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

for the year ended

31 December 2016

exxaro

POWERING POSSIBILITY

SALIENT FEATURES

Owner-controlled operations

- Coal revenue R20,7 billion, up 14%
- Coal NOP* of R5,2 billion, up 101%

SIOC

- R2,4 billion post-tax equity-accounted income
- No dividends declared for FY16

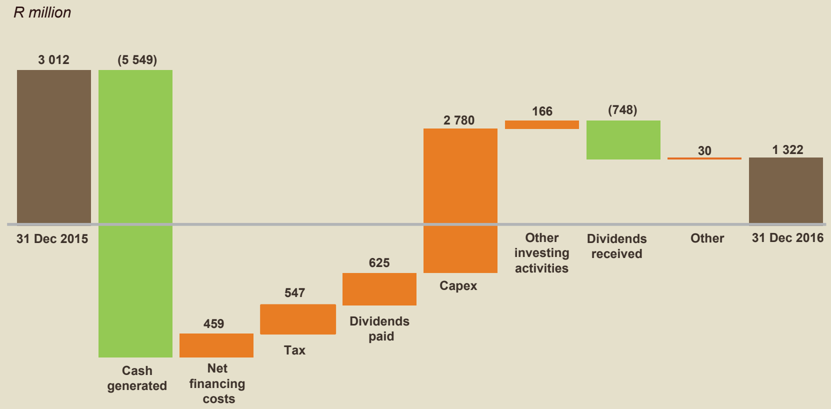
Tronox

- R384 million post-tax equity-accounted losses
- Dividend of R298 million

Group

- Net debt: equity of 3,8%
- Final dividend of 410 cents per share, up 382%
- HEPS** of R13,02 cents per share, up 185%
- AEPS*** of R16,00 per share, up from 83 cents per share

Prudent net debt position…strong cash generation



* Net operating profit.
** Headline earnings per share.
*** Attributable earnings per share.

Please refer to the inside back cover for an explanation of the acronyms used throughout this book.

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

	2016 Reviewed Rm	2015 Audited (Re-presented) Rm
Revenue	20 897	18 330
Operating expenses	(16 413)	(13 116)
Operating profit (note 8)	4 484	5 214
Gain on disposal of joint venture (note 7.1)	203	
Impairment charges of non-current assets (note 9)	(100)	(1 749)
Net operating profit	4 587	3 465
Finance income (note 10)	229	102
Finance costs (note 10)	(857)	(770)
Income from financial assets		1
Share of income/(loss) of equity-accounted investments (note 11)	2 373	(1 137)
Profit before tax	6 332	1 661
Income tax expense	(1 179)	(1 102)
Profit for the year from continuing operations	5 153	559
Profit/(loss) for the year from discontinued operations (note 6)	538	(292)
Profit for the year	5 691	267
Other comprehensive (loss)/income, net of tax	(549)	2 167
Items that will not be reclassified to profit or loss:	(57)	124
– Remeasurements of post-employment benefit obligation		(17)
– Share of comprehensive (loss)/income of equity-accounted investments	(57)	141
Items that may be subsequently reclassified to profit or loss:	(492)	2 043
– Unrealised (losses)/gains on translation of foreign operations	(45)	329
– Revaluation of financial assets available-for-sale	(5)	(141)
– Share of comprehensive (loss)/income of equity-accounted investments	(442)	1 855
Total comprehensive income for the year	5 142	2 434
Profit/(loss) attributable to:		
Owners of the parent	5 679	296
– Continuing operations	5 141	588
– Discontinued operations	538	(292)
Non-controlling interests	12	(29)
– Continuing operations	12	(29)
Profit for the year	5 691	267
Total comprehensive income/(loss) attributable to:		
Owners of the parent	5 130	2 463
– Continuing operations	4 666	2 768
– Discontinued operations	464	(305)
Non-controlling interests	12	(29)
– Continuing operations	12	(29)
Total comprehensive income for the year	5 142	2 434

	2016 Reviewed cents	2015 Audited (Re-presented) cents
Attributable earnings/(loss) per share		
Aggregate		
– Basic	1 600	83
– Diluted	1 591	83
Continuing operations		
– Basic	1 448	165
– Diluted	1 440	165
Discontinued operations		
– Basic	152	(82)
– Diluted	151	(82)

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION
at 31 December

	2016 Reviewed Rm	2015 Audited Rm
ASSETS		
Non-current assets	49 959	46 482
Property, plant and equipment	21 972	20 412
Biological assets	45	51
Intangible assets	31	56
Investments in associates (note 14)	21 518	19 690
Investments in joint ventures (note 15)	1 258	1 662
Financial assets (note 16)	4 720	4 067
Deferred tax	415	544
Current assets	9 842	6 016
Inventories	1 036	1 240
Financial assets (note 16)	480	
Trade and other receivables	3 050	2 666
Current tax receivable	81	55
Cash and cash equivalents	5 195	2 055
Non-current assets held-for-sale (note 17)	130	128
Total assets	59 931	52 626
EQUITY AND LIABILITIES		
Capital and other components of equity		
Share capital	2 509	2 445
Other components of equity	2 085	6 911
Retained earnings	31 281	25 670
Equity attributable to owners of the parent	35 875	35 026
Non-controlling interests	(788)	(800)
Total equity	35 087	34 226
Total liabilities	24 844	18 400
Non-current liabilities	16 282	12 701
Interest-bearing borrowings (note 18)	6 002	4 185
Provisions	4 162	3 112
Post-retirement employee obligations	239	217
Financial liabilities (note 20)	479	116
Deferred tax	5 400	5 071
Current liabilities	7 461	4 655
Trade and other payables	3 010	3 546
Shareholder loans	18	21
Interest-bearing borrowings (note 18)	503	882
Current tax payable	210	48
Financial liabilities (note 20)	3 599	
Provisions	109	158
Overdraft (note 18)	12	
Non-current liabilities held-for-sale (note 17)	1 101	1 044
Total equity and liabilities	59 931	52 626

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

		Other components of equity		
	Share capital Rm	Foreign currency translation Rm	Financial instruments revaluation Rm	Equity-settled Rm
At 1 January 2015 (Audited)	2 409	4 167	116	1 695
Profit/(loss) for the year				
Other comprehensive income/(loss)		329		
Reclassification of equity				
Share of comprehensive income of equity-accounted investments		1 438	125	215
Issue of share capital	36			
Share-based payments movement				98
Dividends paid				
Acquisition of subsidiaries				
Liquidation of subsidiaries		(1 012)		
At 31 December 2015 (Audited)	2 445	4 922	241	2 008
Profit for the year				
Other comprehensive loss		(45)		
Share of associates' reclassification of equity				(557)
Share of comprehensive (loss)/income of equity-accounted investments		(466)	(218)	242
Issue of share capital[1]	64			
Share-based payments movement				205
Dividends paid				
Share repurchase[2]				
Disposal of foreign subsidiaries[3]		(401)		
At 31 December 2016 (Reviewed)	2 509	4 010	23	1 898

[1] *Vesting of Mpower 2012 treasury shares to good leavers.*
[2] *Refer note 20.*
[3] *Gain on translation differences recycled to profit or loss on the disposal of subsidiaries (Mayoko iron ore project and related subsidiaries).*

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

Foreign currency translation

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

Financial instruments revaluation

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

Equity-settled

Represents the fair value, net of tax, of services received from employees and settled by equity instruments granted.

