# REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS AND UNREVIEWED PRODUCTION AND SALES VOLUME INFORMATION

for the six-month period ended 30 June 2014

exxaro

POWERING POSSIBILITY

# PERFORMANCE IN BRIEF

## 1H14 VS 1H13

**ZERO FATALITIES**
RECORD 20 MONTHS WITHOUT A FATALITY

HEPS **UP 11%** TO 793 CENTS PER SHARE

**COAL PRODUCTION**
AT 18,8 MILLION TONNES

INTERIM DIVIDEND OF 260 CENTS PER SHARE **UP 11%**

COAL EXPORTS OF **2,7 MILLION** TONNES, UP 43%

RAISED **R1 BILLION** IN SUCCESSFUL DEBUT BOND

GMEP PROJECT SHORTFALL INCOME OF **R888 MILLION**

## WHAT WE CONTINUE TO WORK ON

**REGRETTABLE FATALITY**
ON 5 JULY 2014

LOST-TIME INJURY FREQUENCY **RATE AT 0,22**
A REGRESSION OF 5%

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## CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

| | 6 months ended 30 Jun 2014 Reviewed Rm | 6 months ended 30 Jun 2013 Reviewed (Restated) Rm | 12 months ended 31 Dec 2013 Audited Rm |
|---|---|---|---|
| **Revenue** | 7 412 | 6 245 | 13 568 |
| Operating expenses | (6 620) | (5 714) | (12 576) |
| Operating profit (note 6) | 792 | 531 | 992 |
| Other income (note 7) | 888 | 645 | 1 594 |
| Impairment charges of non-current assets (notes 8, 14) | (5 760) | (292) | (143) |
| **Net operating (loss)/profit** | (4 080) | 884 | 2 443 |
| Interest income (note 9) | 43 | 42 | 81 |
| Interest expense (note 9) | (86) | (268) | (367) |
| Income from investments | 7 | 2 | 12 |
| Share of income from equity-accounted investments (note 10) | 1 515 | 2 015 | 3 631 |
| **(Loss)/profit before tax** | (2 601) | 2 675 | 5 800 |
| Income tax benefit/(expense) | 159 | (429) | (645) |
| **(Loss)/profit for the period from continuing operations** | (2 442) | 2 246 | 5 155 |
| **(Loss)/profit for the period from discontinued operations (note 11)** | | (7) | 1 049 |
| **(Loss)/profit for the period** | (2 442) | 2 239 | 6 204 |
| **Other comprehensive income, net of tax** | 468 | 1 101 | 2 640 |
| *Items that will not be reclassified to profit or loss:* | 35 | 12 | 150 |
| – Share of comprehensive income of equity-accounted investments | 35 | 12 | 150 |
| *Items that may be subsequently reclassified to profit or loss:* | 433 | 1 089 | 2 490 |
| – Unrealised exchange gains on translating foreign operations | 164 | 320 | 537 |
| – Revaluation of available-for-sale financial assets | 148 | 94 | 100 |
| – Share of comprehensive income of equity-accounted investments | 121 | 675 | 1 853 |
| **Total comprehensive (loss)/income for the period** | (1 974) | 3 340 | 8 844 |
| **(Loss)/profit attributable to:** | | | |
| Owners of the parent | (2 441) | 2 244 | 6 217 |
| – continuing operations | (2 441) | 2 251 | 5 168 |
| – discontinued operations | | (7) | 1 049 |
| Non-controlling interests | (1) | (5) | (13) |
| – continuing operations | (1) | (5) | (13) |
| **(Loss)/profit for the period** | (2 442) | 2 239 | 6 204 |
| **Total comprehensive (loss)/income attributable to:** | | | |
| Owners of the parent | (1 969) | 3 343 | 8 854 |
| – continuing operations | (1 969) | 3 350 | 7 805 |
| – discontinued operations | | (7) | 1 049 |
| Non-controlling interests | (5) | (3) | (10) |
| – continuing operations | (5) | (3) | (10) |
| **Comprehensive (loss)/income for the period** | (1 974) | 3 340 | 8 844 |

