A new mining right was submitted in April 2012 for the Thabametsi project area, a resource adjacent to the Grootegeluk coal mine. Environmental approvals have been received (pending water use licence) as on 31 December 2014 and Exxaro has a reasonable expectation that the mining right will be granted in 2015.

The Moranbah South project area in Australia includes two mineral development licences (MDL) and two exploration permits for coal (EPC). Both mineral development licences expired between July and September 2013, but renewals for both MDL 277 and MDL 377 were timeously submitted in January 2013 and March 2013 respectively. Exxaro has a reasonable expectation that approvals for both licences will not be withheld. EPC 548 expires in February 2017 and EPC 602 in December 2018. Exploration activities comply with all licence requirements.

In the Republic of the Congo (RoC), the Mayoko-Lekoumou exploitation permit for iron was granted in August 2013 for 25 years and will be renewable in line with the provisions of the mining code of the RoC. The Mayoko mining exploitation convention was concluded between the RoC government and Exxaro Mayoko SA on 29 January 2014. This convention is still subject to fulfilling certain conditions precedent, such as concluding all agreements related to access to rail and port infrastructure.

Immediately north of the Lekoumou exploitation permit, the Ngongo exploration permit for iron was granted in April 2014. This exploration permit was granted for three years and will be renewable twice for periods of two years in line with the provisions of the RoC mining code. In addition, to the far north, the Ngoubou-Ngoubou exploration permit for iron was granted in December 2012 for a period of three years and may be renewed twice for periods of two years in line with the provisions of the RoC mining code.

The person in Exxaro designated to take corporate responsibility for mineral resources, JH Lingenfelder, the undersigned, has reviewed and endorsed the reported estimates. Mr Lingenfelder is a member of the Geological Society of South Africa and registered (400038/11) with the South African Council for Natural Scientific Professions. He has a BSc (hons) in geology and 19 years of experience as an exploration and mining geologist in coal, iron ore and industrial minerals, of which six are specific to coal and iron ore estimation.

JH Lingenfelder
BSc Geology (hons)
Pr Sci Nat (400038/11)
Manager geosciences
Roger Dyason Road
Pretoria West
0183

The person in Exxaro designated to take corporate responsibility for ore reserves, J Hager, the undersigned, has reviewed and endorsed the reported estimates. Mr Hager is a mining engineer registered (20050209) with the Engineering Council of South Africa. He has 25 years of experience as a mining engineer in iron ore, base metals and coal in various technical and management roles, of which 15 are specific to coal, base metals and iron ore estimation.

J Hager
MEng Mining
ECSA 20050209
Group manager mining processes
Roger Dyason Road
Pretoria West
0183

EXECUTIVE COMMITTEE

All executive committee members are prescribed officers in terms of the Companies Act 71 of 2008, as amended.

SA Nkosi – Sipho (60)
Chief executive officer

BCom (hons)(econ), MBA (Univ Mass, USA), diploma in marketing management (Unisa), advanced management leadership programme (Oxford)

Experience: After 20 years in the industrial and mining sectors, Sipho was a founder of Eyesizwe Holdings and served as chief executive officer before its merger into Exxaro in 2006. He was appointed CEO of Exxaro in September 2007. Sipho is a director of a number of companies, including Sanlam Limited, and served as president of the Chamber of Mines from 2007 to 2010.

WA de Klerk - Wim (51)
Finance director

BCom (hons)(acc), CA(SA), Executive management programme (Darden), Strategic marketing diploma (Harvard)

Experience: Wim joined Iscor in 1996, managed Iscor Quarries and the Grootegeluk Coal mine and became part of the executive team as group general manager for strategy and continuous improvement in 1999. Following Kumba's inception in 2001, he headed the mineral sands operations and when Exxaro listed in 2006, he became executive general manager for mineral sands and base metals until his appointment as finance director in 2009.

MDM Mgojo – Mxolisi (54)
Executive head: carbon operations

BSc (hons)(energy studies), MBA, advanced management programme (Wharton)

Experience: Previously at Eyesizwe Coal, Mxolisi was responsible for marketing and logistics. Before assuming his current position in August 2008, he was responsible for the base metals and industrial minerals commodity business.

Mxolisi has been appointed as CEO – Designate with effect from 1 May 2015.

MI Mthenjane – Mzila (45)
Executive head: strategy and corporate affairs

BSc (eng)(mining), senior management development programme (GIMT)

Experience: Mzila is a mining engineer with combined experience in mining and investment banking of 20 years. This includes seven years in deep-level gold mining at AngloGold Ashanti and Gold Fields Limited in senior mine management and corporate development roles, respectively; and six years in investment banking at RMB and Deutsche Bank. His knowledge of business sustainability was honed over six years as executive: business sustainability at Royal Bafokeng Holdings and Royal Bafokeng Platinum. He assumed his current role in May 2013.

M Piater – Retha (60)
Executive head: human resources

BCom (hons), MBA, advanced management programme (Insead)

Experience: Retha has 31 years of human resources experience across the various business units and commodities.

PE Venter – Ernst (58)
Executive head: growth, technology, projects and services, and ferrous

BEng (hons), MBA, Advanced management programme (Insead)

Experience: Ernst has headed a number of portfolios including base metals, Zincor, consulting services, mining technology, coal beneficiation, process development and plant metallurgy. From 2002 to 2008, he was responsible for the coal commodity business and then established Exxaro's business growth division. His portfolio included growth, technology, projects and services and the ferrous business of Exxaro. Ernst retired from Exxaro in February 2015.

M Veti – Mongezi (51)
General manager: sustainability

National higher diplomas in metalliferous mining and coal mining (Technikon Witwatersrand), MBL (Unisa), Advanced management programme (Wharton), Mine overseer's certificate and mine manager's certificate of competency for fiery mines

Experience: In the early 1980s, Mongezi worked for AngloGold at Western Deep Levels and joined Sasol Mining in 1994. In 2002, he became mine manager at Arnot, and was appointed general manager Area 2 in Exxaro soon after the merger, before assuming his current role in February 2010.

CH Wessels – Carina (37)
Group company secretary

LLB (Univ of Pretoria), advanced labour law (Univ of Pretoria), LLM (Unisa), programme for management development (GIBS), FCIS (CSSA)

Experience: Carina is an admitted advocate of the High Court of South Africa and a fellow and past president of Chartered Secretaries Southern Africa. She is also immediate past president of the Corporate Secretaries International Association and remains on that executive committee. Carina spent nine years with De Beers in various operational and head-office positions, including human resources, business improvement and corporate secretariat, as well as a period with Investec as corporate secretariat legal advisor. She assumed her current role in June 2011.

DIRECTORATE

SA Nkosi – Sipho (60)
Chief executive officer (executive director)

Director since 28 November 2006

See page 66

WA de Klerk – Wim (51)
Finance director (executive director)

Director since 1 March 2009

See page 66

S Dakile-Hlongwane – Salukazi (64)
Independent non-executive director and member of sustainability, risk and compliance committee

Director since 21 February 2012

BA (economics and statistics), MA (development economics)

Experience: Salukazi is chairman of Nozala Investments, which she co-founded in 1996. Her career experience includes: five years as senior investment officer, Lesotho National Development Corporation; 12 years with African Development Bank (Abidjan/Côte d'Ivoire) as country programme officer and later principal corporation officer; senior manager, structured finance division/FirstCorp Merchant Bank and assistant general manager, BOE Specialised Finance. Salukazi is a non-executive director of some of Nozala's investee companies including Eqstra Holdings Limited, Enviroserv Holdings Limited, Woodlands Dairy Proprietary Limited, Afripack Proprietary Limited, Tsebo Outsourcing Group Proprietary Limited and Mutual Construction Company Proprietary Limited. She is also a non-executive director of MultiChoice South Africa Holdings Limited. She is a trustee of Nozala Trust and Chancellor House Trust.

Dr CJ Fauconnier – Con (67)
Independent non-executive director, chairman of sustainability, risk and compliance committee and member of audit, remuneration and nomination and social and ethics committees

Director since 1 November 2013

BSc (eng)(mining), BSc (hons) (eng), MSc (eng), DEng (Pretoria), MBA (Oregon), DSc (honoris causa) (Free State), strategic leadership programme (Oxford), senior executive finance programme (Oxford), registered international professional engineer

Experience: Between 1969 and 1974, Con worked for various mining companies in the Anglo American group. For two years after that he was student and research assistant at the College of Business Administration, University of Oregon. From 1976 to 1995 he served in senior positions in Gencor Limited and JCI Limited. In 1995 Con joined Iscor Limited and was later promoted to managing director of Iscor Mining. In 2001, he was appointed chief executive of Kumba Resources Limited and, in 2006, became chief executive officer of Exxaro Resources Limited. He also served on the executive council of the Chamber of Mines of South Africa and was president from 2003 to 2005. He is a fellow of the South African Institute of Mining & Metallurgy, Institute of Directors of Southern Africa and South African Academy of Engineering. He has been an honorary professor in the department of mining engineering at the University of Pretoria and a fellow at the Gordon Institute of Business Science since 2007. He was an independent mining industry and management consultant from 2007 to 2010, and an independent non-executive director at Xstrata plc from 2010 until 2013.

Dr D Konar — Len (61)
Independent non-executive director, chairman of the board and member of remuneration and nomination committee (chairs nomination matters)

Director since 28 November 2006

BCom, CA(SA), MAS, DCom, CRMA

Experience: After completing his articles at Ernst & Young, Len began his career as an academic at the University of Durban-Westville. He then spent six years with the Independent Development Trust as head of investments and internal audit, prior to becoming a professional director of companies and consultant. Len is chairman of Steinhoff International and Mustek Limited and a member of the boards of Illovo Sugar, Sappi and Alexander Forbes. He is a past member of the ad hoc ethics panel of the United Nations, safeguards panel of the International Monetary Fund in Washington, co-chairman of the risk implementation oversight panel of the World Bank, and past chairman and member of the external audit committee of the International Monetary Fund.

JJ Geldenhuys – Jurie (72)
Independent non-executive director, chairman of the sustainability, risk and compliance committee, member of the remuneration and nomination, audit and social and ethics committees

As noted in the 2013 integrated report, he retired for personal reasons on 27 May 2014.

NB Mbazima — Norman (56)
Non-executive director and member of remuneration and nomination committee

Director since 30 November 2012

Fellow of the Association of Chartered Certified Accountants (FCCA), fellow of the Zambia Institute of Chartered Accountants (FZICA)

Experience: Norman has been CEO of Kumba Iron Ore since September 2012. Previously, he was CEO of the thermal coal business unit of the Anglo American Group from 2009. A chartered accountant by profession, Norman worked at Zambia Consolidated Copper Mines before spending 17 years with Deloitte & Touche, also in Zambia. He has extensive experience of the Anglo American group, after joining in 2001, serving as CEO of Scaw Metals, both finance director and acting CEO of Anglo's platinum business; CFO of the then Anglo Coal business and CFO of Konkola Copper mines.

VZ Mntambo – Zwelibanzi (58)
Non-executive director and member of remuneration and nomination committee

Director since 28 November 2006

BJuris, LLB (Univ North West), LLM (Yale)

Experience: Zwelibanzi is executive chairman of Xalam Performance. He was previously senior lecturer at the University of Natal; executive director of IMSSA; director-general of Gauteng Province and chairman of the Commission for Conciliation, Mediation and Arbitration. He is chairman of Main Street 333 Proprietary Limited. He is also a director of SA Tourism Proprietary Limited and a trustee of the Paleo-Anthropologial Scientific Trust.

DIRECTORATE (continued)

RP Mohring – Rick (67)

Independent non-executive director, chairman of remuneration and nomination committee, member of audit, sustainability, risk and compliance and social and ethics committees

Director since 28 November 2006

BSc (eng)(mining), MDP, professional engineer

Experience: From 1972 to 1998, Rick held production, managerial and executive positions in the gold and coal divisions of the Rand Mines and Billiton groups. From 1998 to 2000, he was chief executive officer of NewCoal, a black empowerment initiative set up by Anglo Coal and Ingwe Coal Corporation. Eyesizwe Coal, the largest BEE coal company in South Africa, was formed in November 2000 through this process, with Rick serving as deputy chief executive officer until 2003. After 37 years in the mining industry, Rick retired from Eyesizwe Coal in December 2003, but remained on the board of Eyesizwe Coal, and set up a private consulting company, Mohring Mining Consulting.

Dr MF Randera – Fazel (65)

Non-executive director and chairman of social and ethics committee

Director since 13 June 2012

MRCS, LRCP, DRCOG

Experience: Globally, Fazel has served as board and council member of the World Medical Association (1997-2000), participated in the World Health Organization international inquiry into the tobacco industry (1998-1999) and chaired the global initiative on HIV/Aids reporting (2004). In South Africa, he sat on the Truth and Reconciliation Commission (1995-1998), founded the Ethics Institute and served as chairman (1997-2000), and served on the Human Rights Commission (1997-1999). Working in hospitals and facilities in the UK and South Africa, he specialised in a range of medical disciplines, including occupational health and HIV/Aids. Fazel chaired the Private Healthcare Forum (2004-2007) and was a member of the South African Centre for Survivors of Torture (2006-2011). He was inspector general for South Africa's intelligence services (1999-2001) and served on several ministerial advisory bodies. He was the health advisor at the Chamber of Mines and is deputy chairman of Nehawu Investment Holdings and MediTech South Africa.