Retirement benefit obligation

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

Available-for-sale revaluation

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

Retirement benefit obligation Rm	Available-for-sale revaluation Rm	Other Rm	Retained earnings Rm	Attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
(329)	382		25 985	34 425		34 425
			296	296	(29)	267
(17)	(141)			171		171
	(360)		360			
141	64		13	1 996		1 996
				36		36
				98		98
			(984)	(984)		(984)
					(771)	(771)
				(1 012)		(1 012)
(205)	(55)		25 670	35 026	(800)	34 226
			5 679	5 679	12	5 691
	(5)			(50)		(50)
			557			
(57)				(499)		(499)
				64		64
				205		205
			(625)	(625)		(625)
		(3 524)		(3 524)		(3 524)
				(401)		(401)
(262)	(60)	(3 524)	31 281	35 875	(788)	35 087

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

	2016 Reviewed Rm	2015 Audited Rm
Cash flows from operating activities	3 918	3 011
Cash generated by operations	5 549	4 526
Interest paid	(595)	(500)
Interest received	136	54
Tax paid	(547)	(85)
Dividends paid	(625)	(984)
Cash flows from investing activities	(2 198)	(5 130)
Property, plant and equipment to maintain operations (note 13)	(2 413)	(1 663)
Property, plant and equipment to expand operations (note 13)	(367)	(727)
Increase in investment in intangible assets		(34)
Proceeds from disposal of property, plant and equipment	35	198
Increase in investments in other non-current assets	(160)	(106)
Increase in loans to related parties		(400)
Proceeds from disposal of operation (note 7.1)	47	70
Proceeds from disposal of joint venture (note 7.1)	200	
Increase in investment in associate	(233)	
Increase in investment in joint venture	(55)	(374)
Income from investments in associates and joint ventures	748	1 341
Acquisition of subsidiaries		(3 436)
Dividend income from financial assets		1
Cash flows from financing activities	1 483	2 000
Interest-bearing borrowings raised	7 565	4 320
Interest-bearing borrowings repaid	(6 066)	(2 320)
Shares acquired in market to settle share-based payments	(16)	
Net increase/(decrease) in cash and cash equivalents	3 203	(119)
Cash and cash equivalents at beginning of the year	2 055	1 939
Translation difference on movement in cash and cash equivalents	(75)	235
Cash and cash equivalents at end of the year	5 183	2 055
Cash and cash equivalents	5 195	2 055
Overdraft	(12)	

RECONCILIATION OF GROUP HEADLINE EARNINGS
for the year ended 31 December

	Gross Rm	Tax Rm	Net Rm
2016 (Reviewed)			
Profit attributable to owners of the parent			5 679
Adjusted for:	(1 001)	(57)	(1 058)
– IFRS 10 Gain on disposal of subsidiaries	(670)		(670)
– IAS 16 Net losses on disposal of property, plant and equipment	35	(13)	22
– IAS 16 Gain on disposal of an operation	(100)		(100)
– IAS 28 Excess of fair value over cost of investment in associate	(256)		(256)
– IAS 28 Loss on dilution of investment in associate	36		36
– IAS 28 Share of equity-accounted investments' separate identifiable remeasurements	57	(17)	40
– IAS 28 Gain on disposal of joint venture	(203)		(203)
– IAS 36 Impairment of property, plant and equipment	100	(27)	73
Headline earnings/(loss)			4 621
– Continuing operations			4 763
– Discontinued operations			(142)
2015 (Audited) (Re-presented)			
Profit attributable to owners of the parent			296
Adjusted for:	1 683	(356)	1 327
– IAS 16 Gain on disposal of an operation	(112)	31	(81)
– IAS 16 Net gains on disposal of property, plant and equipment	(158)	2	(156)
– IAS 16 Compensation from third parties from items of property, plant and equipment impaired, abandoned or lost	(5)	2	(3)
– IAS 21 Gains on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary	(1 012)		(1 012)
– IAS 28 Loss on dilution of investment in associate	10		10
– IAS 28 Share of equity-accounted investments' separate identifiable remeasurements	1 211	(328)	883
– IAS 36 Impairment of property, plant and equipment	225	(63)	162
– IAS 36 Impairment of goodwill acquired in a business combination in terms of IFRS 3	1 524		1 524
Headline earnings/(loss)			1 623
– Continuing operations			2 035
– Discontinued operations			(412)

	2016 Reviewed cents	2015 Audited (Re-presented) cents
Headline earnings/(loss) per share		
Aggregate		
– Basic	1 302	457
– Diluted	1 294	456
Continuing operations		
– Basic	1 342	573
– Diluted	1 334	572
Discontinued operations		
– Basic	(40)	(116)
– Diluted	(40)	(116)

1. CORPORATE BACKGROUND

Exxaro, a public company incorporated in South Africa, is a diversified resources group with interests in the coal (controlled and non-controlled), TiO_2 and Alkali chemicals (non-controlled), ferrous (controlled and non-controlled) and energy (non-controlled) markets. These reviewed condensed group annual financial statements as at and for the year ended 31 December 2016 comprise the company and its subsidiaries (together referred to as the group) and the group's interest in associates and joint ventures.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The reviewed condensed group annual financial statements as at and for the year ended 31 December 2016 are prepared in accordance with the requirements of the JSE Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The reviewed condensed group annual financial statements as at and for the year ended 31 December 2016 have been prepared under the supervision of PA Koppeschaar CA(SA), SAICA registration number: 00038621.

The reviewed condensed group annual financial statements should be read in conjunction with the group annual financial statements as at and for the year ended 31 December 2015, which have been prepared in accordance with IFRS as issued by the IASB. The reviewed condensed group annual 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 annual financial statements of Exxaro and its subsidiaries for the year ended 31 December 2016 were authorised for issue by the board of directors on 7 March 2017.

2.2 Judgements and estimates

In preparing these reviewed condensed group annual financial statements, management made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the group's accounting policies and the key source of estimation uncertainty were similar to those applied to the group annual financial statements as at and for the year ended 31 December 2015.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the reviewed condensed group annual financial statements are consistent with those followed in the preparation of the group annual financial statements as at and for the year ended 31 December 2015. Amendments to IFRS effective for the financial year ending 31 December 2016 did not have a material impact on the group.

New accounting standards and amendments issued to accounting standards and interpretations which are relevant to the group, but not yet effective on 31 December 2016, have not been adopted. The group continuously evaluates the impact of these standards and amendments.

4. RE-PRESENTATION OF COMPARATIVE INFORMATION

The prior year of the condensed group statement of comprehensive income (and related notes) has been re-presented as a result of the ferrous iron ore operating segment being identified as discontinued operations. Refer note 6 on discontinued operations.

5. SEGMENTAL INFORMATION

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

Total operating segment revenue, which excludes VAT, represents the gross value of goods invoiced, services rendered and includes operating revenues directly and reasonably allocable to the segments. 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 segments, as described below. These offer different products and services, and are managed separately based on commodity, location and support function grouping. The group executive committee reviews internal management reports on these divisions at least quarterly.

Coal

The coal operations are mainly situated in the Waterberg and Mpumalanga regions and are split between coal commercial operations and coal tied operations, a 50% (2015: 50%) investment in Mafube (a joint venture with Anglo) as well as a 10,82% (2015: 9,37%) effective equity interest in RBCT. The coal operations produce thermal coal, metallurgical coal and SSCC.

Ferrous

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

TiO_2 and Alkali chemicals

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

Other

This reportable segment comprises the 50% (2015: 50%) investment in Cennergi (a South African joint venture with Tata Power), 26% (2015: 26%) equity interest in Black Mountain (located in the Northern Cape province), an effective investment of 11,7% (2015: 11,7%) in Chifeng (located in the PRC) as well as the corporate office which renders services to customers.

