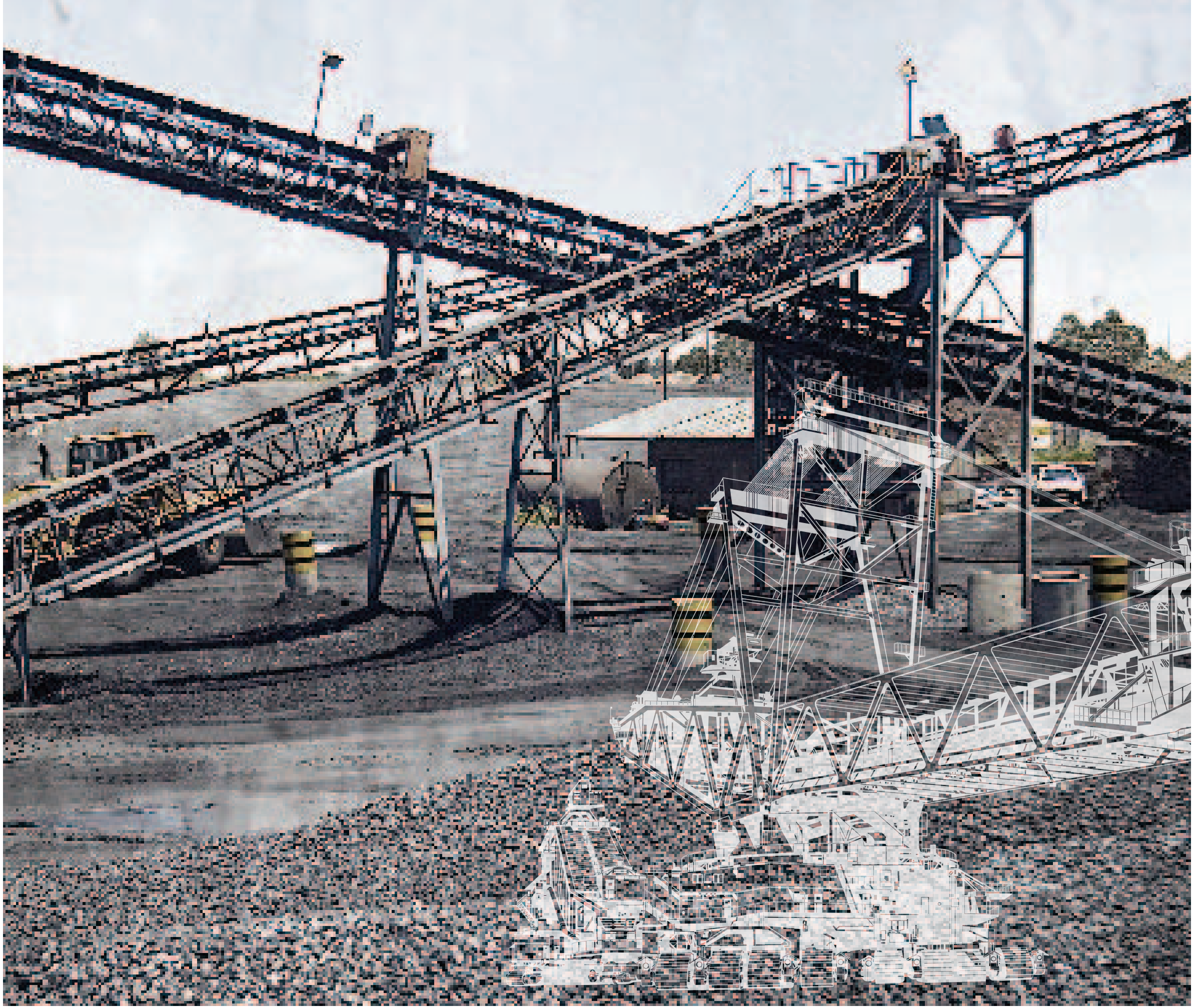
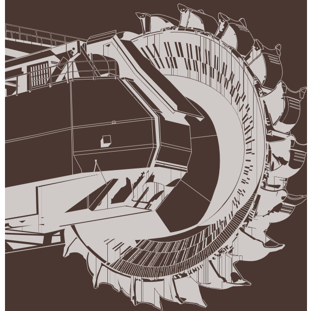


REVIEWED CONDENSED GROUP FINANCIAL STATEMENTS AND UNREVIEWED PRODUCTION AND SALES VOLUMES INFORMATION

for the year ended 31 December 2014



exxaro

POWERING POSSIBILITY

SALIENT FEATURES

REGRETTABLE FATALITY ON 5 JULY 2014

MAINTAINED LOST-TIME INJURY FREQUENCY RATE (LTIFR) AT **0,19** 40% BELOW COAL INDUSTRY AVERAGE

COAL PRODUCTION VOLUMES AT **39,1 MILLION** TONNES, UP 1%

COAL EXPORTS AT **5,3 MILLION** TONNES, UP 19%

HEADLINE EARNINGS PER SHARE OF **1 372 cents,** DOWN 6%

FINAL DIVIDEND OF **210 cents** PER SHARE, TOTAL DIVIDEND OF **470 cents** PER SHARE, DOWN 15%

CONTENTS

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME 2

RECONCILIATION OF GROUP HEADLINE EARNINGS 4

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION 5

GROUP STATEMENT OF CHANGES IN EQUITY 6

CONDENSED GROUP STATEMENT OF CASH FLOWS 7

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

Basis of preparation

1. Corporate information 8
2. Basis of accounting 8
3. Significant accounting policies 8

Performance for the period

4. Segmental information 9
5. Significant items included in operating expenses 12
6. Other income 12
7. Impairment charges/(reversals) of non-current assets 13
8. Net financing costs 16
9. Share of income/(loss) from equity-accounted investments 16
10. Discontinued operations 17
11. Dividend distribution 17

Assets

12. Property, plant and equipment 18
13. Intangible assets 18

Assets continued

14. Investments in associates 19
15. Investments in joint ventures 19
16. Non-current assets and liabilities held-for-sale 19

Equity and liabilities

17. Interest-bearing borrowings 21
18. Net debt 23

Financial instruments

19. Financial instruments 24

Other information

20. Contingent liabilities 30
21. Contingent assets 30
22. Related party transactions 31
23. Going concern 31
24. JSE Limited Listings Requirements 31
25. Events after the reporting period 31
26. Review conclusion 31
27. Corporate governance 31
28. Mineral resources and mineral reserves 31
29. Other 32

COMMENTARY 33

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	2014 Reviewed Rm	2013 Audited Rm
Revenue	16 401	13 568
Operating expenses (note 5)	(15 197)	(12 576)
Operating profit	1 204	992
Other income (note 6)	1 466	1 594
Impairment charges of non-current assets (note 7)	(5 962)	(143)
Net operating (loss)/profit	(3 292)	2 443
Finance income (note 8)	80	81
Finance costs (note 8)	(183)	(367)
Income from financial assets	9	12
Share of income from equity-accounted investments (note 9)	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 (note 10)		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	(1)	(13)
– 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	(1)	(10)
– continuing operations	(1)	(10)
Total comprehensive income for the year	306	8 844

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME (continued)

For the year ended 31 December	2014 Reviewed cents	2013 Audited cents
Attributable (losses)/earnings per share		
Aggregate		
– basic	(249)	1 751
– diluted	(248)	1 746
Continuing operations		
– basic	(249)	1 456
– diluted	(248)	1 452
Discontinued operations		
– basic		295
– diluted		294
Headline earnings/(losses) per share		
Aggregate		
– basic	1 372	1 463
– diluted	1 368	1 459
Continuing operations		
– basic	1 372	1 470
– diluted	1 368	1 466
Discontinued operations		
– basic		(7)
– diluted		(7)

Refer to note 11 for details regarding the number of shares.