## RECONCILIATION OF GROUP HEADLINE EARNINGS

| | Gross Rm | Tax Rm | Net Rm |
|---|---|---|---|
| **6 months ended 30 June 2014 (Reviewed)** | | | |
| Loss for the period attributable to owners of the parent | | | (2 441) |
| Adjusted for: | | | |
| – IAS 36 Impairment of goodwill acquired in a business combination in terms of IFRS 3 | 1 020 | | 1 020 |
| – IAS 16 Net losses or gains on disposal of property, plant and equipment | 19 | (5) | 14 |
| – IAS 28 Loss on dilution of investment in associate | 29 | | 29 |
| – IAS 28 Share of associates' gains or losses on disposal of property, plant and equipment | 4 | | 4 |
| – IAS 36 Impairment of property, plant and equipment | 4 740 | (552) | 4 188 |
| **Headline earnings** | 5 812 | (557) | 2 814 |
| **12 months ended 31 December 2013 (Audited)** | | | |
| Profit for the year attributable to owners of the parent | | | 6 217 |
| Adjusted for: | | | |
| – IFRS 10 Gains on disposal of subsidiary | (964) | | (964) |
| – IAS 16 Net losses or gains on disposal of property, plant and equipment | 9 | (4) | 5 |
| – IAS 28 Loss on dilution of investment in associate | 12 | | 12 |
| – IAS 28 Share of associates' gains or losses on disposal of property, plant and equipment | (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 scrapping of intangible assets | 2 | | 2 |
| **Headline earnings** | (1 010) | (13) | 5 194 |
| – continuing operations | | | 5 218 |
| – discontinued operations | | | (24) |
| **6 months ended 30 June 2013 (Reviewed)** | | | |
| Profit for the period attributable to owners of the parent | | | 2 244 |
| Adjusted for: | | | |
| – IAS 16 Net gains on disposal of property, plant and equipment | (4) | (1) | (5) |
| – IAS 28 Loss on dilution of investment in associate | 13 | | 13 |
| – IAS 28 Share of associates' gains or losses on disposal of property, plant and equipment | (5) | 1 | (4) |
| – IAS 36 Impairment of property, plant and equipment | 292 | (11) | 281 |
| **Headline earnings** | 296 | (11) | 2 529 |
| – continuing operations | | | 2 537 |
| – discontinued operations | | | (8) |

## HEADLINE EARNINGS AND ATTRIBUTABLE EARNINGS PER SHARE

| **Headline earnings/(loss) per share** | 6 months ended 30 Jun 2014 Reviewed cents | 6 months ended 30 Jun 2013 Reviewed cents | 12 months ended 31 Dec 2013 Audited cents |
|---|---|---|---|
| Headline earnings per share – aggregate | | | |
| – basic | 793 | 712 | 1 463 |
| – diluted | 790 | 712 | 1 459 |
| Headline earnings per share – continuing operations | | | |
| – basic | 793 | 714 | 1 470 |
| – diluted | 790 | 714 | 1 466 |
| Headline loss per share – discontinued operations | | | |
| – basic | | (2) | (7) |
| – diluted | | (2) | (7) |
| **Attributable (loss)/earnings per share** | | | |
| Attributable (loss)/earnings per share – aggregate | | | |
| – basic | (688) | 632 | 1 751 |
| – diluted | (686) | 632 | 1 746 |
| Attributable (loss)/earnings per share – continuing operations | | | |
| – basic | (688) | 634 | 1 456 |
| – diluted | (686) | 634 | 1 452 |
| Attributable (loss)/earnings per share – discontinued operations | | | |
| – basic | | (2) | 295 |
| – diluted | | (2) | 294 |

Refer to note 12 for details regarding the number of shares.