5. SEGMENTAL INFORMATION (continued)

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

	Coal		Ferrous			TiO_2 and Alkali chemicals	Other		Total
	Tied operations Rm	Commercial operations Rm	Iron ore Rm	Alloys Rm	Other ferrous Rm	Rm	Base metals Rm	Other Rm	Rm
For the year ended 31 December 2016 (Reviewed)									
External revenue (continuing operations)	3 483	17 190		170				54	20 897
Segment net operating profit/(loss)	226	4 940	613	(75)	28			(532)	5 200
– *Net operating profit/(loss) from continuing operations*	226	4 940		(75)	28			(532)	4 587
– *Net operating profit from discontinued operations*			613						613
External finance income (note 10)	2	61		1				165	229
External finance costs (note 10)	(105)	(245)						(507)	(857)
Income tax benefit/(expense)	13	(1 110)	(75)	21	2			(105)	(1 254)
Depreciation and amortisation (note 8)	(12)	(1 072)		(7)				(107)	(1 198)
Impairment charges – non-current assets (excluding financial assets) (note 9)				(100)					(100)
Gain on disposal of operation		100							100
Gain on disposal of Mayoko iron ore project and related subsidiaries			670						670
Gain on disposal of joint venture		203							203
Cash generated by/(utilised in) operations	260	5 426	(29)	(53)	(22)			(33)	5 549
Share of income/(loss) of equity-accounted investments (note 11)		238			2 416	(384)	100	3	2 373
Capital expenditure (note 13)		(2 747)		(14)				(19)	(2 780)
At 31 December 2016 (Reviewed)									
Segment assets and liabilities									
Deferred tax		49		22	1			343	415
Investments in associates (note 14)		2 217			7 549	11 232	520		21 518
Investments in joint ventures (note 15)		839						419	1 258
External assets[1]	2 952	27 481	13	201	25		178	5 760	36 610
Assets	2 952	30 586	13	223	7 575	11 232	698	6 522	59 801
Non-current assets held-for-sale (note 17)		1						129	130
Total assets as per statement of financial position	2 952	30 587	13	223	7 575	11 232	698	6 651	59 931
External liabilities	2 631	4 939		39	4			10 520	18 133
Deferred tax[2]	(54)	5 515						(61)	5 400
Current tax payable[2]	(14)	224							210
Liabilities	2 563	10 678		39	4			10 459	23 743
Non-current liabilities held-for-sale (note 17)		1 101							1 101
Total liabilities as per statement of financial position	2 563	11 779		39	4			10 459	24 844

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

5. SEGMENTAL INFORMATION (continued)

	Coal		Ferrous			TiO_2 and Alkali chemicals	Other		Total
	Tied operations Rm	Commercial operations Rm	Iron ore Rm	Alloys Rm	Other ferrous Rm	Rm	Base metals Rm	Other Rm	Rm
For the year ended 31 December 2015 (Audited) (Re-presented)									
External revenue (continuing operations)	3 835	14 258		173				64	18 330
Segment net operating profit/(loss)	195	2 379	(292)	10	(24)			905	3 173
– *Net operating profit/(loss) from continuing operations*	195	2 379		10	(24)			905	3 465
– *Net operating loss from discontinued operations*			(292)						(292)
External finance income (note 10)	3	38						61	102
External finance costs (note 10)	(63)	(154)						(553)	(770)
Income tax (expense)/benefit	(17)	(1 115)		(3)	6			27	(1 102)
Depreciation and amortisation (note 8)	(24)	(927)		(7)	(4)			(67)	(1 029)
Impairment charges – goodwill (note 9)		(1 524)							(1 524)
Impairment charges – non-current assets (excluding financial assets and goodwill) (note 9)		(225)							(225)
Gain on disposal of operation		112							112
Cash generated by/(utilised in) operations	332	4 300	(285)	(38)	(74)			291	4 526
Share of income/(loss) of equity-accounted investments (note 11)		251			104	(1 503)	64	(53)	(1 137)
Capital expenditure (note 13)		(2 313)		(28)				(49)	(2 390)
At 31 December 2015 (Audited)									
Segment assets and liabilities									
Deferred tax	39	47		124	109			225	544
Investments in associates (note 14)		1 919			5 081	12 270	420		19 690
Investments in joint ventures (note 15)		1 067						595	1 662
External assets[1]	1 934	25 948	114	189	29		210	2 178	30 602
Assets	1 973	28 981	114	313	5 219	12 270	630	2 998	52 498
Non-current assets held-for-sale (note 17)								128	128
Total assets as per statement of financial position	1 973	28 981	114	313	5 219	12 270	630	3 126	52 626
External liabilities	1 775	5 179	286	37	52			4 908	12 237
Deferred tax[2]	(30)	5 094	1	5				1	5 071
Current tax payable[2]	(100)	145	3						48
Liabilities	1 645	10 418	290	42	52			4 909	17 356
Non-current liabilities held-for-sale (note 17)		1 044							1 044
Total liabilities as per statement of financial position	1 645	11 462	290	42	52			4 909	18 400

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

6. DISCONTINUED OPERATIONS

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

	For the year ended 31 December 2016 Reviewed Rm	2015 Audited (Re-presented) Rm
The financial performance and cash flow information		
Operating expenses	(57)	(292)
Operating loss	(57)	(292)
Gain on disposal of subsidiaries	670	
Net operating profit/(loss)	613	(292)
Income tax expense	(75)	
Profit/(loss) for the year from discontinued operations	538	(292)
Cash flow attributable to operating activities	(29)	(326)
Cash flow attributable to investing activities	9	119
Cash flow attributable to discontinued operations	(20)	(207)

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

7.1 Continuing operations

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

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

[2] *After tax of nil.*

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

7.1 Continuing operations (continued)

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

7.2 Discontinued operations

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

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

	For the year ended 31 December	
	2016 Reviewed Rm	2015 Audited (Re-presented) Rm
8. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT		
Depreciation and amortisation	(1 198)	(1 029)
Net realised foreign currency exchange (losses)/gains[1]	(116)	1 336
Fair value adjustment on contingent consideration[2]	(445)	
Royalties	(82)	(126)
Gain on disposal of operations[3]	100	112
Termination benefits[4]	(226)	(372)

[1] *2015 includes R1 012 million relating to the liquidation of a foreign subsidiary.*
[2] *Relating to the ECC acquisition.*
[3] *Sale of the Inyanda operation in 2016 and the NCC operation in 2015 (refer note 7.1).*
[4] *Voluntary severance package costs and other termination costs incurred and accrued for.*

	2016 Reviewed Rm	2015 Audited (Re-presented) Rm
9. IMPAIRMENT CHARGES OF NON-CURRENT ASSETS		
FerroAlloys operation		
Impairment charges, net of tax	73	
– Property, plant and equipment	100	
– Tax effect	(27)	
ECC		
Impairment charges, net of tax		1 524
– Goodwill		1 524
Reductants operation		
Impairment charges, net of tax		162
– Property, plant and equipment		225
– Tax effect		(63)
Net impairment charges per statement of comprehensive income	100	1 749
Net tax effect	(27)	(63)
Net effect on attributable earnings	73	1 686

FerroAlloys operation

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

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

9. IMPAIRMENT CHARGES OF NON-CURRENT ASSETS (continued)

ECC

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

Reductants operation

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

	For the year ended 31 December	
	2016 Reviewed Rm	2015 Audited Rm
10. NET FINANCING COSTS		
Total finance income	229	102
– Interest income	218	91
– Finance lease interest income	11	11
Total finance costs	(857)	(770)
– Interest expense	(496)	(546)
– Unwinding of discount rate on rehabilitation cost	(347)	(220)
– Finance lease interest expense	(5)	
– Amortisation of transaction costs	(25)	(10)
– Borrowing costs capitalised[1]	16	6
Total net financing costs	(628)	(668)
[1] *Borrowing costs capitalisation rate:*	*9,55%*	*6,94%*

	For the year ended 31 December	
	2016 Reviewed Rm	2015 Audited Rm
11. SHARE OF INCOME/(LOSS) OF EQUITY-ACCOUNTED INVESTMENTS		
Associates	2 132	(1 339)
Listed investments	(391)	(1 646)
– Tronox	(391)	(1 646)
Unlisted investments	2 523	307
– SIOC[1]	2 416	104
– Tronox SA	(111)	40
– Tronox UK	118	103
– RBCT[2]		(4)
– Black Mountain	100	64
Joint ventures	241	202
– Mafube	238	253
– SDCT		2
– Cennergi	3	(53)
Share of income/(loss) of equity-accounted investments	2 373	(1 137)

[1] *2016 includes R221 million excess of fair value over the cost of the investment which arose on the increase of 0,64% in the shareholding of SIOC.*

[2] *2016 includes R35 million excess of fair value over the cost of the investment which arose on the increase in the shareholding in RBCT (refer note 14).*

12. DIVIDEND DISTRIBUTION

Total dividends paid in 2016 amounted to R625 million (2015: R984 million), made up of a final dividend of R304 million which related to the year ended 31 December 2015, paid in April 2016, as well as an interim dividend of R321 million, paid in September 2016.