RECONCILIATION OF GROUP HEADLINE EARNINGS

	Gross Rm	Tax Rm	Net Rm
For the year ended 31 December 2014 (Reviewed)			
Loss attributable to owners of the parent			(883)
Adjusted for:			
– 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	6 328	(576)	4 869
– continuing operations			4 869
For the year ended 31 December 2013 (Audited)			
Profit attributable to owners of the parent			6 217
Adjusted for:			
– 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	(1 010)	(13)	5 194
– continuing operations			5 218
– discontinued operations			(24)

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

At 31 December	2014 Reviewed Rm	2013 Audited Rm
ASSETS		
Non-current assets	41 408	44 681
Property, plant and equipment	18 344	20 342
Biological assets	84	72
Intangible assets (note 13)	34	1 176
Investments in associates (note 14)	18 588	19 207
Investments in joint ventures (note 15)	966	861
Financial assets (note 19)	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 (note 16)	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 (note 17 and 19)	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 (note 17 and 19)	34	31
Current tax payable	27	131
Current provisions	254	17
Overdraft (note 17 and 19)	67	806
Non-current liabilities held-for-sale (note 16)	232	225
Total equity and liabilities	47 429	49 506

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December	Share capital Rm	Other components of equity: 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 (Audited)	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 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)
Balance at 31 December 2013 (Audited)	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)
Balance at 31 December 2014 (Reviewed)	2 409	4 167	116	1 695	(329)	382		25 985	34 425		34 425

[1] *Vesting of treasury shares held by Mpower 2012 to good leavers. 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 nominations committee.*
[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
Comprises 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 19).

CONDENSED GROUP STATEMENT OF CASH FLOWS

For the year ended 31 December	2014 Reviewed Rm	2013[1] Audited 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 (note 12)	(1 460)	(1 257)
Property, plant and equipment to expand operations (note 12)	(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		800
Interest-bearing borrowings repaid	(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)

Refer to note 10 for cash flows from discontinued operations.

[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. Corporate information

Exxaro Resources Limited (Exxaro), a public company incorporated in South Africa, is a diversified resources group with interests in the coal (controlled and non-controlled), titanium dioxide (TiO_2) (non-controlled), ferrous (controlled and non-controlled) and energy (non-controlled) markets. These reviewed condensed group financial statements as at and for the year ended 31 December 2014 comprise the company and its subsidiaries (together referred to as the group) and the group's interest in associates and joint ventures.

2. Basis of accounting

2.1 Statement of compliance

The reviewed condensed group financial statements as at and for the year ended 31 December 2014 have been prepared under the supervision of WA de Klerk (CA)SA, South African Institute of Chartered Accountants (SAICA) registration number: 00133273, in accordance with the requirements for provisional reports and the requirements of the Companies Act No 71 of 2008. The Listings Requirements of the JSE Limited (JSE) require provisional reports to be prepared in accordance with the conceptual framework and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The reviewed condensed group financial statements should be read in conjunction with the group annual financial statements as at and for the year ended 31 December 2013, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The reviewed condensed group financial statements have been prepared on the historical cost basis, excluding financial instruments and biological assets, which are at fair value.

The reviewed condensed group financial statements of Exxaro and its subsidiaries for the year ended 31 December 2014 were authorised for issue by the board of directors on 3 March 2015.

2.2 Judgements and estimates

In preparing these reviewed condensed group financial statements, management made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the group's accounting policies and the key source of estimation uncertainty were similar to those applied to the group annual financial statements as at and for the year ended 31 December 2013.

3. Significant accounting policies

The accounting policies adopted in the preparation of the reviewed condensed group 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.

4. 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 operating expenses, 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). The operations produce thermal, metallurgical and semi-coking coal.

Ferrous

The ferrous operations include the group's investment in African Iron Ore Limited (AKI) and a 19,98% equity interest in Sishen Iron Ore Company Proprietary Limited (SIOC). Investments in the FerroAlloys and Alloystream™ operations are collectively referred to as the Alloys operations.

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.

4. Segmental information (continued)

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

For the year ended 31 December 2014 (Reviewed)	Coal Tied operations Rm	Coal Commercial operations Rm	Ferrous Iron ore Rm	Ferrous Alloys Rm	Ferrous Other Rm	TiO_2 Rm	Other Base metals Rm	Other Other Rm	Total Rm
Total revenue	4 577	11 601		159	14			67	16 418
Inter-segmental revenue		(2)			(14)			(1)	(17)
External revenue	4 577	11 599		159				66	16 401
Segment net operating profit/(loss)	319	2 978	(6 100)	(97)	(41)		(1)	(350)	(3 292)
External finance income (note 8)	4	43						33	80
External finance costs (net of borrowing costs capitalised) (note 8)	(69)	(112)						(2)	(183)
Income tax (expense)/benefit	(53)	(751)	624	23	90			54	(13)
Depreciation and amortisation (note 5)	(43)	(734)	(8)	(4)	(4)			(96)	(889)
Impairment charge of non-current assets (excluding financial assets) (note 7)			(5 751)		(9)			(202)	(5 962)
Write-off and impairment of trade and other receivables (note 5)		(1)	(22)					(17)	(40)
Impairment charges of non-current financial assets (note 5)			(21)						(21)
Cash generated by/(utilised in) operations	95	4 365	(75)	(64)	(109)			(129)	4 083
Share of income/(loss) from equity-accounted investments (note 9)		268			2 830	(568)	77	(92)	2 515
Capital expenditure (note 12)		(2 576)	(352)	(42)	(104)			(123)	(3 197)
At 31 December 2014 (Reviewed)									
Segment assets and liabilities									
Deferred tax	4	41	57	123	103			211	539
Investments in associates (equity-accounted) (note 14)					5 422	12 809	357		18 588
Investments in joint ventures (equity-accounted) (note 15)		818						148	966
External assets[1]	1 883	22 075	81	124	16		267	2 562	27 008
Total assets	1 887	22 934	138	247	5 541	12 809	624	2 921	47 101
Non-current assets held-for-sale (note 16)		303			25				328
Total assets as per statement of financial position	1 887	23 237	138	247	5 566	12 809	624	2 921	47 429
External liabilities	1 523	3 723	139	49	73			3 506	9 013
Deferred tax	(71)	3 718	57	5				23	3 732
Current tax payable	10	5	5					7	27
Total liabilities	1 462	7 446	201	54	73			3 536	12 772
Non-current liabilities held-for-sale (note 16)		232							232
Total liabilities as per statement of financial position	1 462	7 678	201	54	73			3 536	13 004

[1] *Excluding deferred tax and investments in equity-accounted associates and joint ventures and non-current assets held-for-sale.*

4. Segmental information (continued)

For the year ended 31 December 2013 (Audited)	Coal		Ferrous			TiO_2	Other		Total
	Tied operations Rm	Commercial operations Rm	Iron Ore Rm	Alloys Rm	Other Rm	Rm	Base metals Rm	Other Rm	Rm
Total revenue	3 917	9 445		120	21			86	13 589
Inter-segmental revenue					(21)				(21)
External revenue	3 917	9 445		120				86	13 568
Segment net operating profit/(loss)	215	2 554	(27)	(61)	(53)		145	793	3 566
Net operating profit/(loss) from continuing operations	215	2 554	(27)	(61)	(53)		(14)	(171)	2 443
Net operating profit from discontinued operations							159	964	1 123
External finance income (note 8)	4	66						11	81
External finance costs (net of borrowing costs capitalised) (note 8)	(165)	(200)					(74)	(2)	(441)
Income tax (expense)/benefit	(9)	(745)	4	17	12		4	72	(645)
Depreciation and amortisation (note 5)	(41)	(624)	(8)	(3)	(5)			(175)	(856)
Impairment (charges)/reversals of non-current assets (excluding financial assets) (note 7)		(143)					98		(45)
Impairment charges of trade and other receivables (note 5)		(23)						(2)	(25)
Cash generated by/(utilised in) operations	75	2 072	(7)	(60)	(44)		26	111	2 173
Share of income/(loss) from equity-accounted investments (note 9)		129			4 166	(638)	77	(103)	3 631
Capital expenditure (note 12)		(2 996)	(1 453)	(17)	(160)		(1)	(137)	(4 764)
At 31 December 2013 (Audited)									
Segment assets and liabilities									
Deferred tax	(36)	80	5	95	53			169	366
Investments in associates (equity-accounted) (note 14)					5 523	13 325	359		19 207
Investments in joint ventures (equity-accounted) (note 15)		528						333	861
External assets[1]	1 579	19 893	5 109	94	216		252	1 587	28 730
Total assets	1 543	20 501	5 114	189	5 792	13 325	611	2 089	49 164
Non-current assets held-for-sale (note 16)		342							342
Total assets as per statement of financial position	1 543	20 843	5 114	189	5 792	13 325	611	2 089	49 506
External liabilities	1 387	3 046	128	32	12			4 792	9 397
Deferred tax	4	2 872	600		40			(35)	3 481
Current tax payable		18	1	1				111	131
Total liabilities	1 391	5 936	729	33	52			4 868	13 009
Non-current liabilities held-for-sale (note 16)		225							225
Total liabilities as per statement of financial position	1 391	6 161	729	33	52			4 868	13 234