NL Sowazi – Nkululeko (51)

Independent non-executive director

Resigned from 3 June 2014 due to an increase in other commitments.

J van Rooyen – Jeff (65)

Independent non-executive director and chairman of audit committee

Director since 13 August 2008

BCom, BCompt (hons), CA(SA)

Experience: Jeff is a director of various companies in the Uranus Group, non-executive director of MTN Group Limited, Pick n Pay Stores Limited and Pick n Pay Holdings Limited. He is a former chairman of the Financial Reporting Standards Council (FRSC), a former trustee of the International Accounting Standards Foundation and member of the University of Pretoria's faculty of economic and management sciences' oversight board. He was a partner at Deloitte & Touche, chairman of the Public Accountants and Auditors Board, CEO of the Financial Services Board and advisor to the former Minister of Public Enterprises. Jeff is a founder member and former president of the Association for the Advancement of Black Accountants of South Africa.

V Nkonyeni — Vuyisa (46)

Independent non-executive director

Director since 3 June 2014

BSc (inf proc), BSc (hons), postgraduate diploma in accounting, CA(SA)

Experience: Vuyisa has over 15 years' experience in investment banking and private equity. He served his training contract as a chartered accountant with PricewaterhouseCoopers and then joined Deutsche Bank in 1997, where he gained investment banking experience primarily in corporate and project finance advisory work over four years. He serves on the boards of Emira Property Fund and Idwala Industrial Holdings Proprietary Limited. He has served as financial director of Worldwide African Investment Holdings Proprietary Limited and director at Actis llp in their black economic empowerment funding unit. He was appointed chief executive officer of Kagiso Tiso Holdings in January 2012.

D Zihlangu – Rain (49)

Independent non-executive director and member of sustainability, risk and compliance committee

Director since 28 November 2006

BSc (eng)(mining) (Wits), MDP (SBL, Unisa), MBA (WBS, Wits)

Experience: Rain is CEO of Eyabantu Capital Consortium. Between 1989 and 1994 he was a stoper/developer and shift boss at Vaal Reefs Gold Mining Company. From 1995 to 2002 he progressed to mine manager at Impala Platinum Limited, and served as CEO of Alexkor Limited from 2002 to 2005. From 2006 to 2012, he was an independent non-executive director of the South African National Oil and Gas Company (PetroSA) and served on its business performance monitoring committee. He also serves on the board, audit, remuneration, nominations and investment committees of Sentula Mining Limited.

GOVERNANCE OVERVIEW

This section provides legally required and material information only, with full details of all governance activities on our website: www.exxaro.com.

Creating value through governance

As a listed resources company, Exxaro operates in an extremely regulated environment. This naturally drives our governance, risk and compliance initiatives. Equally, however, as an ethical, values-based and proudly South African black-empowered resources company, our governance, risk and compliance initiatives are driven by more than minimum requirements, but rather the firm belief that our licence to operate and sustainability depends on being a responsible corporate citizen. As such, we take integrated decisions that enable our strategy (based on our resource-to-market business model), ensure our profitability and performance, and consider our risks, while striving to meet the legitimate interests and expectations of our stakeholders through actions that are socially and environmentally responsible. In this way, we entrench our sustainability and make a meaningful contribution to the South African economy: true value creation.

Balancing these imperatives and ensuring a well-governed and ethical organisation is one of the chief executive officer's key performance areas: this ensures that governance, aligned with King III recommended practices, is always on the agenda.

The board, however, remains fully accountable for the efficacy of the governance framework and Exxaro's ethical foundation.

The review period was truly a year of highlights in the governance arena. In addition to being placed first in the Nkonki Integrated Reporting Awards where the top 100 companies' integrated reports were assessed, Exxaro also received the Ethical Boardroom's Best corporate governance – Mining – Africa – 2015 award. Although we do not direct our activities at recognition, it is always encouraging to receive confirmation that the excellence and added value we aspire to are visible and tangible to independent evaluators.

Application of King III

Exxaro is committed to applying the principles and practices in the King report on governance for South Africa 2009 (King III). In 2014 we continued to apply the principles (externally and independently assessed as AAA (highest application) early in 2014) and improved those few areas indicated in the 2013 report as requiring attention, namely:

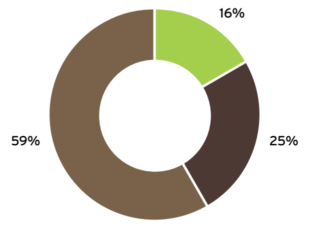
- Principle 4.2 (the board determining risk tolerance) – refer the risk section for the detail of how this principle has been fully adopted and integrated into our risk management process, material issues, key performance indicators and application of the five-capitals model
- Principle 5.2 (aligning the information management strategy with the performance and sustainability objectives of the company). Refer the supplementary report for more information
- Principle 5.6 (effective management of information management assets). Refer the supplementary report for more information.

These are now fully applied. Full application of King III and compliance with the Listings Requirements is also one of the strategic key performance indicators on our strategic dashboard.

In previous years, we detailed our application of all principles in the integrated report, but this is now included in the supplementary report.

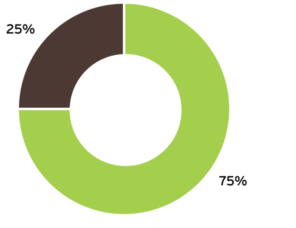
The board

The company has a unitary board structure, comprising executive, non-executive and independent non-executive directors (classified in accordance with the JSE Listings Requirements and King III).



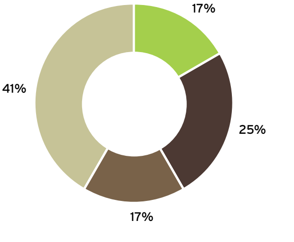
Executive | Non-executive | Independent non-executive

Director classification



HDSA | Non-HDSA

Director equity status



<2 years | >2<5 years | >5<7 years | >7 years

Director tenure

All directors clearly display sufficient dedication to Exxaro and their other directorships do not affect their ability to exercise due care, skill and diligence towards the company's affairs.

Board meetings 2014	Board 4 Mar 14	Governance 24 Apr 14	Board 3 Jun 14	Special 23 Jun 14	Subco 26 Jun 14	Subco 23 Jul 14	Board 19 Aug 14	Governance 2 Oct 14	Special 27 Oct 14	Board 26 Nov 14
D Konar (chairman)	PA	P	P	P	P	P	P	P	A	P
S Dakile-Hlongwane	P	P	P	P	NR	NR	P	P	P	P
WA de Klerk	P	P	P	P	P	P	P	P	P	P
CJ Fauconnier	P	P	P	P	P	A	P	P	P	P
JJ Geldenhuys	P	P	R	R	R	R	R	R	R	R
NB Mbazima	P	A	P	A	NR	NR	A	A	A	P
VZ Mntambo	P	P	P	P	NR	NR	P	A	P	P
RP Mohring	P	A	P	P	P	P	P	A	P	P
V Nkonyeni	NA	NA	NA	A	NR	P	P	P	P	P
SA Nkosi	P	P	P	P	A	P	P	P	P	P
MF Randera	P	P	P	P	A	A	P	P	P	A
NL Sowazi	P	A	R	R	R	R	R	R	R	R
J van Rooyen	PA	P	P	P	P	P	P	A	PA	P
D Zihlangu	P	P	P	P	P	P	P	P	A	P

P = present
A = apology
NR = not required
PA = partial attendance
NA = not yet appointed
R = resigned/retired

The board retains full and effective control over the Exxaro group and gives strategic direction and guidance to management. The collective responsibility of management vests in the chief executive officer, who regularly reports to the board on progress towards the group's objectives and strategy.

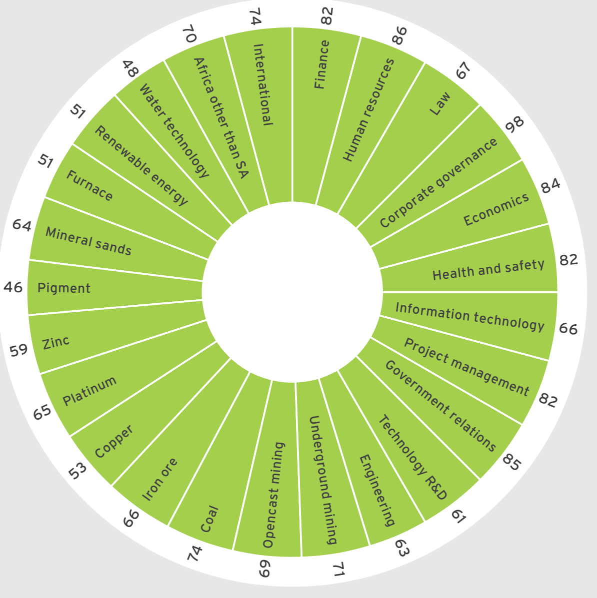
The board operates in accordance with a detailed charter, based on King III, which specifically includes its roles, responsibilities and accountabilities. It meets at least four times a year and corporate governance best practice, trends and developments are standing items on the agenda. In addition to the charter, a detailed delegation-of-authority policy and framework indicate matters reserved for the board and those delegated to management, which policy and framework apply to all controlled subsidiaries.

In line with the board charter, the remuneration and nomination committee (Remco) is responsible for vetting shareholder nominee directors and identifying suitable candidates to be proposed to the board for consideration and, on its support, to shareholders for election. In line with the memorandum of incorporation, one third of non-executive directors retire by rotation annually.

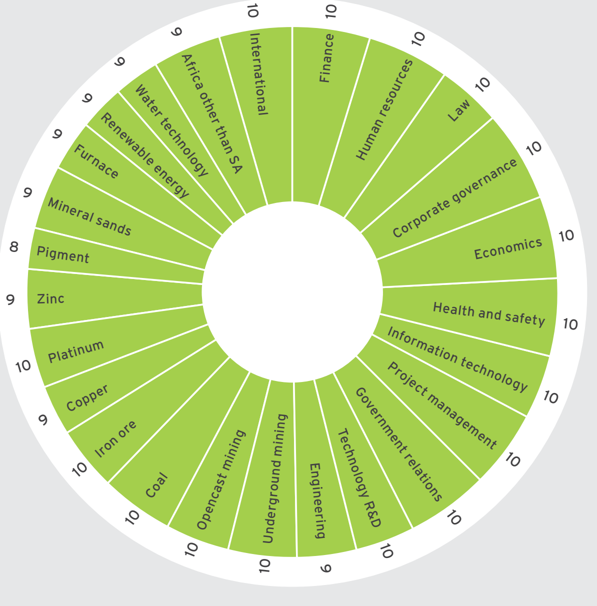
Board and committee performance is evaluated annually and, for the 2014 financial year, an internally facilitated evaluation was completed, which confirmed that all deficiencies identified in the 2013 evaluation had been effectively addressed, and showed a marked improvement in overall scores (out of four, thus rated as 'good/meeting best practice') and no item on any of the evaluations scored below a three (thus all as a minimum, being 'satisfactory'):

- Board: 3,88 (2013: 3,54)
- Audit committee: 3,72 (2013: 3,57)
- Remuneration and nomination committee: 3,69 (2013: 3,39)
- Social and ethics committee: 3,59 (2013: 3,34)
- Sustainability, risk and compliance committee: 3,47 (2013: 3,4).

A summary of key skills areas and total experience is shown below:



Accumulated years of experience per skills area – 1 160 years



Number of non-executive directors per skills area

Differing levels (from a minimum of five years to over 10 years)

These evaluations form the basis of the board's assessment of directors' and committee members' suitability for election and re-election: summarised résumés for these directors and committee members are included in this report.

The memorandum of incorporation does not restrict the board's ability to remove a director without shareholder approval.

To support Remco in its nomination process, the group company secretary maintains a matrix (see left) to ensure the board's breadth and depth of skills and experience support and enable the company's vision and strategy: new board nominations are assessed against gaps identified in the matrix.

Chairman and chief executive

The roles of the CEO and chairman are separate. Dr Len Konar is an independent non-executive director and the CEO is Sipho Nkosi. The roles and responsibilities of the chairman and CEO are articulated in the board charter and further entrenched in the division-of-responsibilities policy.

The chairman is a member of Remco and chairs nomination matters, but is not a member of any other board committees. He however attends all committee meetings as a standing invitee.

Based on an evaluation of their performance and ability to add value, the chairman and respective chairman of each board committee are re-elected by the board annually.