A final dividend for 2016 of 410 cents per share (2015: 85 cents per share) was approved by the board of directors on 8 March 2017. The dividend is payable on 24 April 2017 to shareholders who will be on the register on 21 April 2017. This final dividend, amounting to approximately R1 289 million (2015: R304 million), has not been recognised as a liability in these reviewed condensed group annual financial statements. It will be recognised in shareholders' equity in the year ending 31 December 2017.

The final dividend declared will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local dividend payable to shareholders, subject to dividend withholding tax at a rate of 20% amounts to 328,00000 cents per share. The number of ordinary shares in issue at the date of this declaration is 314 171 761 (2015: 358 115 505) after the share repurchase on 17 January 2017. Exxaro company's tax reference number is 9218/098/14/4.

	At 31 December	
	2016 Reviewed	2015 Audited
Issued share capital (number)	358 115 505	358 115 505
Ordinary shares (million)		
– Weighted average number of shares	355	355
– Diluted weighted average number of shares	357	356

	For the year ended 31 December	
	2016 Reviewed Rm	2015 Audited Rm

13. CAPITAL EXPENDITURE

	2016 Reviewed Rm	2015 Audited Rm
Incurred	2 780	2 390
– To maintain operations	2 413	1 663
– To expand operations	367	727
Contracted	2 333	2 162
– Contracted for the group (owner-controlled)	1 382	1 721
– Share of capital commitments of equity-accounted investments	951	441
Authorised, but not contracted	3 500	1 376

14. INVESTMENTS IN ASSOCIATES

	At 31 December 2016 Reviewed Rm	At 31 December 2015 Audited Rm
Listed investments	7 946	8 997
– Tronox[1]	7 946	8 997
Unlisted investments	13 572	10 693
– SIOC	7 549	5 081
– Tronox SA	1 728	1 833
– Tronox UK	1 558	1 440
– RBCT[2]	2 217	1 919
– Black Mountain	520	420
Total carrying value of investments in associates	21 518	19 690
[1] *Fair value based on a listed price (Level 1 within the IFRS 13 Fair Value Measurement fair value hierarchy) (Rm):*	*7 186*	*3 095*
Listed share price (US$ per share):	*10,31*	*3,91*

The recoverable amount (value in use) of this investment was determined based on Exxaro's share of the present value of Tronox's cash flows, and resulted in no impairment charge being recognised on 31 December 2016. Subsequent to 31 December 2016, the Tronox share price improved to US$17,80 per share on 7 March 2017, an increase of 73%.

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

15. INVESTMENTS IN JOINT VENTURES

	At 31 December 2016 Reviewed Rm	At 31 December 2015 Audited Rm
Unlisted investments	1 258	1 662
– Mafube	839	1 067
– SDCT[1]		
– Cennergi[2]	419	595
Total carrying value of investments in joint ventures	1 258	1 662
[1] *The investment in SDCT was sold on 31 March 2016. Refer note 7 and 14. The carrying value of the investment was below R1 million (R1 333) for the comparative year and included in financial assets, was a loan to SDCT which was settled on the disposal of the investment (refer note 16):*		*105*
[2] *Included in financial assets is a loan to Cennergi (refer note 16):*	*126*	

	At 31 December 2016 Reviewed Rm	2015 Audited Rm
16. FINANCIAL ASSETS		
Non-current financial assets		
Environmental rehabilitation funds	1 401	1 329
Loans to joint ventures	126	105
Non-current receivables	1 768	803
Loan to BEE shareholder[1]		426
Indemnification asset[2]	1 100	1 044
Investments	193	214
– Available-for-sale	178	210
– Fair value through profit or loss	15	4
Lease receivables	132	146
Total non-current financial assets	4 720	4 067
Current financial assets		
Loan to BEE shareholder[1]	480	
Total current financial assets	480	
Total financial assets	5 200	4 067

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

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

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

EMJV

Exxaro concluded the purchase of ECC in 2015, and as part of this acquisition Exxaro acquired non-current liabilities held-for-sale relating to the EMJV. The sale of the EMJV is conditional on section 11 approval required in terms of the MPRDA for transfer of the new-order mining right to the new owners, Scinta Energy Proprietary Limited as well as section 43(2) approval for the transfer of environmental liabilities and responsibilities. The EMJV remains a non-current liability held-for-sale for the Exxaro group on 31 December 2016.

The EMJV does not meet the criteria to be classified as a discontinued operation since it does not represent a separate major line of business, nor does it represent a major geographical area of operation.

Other

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

A new agreement was entered into with a property consortium in June 2016. The sale is conditional on Exxaro entering into a leaseback agreement for a minimum of two years. These agreements have been finalised during January 2017. The land and buildings situated at corporate centre remains classified as a non-current asset held-for-sale on 31 December 2016.

17. 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	
	2016 Reviewed Rm	2015 Audited Rm
Assets		
Property, plant and equipment	129	128
Deferred tax	1	
Total assets	130	128
Liabilities		
Non-current provisions	(1 083)	(1 027)
Post-retirement employee obligations	(18)	(17)
Total liabilities	(1 101)	(1 044)
Net liabilities held-for-sale	(971)	(916)

18. INTEREST-BEARING BORROWINGS

Loans

Refinanced loan facility

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

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

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

The undrawn portion relating to the term loan facilities amounts to R1 750 million. The undrawn portion of the revolving facility amounts to R750 million.

Senior loan facility

During July 2016 the senior loan facility was settled.

Exxaro had secured the senior loan facility of R8 000 million during April 2012. The senior loan facility comprised a:
– Term loan facility of R5 000 million for a duration of 97 months
– Revolving credit facility of R3 000 million for a duration of 62 months.

Interest was based on JIBAR plus a margin of 2,75% for the term loan, and JIBAR plus a margin of 2,50% for the revolving credit facility. The effective interest rate for the transaction costs for the term loan was 0,47%. Interest was paid on a six-monthly basis for the term loan, and on a monthly basis for the revolving credit facility.

Bond issue

In terms of Exxaro's R5 000 million DMTN programme, a senior unsecured floating rate note (bond) of R1 000 million was issued in May 2014. The bond comprises a:
– R480 million senior unsecured floating rate note due 19 May 2017
– R520 million senior unsecured floating rate note due 19 May 2019.

Interest on the bond 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 rate for the transaction costs is 0,13% for the R480 million bond and 0,08% for the R520 million bond. Interest is paid on a quarterly basis for both bonds.

18. INTEREST-BEARING BORROWINGS (continued)

Included in the 2016 interest-bearing borrowings are obligations relating to finance leases for mining equipment.

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

[1] *During 2016 the R8 000 million loan facility was refinanced which resulted in a new redemption profile.*
[2] *The current portion represents capital repayments amounting to R512 million (2015: R800 million), interest capitalised amounting to nil (2015: R90 million) reduced by transaction costs amounting to R9 million (2015: R8 million).*
[3] *The non-current portion includes R35 million (2015: R15 million) in respect of transaction costs that will be amortised using the effective interest rate method, over the term of the facilities.*

	2016 Reviewed Rm	2015 Audited Rm
Minimum finance lease payments:		
– Not later than one year	35	
– Later than one year but not later than five years	18	
Total	53	
Less: future finance charges	(4)	
Present value of finance lease liabilities	49	
– Current	32	
– Non-current	17	
Overdraft		
Bank overdraft	12	

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

There were no defaults or breaches in terms of interest-bearing borrowings during 2016.