## CONDENDSED GROUP STATEMENT OF FINANCIAL POSITION

| | At 30 Jun 2014 Reviewed Rm | At 30 Jun 2013 Reviewed (Restated) Rm | At 31 Dec 2013 Audited Rm |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | 40 402 | 41 268 | 44 681 |
| Property, plant and equipment | 17 057 | 17 980 | 20 342 |
| Biological assets | 72 | 56 | 72 |
| Intangible assets (note 14) | 232 | 994 | 1 176 |
| Investments in associates (note 15) | 18 828 | 18 616 | 19 207 |
| Investments in joint ventures (note 16) | 859 | 513 | 861 |
| Financial assets (note 20) | 2 763 | 2 879 | 2 657 |
| Deferred tax | 591 | 230 | 366 |
| **Current assets** | 5 578 | 4 777 | 4 483 |
| Inventories | 1 018 | 915 | 938 |
| Trade and other receivables | 2 875 | 2 510 | 2 434 |
| Current tax receivable | 98 | 122 | 82 |
| Cash and cash equivalents | 1 587 | 1 230 | 1 029 |
| **Non-current assets held-for-sale (note 17)** | 284 | | 342 |
| **Total assets** | 46 264 | 46 045 | 49 506 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and other components of equity** | | | |
| Share capital | 2 402 | 2 388 | 2 396 |
| Other components of equity | 5 334 | 2 678 | 4 234 |
| Retained earnings | 25 328 | 26 500 | 29 668 |
| **Equity attributable to owners of the parent** | 33 064 | 31 566 | 36 298 |
| **Non-controlling interests** | (4) | (19) | (26) |
| **Total equity** | 33 060 | 31 547 | 36 272 |
| **Non-current liabilities** | 9 186 | 9 844 | 9 157 |
| Interest-bearing borrowings (notes 18, 19, 20) | 3 405 | 3 565 | 3 569 |
| Non-current provisions | 1 950 | 3 200 | 1 863 |
| Post-retirement employee obligations | 158 | 142 | 149 |
| Financial liabilities | 91 | 126 | 95 |
| Deferred tax | 3 582 | 2 811 | 3 481 |
| **Current liabilities** | 3 809 | 4 654 | 3 852 |
| Trade and other payables | 2 888 | 3 029 | 2 867 |
| Interest-bearing borrowings (notes 18, 19, 20) | 197 | 29 | 31 |
| Current tax payable | 57 | 166 | 131 |
| Current provisions | 29 | 117 | 17 |
| Overdraft (notes 18, 19, 20) | 638 | 1 313 | 806 |
| **Non-current liabilities held-for-sale (note 17)** | 209 | | 225 |
| **Total equity and liabilities** | 46 264 | 46 045 | 49 506 |

## CONDENSED GROUP STATEMENT OF CASH FLOWS

| | 6 months ended 30 Jun 2014 Reviewed Rm | 6 months ended 30 Jun 2013 Reviewed Rm | 12 months ended 31 Dec 2013 Audited Rm |
|---|---|---|---|
| **Cash flows from operating activities** | 262 | (189) | 422 |
| Cash generated by operations | 1 555 | 602 | 2 159 |
| Interest paid | (170) | (165) | (262) |
| Interest received | 34 | 37 | 70 |
| Tax paid | (31) | (117) | (158) |
| Dividends paid | (1 126) | (546) | (1 387) |
| **Cash flows from investing activities** | 485 | (1 240) | (1 480) |
| Property, plant and equipment to maintain operations (note 13) | (502) | (577) | (1 257) |
| Property, plant and equipment to expand operations (note 13) | (1 076) | (1 826) | (3 507) |
| Investment in intangible assets | (10) | (23) | (201) |
| Proceeds from disposal of property, plant and equipment | | 11 | 17 |
| Decrease in investments in other non-current assets | 51 | 33 | 222 |
| Proceeds from disposal of subsidiaries | | | 87 |
| Increase in equity-accounted joint ventures | (61) | (76) | (82) |
| Dividend income from equity-accounted investments | 2 081 | 1 216 | 3 229 |
| Income from investments | 2 | 2 | 12 |
| **Cash flows from financing activities** | | 715 | 715 |
| Interest-bearing borrowings raised (note 18) | 1 000 | 800 | 800 |
| Interest-bearing borrowings repaid (note 18) | (1 000) | | |
| Consideration paid to non-controlling interests | | (96) | (96) |
| Proceeds from issuance of share capital | | 11 | 14 |
| Other financing activities | | | (3) |
| **Net increase/(decrease) in cash and cash equivalents** | 747 | (714) | (343) |
| Cash and cash equivalents at beginning of the period | 223 | 553 | 553 |
| Translation difference on movement in cash and cash equivalents | (21) | 78 | 13 |
| Cash and cash equivalents/(overdraft) at end of the period | 949 | (83) | 223 |
| – cash and cash equivalents | 1 587 | 1 230 | 1 029 |
| – overdraft | (638) | (1 313) | (806) |
| **Cash and cash equivalents/(overdraft) at end of the period** | 949 | (83) | 223 |