Group company secretary

The board selects and appoints the group company secretary and recognises this person's pivotal role in entrenching good corporate governance. All directors have access to the advice and services of the group company secretary and the board has an established procedure for directors to obtain independent professional advice at the group's cost, facilitated through the group company secretary.

Carina Wessels was appointed group company secretary on 1 July 2011. As stipulated by the Listings Requirements, a detailed assessment was conducted by the board to consider and satisfy itself of the competence, qualifications and experience of the group company secretary for 2014. This was performed by:

- A review of her qualifications and experience: Carina holds LLB and LLM degrees, a certificate in advanced labour law, is an admitted advocate of the High Court of South Africa, has completed a programme for management development and is a fellow and past president of Chartered Secretaries Southern Africa (CSSA). In 2014 she was president of the Corporate Secretaries International Association, a global federation of membership bodies representing 100 000 members worldwide, and remains on their executive committee since concluding her term as president on 31 December 2014. She is a member of the Computershare issuer forum board, as well as the JSE company secretary forum. During the year, she delivered presentations at a number of local and international corporate governance conferences, published articles and exceeded her continuing professional development requirements stipulated by CSSA
- Completing a performance assessment detailing all the legislative and King III requirements by each director: this indicated that directors agreed all expectations had been regularly exceeded (average score of 4,4 out of 5). She does not serve as a director of the board and the assessment confirmed her independence and arm's-length relationship with the board based on displayed behaviours and her confirmation that she has not been restricted or constrained in any way in her role as the company's gatekeeper of good governance and that she has a direct channel of communication to the chairman and other directors.

Board and statutory committees

Board and statutory committees assist the board in executing its duties, powers and authorities. The board delegates the required authority to each committee to enable it to fulfil its respective functions through formal board-approved terms of reference, which are reviewed annually.

Delegating authority to board committees or management does not mitigate or discharge the board and its directors of their duties and responsibilities.

All committees consist of a majority of independent non-executive directors.

The following committees have been established and a report from each follows:

- Audit committee
- Social and ethics committee
- Sustainability, risk and compliance committee
- Remuneration and nomination committee.

Additional management committees assist the board and its committees in fulfilling their mandates:

- Ethics committee
- Executive committee
- Information management steering committee (a subcommittee of the audit committee)
- Investment review committee
- Offshore review committee
- Portfolio review committee.

Refer to page 13 for a visual representation of the committee structures and value added by each.

AUDIT COMMITTEE REPORT

The company's audit committee is established as a statutory committee in terms of section 94(2) of the Companies Act 71 of 2008, as amended (Companies Act) and oversees audit committee matters for all the South African subsidiaries in the Exxaro group, as permitted by section 94(2)(a) of the Companies Act, as well as all offshore subsidiaries and controlled trusts. In accordance with an exemption granted by the Financial Services Board, it also oversees audit committee matters for the company's wholly owned insurance captive, Exxaro Insurance Company Limited.

The audit committee operates in accordance with the specific statutory duties imposed by the Companies Act, the JSE Listings Requirements, and in accordance with detailed terms of reference, which incorporate the principles contained in King III and duties specifically delegated by the company's board of directors.

Objective and scope

Apart from the statutory duties of an audit committee as set out in the Companies Act, the provisions of the Listings Requirements and King III, the ambit of the audit committee has been expanded to include financial risk management, financial compliance, combined assurance and aspects of integrated reporting (in collaboration with the company's sustainability, risk and compliance committee).

The audit committee's objectives are to:

- Examine and review the group's annual financial statements and report on interim and final results, the accompanying message to stakeholders and any other announcements on the company's results or other financial information to be made public
- Oversee cooperation between internal and external auditors, and serve as a link between the board and these functions
- Oversee the external audit function and approve audit fees
- Evaluate the qualification, appropriateness, eligibility and independence of the external auditor
- Approve the appointment of the internal auditors, internal audit plan, charter and fees
- Evaluate the scope and effectiveness of the internal audit function
- 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
- Appoint the chief audit executive
- Comply with legal and regulatory requirements
- Oversee the effectiveness of the combined assurance plan and outcomes.

The committee performed its functions as stipulated in the terms of reference and detailed annual plan during the 2014 financial year.

Membership

Shareholders elect members of the audit committee annually. The committee consisted of four independent non-executive directors for most of the review period:

Member	Attendance
J van Rooyen (chairman): entire period	4/4
Dr CJ Fauconnier: from 29 January 2014	4/4
JJ Geldenhuys: 1 January to 27 May 2014	2/2
RP Mohring: entire period	4/4
V Nkonyeni: from 3 June 2014	2/2

The chairman of the board is not a member of the audit committee, although he attends all meetings as permanent invitee. In addition, the chief executive officer, finance director, chief audit executive, as well as the internal and external auditors are also permanent invitees to committee meetings. The committee, however, debates matters without the permanent invitees present when required.

The committee meets four times a year. Two meetings were held with both the external auditors and internal auditors, respectively, where management was not present.

External auditors

The group's independent external auditors are PricewaterhouseCoopers Incorporated (PwC). Fees paid to the auditors are disclosed in note 7.1.3 to the group annual financial statements 2014. The group has an approved policy to regulate the use of non-audit services by the external auditors. This differentiates between permitted and prohibited non-audit services, and specifies a monetary threshold against which approvals are considered. During the year, fees paid to PwC totalled R36 million, which included R25 million for the 2014 statutory audit and related activities as well as R11 million for non-audit services. The committee is satisfied with the level and extent of non-audit services rendered during the year by PwC and its continued independence.

The committee annually assesses the independence of the group's external auditors and again completed such assessment at its meeting on 2 March 2015. PwC was required to confirm that:

- They are 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, by comparison with the membership of the firm at the time of its reappointment in 2014, more than one half of the members remain in 2015
- They remain independent, as required by section 94(7)(a) of the Companies Act and the JSE Listings Requirements.

Based on this assessment, the committee again nominated PwC as independent external auditors for the 2015 financial year. Shareholders will therefore be requested to re-elect PwC as independent external auditors for the 2015 financial year at the annual general meeting on 26 May 2015.

As part of the external audit assignment, PwC is required to give a small empowered auditing firm exposure to the Exxaro assignment, thereby developing their skills and experience and contributing to the prominence of upcoming black empowered audit firms in South Africa.

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.

As part of the internal audit assignment, EY is required to contribute 5% of the contract value towards a mutually beneficial investment project: agreement has been reached that this will be a community project and the specific initiative will be approved by a committee established for this purpose.

Finance function review

As required by the JSE Listings Requirements 3.84(h), the audit committee has satisfied itself through a formal process of the finance function's resources, experience and expertise, and the appropriateness of the expertise and experience of the FD.

Annual financial statements

The committee reviewed the company and group annual financial statements and accounting practices in detail and is satisfied that the information contained in these and the accounting practices applied 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 control, as underpinned by the risk management philosophy, during the year. The internal auditors specifically noted the marked improvement in the overall control environment and confirmed that the system of internal controls was satisfactory. On this basis, the committee confirmed there were no material areas of concern that would render internal financial controls ineffective.

Key issues

One of the most significant matters the audit committee was required to debate in 2014 was the impairment-trigger analysis as well as the impairment-testing assessment of the company's investment in the Mayoko project in the Republic of the Congo. Extensive advice and guidance were obtained from management and the company's external auditors. We acknowledge the negative impact such an event has on shareholders and the company and hence all efforts have been employed to learn from this experience. Most notably, and as previously communicated, an independent review of the Mayoko project investment process was completed by KPMG Services Proprietary Limited and the findings are being implemented to further improve our governance processes.

J van Rooyen
Chairman of the audit committee

Pretoria
9 April 2015

SOCIAL AND ETHICS COMMITTEE REPORT

The social and ethics committee is constituted as a statutory committee under section 72(4) of the Companies Act (read with regulation 43 of the Companies Regulations 2011), and as a board committee for any specific functions delegated by the board. The committee additionally fulfils the role of a group committee and therefore no other Exxaro subsidiaries have established social and ethics committees.

The committee operates under approved terms of reference, as well as a detailed annual plan, which includes both its statutory duties and those assigned by the board. It acts both as an oversight committee for areas where the remuneration and nomination (Remco) and sustainability, risk and compliance (SRC) committees have accountability, and is accountable for certain areas that do not fall within the mandate of another committee. The chairmen of Remco and SRC are required to report matters within the mandates of their respective committees to the social and ethics committee.

Membership

Shareholders elect members of the social and ethics committee annually. The committee consisted of two independent non-executive directors and one non-executive director during the review period:

Member	Attendance
Dr MF Randera (chairman): entire period	2/2
Dr CJ Fauconnier: from 27 May 2014	2/2
JJ Geldenhuys: 1 January to 27 May 2014	0/0
RP Mohring: entire period	2/2

Other attendees include subject-matter experts on each of the disciplines or areas falling within the committee's mandate specified in regulation 43(5) of the Companies Act. It meets twice a year and carried out its duties and responsibilities as stipulated in the regulations and terms of reference.

Objective and scope

The purpose of the committee is to monitor the group's activities, taking account of relevant legislation, other legal requirements or prevailing codes of best practice on:

- Social and economic development
- Good corporate citizenship
- The environment, health and public safety, including the impact of the group's activities and its products or services
- Consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws
- Labour and employment.

The committee adds value to the group by interrogating and providing independent oversight over Remco and SRC's ambit (ie discussing the moral imperative associated with certain operational issues as dealt with at the Remco or SRC), as well as by discussing and taking action in areas where the committee itself is accountable.

Key issues

Key issues receiving attention during the year included:

- As in all we do, safety came first: there were detailed discussions on the possible holistic causes of safety incidents and how these could be avoided (the regular management of safety falls within the SRC committee's scope). Although the risk of Ebola in the Republic of the Congo was minimal, efficacy of preventative actions was discussed to ensure the continued safety of employees
- Continued discussion (also reported last year) on anti-bribery and corruption risks. The board, management and key employees received bespoke anti-bribery and corruption training, in addition to mandatory computer-based training for all management employees. A bespoke anti-bribery and corruption policy was also implemented. While human behaviour plays a role it will be difficult to completely eradicate this risk, but the committee is confident that all possible reasonable steps have been taken to mitigate it as much as possible
- R88 million was spent in 2014 on charitable donations and initiatives (including donor membership of the Ethics Institute of South Africa) and includes the company's contribution to communities in which it operates
- Employment and labour discussions in 2014 were overshadowed by industrial action, including demands for better salaries and conditions of employment in the mining sector and how such events could potentially impact the company and its labour relations: fortunately no significant industrial action took place at our business units. The committee spent considerable time to understand how Exxaro compares to others on salaries and benefits and was comfortable with this comparison
- The new codes of good practice to measure broad-based black economic empowerment (BBBEE) and the company's anticipated future score were deliberated and the planned remedial steps to improve the score will continue to receive focus in coming years
- For the first time in 2014, the committee considered consumer relationships and compliance with consumer protection laws, as well as public relations and advertising (brand identity)
- Resulting from postponements to the Mayoko project and concerns raised by the committee on the level of continued community support in Mayoko, a detailed report provided assurance that key activities and commitments

to the community were still under way: in 2014, over 2 900m^3 of purified water were provided to Sieba village, accounting for 30% of total water production of the Mayoko camp
- As always, matters of ethics received significant focus, as detailed here.

Incidents of unethical behaviour

At Exxaro, reports of alleged unethical behaviour are received through the anonymous reporting hotline and other mechanisms. All reports are periodically reviewed by the Exxaro ethics committee and referred either for forensic investigation or to functional heads to be investigated. The ethics committee comprises executives, senior management and the chief audit executive. Chaired by the chief audit executive, it meets either monthly or as required to consider issues of non-compliance to the group code of ethics or conflicts-of-interest policy, as well as matters reported on the ethics hotline or to management.

In 2014, 448 cases of alleged unethical behaviour (2013: 400) were reported for investigation, 49 of these via the ethics line (2013: 45). In total, 156 people were subjected to disciplinary hearings, with 164 arrests made by the South African Police Service (SAPS) for criminal prosecution based on the results of referred investigations (2013: 132). The direct monetary value of cases reported and investigated was R16 619 805 (2013: R11 497 926) with R10 491 166 being recovered/saved due to the investigations.

	2014			2013
	Other reports received	Reporting line	Total	Total
Cases reported	399	49	448	400
Disciplinary hearings	137	19	156	393
Reported to SAPS	149	15	164	132

Dr MF Randera
Social and ethics committee chairman

Pretoria
9 April 2015

SUSTAINABILITY, RISK AND COMPLIANCE COMMITTEE REPORT

The SRC committee is constituted to oversee the Exxaro group's consideration of and performance on all material non-financial issues, including social, risk, compliance and environmental issues and to ensure these are integrated into our strategy and economic performance.