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

[1] *Non-IFRS measure.*

20. FINANCIAL LIABILITIES		
Non-current financial liabilities		
Finance lease	66	77
Contingent consideration[1]	408	39
Other	5	
Total non-current financial liabilities	479	116
Current financial liabilities		
Contingent consideration[1]	75	
Share repurchase[2]	3 524	
Total current financial liabilities	3 599	
Total financial liabilities	4 078	116

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

[2] *On 30 December 2016 Exxaro shareholders approved the repurchase of shares by means of a special resolution. Subsequent to year-end Exxaro repurchased 43 943 744 ordinary shares from Main Street 333 for a purchase consideration of R3 524 million.*

21. FINANCIAL INSTRUMENTS

21.1 Carrying amounts and fair values

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

21.2 Fair value hierarchy

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

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

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

Level 3 – unobservable inputs for the asset and liability.

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
At 31 December 2016 (Reviewed)				
Financial assets designated at fair value through profit or loss	1 183			1 183
– Environmental rehabilitation funds	1 168			1 168
– New Age Exploration Limited	1			1
– KIO	14			14
Available-for-sale financial assets			178	178
– Chifeng			178	178
Financial liabilities held-for-trading at fair value through profit or loss		(25)		(25)
– Current derivative financial liabilities		(25)		(25)
Financial liabilities designated at fair value through profit or loss			(483)	(483)
– Non-current contingent consideration			(408)	(408)
– Current contingent consideration			(75)	(75)
Net financial assets/(liabilities) held at fair value	1 183	(25)	(305)	853
At 31 December 2015 (Audited)				
Financial assets held-for-trading at fair value through profit or loss		1		1
– Current derivative financial assets		1		1
Financial assets designated at fair value through profit or loss	1 117			1 117
– Environmental rehabilitation funds	1 113			1 113
– KIO	4			4
Available-for-sale financial assets			210	210
– Chifeng			210	210
Financial liabilities held-for-trading at fair value through profit or loss		(41)		(41)
–Current derivative financial liabilities		(41)		(41)
Financial liabilities designated at fair value through profit or loss			(39)	(39)
– Non-current contingent consideration			(39)	(39)
Net financial assets/(liabilities) held at fair value	1 117	(40)	171	1 248

21. FINANCIAL INSTRUMENTS (continued)

21.2 Fair value hierarchy continued

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

	Contingent consideration Rm	Chifeng Rm	RBCT Rm	Total Rm
At 1 January 2015 (Audited)		267	973	1 240
Movement during the year				
Losses recognised for the year in other comprehensive income (pre-tax effect)[1]		(103)	(61)	(164)
Acquisition of subsidiaries	(33)			(33)
Reclassification of loan repayments			(229)	(229)
Exchange gains recognised in other comprehensive income		46		46
Exchange losses recognised in profit or loss	(6)			(6)
Transfers out of Level 3[2]			(683)	(683)
At 31 December 2015 (Audited)	(39)	210		171
Movement during the year				
Losses recognised for the year in profit or loss	(445)			(445)
Losses for the year recognised in other comprehensive income (pre-tax effect)		(5)		(5)
Exchange losses recognised in other comprehensive income		(27)		(27)
Exchange gains recognised in profit or loss	1			1
At 31 December 2016 (Reviewed)	(483)	178		(305)

[1] *Tax on RBCT amounts to R23 million.*

[2] *Relates to the RBCT investment now accounted for as an investment in associate.*

Transfers

The group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 and Level 2 nor between Level 2 and Level 3 of the fair value hierarchy during the years ended 31 December 2016 and 2015, as shown in the reconciliation above.

During 2015, the RBCT investment was transferred out of Level 3 of the fair value hierarchy and classified as an investment in associate following the acquisition of an additional interest in RBCT through the ECC acquisition.

Valuation process applied by the group

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

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

Current derivative financial instruments

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

21. FINANCIAL INSTRUMENTS (continued)

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

Chifeng

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

At 31 December 2016 (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	R1,96/RMB1	Strengthening of the rand to the RMB	18
RMB/US$ exchange rate	RMB6,52 to RMB7,13/US$1	Strengthening of the RMB to the US$	158
Zinc LME price (US$ per tonne in real terms)	US$2 026 to US$2 113	Increase in price of zinc concentrate	158
Unobservable inputs			
Production volumes (tonnes)	85 000 tonnes	Increase in production volumes	33
Operational costs (US$ million per annum in real terms)	US$58,97 to US$74,38	Decrease in operations costs	(129)
Discount rate (%)	11,23%	Decrease in the discount rate	(15)

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

21. FINANCIAL INSTRUMENTS (continued)

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

Chifeng (continued)

At 31 December 2015 (Audited)	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
Observable inputs			
Rand/RMB exchange rate	R2,31/RMB1	Strengthening of the rand to the RMB	21
RMB/US$ exchange rate	RMB6,26 to RMB7,12/US$1	Strengthening of the RMB to the US$	203
Zinc LME price (US$ per tonne in real terms)	US$1 611 to US$2 200	Increase in price of zinc concentrate	203
Unobservable inputs			
Production volumes (tonnes)	85 000 tonnes	Increase in production volumes	31
Operational costs (US$ million per annum in real terms)	US$56,94 to US$75,22	Decrease in operations costs	(173)
Discount rate (%)	9,93%	Decrease in the discount rate	(19)

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

Inter-relationships

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

Contingent consideration

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

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

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

21. FINANCIAL INSTRUMENTS (continued)

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

Contingent consideration (continued)

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

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

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

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

	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
At 31 December 2016 (Reviewed)			
Observable inputs			
Rand/US$ exchange rate	R13,63/US$1	Strengthening of the rand to the US$	48
API4 export price (price per tonne)	US$57,19 to US$75	Increase in API4 export price per tonne	248
Unobservable inputs			
Discount rate (%)	3,44%	Decrease in the discount rate	(21)
At 31 December 2015 (Audited)			
Observable inputs			
Rand/US$ exchange rate	R15,48/US$1	Strengthening of the rand to the US$	4
API4 export price (price per tonne)	US$51,15 to US$62,5	Increase in API4 export price per tonne	175
Unobservable inputs			
Discount rate (%)	3,44%	Decrease in the discount rate	(1)

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

Inter-relationships

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

	At 31 December	
	2016 Reviewed Rm	2015 Audited Rm
22. CONTINGENT LIABILITIES		
Total contingent liabilities	6 907	7 378
– DMC Iron Congo SA		6
– Pending litigation and other claims[1]	1 136	1 233
– Operational guarantees[2]	4 331	3 559
– Share of contingent liabilities of equity-accounted investments[3]	1 440	2 580

[1] *Pending litigation and other claims consist of legal cases as well as tax disputes with Exxaro as defendant. The outcome of these claims is uncertain and the amount of possible legal obligations that may be incurred can only be estimated at date of reporting.*

[2] *Operational guarantees include guarantees to banks and other institutions in the normal course of business from which it is anticipated that no material liabilities will arise.*

[3] *Decrease mainly relates to SIOC settlement with SARS.*

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

SARS

On 18 January 2016, Exxaro received a letter of intent from SARS following an international income tax audit for the years of assessment 2009 to 2013. According to the letter, SARS proposes that certain international Exxaro companies will be subject to South African Income Tax under Section 9D of the Income Tax Act. Assessments to the amount of R442 million (R199 million tax payable, R91 million interest and R152 million penalties) were issued on 30 March 2016 and Exxaro formally objected against these assessments. The group is awaiting SARS' response.