[1] *Excluding deferred tax and investments in equity-accounted associates and joint ventures and non-current assets held-for-sale.*

	Year ended 31 December	
	2014 Reviewed Rm	2013 Audited Rm
5. Significant items included in operating expenses		
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.*

	2014 Reviewed Rm	2013 Audited Rm
6. Other income		
Other income	1 466	1 594

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

	Year ended 31 December	
	2014 Reviewed Rm	**2013 Audited Rm**
7. Impairment charges/(reversals) of non-current assets		
Mayoko iron ore project	5 208	
Impairment of property, plant and equipment	4 740	
Impairment of goodwill (note 13)	1 020	
– total impairment charges	5 760	
– net tax effect	(552)	
Intellectual property	202	
Impairment of intangible asset	202	
– total impairment charges (pre- and post-tax)	202	
New Clydesdale Colliery (NCC) operation		132
Impairment of property, plant and equipment		292
Reversal of impairment of property, plant and equipment		(149)
– total impairment charges		143
– 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)

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

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; and
- 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 down 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.

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

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

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

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.

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.

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 (refer to note 10).

	Year ended 31 December 2014 Reviewed Rm	2013 Audited Rm
8. Net financing costs		
Finance income	80	81
– interest income	66	48
– finance lease interest income	9	11
– interest income from joint ventures	5	22
Finance costs (net of borrowing costs capitalised)	(183)	(367)
– interest expense	(323)	(329)
– unwinding of discount rate on rehabilitation cost	(183)	(367)
– amortisation of transaction costs	(10)	(9)
– borrowing costs capitalised[1]	333	338
Total net financing costs	(103)	(286)

[1] *Borrowing costs capitalisation rate of 6,69% (2013: 5,67%).*

	Year ended 31 December 2014 Reviewed Rm	2013 Audited Rm
9. Share of income/(loss) from equity-accounted investments		
Associates	2 339	3 605
Listed investments	(628	(981)
Tronox Limited	(628)	(981)
Unlisted investments	2 967	4 586
SIOC	2 830	4 166
Tronox SA	(38)	238
Tronox UK	98	105
Black Mountain	77	77
Joint ventures	176	26
Mafube	267	131
South Dunes Coal Terminal Company SOC[1] Limited (SDCT)	1	(2)
Cennergi	(92)	(103)
Share of income from equity-accounted investments	2 515	3 631

[1] *State-owned company.*

	At 31 December 2014 Reviewed Rm	At 31 December 2013 Audited Rm

10. Discontinued operations

All the conditions precedent to the sale of Exxaro's 100% shareholding in Exxaro Base Metals to Lebonix Proprietary Limited were met on 2 December 2013. The subsidiary, which included the Zincor operations, was disposed of for a total consideration of R183 million. This sale completed the Zincor divestment process, which commenced with the cessation of the production of zinc metal at Zincor in 2011 which was followed by the sale of the Rosh Pinah mine during 2012.

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

	2014 Reviewed Rm	2013 Audited Rm
The financial performance and cash flow information		
Revenue		
Operating income		61
Impairment reversal of non-current assets		98
Operating profit		159
Gain on disposal of subsidiary		964
Net operating profit		1 123
Finance costs		(74)
Profit for the year from discontinued operations		1 049
Cash flow attributable to operating activities		26
Cash flow attributable to investing activities		98
Cash flow attributable to financing activities		(37)
Cash flow attributable to discontinued operations		87

11. Dividend distribution

Total dividends paid by the group in 2014 amounted to R2 055 million, made up of a final dividend of R1 126 million that relates to the year ended 31 December 2013, which was paid in April 2014, as well as an interim dividend of R929 million, paid in September 2014.

A final dividend for 2014 of 210 cents per share (2013: 315 cents per share) was approved by the board of directors on 3 March 2015. The dividend is payable on 20 April 2015 to shareholders who will be on the register at 17 April 2015. This final dividend, amounting to approximately R752 million (2013: R1 126 million), has not been recognised as a liability in this condensed group financial statements. It will be recognised in shareholders' equity in the year ending 31 December 2015.

The dividend declared will be 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 total secondary tax on companies (STC) credits available for offsetting against the dividend withholding tax amount to Rnil (2013: R195 million). Exxaro company's tax reference number is 9218/098/14/4.

	Year ended 31 December 2014 Reviewed	Year ended 31 December 2013 Audited
Issued share capital as at declaration date (number)	358 115 505	358 115 505
Ordinary shares (million)		
– weighted average number of shares	355	355
– diluted weighted average number of shares	356	356

	At 31 December 2014 Reviewed Rm	2013 Audited Rm
12. Property, plant and equipment		
Capital expenditure		
– incurred	3 197	4 764
to maintain operations	1 460	1 257
to expand operations	1 737	3 507
– contracted	2 887	4 204
contracted for the owner controlled group operations	1 402	3 241
group's share of capital commitments of equity-accounted investments	1 485	963
– authorised, but not contracted	2 160	2 826
13. Intangible assets		
Goodwill[1]		
At beginning of year	953	902
Exchange differences on translation	67	51
Impairment charge	(1 020)	
At end of year		953
Patents and licences[2]		
Gross carrying amount		
At beginning of year	232	121
Additions	30	201
Transfer from other assets	1	
Write-off	(5)	(90)
At end of year	258	232
Accumulated amortisation		
At beginning of year	9	61
Write-off	(1)	(88)
Amortisation charge	14	36
At end of year	22	9
Accumulated impairment		
Impairment charge	202	
At end of year	202	
Net carrying amount at end of year	34	1 176

[1] *Goodwill was allocated to AKI, which is regarded as a single cash-generating unit. Impairment testing was performed on this goodwill based on fair value less costs of disposal where factors such as iron ore prices and respective discount rates were considered. The full amount of goodwill was impaired at 30 June 2014 (refer to note 7).*

[2] *Includes software licences, intellectual property, which was impaired on 31 December 2014 (refer to note 7), as well as an option to receive specific quantities of water from the Eungella water pipeline (Australia) and the right to receive water from the Zeeland Water Treatment Works (Lephalale).*

	At 31 December 2014 Reviewed Rm	At 31 December 2013 Audited Rm
14. Investments in associates		
Listed investments	9 686	10 267
Tronox Limited[1]	9 686	10 267
Unlisted investments	8 902	8 940
SIOC	5 422	5 523
Tronox SA	1 786	1 819
Tronox UK	1 337	1 239
Black Mountain	357	359
Total carrying value of investment in associates	18 588	19 207
[1] *Fair value based on a listed price (Level 1 within the IFRS 13 Fair Value Measurement fair value hierarchy) (Rm).*	14 122	*12 319*
– listed share price (US$ per share)	23,88	*23,07*
15. Investments in joint ventures		
Unlisted investments	966	861
Mafube	818	528
SDCT[1]		
Cennergi	148	333
Total carrying value of investment in joint ventures	966	861

[1] *The fair value of the investment in SDCT consists of an investment of R1 333 (31 December 2013: R1 333) and a loan to the joint venture of R83 million (2013: R69 million) disclosed as part of financial assets (note 19).*

16. Non-current assets and liabilities held-for-sale

Exxaro concluded a sale of asset agreement relating to the NCC operation with Universal in January 2014. The sale is conditional to section 11 approval required in terms of the Mineral and Petroleum Resources Development Act No 28 of 2002 for transfer of the new-order mining right from Exxaro Coal Mpumalanga Proprietary Limited to the new owners. On 31 December 2014, conditions precedent to the sales agreement with Universal had not been met. The NCC operation remains a non-current asset classified as held-for-sale on 31 December 2014.

The NCC operation met the relevant recognition criteria to be classified as a non-current asset held-for-sale on 31 December 2013. The NCC operation does not meet the criteria to be classified as a discontinued operation since it does not represent a separate major line of business, nor does it represent a major geographical area of operation since it forms part of the Mpumalanga coal region which is reported as part of the commercial coal operating segment.

The held-for-sale property, plant and equipment also includes farms in the Waterberg region, with a carrying amount of R25 million on 31 December 2014, which is expected to be sold in 2015.