Objective and scope

The committee's objectives are to:

- Provide oversight on three important aspects influencing strategy and the long-term viability of the company – sustainability, risk and compliance
- Oversee and coordinate all risk and compliance activities (although the audit committee remains accountable for financial risk and compliance)
- Ensure the company reports annually through an integrated report on relevant SRC issues
- Provide oversight over the integrated report.

Membership

The committee consisted of at least four independent non-executive directors during the review period:

Member	Attendance
JJ Geldenhuys (chairman): 1 January to 27 May 2014	1/1
Dr CJ Fauconnier (chairman): from 27 May 2014	4/4
S Dakile-Hlongwane: entire period	3/4
RP Mohring: entire period	3/4
D Zihlangu: entire period	4/4

Other attendees include subject-matter and discipline experts, as well as the chairman of the board. The committee meets four times a year and carried out its duties and responsibilities as stipulated in the terms of reference and detailed annual plan during the review period.

Key issues

Key issues receiving attention during the year included:

- After 20 months of zero fatalities, the regrettable fatal incident at Arnot on 5 July 2014, where Mr Solomon Latebotse Mashigo, a continuous miner operator, passed away. Any fatality and other high potential impact incidents are presented and discussed in detail to ensure root causes have been accurately identified and appropriate remedial and preventive actions fully implemented. While any fatal incident is intolerable, the committee is pleased to report that our lost-time injury frequency rate was stable at 0,19 for the year. Safety continues to be a focus area throughout the group: safety always, all the way!
- Sustainability, risk and compliance key performance indicators (KPIs) are discussed at every meeting: these KPIs deal with material items in each of the capitals, including energy consumption, water withdrawal and discharge, air quality, occupational diseases and exposure, lost-time injuries, social and labour plan performance, preferential procurement and enterprise development, top risks and licence-to-operate legislative compliance.

Specialist and business unit reports are presented to the committee on a rotational basis. During the reporting period, the following matters were discussed in detail:

- Business unit reports on safety, health, environment and community strategies and performance: Matla mine, Mayoko, North Block Complex
- Mine-closure strategies in general, but specifically actions and plans for Tshikondeni's planned closure in the last quarter of 2014
- Preferential procurement performance and strategies
- Compliance and processes in managing the company's mineral resources and reserves
- Improvements to the enterprise risk management framework
- Feedback on environmental legal audits.

The committee embraces its role to guide the company on its sustainability, risk and compliance journey, and to ensure that Exxaro remains a responsible corporate citizen. The committee views its role as an imperative delegated by the board, and as an opportunity to make a meaningful contribution to South Africa by helping to ensure that the future is secured for every one of our stakeholders.

Dr CJ Fauconnier
Chairman of the SRC committee

Pretoria
9 April 2015

REMUNERATION AND NOMINATION COMMITTEE REPORT

The remuneration and nomination committee (Remco) is a combined committee, overseeing remuneration matters for all controlled subsidiaries and nomination matters for Exxaro Resources Limited only (the executive committee has been mandated to consider nomination matters for all subsidiaries and investments). It operates under approved terms of reference, as well as a detailed annual plan, which incorporate the principles of King III as well as duties assigned by the board.

Objective and scope

The committee's objectives are to:

- Make recommendations on remuneration policies and practices, including Exxaro's employee share schemes, for all controlled companies
- Ensure effective executive and board succession planning
- Review medical aid, retirement fund performance
- Review compliance with all statutory and best-practice requirements on labour and industrial relations management in collaboration with the SRC committee.

As a combined committee, a process is in place to ensure the following responsibilities for the nomination element are carried out:

- Provide recommendations on the composition of the board and board committees, and ensure the board comprises individuals equipped to fulfil their role as directors of the company, aligned with the policy detailing procedures for appointments to the board
- Provide comments and suggestions on committee structures of the board, committee operations, member qualifications and member appointment.

Membership

The committee consisted of a majority of independent non-executive directors for the full review period. The board chairman is a member of the committee and chairs the meeting when discussing nomination matters.

Member	Attendance
RP Mohring (chairman): entire period	6/6
JJ Geldenhuys: 1 January to 27 May 2014	1/1
CJ Fauconnier: from 3 June 2014	4/4
D Konar: entire period	5/6

Other attendees include the CEO, FD and executive head: human resources. The committee meets four times a year and carried out its duties and responsibilities as stipulated in the terms of reference and detailed annual plan during the review period.

Key issues

Key issues receiving attention during the year included:

- Retrenchments due to mine closures, project postponements and restructuring initiatives and the subsequent social impact and reduction in jobs in the mining industry as a whole
- Continued focus to improve labour productivity to balance the higher-than-CPI labour inflation driven by union demands
- Higher expectations from employees for employers to get involved in non-service delivery in the communities where they reside and the potential associated costs
- Wage negotiations in 2015, especially in the context of increased industry industrial action since 2013 and the global commodity outlook in the short term.

Remuneration philosophy

This report elaborates on Exxaro's remuneration policy for non-executive and executive directors, prescribed officers, senior management and all other employees.

The remuneration policy and practices in Exxaro are reviewed regularly against best practice and governance requirements.

The Exxaro brand is built on a strong vision – everything we do and deliver today will allow others to realise their vision tomorrow. We believe in the power of people and their ability to explore and shift boundaries, which leads to success. As such, our people strategies have been developed to reinforce our brand values:

- People-powered
- Inspired leaders
- Leading performance
- Sustainable effort.

At the annual general meeting in 2014, shareholders were again requested to approve the remuneration policy outlined in this report as a non-binding advisory vote, which received 74,23% support.

Benchmarking

External remuneration benchmarking for executives, non-executives, managers and other personnel positions is continuous, with external comparisons reported to Remco every six months.

The salary benchmark used for median performance of our management and specialist category staff is the 50th percentile (median) of the market's guaranteed remuneration values. Exxaro allows for a 30% differentiation from median market values, depending on the performance rating of the individual.

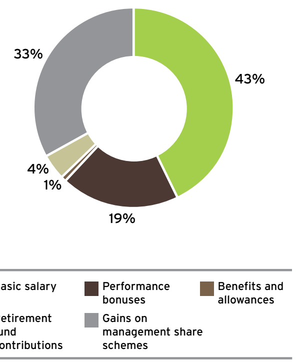
Industry benchmarking takes place ahead of wage negotiations for bargaining unit employees and remuneration policies for this group reflect this benchmarking.

Policy

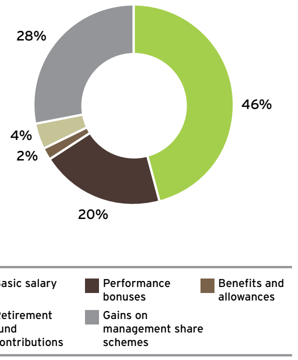
Exxaro follows a holistic remuneration approach that includes a guaranteed (base pay and benefits) and variable component (separated into long- and short-term incentives). All elements play a role in attracting and retaining our people.

Exxaro remuneration: overview

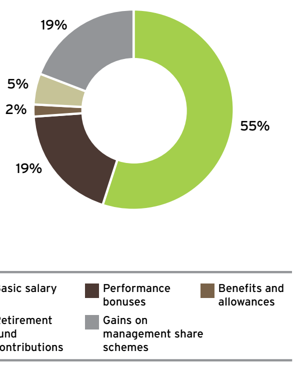
<table>
<tr><th colspan="2" rowspan="4">Remuneration elements</th><th colspan="4">Employee categories</th><th></th></tr>
<tr><th colspan="4">Management and specialist category employees</th><th>Bargaining category employees</th></tr>
<tr><th>Executive management</th><th>Senior management</th><th>Middle management</th><th>Junior management</th><th rowspan="2">A-CM band</th></tr>
<tr><th>F band</th><th>E band</th><th>DU and DM band</th><th>CU and DL band</th></tr>
<tr><td rowspan="3">Guaranteed remuneration</td><td>Notional cost of employment or basic salary</td><td colspan="4">Annual adjustments based on:
• Performance
• External market
• Internal parity
• Affordability</td><td>Annual adjustments based on:
• Wage negotiations
• Mandate on affordability
• Industry benchmarking</td></tr>
<tr><td>Benefits</td><td colspan="5">• Retirement fund: employer and employee contributions
• Medical aid: employer and employee contributions
• Housing: company housing or allowances/subsidies applicable to specific business unit</td></tr>
<tr><td>Circumstantial remuneration</td><td colspan="5">• Job-specific
• Skills scarcity</td></tr>
<tr><td rowspan="5">Variable remuneration</td><td>Short-term incentives</td><td colspan="3">Special performance:
• Individual performance base
• Strategic business targets</td><td colspan="2">Not applicable</td></tr>
<tr><td rowspan="4">Long-term incentives</td><td colspan="5">First tier on budgeted achievement
Second tier above target improvement incentives:
• Capped at 30% of Exxaro's above-budget improvement</td></tr>
<tr><td colspan="2">Deferred bonus plan
(EM and above)
• Share match</td><td colspan="3">Not applicable</td></tr>
<tr><td colspan="3">Long-term incentive scheme (DM and above)
• Performance conditions</td><td colspan="2">Not applicable</td></tr>
<tr><td colspan="3">Share appreciation right scheme (being phased out, no new allocations since 1 April 2012)
• Performance conditions</td><td colspan="2">Not applicable</td></tr>
<tr><td colspan="2">Mpower</td><td colspan="3">Not applicable</td><td colspan="2">On 22 May 2012, shareholders approved a new five-year employee share option scheme (Mpower 2012) effective from 1 July 2012 to 31 May 2017</td></tr>
</table>



Chief executive officer's remuneration mix 2014



Finance director's remuneration mix 2014



Prescribed officer's remuneration mix 2014

Guaranteed remuneration

Management and specialist category

Employees in the management and specialist category, including executives, are remunerated on a total-package approach. Guaranteed remuneration adjustments to employees are based on fundamental principles:

- Remuneration is based on performance through individual performance contracting and assessment
- External competitiveness: the market median is the reference point for performance per job family, per level in determining remuneration competitiveness
- Internal equity: same job – same performance – same pay (except circumstantial)
- Affordability: all salary account-related mandates are first included in the Exxaro financial forecasting model to determine affordability.

The table below indicates key performance areas for executives which informs annual guaranteed remuneration adjustments.

Executive key performance areas	CEO (%)	FD (%)	Executive head operations (%)	Other executives* (%)
Vision and strategy	30	30	20	30
Portfolio improvement (ROCE, value release, NPV)	10	15	10	10
Sustainability (safety, health, environment, licence to operate, risk)	15	10	10	10-15
Stakeholder engagement and reputation	10	15	10	10-15
Leadership and people	15	15	15	15
Operational excellence	15	5	30	10
Fit for purpose service	5	10	5	10-15
	100	100	100	100

* *Depending on their functional responsibilities.*

Non-management category

Employees in the non-management category are remunerated on a traditional menu package comprising basic salary, housing allowance, other site-specific allowances and employer contributions to retirement and medical funds. Annual adjustments are usually determined through wage negotiations where applicable.

Key benefits

Contributions to retirement funds and medical aids are made by both employees and employers.

For family-friendly benefits, Exxaro provides four months' paid maternity leave and all employees qualify for 24/7 group personal accident cover.

Retirement funds

Retirement fund contributions are made according to specific conditions of employment and fund rules for different levels and categories of employees. Employer and employee contributions to this fund are reflected in note 14.2.1 of the annual financial statements.

All employees belong to one of the following retirement funds:

Fund description	Employee % contribution range	Employer % contribution range	Total % contribution range
Sentinel Fund	7,50 – 13,20	12,50 – 20,52	20,00 – 28,02
Mine Employees Pension Fund	8,00 – 10,70	12,50 – 15,00	20,50 – 24,65
Exxaro Selector Funds	7,00 – 8,00	10,00 – 15,00	17,00 – 23,00
Iscor Employees Umbrella Provident Fund	7,00 – 8,00	10,00 – 15,00	17,00 – 23,00
Mine Workers Provident Fund	8,00 – 10,70	12,50 – 15,00	20,50 – 24,65

Exxaro-accredited retirement funds are defined-contribution funds.

Any actuarially valued defined-benefit fund obligation disclosed in the annual financial statements merely recognises past practice with no new entrants allowed.

Medical benefit funds

Employees may annually elect to belong to any of the following medical schemes:

Business unit	Exxaro Coal Mpumalanga	Exxaro Coal	Exxaro (including all management and specialist category employees in subsidiary companies)	Exxaro (other non-management and specialist category employees)
Fund names	Bonitas	Bonitas	Bonitas	Bonitas
	Discovery	Discovery	Discovery	Discovery
	Sizwe	Sizwe	Sizwe	Sizwe
	WCMAS (ring-fenced)	Umvuzo	Umvuzo	Umvuzo
Employee contributions	50%	50%	40-50%	40%
Employee contributions	50%	50%	(included in package)	60% capped

Exxaro no longer offers any new post-retirement medical benefits. The post-retirement benefit obligation disclosed in the annual financial statements merely recognises past practice that was discontinued with the creation of Exxaro in November 2006.