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

23. RELATED PARTY TRANSACTIONS

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

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

24. GOING CONCERN

Based on the results for the year ended 31 December 2016, and the latest budget for 2017, as well as the available bank facilities and cash generating capability, Exxaro satisfies the criteria of a going concern.

25. JSE LISTINGS REQUIREMENTS

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

26. EVENTS AFTER THE REPORTING PERIOD

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

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

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

27. REVIEW CONCLUSION

These reviewed condensed group annual financial statements for the year ended 31 December 2016 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office together with the financial statements identified in the auditor's report.

28. CORPORATE GOVERNANCE

Detailed disclosure of the company's application of the principles contained in the King Report on Governance for South Africa 2009 (King III) will be made in the 2016 Integrated Report and will, in accordance with the JSE Listings Requirements, be available on the company's website in April 2017. The company is in the process of preparing itself for the implementation of the King Report on Corporate Governance for South Africa 2016 (King IV) and further information on the plans and progress will be provided in due course. As previously communicated, during the 2016 financial year Messrs EJ (Ras) Myburgh and PCCH (Peet) Snyders were appointed as independent non-executive directors to the board and Mr PA (Riaan) Koppeschaar as Finance Director. Please contact the group company secretary and legal, Mrs CH (Carina) Wessels, for any additional information in this regard.

29. KEY MEASURES[1]

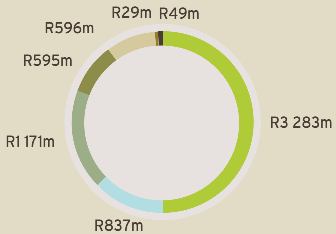
	At 31 December	
	2016	2015
Closing share price (rand/share)	89,50	44,04
Market capitalisation (Rb)	32,05	15,77
Average rand/US$ exchange rate (for the year ended)	14,69	12,76
Closing rand/US$ spot exchange rate	13,63	15,48

[1] *Non-IFRS numbers.*

EXXARO 2016 PERFORMANCE AT A GLANCE

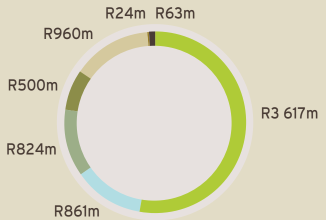
Sustainable operations	> LTIFR improved 47% to 0,09
Strong profit margins and resilient balance sheet	> Core net operating profit margin of 24%, up 6% > R2,4 billion income from equity-accounted investments, up 309% from FY15 > HEPS at 1 302 cents per share > Net debt to equity at 3,8% > Cash generated from operations at R5,5 billion, up 23%
Growth in coal	> R5,2 billion coal NOP, up 101% > Operating profit margin of 25% > Exports volume – at 7,9Mt up 27%
Returning cash to shareholders	> Final dividend of 410 cps at a FY16 core attributable earnings cover of 3,2 times

Value distribution in December 2016



- Salaries, wages and benefits
- Employees' tax
- Payments to government: taxation contribution
- Cost of finance
- Cash dividend paid, excluding Mpower 2012 dividend to employees
- Cash dividend paid to Mpower 2012 beneficiaries
- Community investments

Value distribution in December 2015



- Salaries, wages and benefits
- Employees' tax
- Payments to government: taxation contribution
- Cost of finance
- Cash dividend paid, excluding Mpower 2012 dividend to employees
- Cash dividend paid to Mpower 2012 beneficiaries
- Community investments

Comments below are based on a comparison between the financial years ended 31 December 2016 and 2015 (FY16 and FY15 respectively).

1. ROBUST PERFORMANCE

The Exxaro group of companies reached another unprecedented milestone on 31 December 2016 achieving two consecutive calendar years without a fatality. By December 2016, the company had operated for a record 30 consecutive months without a fatality. The group also achieved a lost-time injury frequency rate (LTIFR) of 0,09 (FY15: 0,17) representing a 47% improvement.

Regrettably, an employee at Matla Mine 2 in Mpumalanga, Mr Sibongiseni Sihle Majozi, was fatally injured on 1 March 2017 following an underground accident. Exxaro continues to strive for a consistent fatality-free environment and to continuously improve all aspects of safety.

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

Following the Exxaro Improvement Project (EIP) to reduce costs and improve efficiencies, Exxaro achieved sustainable cost savings of R235 million in FY16.

2. COMPARABILITY OF RESULTS

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

Table 1: Key transactions impacting on comparability

Reporting segment	Description	FY16 Rm	Description	FY15 Rm
Coal	– Termination and voluntary severance packages	(10)	– Termination and voluntary severance packages	(110)
	– Gain on disposal of operation (Inyanda)[1]	100	– Impairment of goodwill recognised on the acquisition of TCSA[1]	(1 524)
	– Gain on disposal of SDCT shareholding[1]	203	– Gain on disposal of non-core assets, property, plant and equipment and insurance claim income[1]	137
	– Loss on disposal of property, plant and equipment[1]	(45)	– Impairment of property, plant and equipment (reductants operation)[1]	(225)
Ferrous	– Termination and voluntary severance packages	(1)	– Termination and voluntary severance packages	(39)
	– Gain on disposal of property, plant and equipment[1]	10	– Gain on disposal of property, plant and equipment[1]	122
	– Gain on disposal of subsidiaries (Mayoko iron ore project and related subsidiaries)[1]	670	– Partial reversal of previous write-off of financial assets	11
	– Impairment of property, plant and equipment (FerroAlloys)[1]	(100)		

[1] *Excluded from headline earnings.*

Reporting segment	Description	FY16 Rm	Description	FY15 Rm
Other	– Termination and voluntary severance packages	(87)	– Termination and voluntary severance packages	(259)
	– Loss on dilution of shareholding in Tronox[1]	(36)	– Loss on dilution of shareholding in Tronox[1]	(10)
	– Fair value adjustment on contingent consideration relating to the acquisition of ECC	(445)	– Gain on disposal of property, plant and equipment and non-core assets[1]	17
			– Foreign exchange gain on US$ held for TCSA acquisition	747
			– Gains on translation differences of foreign subsidiaries[1]	1 012
			– Other	(96)
Group	**Total net operating profit impact**	**259**	**Total net operating loss impact**	**(217)**
Coal	– Tax on disposal of property, plant and equipment[1]	13	– Tax on disposal of non-core assets, insurance claim income and impairment[1]	28
	– Excess of fair value over cost of investment in RBCT[1]	35		
	– Post-tax share of Mafube impairment of property, plant and equipment[1]	(16)		
	– Post-tax share of Mafube gain on disposal of property, plant and equipment[1]	1		
Ferrous	– Tax on impairment of property, plant and equipment[1]	27	– Post-tax share of SIOC gains on disposal of non-core assets and insurance claims income[1]	3
	– Excess of fair value over cost of investment in SIOC[1]	221	– Post-tax share of SIOC's impairment of operation[1]	(866)
	– Post-tax share of SIOC loss on disposal of property, plant and equipment[1]	(28)		
	– Post-tax share of SIOC impairment of property, plant and equipment[1]	(1)		
TiO_2 and Alkali chemicals	– Post-tax share of Tronox restructuring costs	(9)	– Post-tax share of Tronox restructuring costs	(141)
	– Post-tax share of Tronox gain on disposal of property, plant and equipment[1]	4	– Post-tax share of Tronox loss on disposal of property, plant and equipment[1]	(21)
Group	**Total attributable earnings impact**	**506**	**Total attributable loss impact**	**(1 214)**

[1] *Excluded from headline earnings.*

3. COMMODITY PRICE PERFORMANCE AND GROUP SEGMENT RESULTS

The movements in commodity prices significantly impacting Exxaro's performance is summarised in table 2 below:

Table 2: Change in commodity prices

	Average US$ per tonne		%
Commodity price	**FY16**	**FY15**	**Change**
API4 coal	64	57	12
Iron ore fines (cost and freight (CFR) China)	58	56	4
TiO_2 pigment (cost, insurance and freight (CIF), US)#	2 087	2 205	(5)

 # Although a decline in annual average terms, the TiO_2 pigment prices were on an upward trajectory from a relatively low base for most of FY16.