16. Non-current assets and liabilities held-for-sale (continued)

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

	At 31 December 2014 Reviewed Rm	At 31 December 2013 Audited Rm
ASSETS		
Property, plant and equipment	174	149
Deferred tax	65	90
Financial assets	73	67
Inventories	8	8
Trade and other receivables	8	4
– trade receivables	3	
– non-financial instrument receivables	5	4
Current tax receivable		24
Total assets	328	342
LIABILITIES		
Non-current provisions	(158)	(144)
Post-retirement employee obligations	(4)	(3)
Trade and other payables	(21)	(39)
– trade payables	(11)	(20)
– other payables	(3)	(7)
– derivative instruments		(9)
– non-financial instrument payables	(7)	(3)
Current provisions	(40)	(39)
Current tax payable	(9)	
Total liabilities	(232)	(225)
Net assets held-for-sale	96	117

	At 31 December	
	2014 Reviewed Rm	2013 Audited Rm

17. Interest-bearing borrowings

Summary of loans by financial year of redemption		
2014		31
2015	34	324
2016[1]	392	326
2017	874	1 927
2018	395	329
2019	917	331
2020 onwards	398	332
Total interest-bearing borrowings	3 010	3 600
– current interest-bearing borrowings[2]	34	31
– non-current interest-bearing borrowings[3]	2 976	3 569

[1] *During 2014, an addendum to the senior loan facility was signed extending the date of the first capital repayment to 30 January 2016.*
[2] *The R34 million current portion represents interest capitalised of R44 million reduced by amortised transaction costs of R10 million.*
[3] *The non-current portion includes R34 million in respect of transaction costs that will be amortised using the effective interest rate method, over the term of the facilities.*

Overdraft		
Bank overdraft	67	806

17. Interest-bearing borrowings (continued)

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

Senior loan facility

During April 2012, Exxaro secured a senior loan facility of R8 billion.

The senior loan facility comprises a:
- term loan facility of R5 billion for a duration of 97 months; and
- revolving credit facility of R3 billion for a duration of 62 months.

Interest is based on JIBAR plus a margin of 2,75% for the term loan and JIBAR plus a margin of 2,50% for the revolving facility.

The effective interest rate for the transaction costs for the term loan is 0,47%.

Interest is paid on a six monthly basis for the term loan and on a monthly basis for the revolving facility.

The undrawn portion relating to the term loan is R3 billion (2013: R3 billion). The undrawn portion of the revolving facility is R3 billion (2013: R1,4 billion).

During February 2015 (an event after reporting period), R2,3 billion on the revolving facility, as well as R2,0 billion on the term loan was drawn down.

Bond issue

In terms of Exxaro's R5 billion Domestic Medium-Term Note (DMTN) programme, a senior unsecured floating rate note (bond) of R1 billion was raised during May 2014.

The bond consists of a:
- R480 million senior unsecured floating rate note due 19 May 2017; and
- R520 million senior unsecured floating rate note due 19 May 2019.

Interest is based on JIBAR plus a margin of 1,70% for the R480 million bond and JIBAR plus a margin of 1,95% for the R520 million bond.

The effective interest rates for the transaction costs are 0,13% for the R480 million bond and 0,08% for the R520 million bond.

Interest is paid on a three monthly basis for both bonds.

Bank overdraft

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

18. Net debt

	At 31 December 2014 Reviewed Rm	2013[1] Audited Rm
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.*

19. 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 Reviewed		2013 Audited	
	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.*

19. 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 (Reviewed)	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 (Audited)	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

19. Financial instruments (continued)

(c) Level 3 fair values

Reconciliation of assets within Level 3 of the hierarchy:	Chifeng Rm	RBCT Rm
Opening balance at 1 January 2013 (Audited)	174	467
Movement during the year		
Gains recognised for the period in OCI (pre-tax effect)	46	82
Exchange gains for the period recognised in OCI	33	
Closing balance at 31 December 2013 (Audited)	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	
Closing balance at 31 December 2014 (Reviewed)	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.

19. Financial instruments (continued)

(c) Level 3 fair values (continued)

At 31 December 2014 (Reviewed)	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
Observable inputs			
Rand/RMB exchange rate	R1,86/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$76	Decrease in operations costs	(133)
Discount rate (%)	9,94%	Decrease in the discount rate	(20)
At 31 December 2013 (Audited)			
Observable inputs			
Rand/RMB exchange rate	R1,72/RMB1	Strengthening of the Rand to the RMB	25
RMB/US$ 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.*

19. Financial instruments (continued)

(c) Level 3 fair values (continued)

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 (Reviewed)	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
Observable inputs			
Rand/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.*

19. Financial instruments (continued)

(c) Level 3 fair values (continued)

At 31 December 2013 (Audited)	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
Observable inputs			
Rand/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.

	At 31 December 2014 Reviewed Rm	At 31 December 2013 Audited Rm
20. Contingent liabilities		
Total contingent liabilities	7 999	2 066
– Grootegeluk Medupi expansion project (GMEP)	26	50
– DMC Iron Congo South Africa		84
– Total S.A.[1]	5 390	
– Pending litigation claims[2]	445	328
– Operational guarantees	1 237	927
– Group's share of contingent liabilities of equity-accounted investments	901	677

[1] *Guarantee issued to Total S.A. in respect of the purchase price payable for the acquisition of Total Coal South Africa Proprietary Limited (TCSA).*
[2] *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.*

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.

A policy regarding the water treatment liability as prescribed by the Mineral and Petroleum Resources Development Act of 2002 has been developed in 2014 and an estimate has been included as part of the rehabilitation provision in the current year.

	At 31 December 2014 Reviewed Rm	At 31 December 2013 Audited Rm
21. Contingent assets		
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	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.*

22. 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.

23. 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.

24. JSE Limited Listings Requirements

The reviewed condensed group financial results announcement has been prepared in accordance with the Listings Requirements of the JSE Limited.

25. Events after the reporting period

Details of the final dividend proposed are given in Note 11.

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; and
- On 30 January 2015, the financial guarantees provided by Universal for the sale of NCC were extended to 31 July 2015; and
- During February 2015, R2,3 billion on the revolving facility, as well as R2 billion on the term loan, was drawn down.

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.

26. Review conclusion

The reviewed condensed group financial statements for the year ended 31 December 2014, on page 2 to 32, have been reviewed by the company's external auditors, PricewaterhouseCoopers Inc, in accordance with International Standards on Reviewed Engagements 2410 *Review Interim Financial Information Performed by the Independent Auditors of the Entity*. The unmodified review conclusion is available for inspection at the company's registered office.

27. Corporate governance

Detailed disclosure of the company's application of the principles contained in the King Report on Governance for South Africa 2009 (King III) was made in the 2013 integrated report and is available on the company's website in accordance with the JSE Listings Requirements. Other than the appointment of Dr CJ Fauconnier to the Remuneration and nomination committee and the appointment of Mr V Nkonyeni to both the board and the audit committee, no material changes have occurred since the disclosure. Revised disclosure and more detailed information will be made in the 2014 integrated report and published on the company's website during April 2015. Contact the group company secretary, Carina Wessels, for additional information in this regard.

28. Mineral resources and mineral reserves

Other than the normal LoM depletion there have been no material changes to the mineral reserves and resources as disclosed in the 2013 integrated report.