Contributions to medical funds, charged against income, are also reflected in note 14.2.2 of the annual financial statements.

Short-term incentives

Exxaro strives to create a culture of powering possibilities, based on the belief that people can make the difference and are a major resource in delivering sterling business results. Incentive schemes are focused on Exxaro's strategic objectives.

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

- Individual performance reward
- A two-tier performance incentive:
  - On-target business unit incentive
  - Group improvement incentive.

Individual performance reward

This scheme applies to employees in the middle, senior and executive management categories.

A short-term incentive scheme focused on the individual is used to augment the performance management process and retention strategy. The threshold for this scheme is 90% achievement of the objective and it only pays out zero, 90% or 100%.

The basis for paying this incentive rests on achieving agreed individual measures.

Individual agreed measures for the CEO and FD for 2014 were:

Position	Performance objective	% of SPR	Awarded 2014
CEO	Signing mining convention in the Republic of the Congo	50	Full
	Engagement with Department of Mineral Resources and Department of Water and Sanitation	50	Full
FD	Secure successful bond raising	50	Full
	Implementation of cost-saving initiatives	50	Full

The two-tier performance incentive

The two-tier performance incentive was created to reinforce a performance culture and applies to all full-time employees. Payment of this incentive is determined by on-target business unit performance and group improvement targets.

Two-tier performance incentive payment 2014

	Potential % of guaranteed pay	Average payment
First tier	8,33%	5%
Second tier	10%	3%

First tier

The first tier is a line-of-sight incentive based on achieving the business unit's net operating profit target or production target. This is currently equal to 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 the budgeted consolidated group or commodity net operating profit target.

For this purpose, net operating profit is defined as revenue less cost of sales less selling and distribution costs and excludes income from Tronox, Mafube, Cennergi, Sishen and Black Mountain.

Long-term incentives

Exxaro makes general share offers to participants once a year under the following approved schemes:

- Exxaro share appreciation right scheme (SAR) (being phased out, with no new allocations since 1 April 2012)
- Exxaro long-term incentive plan (LTIP)
- Deferred bonus plan (DBP).

The aggregate number of shares that may be allocated under all the managerial share schemes cannot exceed 30 000 000. These allocations are, however, not new share issues, but are settled on market.

The table summarises Exxaro's long-term incentives and details of awards granted and cancelled between 31 December 2013 and 31 December 2014. The grant price was based on the volume-weighted average price of the previous month.

Plan	Qualification (employees Paterson band)	Date implemented	Rights/ shares on 31 Dec 2013	Maximum award per individual	2014 performance condition	Vesting period	Grants in 2014	Grants cancelled in 2014	Total grants from inception to 31 Dec 2014
Share appreciation rights	DM — FU*	1/3/2007	4 240 116	154 684	HEPS	Three years	–	1 403 414	9 987 282
Long-term incentive plan	DM — FU*	1/3/2007	4 484 833	298 184	HEPS 70% Retention 30%	Three years	2 815 834	220 126	9 739 138
Deferred bonus plan	EM — FU*	31/8/2007	104 074	11 327	Achieving short-term incentive goal	Three years	98 488	310 680	310 680

* *Includes executive directors.*

Share appreciation right scheme

Participants are awarded a conditional right to receive shares equal to the value of the difference between the share price at the time rights were granted and the share price when rights are exercised (should the share appreciate in value). This scheme is being phased out, with no new allocations since 1 April 2012.

Grant limits	Employees on Paterson band DM — FU
Vesting period	Three years. If the performance condition is met, share appreciation rights vest and participants have to exercise their right within seven years from the date of original offer
Performance conditions	Headline earnings per share (HEPS) target set by Remco
Other	SAR not exercised within a period of seven years lapse
Number of participants	285

The last awards made for the period 1 April 2011 to 31 March 2012 were tested, but no vesting took place and participants did not receive any benefit.

Long-term incentive plan (LTIP)

Participants receive a conditional award of shares, which vests after three years provided certain conditions are met.

Grant limits	Employees on Paterson band DM — FU
Vesting period	Three years, subject to achieving performance conditions over a three-year performance period
Performance conditions (2014)	Headline earnings per share (HEPS) target set by Remco – 70% Retention – 30%
Number of participants	572

The annual grant of LTIP awards to qualifying participants with an agreed face value as a factor of the participant's notional cost of employment is indicated below:

Job grade/position	Benchmarked LTIP face value factors of participant's notional cost of employment (%)
CEO	229
FD	217
F-lower	143
E-upper	101
E-middle	76
E-lower	38
D-upper	38
D-middle	38

Awards made for the period 1 April 2011 to 31 March 2012 were subject to 50% total shareholder return (TSR) and 50% return on capital employed (ROCE) performance conditions: 90,49% of the 50% TSR performance condition vested, while 0% of the 50% ROCE condition vested.

Deferred bonus plan

On receipt of short-term incentive and special performance reward payments, participants are able to use part of their after-tax bonus to acquire shares (pledged shares) in Exxaro with a matching award on the vesting date.

Grant limits	Employees on Paterson EM and above
Vesting period	Three years
Performance conditions	To qualify for the deferred bonus plan, qualifying employees must have achieved their short-term incentive goal of which a portion (50% for EM, 90% for EU and above) can then be used towards this scheme
Retention condition	If pledged shares are held for the pledge period of three years and participants remain employed by the company for that period, the company will provide a matching award of free shares (matching shares)
Other	Pledged shares are held in escrow until the vesting date, but participants receive full dividends and may dispose of the shares, thereby sacrificing the commensurate portion of future matching shares
Number of participants	59

Mpower 2012 (Exxaro employee share option scheme)

The Mpower 2012 scheme was implemented on 1 July 2012, and will run until 31 May 2017. Only employees on Paterson D-lower band and below qualify to participate. Employer companies in the Exxaro group made capital contributions of R75 000 for each qualifying employee to enable the share subscription. Each qualifying employee on 1 July 2012 received 387 shares. Employees who join later will receive a pro-rated number of shares. On 31 December 2014, there were 7 781 beneficiaries participating in the scheme.

In addition, in 2014 Mpower 2012 paid R14 million in dividends to beneficiaries of the scheme.

Remuneration of executive directors, non-executive directors and prescribed officers

Directors

Summarised information on the remuneration of executive directors and non-executive directors appears overleaf. For detailed disclosure, refer to page 105 of the annual financial statements.

Prescribed officers

Recommended practice, in line with King III (2.26.2), is to disclose the salaries of the three most highly paid employees who are not directors. In Exxaro, these individuals are also prescribed officers, as defined in the Companies Act 71 of 2008, as amended, and hence full disclosure of the remuneration of all prescribed officers appears overleaf.

RP Mohring
Chairman: Remuneration and nomination committee

Pretoria

9 April 2015

Summary of remuneration received or receivable

2014	Basic salary R	Fees for services R	Performance bonuses[1] R	Benefits and allowances[2] R	Retirement fund contributions R	Gains on management share schemes R	Total R
Executive directors							
SA Nkosi	7 323 305		3 196 069	93 941	724 283	5 509 697	16 847 295
WA de Klerk	4 574 666		1 946 148	180 255	452 439	2 792 914	9 946 422
	11 897 971		5 142 217	274 196	1 176 722	8 302 611	26 793 717
Less: gains on management share schemes							(8 302 611)
Less: reversal of share-based payment expense[3]							(3 159 229)
Total remuneration paid by Exxaro							15 331 877
Non-executive directors							
S Dakile-Hlongwane		413 707					413 707
Dr CJ Fauconnier		684 700		28 692			713 392
JJ Geldenhuys[4]		317 115		9 389			326 504
Dr D Konar (chairman)		1 395 873					1 395 873
NB Mbazima		398 036					398 036
VZ Mntambo		423 114					423 114
RP Mohring		823 781		20 832			844 613
V Nkonyeni[5,6]		225 083					225 083
MF Randera		427 540		2 106			429 646
NL Sowazi[6,7]		123 368					123 368
J van Rooyen		599 734					599 734
D Zihlangu		410 575					410 575
Total remuneration paid by Exxaro		6 242 626		61 019			6 303 645
Prescribed officers							
MDM Mgojo	4 266 607		2 031 253	161 484	357 182	2 135 162	8 951 688
MI Mthenjane	3 344 464		1 490 613	110 930	248 683		5 194 690
M Piater	3 264 332		1 250 408	126 613	317 797	1 347 297	6 306 447
PE Venter[8]	4 358 693		1 733 633	199 045	377 156	1 881 695	8 550 222
M Veti	2 837 160		79 324	36 394	280 598	988 532	4 222 008
CH Wessels	1 775 303		501 048	68 818	143 943	415 262	2 904 374
	19 846 559		7 086 279	703 284	1 725 359	6 767 948	36 129 429
Less: gains on management share schemes							(6 767 948)
Less: reversal of share-based payment expense[3]							(3 977 830)
Total remuneration paid by Exxaro							25 383 651

1 *All incentive schemes are performance related and were approved by the board. The two-tier short-term incentive scheme applies to all employees throughout the group.*
2 *Include travel allowances.*
3 *Reversal of share-based payment expense as a result of non-market conditions not being achieved.*
4 *Retired on 27 May 2014.*
5 *Appointed on 3 June 2014.*
6 *Fees paid to the respective employer and not the individual.*
7 *Resigned on 3 June 2014.*
8 *Retired on 28 February 2015.*

Retirement amounts paid or received by executive directors are paid or received under defined contribution retirement funds.

2013	Basic salary R	Fees for services R	Performance bonuses[1] R	Benefits and allowances[2] R	Retirement fund contributions R	Gains on management share schemes R	Total R
Executive directors							
SA Nkosi	6 780 615		3 977 050	86 980	670 610	11 980 202	23 495 457
WA de Klerk	4 252 911		2 878 942	167 364	414 654	10 504 741	18 218 612
	11 033 526		6 855 992	254 344	1 085 264	22 484 943	41 714 069
Less: gains on share scheme							(22 484 943)
Add: share-based payment expense							17 950 027
Total remuneration paid by Exxaro							37 179 153
Non-executive directors							
S Dakile-Hlongwane		336 607		8 258			344 865
Dr CJ Fauconnier[3]		42 753		389			43 142
JJ Geldenhuys		692 883		50 482			743 365
U Khumalo[4,5]		20 910					20 910
Dr D Konar (chairman)		1 167 820					1 167 820
NB Mbazima		266 737					266 737
VZ Mntambo		345 317		240			345 557
RP Mohring		690 173		14 017			704 190
MF Randera		313 897		3 849			317 746
NL Sowazi[5]		240 067					240 067
J van Rooyen		528 846					528 846
D Zihlangu		336 607		3 900			340 507
Total remuneration paid by Exxaro		4 982 617		81 135			5 063 752
Prescribed officers							
MDM Mgojo	3 861 539		2 182 983	139 895	335 907	4 704 242	11 224 566
MI Mthenjane[6]	1 731 044		830 367	147 014	159 221		2 867 646
M Piater	3 011 227		1 485 547	118 651	297 813	2 612 094	7 525 332
PE Venter	3 984 132		2 071 787	247 218	350 769	2 940 547	9 594 453
M Veti	2 588 593		1 172 820	33 202	255 685	2 723 349	6 773 649
CH Wessels	1 661 950		502 125	62 015	129 713		2 355 803
	16 838 485		8 245 629	747 995	1 529 108	12 980 232	40 341 449
Less: gains on share scheme							(12 980 232)
Add: share-based payment expense							15 424 152
Total remuneration paid by Exxaro							42 785 369

1 *All incentive schemes are performance related and were approved by the board. The two-tier short-term incentive scheme applies to all employees throughout the group.*
2 *Include travel allowances.*
3 *Appointed on 1 November 2013.*
4 *Resigned on 31 January 2013.*
5 *Fees paid to the respective employer and not the individual.*
6 *Appointed as an executive committee member on 1 May 2013.*

Retirement amounts paid or received by executive directors are paid or received under defined contribution retirement funds.

Directors' interest in Exxaro shares

	At 31 December			
	2014		2013	
Director	Direct	Indirect	Direct	Indirect
Beneficial interest				
S Dakile-Hlongwane		488 763		488 763
WA de Klerk	1 462	19 011	1 462	11 371
Dr CJ Fauconnier	47 500		47 500	
Dr D Konar (chairman)	6 168		6 168	
VZ Mntambo		5 529 881		5 794 393
RP Mohring	1 000		1 000	
SA Nkosi	61 113	9 644 427	70 144	9 645 240
NL Sowazi		1 124 906		1 124 906
J van Rooyen		1 500		
D Zihlangu		2 818 552		2 817 773
Non-beneficial interest				
WA de Klerk		66 363		62 347
Dr CJ Fauconnier		1 000		1 000

Percentages (direct and indirect)

	2014	2013
S Dakile-Hlongwane	0,14	0,14
VZ Mntambo	1,54	1,62
SA Nkosi	2,71	2,71
NL Sowazi	0,31	0,31
D Zihlangu	0,79	0,79

There have been no changes in the directors' interests in Exxaro shares between the end of the financial year 2014 and the date on which the annual financial statements were approved.