Table 3 below summarises the group revenue and net operating profit.

Table 3: Group segment results (Rm)

	Revenue		Net operating profit/(loss)	
	FY16 Reviewed	**FY15 Audited**	**FY16 Reviewed**	**FY15 Audited**
Coal	20 673	18 093	5 166	2 574
– Tied[1]	3 483	3 835	226	195
– Commercial[2]	17 190	14 258	4 940	2 379
Ferrous	170	173	566	(306)
– Iron ore[3]			613	(292)
– Alloys[4]	170	173	(75)	10
– Other			28	(24)
Other[5]	54	64	(532)	905
Total	20 897	18 330	5 200	3 173

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

[2] Net operating profit for FY15 includes pre-tax impairment of the goodwill recognised on the acquisition of ECC of R1 524 million and the reductants operation property, plant and equipment of R225 million.

[3] Net operating profit for FY16 includes R670 million pre-tax gain on the disposal of the Mayoko iron ore project and related subsidiaries.

[4] Net operating loss for FY16 include the FerroAlloys property, plant and equipment pre-tax impairment of R100 million.

[5] Net operating loss for FY16 includes R445 million fair value adjustment of contingent consideration which relates to the ECC acquisition.

4. FINANCIAL AND OPERATIONAL RESULTS

4.1. Group financial results

4.1.1. Revenue and net operating profit

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

- Higher contributions from the coal operations (refer 4.2.2)
- The non-recurrence of impairments of goodwill and property, plant and equipment arising in FY15 of R1 749 million
- R670 million gain on disposal of the Mayoko iron ore project and its related subsidiaries in FY16
- Cost savings in the ferrous segment due to the disposal of Mayoko iron ore project, offset by the non-recurrence of gains in FY15 relating to:
  - Unrealised foreign exchange profits recorded on US dollars held for the ECC acquisition
  - Translation differences recycled to profit or loss on liquidation of foreign subsidiaries
- R445 million loss on the fair value adjustment recognised in FY16 relating to the contingent consideration which relates to the ECC acquisition.

4.1.2. Earnings

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

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

Table 4: Equity-accounted investments (Rm)

	Equity-accounted income/(loss)		Dividends received	
	FY16 Reviewed	FY15 Audited	FY16 Reviewed	FY15 Audited
SIOC[1]	2 416	104		673
Tronox	(384)	(1 503)	298	668
Mafube	238	253	450	
Black Mountain	100	64		
Cennergi	3	(53)		
RBCT[2]		(4)		
SDCT		2		
Total	2 373	(1 137)	748	1 341

[1] *FY16 includes R221 million excess of fair value over the cost of the investment which arose on the 0,64% increase in the shareholding of SIOC and FY15 includes Exxaro's share of an impairment charge on property, plant and equipment amounting to R866 million.*

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

4.1.3. Cash flow and funding

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

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

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

4.1.4. Debt exposure

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

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

The repurchase consideration was funded firstly with available contributed tax capital and the remaining portion from reserves. The circular posted to shareholders on 29 November 2016 had incorrectly reflected the contributed tax capital per share as R35.87 instead of the correct amount of R8.31. The only impact of this difference is that a larger portion of the repurchase is classified as a dividend in the hands of Main Street 333.

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

	Production		Sales	
	FY16	**FY15**	**FY16**	**FY15**
Thermal	40 811	41 100	42 489	42 146
– Tied	7 900	9 260	7 893	9 270
– Commercial	32 911	31 840	34 596	32 876
– Domestic power station coal[1]			22 029	24 107
– Domestic steam coal[1]			4 709	2 587
Export			7 858	6 182
Metallurgical	1 985	1 856	1 298	1 341
– Commercial domestic	1 985	1 856	1 298	1 341
Total coal	42 796	42 956	43 787	43 487
Semi-coke	54	48	65	49
Total coal (excluding buy-ins)	42 850	43 004	43 852	43 536
Thermal buy-ins[1]	606	1 222		
Total coal (including buy-ins)	43 456	44 226	43 852	43 536

[1] Mafube trading division buy-ins of 1 760kt from Mafube JV are included under thermal coal commercial production and the prior year has also been re-presented from buy-ins to thermal coal commercial production (FY15: 1 147kt).

4.2. Coal business performance

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

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

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

4.2.1. Production and sales volumes

Total coal production volumes (excluding buy-ins) were 160kt lower than FY15. The decrease can mainly be attributed to the sale of Inyanda as well as the closure of Arnot. However, the inclusion of ECC production for 12 months in FY16 compared to four months in FY15 cushioned the extent of the reduction. Sales, however, increased by 300kt (1%).

4.2.1.1. Metallurgical coal

Grootegeluk (GG) production increased by 129kt (7%). In FY15, SSCC production was cut back in order to produce power station coal due to low stocks in the second half of 2015. Sales decreased by 43kt (3%) mainly due to lower off-take from local customers.

4.2.1.2. Thermal coal

Tied mines

Power station coal production from the tied mines was 1 360kt (15%) lower compared to FY15, mainly due to Eskom terminating the contract with Arnot at the end of 2015.

Commercial mines

The commercial mines' power station coal production was lower by 396kt (2%) attributable to GG for 894kt (4%) due to full stockpiles at Eskom during the first half of 2016 and lower off-take from Eskom, resulting in production cut-backs. NBC production was lower by 186kt (7%) due to industrial action and the move of a plant for safety reasons. This was offset by higher production at Mafube of 625kt (100%).

Domestic power station coal sales from the commercial mines was 2 078kt (9%) lower mainly due to Leeuwpan's coal no longer being delivered to Eskom and lower demand as a result of Addendum 9 to the Medupi Coal Supply Agreement. Export power station coal sales increased by 1 034kt (142%) mainly as a result of the Eskom contracts ceasing at Leeuwpan and Mafube and redirecting the coal to the export market.

Steam coal production was 1 467kt (23%) higher mainly due to the inclusion of ECC (2 539kt) for the full year and higher production at NBC of 173kt (100%) as the Eerstelingsfontein reserve was mined for the full year, partly offset by no production at Inyanda (1 035kt). GG production was lower by 127kt (8%) mainly due to full stockpiles.

Domestic steam sales increased by 2 122kt (82%) mainly from Leeuwpan as a result of the Eskom agreement ceasing and product being redirected to the domestic market (1 335kt), the inclusion of ECC sales of 402kt for the full year and increased demand at NBC and GG partly offset by lower Inyanda sales of 111kt. Steam coal export sales were 642kt (12%) higher mainly from ECC partly offset by the Inyanda closure.

4.2.2. Revenue and net operating profit

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

Net operating profit of R5 166 million (FY15: R2 574 million) represents an increase of 101%, at an operating margin of 25%, compared to FY15, mainly due to:
- Impairment (+R1 524 million) of goodwill in FY15 which arose on the acquisition of ECC
- Higher prices (+R931 million)
- Lower buy-in prices from Mafube JV (+R441 million)
- Inclusion of ECC (+R429 million) for the full year
- Impairment of property, plant and equipment of the reductants operation in FY15 (+R225 million)
- Gain on the restructuring of SDCT shareholding (+R203 million)
- Exchange rate variances due to the weakening of the local currency against the US dollar (+R111 million)

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

4.3. Ferrous business

4.3.1. Net operating profit

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

4.3.2. Equity-accounted investments

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

4.4. TIO_2 and Alkali chemicals investment

4.4.1. Equity-accounted investment

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

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

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

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

4.5. Energy business

4.5.1. Equity-accounted investment

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

5. BROAD-BASED BLACK ECONOMIC EMPOWERMENT

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

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

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

It is expected that Exxaro will seek shareholder approval in the second quarter of 2017 for the replacement BEE transaction.