Old-order mining right conversions

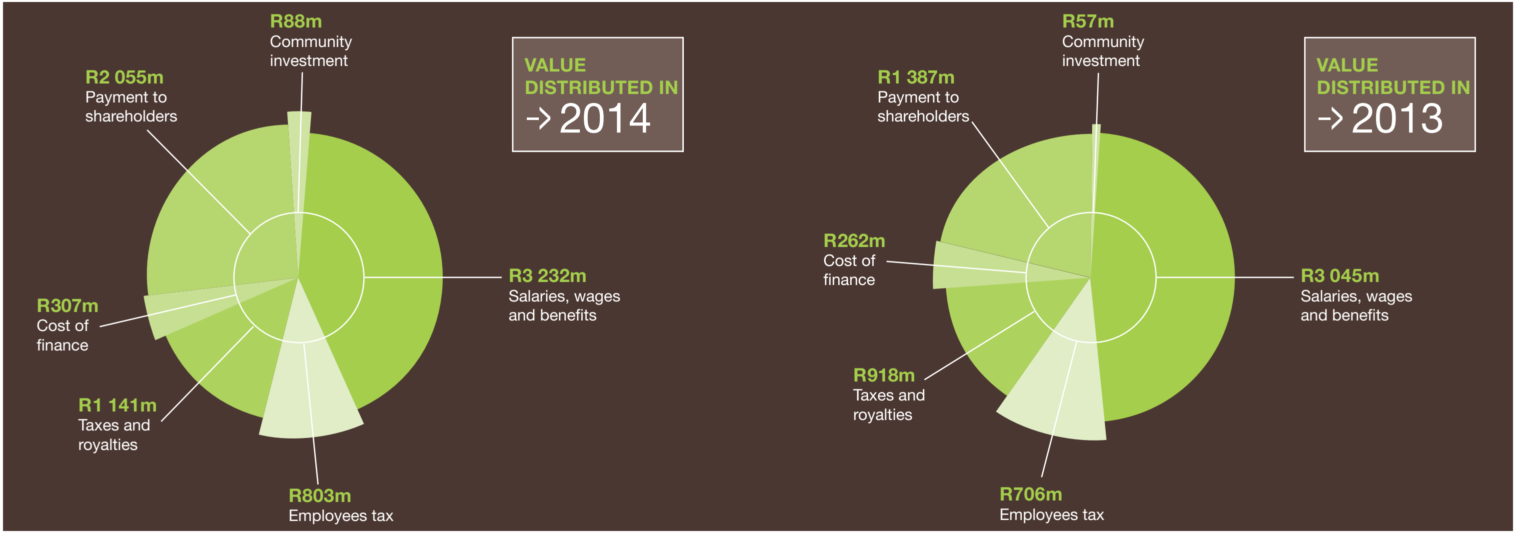
Operation	Status	Reason where not registered
Grootegeluk, Magvanti (Gravelotte), Mafube, Leeuwpan	Registered	
Tshikondeni, Strathrae North Block Complex (NBC), Matla	Granted	Execution in process, await DMR execution date
Glisa (NBC), Arnot, Inyanda	Executed	Timely submission for registration but registration pending

New-mining right application

Operation	Status	Reason
Goni, Mafube Nooitgedacht, NCC	Registered	
Thabametsi, Glisa South (Paardeplaats), Eerstelingsfontein (NBC) – *Mining Right Renewal*	Submitted	Approval pending
Belfast, Leeuwpan Ext, Eerstelingsfontein (NBC)	Executed	Timely submission for registration but registration pending

		At 31 December 2014	2013
29.	**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.*



COMMENTARY

for the year ended 31 December

Comparability of results

Comments are based on a comparison of the reviewed condensed group financial results and unreviewed production and sales volumes information for the years ended 31 December 2014 and 2013 (referred to as 2014 and 2013 respectively), unless otherwise indicated. The financial results for 2014 and 2013 are not comparable mainly due to key events and transactions listed in Table 1.

Table 1: Key events and transactions during the reporting periods which make financial and operational results not comparable

Reporting segment	2014	Rm	2013	Rm
Coal	Loss on sale of non-core assets and voluntary severance package expenses	(22)	Net impairment of carrying value of property, plant and equipment at NCC and loss on sale of property, plant and equipment	(152)
Ferrous	Impairment of the original investment including goodwill, carrying value of the property, plant and equipment and qualifying project costs capitalised for the Mayoko iron ore project as well as write-off of financial assets	(5 817)		
Other	Loss on dilution of shareholding in Tronox Limited	(58)	Loss on dilution of shareholding in Tronox Limited	(12)
	Intellectual property assets impairment	(202)	Zincor partial impairment reversal	98
	Profit on sale of other non-core assets and voluntary severance packages	(67)	Profit on sale of Zincor refinery	964
			Loss on write-off of intangible asset	(2)
	Total net operating (loss)/profit impact	**(6 166)**	**Total net operating profit/(loss) impact**	**896**

Safety, health, environment and community

On 5 July 2014, the group recorded an unfortunate and regrettable fatality at Arnot mine in Mpumalanga when an employee, Mr Solomon Latebotse Mashigo, was fatally injured by a rock that had dislodged from the tunnel roof and slid from a continuous miner. The investigation of this incident by the Mpumalanga Department of Mineral Resources (DMR) was finalised on 29 August 2014 and concluded that poor employee judgement and a culture of focus on "short-term incentive scheme achievement" were the major causes. Corrective measures have been implemented as recommended by the investigation report. This fatality followed Exxaro's 2013 achievement of a full year without a fatality. We remain committed to our goal of zero harm.

On 25 November 2014, Mr Christopher Schroeder, a mechanical foreman employed at the Mayoko iron ore project in the Republic of the Congo (RoC), was regrettably fatally injured after being bitten by a snake. The investigation into this fatality has revealed that the incident happened outside of working hours, not at his place of work, and was not related to any of his official duties. As such, it is not classified as a reportable fatality.

The LTIFR remained constant at 0,19 for 2014 and 2013, well below the 0,32 coal industry and 2,55 mining industry averages as published by the Chamber of Mines for 2013. Thirty-six lost-time injuries (LTIs) were recorded in 2014, a 10% improvement on the 40 incidents recorded in 2013. Exxaro will continue with its commitment to further raise awareness of safety risks.

Table 2: Reported occupational disease incidents

	2014	2013
Tuberculosis	18	18
Pneumoconiosis	12	37
Noise-induced hearing loss	12	8
Other	6	26
Total	48	89

A 46% reduction in reportable occupational disease incidents was recorded in 2014 compared with 2013. This reflects the group's concerted efforts in implementing occupational risk exposure profiles since 2013 to further reduce the incidents of occupational diseases. The number of employees enrolled on the HIV/Aids programme continued to increase, from 545 in 2013 to 667 in 2014.

Exxaro continues to develop technologies aimed at maximising water use efficiency. The research and development department developed and piloted a passive water-treatment plant at the North Block Complex (NBC) mine in the fourth quarter of 2014. Results from this pilot were encouraging. Construction of a scaled-up water treatment plant is scheduled to start in the second quarter of 2015. The water treatment plant at Matla mine has been commissioned and performance tests are under way. These two water-treatment plants are expected to return approximately 10 mega litres of potable water for public use per day.

Obtaining environmental authorisations for expansion activities and projects is a strategic priority for the group. Exxaro has ensured that all critical environmental authorisations are obtained.

The group spent R88 million (2013: R57 million) on social and labour plans (SLPs) and other community related projects, mainly on education (R39 million on teacher and learner development) and infrastructure (R15 million on building roads and houses).

Financial and operational excellence

Group

Revenue

Group consolidated revenue increased by 21% to R16 401 million for the year ended 31 December 2014 compared with R13 568 million in 2013, mainly due to higher revenue from the coal business.

Table 3: Reviewed group segment results[1] (Rm)

	Revenue		Net operating profit	
for the year ended 31 December	2014	2013	2014	2013
Coal	16 176	13 362	3 297	2 769
– Tied[2]	4 577	3 917	319	215
– Commercial[3]	11 599	9 445	2 978	2 554
Ferrous	159	120	(6 238)	(141)
– Iron ore[4]			(6 100)	(27)
– Alloys	159	120	(97)	(61)
– Other			(41)	(53)
Other	66	86	(351)	938
– Base metals[5]			(1)	145
– Other[6]	66	86	(350)	793
Total	16 401	13 568	(3 292)	3 566

[1] *An average exchange rate of R10,86 to the US dollar (US$) was realised for 2014 (2013: R9,48).*
[2] *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.*
[3] *Net operating profit includes the NCC net pre-tax impairment of R143 million in 2013.*
[4] *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.*
[5] *Net operating profit includes a Zincor refinery partial impairment reversal of R98 million recorded in 2013.*
[6] *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 Proprietary Limited (which held the Zincor refinery) recorded in 2013.*

Net operating profit
The group's net operating profit decreased by 192% to a loss of R3 292 million (2013: net operating profit of R3 566 million) mainly as a result of the pre-tax impairment of the Mayoko iron ore project which included 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 write-off and impairment of financial assets totalling R43 million recorded in 2014, a pre-tax impairment loss of other non-core assets of R202 million in 2014, a partial impairment reversal of the carrying value of property, plant and equipment of the Zincor refinery of R98 million recorded in 2013, the NCC net pre-tax impairment of R143 million in 2013, as well as profit on the sale of subsidiaries of R964 million on the sale of Exxaro Base Metals Proprietary Limited (which held the Zincor refinery) recorded in 2013.