07 SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS

AUDITED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

	Notes	2014 Rm	2013 Rm
Revenue		16 401	13 568
Operating expenses	4	(15 197)	(12 576)
Operating profit		1 204	992
Other income	5	1 466	1 594
Impairment charges of non-current assets	6	(5 962)	(143)
Net operating (loss)/profit		(3 292)	2 443
Finance income		80	81
Finance costs		(183)	(367)
Income from financial assets		9	12
Share of income from equity-accounted investments		2 515	3 631
(Loss)/profit before tax		(871)	5 800
Income tax expense		(13)	(645)
(Loss)/profit for the year from continuing operations		(884)	5 155
Profit for the year from discontinued operations			1 049
(Loss)/profit for the year		(884)	6 204
Other comprehensive income (OCI), net of tax		1 190	2 640
Items that will not be reclassified to profit or loss:		(316)	150
Share of comprehensive (loss)/income of equity-accounted investments		(316)	150
Items that may be subsequently reclassified to profit or loss:		1 506	2 490
Unrealised gains on translating foreign operations		224	537
Revaluation of available-for-sale financial assets		345	100
Share of comprehensive income of equity-accounted investments		937	1 853
Total comprehensive income for the year		306	8 844
(Loss)/profit attributable to:			
Owners of the parent		(883)	6 217
– Continuing operations		(883)	5 168
– Discontinued operations			1 049
Non-controlling interests (continuing operations)		(1)	(13)
(Loss)/profit for the year		(884)	6 204
Total comprehensive income/(loss) attributable to:			
Owners of the parent		307	8 854
– Continuing operations		307	7 805
– Discontinued operations			1 049
Non-controlling interests (continuing operations)		(1)	(10)
Total comprehensive income for the year		306	8 844
Attributable (losses)/earnings per share: aggregate			
– Basic		(249)	1 751
– Diluted		(249)	1 746
Attributable (losses)/earnings per share: continuing operations			
– Basic		(249)	1 456
– Diluted		(249)	1 452
Attributable earnings per share: discontinued operations			
– Basic			295
– Diluted			294

AUDITED RECONCILIATION OF GROUP HEADLINE EARNINGS

for the year ended 31 December

	Gross Rm	Tax Rm	Net Rm
2014			
Loss attributable to owners of the parent			(883)
Adjusted for:	6 328	(576)	5 752
– IFRS 10 *Loss on Disposal of Subsidiary*	28		28
– IAS 16 *Net Losses on Disposal of Property, Plant and Equipment*	27	(6)	21
– IAS 2 *Gains on Translation Differences Recycled to Profit or Loss on the Liquidation of a Foreign Subsidiary*	(47)		(47)
– IAS 28 *Loss on Dilution of Investment in Associates*	58		58
– IAS 28 *Share of Associates' Separate Identifiable Remeasurements*	296	(18)	278
– IAS 36 *Impairment of Property, Plant and Equipment*	4 740	(552)	4 188
– IAS 36 *Impairment of Intangible Asset*	202		202
– IAS 36 *Impairment of Goodwill Acquired in a Business Combination* in terms of IFRS 3	1 020		1 020
– IAS 38 *Loss on the Write-off of Intangible Assets*	4		4
Headline earnings (continuing operations)			4 869
2013			
Profit attributable to owners of the parent			6 217
Adjusted for:	(1 010)	(13)	(1 023)
– IFRS 10 *Gain on Disposal of Subsidiary*	(964)		(964)
– IAS 16 *Net Losses on Disposal of Property, Plant and Equipment*	9	(4)	5
– IAS 28 *Loss on Dilution of Investment in Associates*	12		12
– IAS 28 *Share of Associates' Separate Identifiable Remeasurements*	(114)	2	(112)
– IAS 36 *Impairment of Property, Plant and Equipment*	292	(11)	281
– IAS 36 *Reversal of Impairment of Property, Plant and Equipment*	(247)		(247)
– IAS 38 *Loss on the Write-off of Intangible Assets*	2		2
Headline earnings			5 194
– Continuing operations			5 218
– Discontinued operations			(24)

	2014 cents	2013 cents
Headline earnings per share: aggregate		
– Basic	1 372	1 463
– Diluted	1 372	1 459
Headline earnings per share: continuing operations		
– Basic	1 372	1 470
– Diluted	1 372	1 466
Headline losses per share: discontinued operations		
– Basic		(7)
– Diluted		(7)

	2014 number	2013 number
Issued share capital as at 31 December	358 115 505	358 115 505
Ordinary shares (million)		
– Weighted average number of shares	355	355
– Diluted weighted average number of shares	355	356

AUDITED GROUP STATEMENT OF FINANCIAL POSITION

at 31 December

	Notes	2014 Rm	2013 Rm
ASSETS			
Non-current assets		41 408	44 681
Property, plant and equipment		18 344	20 342
Biological assets		84	72
Intangible assets		34	1 176
Investments in associates		18 588	19 207
Investments in joint ventures		966	861
Financial assets	8	2 853	2 657
Deferred tax		539	366
Current assets		5 693	4 483
Inventories		998	938
Trade and other receivables		2 611	2 434
Current tax receivable		78	82
Cash and cash equivalents		2 006	1 029
Non-current assets held-for-sale		328	342
Total assets		47 429	49 506
EQUITY AND LIABILITIES			
Capital and other components of equity			
Share capital		2 409	2 396
Other components of equity		6 031	4 234
Retained earnings		25 985	29 668
Equity attributable to owners of the parent		34 425	36 298
Non-controlling interests			(26)
Total equity		34 425	36 272
Non-current liabilities		9 182	9 157
Interest-bearing borrowings		2 976	3 569
Non-current provisions		2 219	1 863
Post-retirement employee obligations		167	149
Financial liabilities		88	95
Deferred tax		3 732	3 481
Current liabilities		3 590	3 852
Trade and other payables		3 208	2 867
Interest-bearing borrowings		34	31
Current tax payable		27	131
Current provisions		254	17
Overdraft		67	806
Non-current liabilities held-for-sale		232	225
Total equity and liabilities		47 429	49 506

AUDITED GROUP STATEMENT OF CHANGES IN EQUITY

at 31 December

		Other components of equity									
	Share capital Rm	Foreign currency translations Rm	Financial instruments revaluations Rm	Equity-settled Rm	Retirement benefit obligation Rm	Available-for-sale revaluations Rm	Other Rm	Retained earnings Rm	Attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
At 1 January 2013	2 374	1 211	21	1 300	(163)		(733)	24 784	28 794	12	28 806
Profit/(loss) for the year								6 217	6 217	(13)	6 204
Other comprehensive income		534				100			634	3	637
Share of comprehensive income/(losses) of equity-accounted investments		1 401	289	110	150		(1)	54	2 003		2 003
Issue of share capital[1]	22								22		22
Share-based payments movement				83					83		83
Dividends paid								(1 387)	(1 387)		(1 387)
Acquisition of non-controlling interest							(68)		(68)	(28)	(96)
At 31 December 2013	2 396	3 146	310	1 493	(13)	100	(802)	29 668	36 298	(26)	36 272
Loss for the year								(883)	(883)	(1)	(884)
Other comprehensive income		224				345			569		569
Share of comprehensive income/(loss) of equity-accounted investments		827	(194)	310	(316)	(63)	(6)	63	621		621
Issue of share capital[1]	13								13		13
Share-based payments movement				(108)					(108)		(108)
Dividends paid								(2 055)	(2 055)		(2 055)
Reclassification of equity[2]							808	(808)			
Disposal and liquidation of subsidiaries[3]		(30)							(30)	27	(3)
At 31 December 2014	2 409	4 167	116	1 695	(329)	382		25 985	34 425		34 425

1 *Vesting of Mpower 2012 treasury shares to good leavers amounted to R13 million (2013: R8 million). A good leaver is a participant to a share-based payment scheme whose employment has been terminated due to retrenchment, retirement, death, serious disability, serious incapacity or promotion out of the relevant qualification category as defined internally by the remuneration and nomination committee. An amount of R14 million in 2013 relates to shares issued to the Kumba Resources Management Share Trust due to options exercised.*

2 *Reclassification of reserves created for transactions with non-controlling interests.*

3 *Included in foreign currency translations is R17 million in respect of loss on translation difference on disposal of subsidiary and R47 million gain on translation difference on the liquidation of a foreign subsidiary.*

Final dividend paid per share (cents) in respect of the 2013 financial year	315
Dividend paid per share (cents) in respect of the 2014 interim period	260
Final dividend payable per share (cents) in respect of the 2014 financial year	210

Foreign currency translations
Arise from the translation of the financial statements of foreign operations within the group.

Financial instruments revaluations
Comprise 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 of services received and settled by equity instruments granted.

Retirement benefit obligation
Comprise remeasurements on the post-retirement obligation.

Available-for-sale revaluations
Comprise the fair value adjustments net of tax on the investments in Richards Bay Coal Terminal (RBCT) R344 million (2013: R54 million) and Chifeng Kumba Hongye Corporation Limited (Chifeng) R1 million (2013: R46 million) (refer to note 8).

AUDITED GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December

	2014 Rm	2013[1] Rm
Cash flows from operating activities	1 660	436
Cash generated by operations	4 083	2 173
Interest paid	(307)	(262)
Interest received	59	70
Tax paid	(120)	(158)
Dividends paid	(2 055)	(1 387)
Cash flows from investing activities	620	(1 480)
Property, plant and equipment to maintain operations	(1 460)	(1 257)
Property, plant and equipment to expand operations	(1 737)	(3 507)
Increase in investment in intangible assets	(25)	(201)
Proceeds from disposal of property, plant and equipment	8	17
Decrease in investment in other non-current assets	214	222
Proceeds from disposal of subsidiaries		87
Increase in investment in joint ventures	(108)	(82)
Income from investments in associates	3 719	3 229
Dividend income from financial assets	9	12
Cash flows from financing activities	(604)	715
Interest-bearing borrowings raised	1 000	800
Interest-bearing borrowings repaid	(1 604)	
Consideration paid to non-controlling interests		(96)
Proceeds from issuance of share capital		14
Other financing activities		(3)
Net increase/(decrease) in cash and cash equivalents	1 676	(329)
Cash and cash equivalents at beginning of year	223	553
Translation differences on movement in cash and cash equivalents	40	(1)
Cash and cash equivalents at end of year	1 939	223
Cash and cash equivalents	2 006	1 029
Overdraft	(67)	(806)

1 *Represented between cash generated by operations and translation differences on movement in cash and cash equivalents due to a reclassification of foreign currency differences not related to cash and cash equivalents.*

1. Basis of preparation

The summarised group annual financial statements for the year ended 31 December 2014 have been derived from the audited group annual financial statements of Exxaro Resources Limited, which are available on Exxaro's website at www.exxaro.com. These summarised group annual financial statements do not contain sufficient information to allow for a complete understanding of the financial results and state of affairs of the group, which is provided by the detailed audited group annual financial statements. The summarised group annual financial statements do not include all the disclosure required for a complete set of annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS). Selected summarised notes have been included in this integrated report for a better understanding of the significant transactions during the year.

The summarised group annual financial statements for the year ended 31 December 2014 have been prepared under the supervision of the finance director, WA de Klerk (CA)SA, in accordance with the JSE Limited Listings Requirements (Listings Requirements) for abridged reports and the requirements of the Companies Act. The Listings Requirements require abridged reports to be prepared in accordance with the conceptual framework and the measurement and recognition requirements of IFRS and the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The summarised group annual financial statements have been prepared on the historical cost basis, excluding financial instruments and biological assets, which are fairly valued, and conform, in this regard, to IFRS as issued by the International Accounting Standards Board (IASB). The preparation and presentation of the summarised group annual financial statements included in this integrated report is the responsibility of Exxaro's directors. The directors take full responsibility that the financial information has been correctly extracted from the underlying audited group annual financial statements.

The summarised group annual financial statements do not include the directors' report, which forms part of the full group annual financial statements.

2. Significant accounting policies

The accounting policies adopted in the preparation of the summarised group annual financial statements are in line with IFRS and are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective 1 January 2014 (where applicable).

The accounting standards and amendments issued to accounting standards and interpretations which are relevant to the group, but not yet effective at 31 December 2014, have not been adopted. It is expected that, where applicable, these standards and amendments will be adopted on each respective effective date, except where specifically identified. The group continuously evaluates the impact of these standards and amendments.

The nature and the impact of each new standard or amendment, effective on 31 December 2014, are described below:

Investment entities (amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interest in Other Entities* and IAS 27 *Separate Financial Statements*)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the group, since none of the entities in the group qualify to be classified as investment entities under IFRS 10.