6. MINERAL RESOURCES AND RESERVES

There has been a material change in the reserves of ECC following new geological models and life of mine plans developed in FY16. Run of mine for the Dorstfontein complex increased from 20,3Mt to 43,5Mt, and Forzando increased from 11,5Mt to 48,5Mt. The reported tonnage in 2015 was a conservative estimate, as the mentioned models and plans were still in development at the time.

7. MINING AND PROSPECTING RIGHTS

The mining right application for the Thabametsi project, a resource adjacent to the GG Waterberg coal mine, which will supply coal to the Thabametsi Coal IPP, was granted in June 2016 for a period of 30 years. The approval, execution and subsequent registration of the right signify the start of a new and exciting phase for Exxaro within the Waterberg. Exxaro also holds a 100% ownership in the Waterberg North and South prospecting right areas situated roughly 30km north-west of the GG coal mine. The project areas consist of four prospecting rights for which applications for renewals were timeously submitted. Approvals for two of the renewals were granted in the second half of 2016 and Exxaro has a reasonable expectation that the remaining renewals will be granted in early 2017.

ECC holds a 51% interest in the Eloff prospecting right, a project situated near the town of Delmas and close to Exxaro's Leeuwpan operation. The project area lies within the Delmas coalfield, to the west of the Witbank Coalfield, and along the northern edge of the main Karoo sedimentary basin. Three major coal seams are present in the project area although with variable seam thickness, coal qualities and depth below surface. A mining right compilation for the project was completed in December 2016 and the application will be submitted within the first quarter of 2017.

Technical studies concluded have resulted in a significant increase in the life of mine at both the Forzando and Dorstfontein operations, a complex of which ECC holds 74%. The approval of a section 102 application to incorporate the Forzando-West prospecting right into the Forzando-South mining right was received which adds additional potential for the expansion of the Forzando operation.

The mining right registrations of Matla, Arnot, Leeuwpan extension, Forzando-South and Glisa (NBC) are pending. Exxaro has a reasonable expectation that registrations will be concluded during the first half of 2017.

NBC includes the traditional mining areas of Glisa (converted mining right), Strathrae (converted mining right) and Eerstelingsfontein, an executed new mining right. Environmental approvals for Eerstelingsfontein have been granted and approval for the renewal of the mining right, timeously submitted in March 2013, is pending. In addition, a renewal for a prospecting right and an application for a new mining right for the Glisa South project area, immediately adjacent to Glisa, was timeously submitted in November 2013. An appeal received on this right is being addressed through the DMR's Regional Mining Development and Environment Committee.

8. OUTLOOK

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

Exxaro expects an improvement in the operational results of the coal business in 2017 based on:
- Stable trading conditions in domestic markets
- Higher international coal prices compared to 2016
- Our operational excellence process delivering further results
- Technology and innovation improvements

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

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

9. FINAL DIVIDEND

Exxaro's dividend policy is based on a cover ratio of between 2,5 and 3,5 times core attributable earnings.

Notice is therefore given that a gross final cash dividend, number 28 of 410 cents (final FY15: 85 cents) per share, for the financial year ended 31 December 2016 was declared, payable to shareholders of ordinary shares. For details of the dividend, please refer note 12 of the reviewed condensed group annual financial statements.

Salient dates for payment of the final dividend are:

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

No share certificates may be dematerialised or rematerialised between Wednesday, 19 April 2017 and Friday, 21 April 2017, both days inclusive. Dividends for certificated shareholders will be transferred electronically to their bank accounts on payment date. Shareholders who hold dematerialised shares will have their accounts at their central securities depository participant or broker credited on Monday, 24 April 2017.

10. GENERAL

Additional information on financial and operational results for the financial year ended 31 December 2016, and the accompanying presentation can be accessed on our website on www.exxaro.com.

On behalf of the board

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

7 March 2017

CORPORATE INFORMATION

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

PREPARED UNDER SUPERVISION OF:
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SAICA registration number: 00038621

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CH Wessels

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EXXARO RESOURCES LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 2000/011076/06
JSE share code: EXX
ISIN: ZAE000084992
ADR code: EXXAY
(“Exxaro” or “the company” or “the group”)

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

ACRONYMS

Anglo	Anglo South Africa Capital Proprietary Limited
API4	All publications index 4 (fob Richards Bay 6000kcal/kg)
BEE	Black Economic Empowerment
Black Mountain	Black Mountain Proprietary Limited
Cennergi	Cennergi Proprietary Limited
CFR	Cost and Freight
Chifeng	Chifeng Kumba Hongye Corporation Limited
CIF	Cost, insurance and freight
Companies Act	Companies Act No 71 of 2008, as amended
Cps	cents per share
DMR	Department of Mineral Resources
DMTN	Domestic Medium-Term Note
ECC	Exxaro Coal Central Proprietary Limited
EIP	Exxaro Improvement Project
EMJV	Ermelo joint venture
Exxaro	Exxaro Resources Limited
FeCr	FerroChrome
FY15	Financial year ended 31 December 2015
FY16	Financial year ended 31 December 2016
GG	Grootegeluk
HEPS	Headline earnings per share
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IPP	Independent Power Producer
IFRS	International Financial Reporting Standard
JIBAR	Johannesburg Interbank Average Rate
JSE	JSE Limited
KIO	Kumba Iron Ore Limited
kt	kilo tonnes
Listings Requirements	JSE Listings Requirements
LME	London Metal Exchange
LTIFR	Lost-time injury frequency rate
Mafube	Mafube Coal Proprietary Limited
Main Street 333	Main Street 333 Proprietary Limited (RF), controlling shareholder
Mpower 2012	Exxaro Employee Empowerment Trust
MPRDA	Mineral and Petroleum Resources Development Act 28 2002
Mt	Million tonnes
NBC	North Block Complex
NCC	New Clydesdale Colliery
NOP	Net operating profit
PPA	Purchase Price Allocation
PRC	People's Republic of China
Rb	Rand billion
RBCT	Richards Bay Coal Terminal Proprietary Limited
Rm	Rand million
RMB	Chinese Renminbi
RoC	Republic of Congo
RSA	Republic of South Africa
SAICA	South African Institute of Chartered Accountants
SARS	South African Revenue Service
SDCT	South Dunes Coal Terminal SOC Limited
SENS	Stock Exchange News Service
SIOC	Sishen Iron Ore Company Proprietary Limited
SOC	State-owned company
SSCC	Semi-soft coking coal
Tata Power	Tata Power Company Limited
TCSA	Total Coal South Africa Proprietary Limited
TiO_2	Titanium dioxide
Tronox	Tronox Limited
Tronox SA	Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited
Tronox UK	Tronox Sands Limited Liability Partnership in the United Kingdom
US	United States of America
US$	United States dollar
VAT	Value Added Tax

DISCLAIMER

Opinions expressed herein are by nature subjective to known and unknown risks and uncertainties. Changing information or circumstances may cause the actual results, plans and objectives of Exxaro Resources Limited (the "Company") to differ materially from those expressed or implied in the forward looking statements. Financial forecasts and data given herein are estimates based on the reports prepared by experts who in turn relied on management estimates. Undue reliance should not be placed on such opinions, forecasts or data. No representation is made as to the completeness or correctness of the opinions, forecasts or data contained herein. Neither the company, nor any of its affiliates, advisers or representatives accepts any responsibility for any loss arising from the use of any opinion expressed or forecast or data herein. Forward looking statements apply only as of the date on which they are made and the company does not undertake any obligation to publicly update or revise any of its opinions or forward looking statements whether to reflect new data or future events or circumstances.

BASTION GRAPHICS