Support functions (functions other than those directly linked to mining activities) costs reduced by R124 million compared with 2013, mainly due to continuous cost-saving initiatives being implemented across the group. This reduction resulted in a net lower recovery from the coal and ferrous businesses of R116 million.

Earnings
Losses attributable to owners of the parent, which include Exxaro's equity-accounted investments in associates and joint ventures, were R883 million (2013: attributable earnings of R6 217 million) or 249 cents loss per share (2013: 1 751 cents earnings per share), down 114% from 2013 mainly due to the non-recurring post-tax impairment losses recorded in 2014 as well as profits realised on the sale of subsidiaries of R964 million in 2013.

Headline earnings, which exclude, inter alia, the impact of any impairment and partial impairment reversals as well as profits realised on the sale of subsidiaries and other non-core assets, were 6% lower at R4 869 million (2013: R5 194 million) or 1 372 cents per share (2013: 1 463 cents per share), mainly due to a R1 116 (31%) reduction in the post-tax income from the equity-accounted investments.

Cash flow and funding
Cash flow generated from operations was 88% higher than in 2013 at R4 083 million (2013: R2 173 million). This cash was used to fund dividends paid of R2 055 million, net financing charges of R248 million and taxation payments of R120 million. R3 197 million was spent on acquiring property, plant and equipment, of which R1 737 million was invested in new capacity (expansion capital), with the remaining R1 460 million applied to sustaining and environmental capital (stay-in-business capital). Of the funds spent on new capacity, R277 million was for the Grootegeluk Medupi expansion project (GMEP) (2013: R1 633 million), and R759 million for the Mayoko iron ore project (until impairment in June 2014) (2013: R1 613 million).

After the receipt of dividends of R3 719 million (2013: R3 229 million), primarily from Sishen Iron Ore Company Proprietary Limited (SIOC) and Tronox Limited (Tronox), as well as the outflow associated with capital expenditure, the group had net cash inflow before financing activities of R2 280 million (2013: R1 044 million outflow). Net debt decreased 68% to R1 071 million at 31 December 2014 (2013: R3 377 million), reflecting a net debt to equity ratio of 3% (2013: 9%).

Exxaro successfully raised R1 billion in its debut bonds issuance in the first half of 2014, under Exxaro's R5 billion Domestic Medium-Term Note Programme listed on the interest rate market of the JSE Limited (JSE).

Coal commodity business
General trading conditions in the coal commodity remained challenging in 2014 with average API4 export US$ prices dropping from US$83 per tonne at the beginning of January to a low of US$63 per tonne in November, closing the year at US$66 per tonne (20% lower). Export volumes, however, increased from 4,5 million tonnes (Mt) to 5,3Mt. The group realised an average export price of US$65 per tonne in 2014 compared to US$80 per tonne in 2013, mainly on higher sales of lower-value product. An average of 67% of export product sales was on the RB1 product, 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%).

Metallurgical coal
Grootegeluk's production was 212kt (11%) higher and sales were 357kt (19%) higher than 2013, mainly reflecting increased Transnet Freight Rail (TFR) train allocations to Richards Bay Coal Terminal (RBCT) as well as higher AMSA demand. Tshikondeni production was 189kt (55%) lower than 2013 while sales were 102kt (30%) lower than 2013 due to the mine stopping 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) than 2013, mainly due to production at Matla which was 241kt (2%) higher as a result of 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.

The commercial mines' power station coal production was 933kt (5%) higher than 2013, 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 resulted in a 130kt (5%) increase in production while NBC 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 the commercial mines were 658kt higher than 2013, primarily due to higher demand with Medupi off-take commencing, while export sales increased by 515kt due to the ongoing review and balancing of export volumes, export logistics capacity as well as market commitments and opportunities.

Table 4: Unreviewed coal production and sales volumes ('000 tonnes)

for the year ended 31 December	Production 2014	Production 2013	Sales 2014	Sales 2013
Thermal (Power station and steam coal)	36 875	36 553	39 071	37 859
– Tied[1]	11 814	11 766	11 808	11 768
– Commercial: domestic	25 061	24 787	22 753	22 204
– Commercial: export			4 510	3 887
Metallurgical	2 274	2 251	2 470	2 215
– Tied	154	343	233	335
– Commercial: domestic	2 120	1 908	1 456	1 308
– Commercial: export[2]			781	572
Coal	39 149	38 804	41 541	40 074
Semi-coke	127	91	115	97
Total (excluding buy-ins)	39 276	38 895	41 656	40 171
Thermal buy-ins	2 202	1 470		
Total (including buy-ins)	41 478	40 365	41 656	40 171

[1] *Mines that are managed on behalf of and supply their entire production to either Eskom or AMSA in terms of contractual agreements.*
[2] *Exported as a steam coal product, blended at RBCT.*

Steam coal production was 659kt (12%) lower, mainly due to NCC which remains under care-and-maintenance (419kt) and lower stock levels at Inyanda (359kt) as the mine nears the end of its life. Leeuwpan production rose by 173kt on the improved performance of the dense medium separation (DMS) plant.

Domestic steam coal sales decreased by 109kt (3%) mainly due to lower sales from Grootegeluk of 91kt (6%), affected by industrial action in the Rustenburg area in the first half of 2014, 36kt (100%) lower sales at NCC (under care-and-maintenance) as well as at Inyanda 11kt (4%) due to stock being redirected to the export market. These were partly offset by 29kt (2%) higher sales at Leeuwpan due to higher demand.

Export steam coal sales were 108kt (3%) higher, mainly due to increased train allocations and buy-ins. This was partially offset by 507kt lower export sales at NCC (care-and-maintenance) and at Inyanda 324kt (20%) as the mine nears the end of life.

Buy-ins were 732kt (50%) higher than 2013, which contributed to overall higher export sales, albeit at lower margins.

Semi-coke

The ferroalloys market demand for reductants improved from the previously depressed levels, allowing Exxaro to operate at full capacity. As such, the semi-coke plant production was 36kt (40%) higher as new markets were identified, coupled with repositioning the reductants product as semi-coke.

Logistics
The TFR performance rate was at 72Mt for 2014 (2013: 71Mt), despite the force majeure event in February 2014 and annual shut in May 2014.

Exxaro used 100% of its available RBCT entitlement for 2014 and 2013 and leased additional entitlement requirements to meet demand.

Revenue
Coal revenue was R2 814 million (21%) higher than 2013, reflecting a combination of higher coal export sales volumes at weaker Rand prices, higher power station coal sales at higher prices, lower domestic steam coal volumes at higher prices as well as the take-or-pay income generated from Eskom.

Net operating profit
Coal achieved net operating profit of R3 297million at an operating margin of 20% in 2014 compared to R2 769 million at 21% operating margin for 2013. This 19% increase was mainly on the back of higher volumes (R632 million); favourable exchange rate due to the weakening of the local currency against the US$ (R561 million); lower allocated corporate costs (R91 million); the saving against previous 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 joint venture (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, which includes a second half adjustment of the provision for possible future affected water treatment liabilities of R370 million).

The group has initiated a proactive implementation of the DMR's affected water treatment requirements by compiling a model that seeks to calculate an estimate of current provisions that should be raised for any possible future affected water treatment. The financial provisioning for environmental liabilities is governed by Regulation 53 and Section 41 of the Mineral and Petroleum Resources Development Act 28 of 2002 (MRPDA), as well as Section 30 of the National Water Act which require the financial provisioning on protection of water resources. However, in both sets of legislation, there is limited guidance provided on the manner of determining the liabilities associated with the treatment of any affected water. Exxaro has taken a stance in calculating the possible future liabilities' net present values.

Equity-accounted income
Income received from the Mafube JV with Anglo South Africa Capital Proprietary Limited increased by 104% to R267 million from 2013 as a result of higher volumes and due to the cost-plus mechanism in place. Overall cost increases due to the maintenance of plant and equipment, higher petroleum use and increased labour costs as a result of higher production bonuses contributed to the higher equity-accounted income from this investment through the cost-plus recovery mechanism.

Portfolio improvement
GMEP
Construction on GMEP to supply Eskom's Medupi power station with 14,6 million tonnes per annum (Mtpa) of coal progressed well and Exxaro met its contractual commitments on time and within budget. Total capital expenditure for the project remains within the forecast R10,2 billion. The project has achieved 34,6 million hours without a fatality, and the project LTIFR remained at 0,17. All commissioning was completed in December 2014, with all plant modules individually tested. The operational team will follow a steady ramp-up curve based on the revised Eskom demand schedule until nameplate capacity is achieved. The construction of in-pit crusher 3 is progressing to plan and commissioning is still expected in the second quarter of 2015.