Offsetting financial assets and financial liabilities (amendments to IAS 32 *Financial instruments: Presentation*)

These amendments clarify the meaning of "currently has a legally enforceable right to offset" as well as the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the group as the group does not offset financial assets and financial liabilities.

Novation of derivatives and continuation of hedge accounting (amendments to IAS 39 *Financial instruments: Recognition and Measurement*)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the group as the group has not novated its derivatives during the current or prior periods.

Recoverable amount disclosures for non-financial assets (amendments to IAS 36 *Impairment of Assets*)

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosure required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. The group adopted these disclosure requirements on 1 January 2014.

3. Segmental information

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

Total operating segment revenue, which excludes value added tax (VAT), represents the gross value of goods and services invoiced and includes operating revenues directly and reasonably allocable to the segments. Export revenue is recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred.

Segment revenue includes sales made between segments. These sales are made on a commercial basis.

Segment operating expenses, assets and liabilities represent direct or reasonably allocable net operating profit/(loss), assets and liabilities.

Segment net operating profit equals segment revenue less operating segment expenses, less impairment charges, plus impairment reversals.

The group has four reportable operating segments, as described below, based on the group's strategic divisions. The strategic divisions offer different products and services and are managed separately. For each of the strategic divisions, the group executive committee reviews internal management reports on a monthly basis. The summary below describes the activities and location of each of the group's reportable operating segments:

Coal

The coal operations are mainly situated in the Waterberg and Mpumalanga regions and are split between commercial and tied coal operations as well as a 50% joint venture interest in Mafube Coal Proprietary Limited (Mafube), a joint venture with Anglo South Africa Capital Proprietary Limited. The operations produce thermal and metallurgical coal, as well as other small scale products.

Ferrous

The ferrous operations include the Mayoko iron ore project in the Republic of the Congo (Iron ore reportable operating segment), a 19,98% equity interest in Sishen Iron Ore Company Proprietary Limited (SIOC) reported within the other ferrous reportable operating segment as well as the FerroAlloys and Alloystream™ operations (collectively referred to as Alloys).

TiO_2

Exxaro holds a 43,98% (2013: 44,40%) equity interest in Tronox Limited (Tronox), a 26% equity interest in each of the South African-based operations, Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited (collectively referred to as Tronox SA) as well as a 26% members' interest in Tronox Sands Limited Liability Partnership in the United Kingdom (Tronox UK).

Other

The other operating segment includes the 50% investment in Cennergi Proprietary Limited (Cennergi) (a joint venture with Tata Power), a 26% equity interest in Black Mountain Mining Proprietary Limited (Black Mountain), an effective investment of 11,7% in the Chifeng operations as well as the results of Exxaro Base Metals which was sold during 2013, as well as the corporate office which renders services to external parties as well.

	For the year ended 31 December				At 31 December			
	Revenue		Net operating profit/(loss)		Assets		Liabilities	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Coal	16 176	13 362	3 297	2 769	25 124	22 386	9 140	7 552
– Tied[1]	4 577	3 917	319	215	1 887	1 543	1 462	1 391
– Commercial[2]	11 599	9 445	2 978	2 554	23 237	20 843	7 678	6 161
Ferrous	159	120	(6 238)	(141)	5 951	11 095	328	814
– Iron ore[3]			(6 100)	(27)	138	5 114	201	729
– Alloys	159	120	(97)	(61)	247	189	54	33
– Other			(41)	(53)	5 566	5 792	73	52
TiO_2					12 809	13 325		
Other	66	86	(351)	938	3 545	2 700	3 536	4 868
– Base metals[4]			(1)	145	624	611		
– Other[5]	66	86	(350)	793	2 921	2 089	3 536	4 868
Total	16 401	13 568	(3 292)	3 566	47 429	49 506	13 004	13 234

1 *Mines that are managed on behalf of and supply their entire production to either Eskom or ArcelorMittal South Africa Limited (AMSA) in terms of contractual agreements.*
2 *Net operating profit includes the New Clydesdale Colliery (NCC) net pre-tax impairment of R143 million in 2013.*
3 *Net operating loss includes the pre-tax impairment of the original investment including goodwill, carrying value of property, plant and equipment and qualifying project costs capitalised to the Mayoko iron ore project of R5 760 million as well as the impairment and write-off of financial assets totalling R43 million recorded in 2014.*
4 *Net operating profit includes a Zincor refinery partial impairment reversal of R98 million recorded in 2013.*
5 *Net operating (loss)/profit includes a pre-tax impairment loss of other non-core assets of R202 million in 2014 as well as profit on the sale of subsidiaries of R964 million on the sale of Exxaro Base Metals (which held the Zincor refinery) recorded in 2013.*

4. Significant items included in operating expenses

	Year ended 31 December	
	2014 Rm	2013 Rm
Depreciation and amortisation	889	856
Net realised foreign currency exchange gains	(97)	(56)
Net unrealised foreign currency exchange (gains)/losses	(7)	20
Net (gains)/losses on derivative instruments held-for-trading	(28)	81
Write-offs and impairment of trade and other receivables[1]	40	25
Royalties[2]	125	8
Net loss on disposal of property, plant and equipment	27	21
Loss on dilution of investment in associate	58	12
Impairment charges of non-current financial assets[3]	21	
Loss on disposal of subsidiary	28	
Termination benefits[4]	138	19

1 *Include trade and other receivables relating to the Mayoko iron ore project (R22 million).*
2 *The amount paid in 2013 for royalties includes an adjustment for the prior period calculations based on final SARS assessments.*
3 *Non-current financial assets relating to the Mayoko iron ore project.*
4 *Include voluntary severance package costs incurred and accrued for.*

5. Other income

	2014 Rm	2013 Rm
Other income	1 466	1 594

Other income relates to shortfall income received from Eskom as a result of delays in agreed upon production offtake plans.

	Year ended 31 December 2014 Rm	2013 Rm
6. Impairment charges/(reversals) of non-current assets		
Mayoko iron ore project	5 208	
Impairment charges	5 760	
– Property, plant and equipment	4 740	
– Goodwill	1 020	
Net tax effect	(552)	
Intellectual property	202	
Impairment of intangible asset (pre- and post-tax)	202	
New Clydesdale Colliery (NCC) operation		132
Net impairment charges		143
– Impairment of property, plant and equipment		292
– Reversal of impairment of property, plant and equipment		(149)
Net tax effect		(11)
Zincor		(98)
Reversal of impairment of property, plant and equipment		(98)
Net impairment charges per statement of comprehensive income (including discontinued operations)	5 962	45
Net tax effect	(552)	(11)
Net effect on attributable earnings	5 410	34
– Continuing operations	5 410	132
– Discontinued operations		(98)

6.1 Mayoko iron ore project

The Mayoko iron ore project is located in the Republic of the Congo (RoC) and was acquired in February 2012 through the acquisition of AKI. The project is reported within the iron ore operating segment which forms part of the ferrous reporting segment.

After the acquisition, Exxaro aimed to secure a mining convention agreement, as well as port and rail access agreements (project agreements). This included a company mining tax regime with the government of the RoC. These negotiations were done simultaneously with ongoing work for:

- Confirmation of inferred and proven resources
- Clearing and construction of the infrastructure required to mine the resource.

Based on the conceptual positive business case, a decision was taken to start the project in phases (ramping up to 2 million tonnes per annum (Mtpa)) as soon as the mining convention and project agreements had been finalised.

Based on the assumption that project agreements would be finalised in a reasonable timeframe, Exxaro began acquiring assets (such as rolling stock, beneficiation plant, harbour cranes, etc.) and appointing people to permit fast-track initiation. However, the mining convention was not signed until January 2014 (effectively 10 months after the original submission) and there has since been slow progress on other required project agreements, which are still outstanding.

With the time lapse, the financial models (on a 12 million tonnes concept study level) were updated with the latest assumptions on capital, operational costs, resources and long-term iron ore prices which indicated that the project may not achieve Exxaro's required hurdle rates. The major driver of the change in the returns since acquisition was attributed to higher capital expenditure. At the time of finalising the revised concept study, Exxaro had not yet been successful in concluding the definitive project agreements.

As a result of the delays in finalising these agreements, as well as higher future project development costs following the outcome of the concept study, a pre-tax impairment loss of R5 803 million (R5 760 million excluding the impairment of financial assets and write off of trade and other receivables), was raised consisting of an impairment of goodwill acquired in the business combination with AKI in 2012 of R1 020 million, impairment of property, plant and equipment of R4 740 million (including the mineral resource of R1 877 million recognised on acquisition of the project and project-related costs capitalised of R1 696 million) as well as impairment and write-off of financial assets amounting to R43 million in terms of IAS 39 *Financial Instruments: Recognition and Measurement*.

The recoverable amount, being the fair value less costs of disposal (level 3 as per IFRS 13 *Fair Value Measurement*), was considered to be immaterial and the project was impaired to a recoverable amount of Rnil. This was derived using a discounted cash flow valuation technique (consistent with the valuation technique used on 31 December 2013) where cash flow projections and a post-tax discount rate of 17% (31 December 2013: 14%) were used. The increase in the discount rate is as a result of the market assumptions on risk inherent in the implementation of the project.

	31 December	
Key assumptions made in the valuation included the following:	2014	2013
LoM: estimated at	25 years	35 years
Iron ore price: range per tonne	US$78 and US$117	US$88 and US$169
Post-tax discount rate	17,0%	14,0%

The values assigned to the key assumptions represented management's best estimates with respect to its LoM and operating projections, as well as pricing forecasts. The iron ore price ranges were based on the current known industry trends and analysis.

The discount rate was a post-tax US-based weighted average cost of capital adjusted for various risk factors, based on historical data from both external and internal sources.

The decrease in the LoM to 25 years (31 December 2013: 35 years) is mainly due to the increase in annual production costs, acceleration in ramp-up, lower plant yield and different ore mix, based on the most recent information available.

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount.

The following table shows the amounts by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount prior to the impairment:

Key assumptions	Unit	Change required
Post-tax discount rate	%	(8)
Iron ore price: range	US$/tonne	17 and 26

6.2 Intellectual property

Exxaro has taken the decision not to develop the underground coal gasification project in 2015. The decision is based on the current economic environment and the expected capital expenditure required for the project. The licence relating to this technology is not transferable and non-income generating. The licence (intangible asset) has been fully impaired with a value of R202 million following the revised management intention.

6.3 NCC operation

The carrying value of property, plant and equipment of the NCC coal operation, reported within the commercial operating segment contained in the coal reporting segment, was impaired with R292 million to the recoverable amount based on impairment tests performed in June 2013. The recoverable amount was revised following the classification of the NCC operation as held-for-sale at 31 December 2013 due to the signing of the sales agreement of the NCC operation, which was concluded with Universal Coal Development VII Proprietary Limited (Universal) in January 2014. As a result of the revision to the recoverable amount, a partial impairment reversal to the amount of R149 million was recorded on 31 December 2013, bringing the net pre-tax impairment loss recorded to R143 million.

6. Impairment charges/(reversals) of non-current assets

6.4 Zincor

The impairment reversal of the carrying value of property, plant and equipment at the Zincor operation was based on the revised recoverable amount of the operation. The recoverable amount was revised following the sale of Exxaro Base Metals Proprietary Limited (Exxaro Base Metals), which included the Zincor assets.

	At 31 December 2014 Rm	2013[1] Rm
7. Net debt		
Net debt is presented by the following items on the face of the statement of financial position (excluding assets and liabilities held-for-sale):	(1 071)	(3 377)
– Cash and cash equivalents	2 006	1 029
– Non-current interest-bearing borrowings	(2 976)	(3 569)
– Current interest-bearing borrowings	(34)	(31)
– Overdraft	(67)	(806)
Calculation of movement in net debt:		
Cash inflow/(outflow) from operating and investing activities:	2 280	(1 044)
Add:		
– Shares issued		14
– Share-based payments		(2)
– Non-cash flow movement for interest accrued not yet paid	(4)	(40)
– Non-cash flow amortisation of transaction costs	(10)	(9)
– Consideration paid to non-controlling interests		(96)
– Translation differences on movements in cash and cash equivalents	40	(1)
Decrease/(increase) in net debt	2 306	(1 178)

1 Represented between cash generated from operations and translation differences on movements in cash and cash equivalents due to a reclassification of foreign currency difference not related to cash and cash equivalents.

8. Financial instruments

(a) Carrying amounts and fair values

The carrying amounts and fair values of financial assets and financial liabilities in the condensed group statement of financial position are as follows:

	At 31 December			
	2014		2013	
	Carrying amount Rm	Fair value Rm	Carrying amount Rm	Fair value Rm
ASSETS				
Non-current assets				
Financial assets, consisting of:	2 693	2 693	2 469	2 469
– Environmental rehabilitation funds	826	826	618	618
– Loans to joint ventures	83	83	255	255
– Kumba Iron Ore Limited	22	22	40	40
– Chifeng	267	267	253	253
– RBCT	973	973	551	551
– New Age Exploration Limited			1	1
– Non-current receivables	522	522	751	751
Current assets[1]	4 104	4 104	2 875	2 875
Trade and other receivables	2 090	2 090	1 845	1 845
Derivative financial assets	8	8	1	1
Cash and cash equivalents	2 006	2 006	1 029	1 029
Non-current assets held-for-sale	76	76	67	67
Total financial instrument assets	6 873	6 873	5 411	5 411
LIABILITIES				
Non-current liabilities	2 976	2 976	3 569	3 569
Interest-bearing borrowings[2]	2 976	2 976	3 569	3 569
Current liabilities[1]	2 603	2 603	2 907	2 907
Trade and other payables	2 502	2 502	2 056	2 056
Derivative financial liabilities			14	14
Interest-bearing borrowings[2]	34	34	31	31
Overdraft	67	67	806	806
Non-current liabilities held-for-sale	14	14	36	36
Total financial instrument liabilities	5 593	5 593	6 512	6 512

1 *Carrying amounts approximate the fair values due to the short-term nature of the maturities of these financial assets and liabilities.*
2 *Carried at amortised cost representing fair value in terms of IAS 39 Financial Instruments: Recognition and Measurement.*

8. Financial instruments (continued)

(b) Fair value hierarchy

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset and liability.

At 31 December 2014	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets held-for-trading at fair value through profit or loss				
– Current derivative financial assets		8		8
Financial assets designated at fair value through profit or loss				
– Environmental rehabilitation funds	826			826
– Environmental rehabilitation fund held-for-sale	73			73
– Kumba Iron Ore Limited	22			22
Available-for-sale financial assets				
– Chifeng			267	267
– RBCT			973	973
Net financial assets carried at fair value	921	8	1 240	2 169

At 31 December 2013	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets held-for-trading at fair value through profit or loss				
– Current derivative financial assets		1		1
Financial assets designated at fair value through profit or loss				
– Environmental rehabilitation funds	618			618
– Environmental rehabilitation fund held-for-sale	67			67
– Kumba Iron Ore Limited	40			40
Available-for-sale financial assets				
– Chifeng			253	253
– New Age Exploration Limited	1			1
– RBCT			551	551
Financial liabilities held-for-trading at fair value through profit or loss				
– Current derivative financial liabilities		(14)		(14)
– Current derivative financial liabilities held-for-sale		(9)		(9)
Net financial assets/(liabilities) carried at fair value	726	(22)	804	1 508

(c) Level 3 fair values

Reconciliation of assets within Level 3 of the hierarchy:	Chifeng Rm	RBCT Rm
At 1 January 2013	174	467
Movement during the year		
Gains recognised for the period in OCI (pre-tax effect)	46	82
Settlements		2
Exchange gains for the period recognised in OCI	33	
At 31 December 2013	253	551
Movement during the year		
Gains recognised for the period in OCI (pre-tax effect)	1	422
Exchange gains for the period recognised in OCI	13	
At 31 December 2014	267	973

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 of the fair value hierarchy during the years ended 31 December 2014 and 31 December 2013.

There were no transfers between Level 2 and Level 3, as shown in the reconciliations above.

Valuation process applied by the group

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

The valuation reports are discussed with the audit committee in accordance with the group's reporting governance.

Current derivative financial instruments

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

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

Chifeng

Chifeng is classified within Level 3 of the fair value hierarchy as there is no quoted market price or observable price available for this investment. This unlisted investment is valued as the present value of the estimated future cash flows, using a discounted cash flow 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/renmimbi (RMB) exchange rate, RMB/US$ exchange rate, Zinc London Metal Exchange (LME) price, production volumes, operational costs and the discount rate.

8. Financial instruments (continued)

(c) Level 3 fair values (continued)

At 31 December 2014	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
Observable inputs			
Rand/RMB exchange rate	R1,86/RMB1	Strengthening of the rand to the RMB	26
RMB/US$ exchange rate	RMB6,13 to RMB6,75/US$1	Strengthening of the RMB to the US$	152
Zinc LME price (US$ per tonne in real terms)	US$2 311 to US$2 226	Increase in price of zinc concentrate	152
Unobservable inputs			
Production volumes (tonnes)	85 000 tonnes	Increase in production volumes	37
Operational costs (US$ million per annum in real terms)	US$63 to US$76	Decrease in operations costs	(133)
Discount rate (%)	9,94%	Decrease in the discount rate	(20)
At 31 December 2013			
Observable inputs			
Rand/RMB exchange rate	R1,72/RMB1	Strengthening of the rand to the RMB	25
RMB/US$ exchange rate	RMB6,02 to RMB5,95/US$1	Strengthening of the RMB to the US$	161
Zinc LME price (US$ per tonne in real terms)	US$2 039 to US$2 027	Increase in price of zinc concentrate	161
Unobservable inputs			
Production volumes (tonnes)	208 750 tonnes	Increase in production volumes	177
Operational costs (US$ million per annum in real terms)	US$74 to US$88	Decrease in operations costs	(143)
Discount rate (%)	10%	Decrease in the discount rate	(21)

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.*

Interrelationships

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

RBCT

RBCT is classified within Level 3 of the fair value hierarchy as there is no quoted market price or observable price available for this investment. This unlisted investment is valued as the present value of the estimated future cash flows, using a discounted cash flow model. It is not anticipated that the RBCT investment will be disposed of in the near future. 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 RBCT are rand/US$ exchange rate, API4 export price, Transnet market demand strategy, discount rate and annual utilisation factor.

At 31 December 2014	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
Observable inputs Rand/US$ exchange rate	R10,94 to R18,80/US$1	Strengthening of the rand to the US$	257
API4 export price (US$ steam coal A-grade price per tonne in real terms)	US$62 to US$93	Increase in API4 export price per tonne	154
Unobservable inputs Transnet Market Demand Strategy for the terminal	74Mtpa to 81Mtpa	Acceleration of Transnet Freight Rail (TFR) performance, ie: reach full capacity sooner	97
Discount rate (%)	13% to 17%	Decrease in the discount rate	(120)
Annual utilisation factor (safety and rail delay factor) (%)	90%	Increase in annual utilisation factor	123

1 Change in observable/unobservable input which will result in an increase in the fair value measurement.

2 A 10% decrease or increase in the respective inputs would have an equal but opposite effect on the above, on the basis that all other variables remain constant.

At 31 December 2013	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
Observable inputs Rand/US$ exchange rate	R9,85 to R10,15/US$1	Strengthening of the rand to the US$	119
API4 export price (US$ steam coal A-grade price per tonne in real terms)	US$75,50 to US$97	Increase in API4 export price per tonne	119
Unobservable inputs Transnet Market Demand Strategy for the terminal	77Mtpa to 81Mtpa	Acceleration of TFR performance, ie: reach full capacity sooner	127
Discount rate (%)	13% to 17%	Decrease in the discount rate	(109)
Annual utilisation factor (safety and rail delay factor) (%)	90%	Increase in annual utilisation factor	119

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.

Interrelationships

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

9. Contingent liabilities

	At 31 December 2014 Rm	At 31 December 2013 Rm
Total contingent liabilities	2 609	2 066
– DMC Iron Congo South Africa		84
– Pending litigation claims[1]	445	328
– Operational guarantees	1 263	977
– Group's share of contingent liabilities of equity-accounted investments[2]	901	677

1 Pending litigation claims consist of legal cases 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 this stage.

2 Mainly relates to rehabilitation guarantees.

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.

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

10. Contingent assets

	At 31 December 2014 Rm	At 31 December 2013 Rm
Total contingent assets	256	108
– Surrender fee on prospecting rights, exploration rights and mining rights[1]		81
– Guarantee on sale of NCC[2]	170	
– Group's share of contingent assets of equity-accounted investments[3]	86	27

1 In 2013 a surrender fee in exchange for the exclusive right to prospect, explore, investigate and mine for coal within a designated area of central Queensland and Moranbah, Australia, conditional to the grant of a mining lease, was included as contingent asset. However, in 2014, circumstances changed to the extent that the possibility for this surrender fee does not exist anymore, hence no amount relating to this matter is included in the current year.

2 Exxaro has received a guarantee from Universal as part of the sales transaction of NCC.

3 Bank guarantees in favour of SIOC relating to environmental rehabilitation.

11. Related party transactions

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

12. Going concern

Taking into account the group's liquidity position as well as internal budgets for the short to medium term, it is expected that the group will continue to trade as a going concern within the next 12 months.

13. JSE Limited Listings Requirements

The summarised group annual financial results have been prepared in accordance with the Listings Requirements of the JSE Limited.

14. Events after the reporting period

Details of the final dividend proposed are given in note 16.

The following non-adjusting events occurred after the reporting date and are disclosed for information purposes:

- On 28 January 2015, the Pegasus South Environmental Management Programme amended licence was approved
- On 30 January 2015, the financial guarantees provided by Universal for the sale of NCC were extended to 31 July 2015
- During February 2015, R2,3 billion on the revolving facility, as well as R2 billion on the term loan, was drawn down.
- Exxaro entered into a binding sale and purchase agreement on 25 July 2014 with Total S.A. (Total), subject to certain conditions precedent, whereby Exxaro will acquire 100% of the issued share capital of TCSA and its related export marketing rights under primary RBCT allocation. Exxaro will pay a total purchase consideration of US$472 million (US$386,5 million to acquire 100% of the issued share capital of TCSA and US$85,5 million to settle outstanding loan claims of Total Finance against TCSA). Three of the conditions precedent have been fulfilled. The condition precedent regarding the consent by the DMR of South Africa for the acquisition being granted in terms of section 11 of the MPRDA, is still outstanding.

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.

15. Independent external audit conclusion

These summarised group annual financial statements for the year ended 31 December 2014 (from page 1 to page 20) have been audited by the external auditors, PricewaterhouseCoopers Inc, who expressed an unmodified audit opinion thereon. The auditor also expressed an unmodified opinion on the group annual financial statements from which these summarised group annual financial statements were derived. The individual auditor assigned to the audit is Mr TD Shango.

The full auditors' report is included in the group annual financial statements on the website www.exxaro.com

Both copies of the auditor's audit reports are available for inspection at the company's registered office, together with the audited group annual financial statements which have been summarised in this report.

16. Final dividend

Exxaro remains committed to returning regular income through dividends to its shareholders, as well as ensuring long-term capital growth on shares held.

Notice was given that a gross final cash dividend, number 24 of 210 cents (2013: 315 cents) per share, for the year ended 31 December 2014 had been declared, payable to shareholders of ordinary shares. No secondary tax on companies (STC) credits are available for offsetting against the dividend withholding tax, while total STC credits available for final dividend number 22 amounted to R195 million, representing 54,51893 cents per share. The gross local dividend is 210 cents per share for shareholders exempt from dividend withholding tax. The dividend declared is subject to a dividend withholding tax of 15% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local dividend payable to shareholders who are subject to dividend withholding tax at a rate of 15% is 178,50000 cents per share. The dividend withholding tax amounts to 31,50000 cents per share (2013: zero cents per share). The number of ordinary shares in issue at the date of this declaration is 358 115 505 (2013: 358 115 505). Exxaro's tax reference number is 9218/098/14/4.

The salient dates of payment of the annual dividend are:	
Last day to trade cum dividend on the JSE	Friday, 10 April 2015
First trading day ex dividend on the JSE	Monday, 13 April 2015
Record date	Friday, 17 April 2015
Payment date	Monday, 20 April 2015

No share certificates may be dematerialised or rematerialised between Monday, 13 April 2015 and Friday, 17 April 2015, 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 (CSDP) or broker credited on Monday, 20 April 2015.

	At 31 December	
	2014	2013
17. Other*		
Net asset value per share (rand/share)	96	101
Capital expenditure contracted relating to tied mines, Tshikondeni, Arnot and Matla, which will be financed by ArcelorMittal SA Limited and Eskom (Rm)	159	317
Operating lease commitments (Rm)	135	212
Closing share price (rand/share)	103,50	146,46
Market capitalisation (Rb)	37,06	52,45
Average rand/US$ exchange rate (spot rate)	10,83	9,62
Closing rand/US$ exchange rate (spot rate)	11,56	10,44

* *Non-IFRS numbers.*

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: ZAE000084992

Independent external 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 States ADR Depository
The Bank of New York
101 Barclay Street
New York NY 10286
United States of America

Sponsor
Deutsche Securities (SA) Proprietary Limited
3 Exchange Square
87 Maude Street
Sandton, 2196

Registrars
Computershare Investor Services Proprietary Limited
Ground floor, 70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)

SHAREHOLDER DIARY

Financial year end	31 December
Annual general meeting	May
Reports and accounts published	
Announcement of annual results	March
Integrated report and other statutory reports	April
Interim report for the half-year ending 30 June	August
Distributions	
Final dividend declaration	March
Payment	April
Interim dividend declaration	August
Payment	September/October