In January 2014, Eskom formally notified Exxaro that it would not be able to begin off-take from 1 February 2014. An agreement was reached and approved by both parties' respective boards in the third quarter of 2014, resulting in the ninth addendum to the original coal supply and off-take agreement. First coal was delivered to Medupi power station in July 2014. GMEP delivered 3,1Mt of coal to Eskom in 2014 as per the coal supply and off-take agreement.

Total Coal South Africa Proprietary Limited (TCSA)
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.

Thabametsi

Thabametsi is a prospective greenfields opencast coal mine adjacent to Grootegeluk mine in the Waterberg, Limpopo province. Development will be phased over a 10 to 15 year implementation period ramping up to a 20Mtpa mining complex. The mine will supply some 3,8Mtpa run-of-mine (ROM) coal to the 600MW Waterberg independent power producer (IPP) post ramp-up. The pre-feasibility study (PFS) for the development of Thabametsi North phase 1 was completed in the second quarter of 2014. The bankable feasibility study (BFS) began in the fourth quarter of 2014 and is expected to be completed in the second half of 2015. The environmental authorisation for Thabametsi mine was granted in December 2014 and the mining right application process is progressing. The first coal ROM production to Grootegeluk mine is expected to be achieved by 2016/17 (phase 1A), after which the production ramp-up rate will depend on the 600MW Waterberg IPP (phase 1B). For phase 1B, Exxaro and the GDF SUEZ consortium continue to engage to finalise the coal supply and off-take agreement, as well as water supply development schedules. Exxaro is also engaging with the relevant stakeholders to conclude implementation plans on integrated infrastructure for the Waterberg coalfields, which is deemed crucial for the development of all projects in the Waterberg region.

NCC

The fulfilment of most of the outstanding conditions precedent to the NCC sale transaction has been achieved. Section 11 from the DMR remains outstanding. Competition Commission approval has been obtained and Universal Coal has secured funding guarantees for the transaction.

Belfast

The Belfast project is a greenfields opencast mine development expected to produce an average of 2,2Mpta of A-grade export coal and 0,5Mtpa of Eskom coal over a 16-year period post commissioning, after which a phase 2 ten-year life-extension will be considered. The BFS was completed in the first half of 2014. In June 2014, the Exxaro board approved R3,8 billion for development of the project, subject to required licences and regulatory approvals being obtained. The integrated water use licence (IWUL) was granted in October 2014. Rezoning appeals are expected to be finalised by mid-2015. Detailed engineering will be conducted in 2015, after which it is expected that construction will begin, with commissioning scheduled for the second half of 2017.

Moranbah South project

The environmental impact study (EIS) authorisation to develop an underground dual long wall mine on the Moranbah South project (50% joint arrangement with Anglo American plc), in the Bowen Basin of Queensland, Australia, was obtained. However, the development schedule of the project was intentionally reprioritised due to current adverse market conditions. This position will be reviewed in the second half of 2015. The mine is anticipated to eventually reach 18Mtpa ROM production of high-quality hard coking coal.

Reductants

Semi-coke capacity expansion is determined by the availability of suitable feedstock and is being executed in a phased approach. The BFS for Retorts 5 and 6 is on schedule for completion during the first half of 2015. The concept study for the addition of Retorts 7 and 8, which had been rescheduled for completion in the first quarter of 2015 to allow incorporation of the scope change work done on Retorts 5 and 6, will no longer be performed in 2015 due to project reprioritisation across the group.

Mines in closure

September 2014 marked the last production at Tshikondeni. Inyanda’s life of mine will end in the third quarter of 2015, which will result in lower export sales in 2015.

Exxaro will be executing approved community projects in line with the committed social and labour plans.

Ferrous commodity business

Production and sales volumes

Changes in the product mix at FerroAlloys in 2014 resulted in an overall production increase of 1 637 tonnes (30%) from 2013. This was mainly due to the addition of a blend product made from a combination of buy-ins and own product.

Sales volumes increased by 1 361 tonnes (19%) from 2013 mainly due to higher production and the commissioning of the new ferrosilicon plant in November 2014.

Net operating loss

The overall ferrous net operating loss, excluding the pre-tax impairment of non-current assets relating to the Mayoko iron ore project in 2014 of R5 760 million, increased by 239% to R478 million. The increase in losses reflects costs incurred on the Mayoko iron ore project which are no longer eligible for capitalisation following the impairment, higher costs at FerroAlloys mainly due to the Letaba project which has been terminated, as well as an overall increase in group corporate costs and ferrous head-office costs allocated. This has been partly offset by an increase of R61 million in income earned from the Ultra-High Dense Medium Separation (UHDMS) plant.

Equity-accounted investments

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.

Portfolio improvement

Mayoko iron ore project

In January 2014, the mining convention was signed by the government of the RoC, along with rail and port framework agreements for the development of a 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 resulted in Exxaro impairing the investment in the project. Subsequently, the RoC government indicated that it would take responsibility for the required upgrades to public rail and port infrastructure to enable Exxaro to transport and export up to 12Mtpa of iron ore from the Mayoko mine. In July 2014, the RoC government signed the first amendment to the mining convention extending the mining exploitation convention and the exploitation permit by 24 months. In September 2014, the content of definitive agreements (comprising both rail and port related agreements) were agreed with relevant technical teams from the RoC government. Exxaro continues to actively liaise with the RoC government to finalise port and rail agreements before a final decision can be made on any future pre-feasibility studies.

As communicated in the Securities Exchange News Service (SENS) announcement in June 2014, any further development expenditure on this project will be determined through a staged approach after considering the outcome of a PFS, BFS as well as commodity market conditions. 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 relating to the project team's interaction with the RoC government until a final decision is made.

The independent review of the Mayoko iron ore project investment process by KPMG Inc was completed in the second half of 2014 and findings are being implemented. The review covered the period from identifying African Iron Limited as a possible acquisition up to June 2014, when the impairment was announced. The key findings of the review are that deviation from standard internal project development governance processes, in pursuit of first-mover advantages, resulted in inadequate identification of project specifications. An aggressive ramp-up schedule was assumed at acquisition of the project, which was continually moved out largely as a result of the delay in concluding the mining convention and rail and port access agreements, resulting in the gradual erosion of projected returns. An independent technical review of the project has been completed in the first quarter of 2015, and the results are being analysed. The purpose of this review is to verify the project assumptions for the project at concept study level.

Alloys

In 2014, Exxaro ceased its AlloyStream™ Letaba operation in Pretoria West. Assmang relinquished all rights and obligations to AlloyStream technology and waived the pre-2016 intellectual property lock-in period, thereby exiting the JV arrangement.

Exxaro's FerroAlloys business embarked on an expansion of its operation in 2014 in reply to increased demand for its product. Significant improvements were introduced into the design of the new plant optimising throughput and utilisation. The expansion project was successfully commissioned with the operation now able to almost double its existing capacity. The new facility will be ramped up in the first quarter of 2015.

The UHDMS processing technology is a breakthrough beneficiation process developed internally that uses a high-quality gas atomised ferrosilicon powder only manufactured by Exxaro. Exxaro has developed unique ore characterisation equipment, methodologies and a mobile pilot plant to support this technology. In conjunction with Kumba Iron Ore Limited, this technology has been proven to outperform existing beneficiation technologies relevant to low-grade, near-density ores. Exxaro is evaluating business opportunities for this technology on a large commercial scale with various partners.

TiO_2 commodity business

Equity-accounted losses

Equity-accounted losses from Exxaro's 43,98% effective interest in Tronox, together with the 26% equity interest in Tronox SA and Tronox UK for the year ended 31 December 2014 were R568 million, mainly due to lower sales prices across most products.

Subsequent to 31 December 2014, Tronox has made an announcement to acquire Alkali Chemicals, a division of FMC Corporation and the largest global producer of natural soda ash serving blue-chip customers in the glass, detergent and chemical manufacturing industries for US$1,64 billion in an all-cash transaction to create a leading inorganic chemicals company with enhanced scale, stability and financial strength well-positioned to pursue strategic growth initiatives. The transaction will be funded through existing cash and $600 million debt. It is expected that the transaction will be accretive to Tronox EBITDA, free cash flow and earnings upon closing. It is expected that the transaction will close in the first quarter of 2015 and subject to customary closing conditions. 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 business

Equity-accounted income

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

Portfolio improvement

In 2013, the Botswana government embarked on a prequalification process for units 5 and 6 on an Independent Power Producer (IPP) basis. Cennergi was selected as one of seven prequalified bidders for the Morupule B Phase 2 process. Final bid documents were received from the Botswana government in December 2014 and bid submission is expected to be in May 2015. Cennergi is preparing a bid for the Morupule B phase 2 units 5 and 6 coal-fired base load IPP (2x150MW).

Cennergi continues the project execution phase of both its Amakhala Emoyeni Wind Farm (AEWF) project and Tsitsikamma Community Development Wind Farm (TCWF) project for which financial close has been achieved. Construction on the 134MW AEWF project began in June 2014 and is expected to be completed in the second quarter of 2016. The commercial operation date is planned for the third quarter of 2016. The Cookhouse and Bedford Community trusts together own 5% of the equity of the project.

Construction on the 95MW TCWF project began in the third quarter of 2014 and is expected to be complete in the fourth quarter of 2015. The commercial operation date is planned for the first quarter of 2016. Cennergi owns 75% of the project, while Watt Energy and the community trust own 25%.

Both projects are progressing within contractual commitments, on time and within budget.

Other non-core businesses

Exxaro will review the Black Mountain Mining Proprietary Limited (Black Mountain) Swartberg and Gamsberg projects to determine optimal timing for the sale of its equity interest in Black Mountain. Based on Exxaro's strategic decision to divest from zinc and its minority shareholding in Black Mountain, Exxaro has indicated to Vedanta Resources plc (majority shareholder of Black Mountain) that it is unlikely to contribute additional shareholder funding to develop the Gamsberg project. Should Exxaro not meet future funding calls, Vedanta can elect to disproportionately contribute Exxaro's portion of shareholder funding by advancing an additional shareholder loan to Black Mountain or by diluting Exxaro's shareholding in Black Mountain.

In the third quarter of 2014, Black Mountain completed the definitive feasibility study on the Gamsberg project. The project was approved in November 2014 and construction is planned to start in the first half of 2015.

Table 5: Reviewed equity-accounted investments (Rm)

	Equity-accounted income/(loss)		Exxaro's share of dividends received	
for the year ended 31 December	2014	2013	2014	2013
SIOC	**2 830**	4 166	**3 095**	2 664
Tronox	**(568)**	(638)	**553**	507
Black Mountain	**77**	77	**71**	58
Mafube	**267**	131		
Cennergi	**(92)**	(103)		
South Dunes Coal Terminal (SDCT)	**1**	(2)		
Total	**2 515**	3 631	**3 719**	3 229

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 initiatives from key central banks are expected to boost global real GDP growth to the 3% level in 2015, last achieved in 2009. The average API4 price expected is around US$62 FOB RBCT per tonne. The Rand exchange rate against the US$ 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$.

Most of Exxaro's capital expenditure in coal over the past five years has been directed at GMEP. While the benefits of this expenditure are expected to realise in 2015, the delays recently announced by Eskom on the synchronisation of unit 6 at Medupi power station present challenges in configuring the Grootegeluk mining plan. This will, in turn, require a revised focus on the operational productivity and configuration of the entire operation to maximise efficiencies and profitability. To protect margins, there is a renewed focus on managing controllable costs across the business.

The group will continue to exercise caution and discipline in allocating capital to projects in 2015. Like many others in the industry, Exxaro is expected to reduce its expansion capital expenditure in the short to medium term.

Coal

We expect 2015 financial performance to be impacted by lower coal prices, continued Rand/US$ exchange rate volatility and the availability of coal for the export market. With Inyanda nearing its end of life, Grootegeluk will become the major supplier of coal to the export market. As such, export performance in 2015 will hinge largely on TFR rail performance between the Waterberg and RBCT. In 2015, Transnet is expected to maintain its 2014 record performance levels. Although RBCT reached record-setting levels in 2014 of 70,2Mtpa, lower export coal US$ prices are expected to affect export volumes.

Both thermal and coking coal seaborne markets are expected to remain weak given the general oversupply of coal and subdued economic growth outlook globally.

In the domestic market, demand for steam coal is expected to be stable. However, declining commodity prices in the international market have a direct impact on sales of metallurgical coal. Strong resistance from metallurgical customers is expected as they struggle to reduce their own costs. Strong resistance from Eskom on commercial sales terms is also expected as the state-owned company continues to experience operational and financial challenges.

Coal will remain a significant part of South Africa's energy mix even though the government's integrated resource plan 2010 – 2030 sees renewable energy making up over 40% of all new electricity generated in South Africa over the next 20 years.

Ferrous

The finalisation of the phase 1 close-out and metallurgical test work on the remaining drill samples on the impaired Mayoko iron ore project will continue in the first half of 2015. In the meantime, the second amendment to the Mayoko mining exploitation convention is under way and will be submitted to the RoC government in the second quarter of 2015, after which it is expected to be submitted to the RoC parliament for ratification. This should occur in the second quarter of 2015, subject to scheduled parliamentary sessions in the RoC.

TiO_2

TiO_2 pigment producers reduced inventories in 2014 as demand did not improve to sustainable levels and favourable market conditions for feedstock producers. In 2015, market conditions are expected to remain challenging for TiO_2 pigment and feedstocks.

Energy

The electricity shortfall crisis at national level creates a renewed and accelerated need to invest in renewable energy programmes in 2015. Following delays in the government's third window of renewable energy procurement process, 2015 is expected to bring a revived sense of urgency from government to commit to initiatives that can deliver sustainable solutions to the challenges of the shortfall in the supply of electricity. Exxaro remains committed to participating in any procurement opportunities that present themselves in 2015.

Accolades

Exxaro has won the 2015 Ethical Boardroom magazine's Best Corporate Governance Award in the mining category in the Africa region. The global publication delivers in-depth coverage and analysis of governance issues such as leadership, committees and quorum, ethics and compliance, shareholder engagement, activism and risk management strategies. Each year, a panel of four adjudicators scores entrants under four pillars (Board Composition, Board Committees, Shareholder Rights and Transparency) and 120 governance factors. The awards recognise companies that have shown exceptional leadership in governance and highlight the important role that corporate governance plays in dictating a company's success and a board's contribution in creating long-term value.

Exxaro was named the overall winner in the Nkonki Inc. Top 100 Integrated Reporting Awards 2014. The awards recognise South African companies excelling in the integrated reporting sphere. Exxaro also received an Excellence award for being judged as one of the top 22 of the top 100 reports received and was awarded the number one spot in the Basic Metals Industry category.

The group also achieved a top 10 placing in the third annual EY Excellence in Integrated Reporting Awards. The awards recognise companies that are emerging as leaders in integrated reporting, as well as trends and best practice with regard to integrated reporting.

Annual 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 is given that a gross final cash dividend, number 24 of 210 cents (2013: 315 cents) per share, for the year ended 31 December 2014 has 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 will be 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 on 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.

General

Additional information on the financial and operational results for the year ended 31 December 2014, as well as the presentation thereof can be accessed from the company's website on www.exxaro.com.

On behalf of the board

Len Konar
Chairman

Sipho Nkosi
Chief executive officer

Wim de Klerk
Finance director

4 March 2015

CORPORATE INFORMATION

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

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

This report is available at:
www.exxaro.com

Directors
Dr D Konar*** (Chairman), SA Nkosi* (Chief Executive Officer), WA de Klerk* (Finance Director), S Dakile-Hlongwane***, Dr CJ Fauconnier***, NB Mbazima**^, VZ Mntambo**, RP Mohring***, V Nkonyeni***, Dr MF Randera**, J van Rooyen***, D Zihlangu***
* Executive ** Non-executive *** Independent non-executive ^ Zambian

Prepared under supervision of:
WA de Klerk, CA(SA)

Group company secretary:
CH Wessels

Investor relations
M Mthenjane (+27 12 307 7393)

Sponsor
Deutsche Securities (SA) Proprietary Limited (+27 11 775 7000)

Registration number: 2000/011076/06
JSE share code: EXX
ISIN: ZAE000084992
ADR code: EXXAY
("Exxaro" or "the company" or "the group")

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