# GROUP STATEMENT OF CHANGES IN EQUITY

| | | Other components of equity | | |
|---|---|---|---|---|
| | Share capital Rm | Foreign currency translations Rm | Financial instruments revaluation Rm | Equity-settled Rm |
| **Balance at 31 December 2012 (Audited)** | 2 374 | 1 211 | 21 | 1 300 |
| Profit/(loss) for the period | | | | |
| Other comprehensive income | | 318 | | |
| Share of comprehensive income/(loss) from equity-accounted investments | | 618 | (9) | 48 |
| Issue of share capital | 14 | | | |
| Share-based payments movements | | | | 29 |
| Dividends paid | | | | |
| Acquisition of non-controlling interest | | | | |
| **Balance at 30 June 2013 (Reviewed, restated)** | 2 388 | 2 147 | 12 | 1 377 |
| Profit/(loss) for the period | | | | |
| Other comprehensive income | | 216 | | |
| Share of comprehensive income/(loss) from equity-accounted investments | | 783 | 298 | 62 |
| Issue of share capital[1] | 8 | | | |
| Share-based payments movements | | | | 54 |
| Dividends paid | | | | |
| **Balance at 31 December 2013 (Audited)** | 2 396 | 3 146 | 310 | 1 493 |
| Loss for the period | | | | |
| Other comprehensive income/(loss) | | 168 | | |
| Share of comprehensive income/(loss) from equity-accounted investments | | 69 | (124) | 147 |
| Issue of share capital[1] | 6 | | | |
| Share-based payments movements | | | | (118) |
| Reclassification of equity[2] | | | | |
| Dividends paid | | | | |
| Acquisition of non-controlling interest | | | | |
| **Balance at 30 June 2014 (Reviewed)** | 2 402 | 3 383 | 186 | 1 522 |

1. *Vesting of Mpower 2012 shares to good leavers. A good leaver is defined as a participant to a share-based payment scheme whose employment has been terminated due to retrenchment, retirement, death, serious disability, serious incapability or promotion out of the relevant qualifying category.*
2. *Relates to the reclassification of transactions with non-controlling interest to retained income due to the impairment of the Mayoko project.*

| | |
|---|---|
| Final dividend paid per share (cents) in respect of the 2013 financial year | 315 |
| Interim dividend paid per share (cents) in respect of the 2013 interim period | 235 |
| Dividend payable per share (cents) in respect of the 2014 interim period | 260 |

**Foreign currency translations**
Comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities 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 of services received and settled by equity instruments granted.

**Retirement benefit obligation**
Comprises remeasurements on the post-retirement obligation.

**Available-for-sale revaluations**
Comprises the fair value adjustments on the investments in Richards Bay Coal Terminal (RBCT) (2014: R114 million) and Chifeng Kumba Hongye Corporation Limited (Chifeng) (2014: R34 million) (refer note 20).

**Other**
Comprises mainly transactions with non-controlling interests for the acquisition of the Mayoko project (R808 million) and Botswana (R27 million).

| Retirement benefit obligation Rm | Available-for-sale revaluations Rm | Other Rm | Retained income Rm | Attributable to owners of the parent Rm | Non-controlling interests Rm | Total equity Rm |
|---|---|---|---|---|---|---|
| (163) | | (733) | 24 784 | 28 794 | 12 | 28 806 |
| | | | 2 244 | 2 244 | (5) | 2 239 |
| | 94 | | | 412 | 2 | 414 |
| 12 | | | 18 | 687 | | 687 |
| | | | | 14 | | 14 |
| | | | | 29 | | 29 |
| | | | (546) | (546) | | (546) |
| | | (68) | | (68) | (28) | (96) |
| (151) | 94 | (801) | 26 500 | 31 566 | (19) | 31 547 |
| | | | 3 973 | 3 973 | (8) | 3 965 |
| | 6 | | | 222 | 1 | 223 |
| 138 | | (1) | 36 | 1 316 | | 1 316 |
| | | | | 8 | | 8 |
| | | | | 54 | | 54 |
| | | | (841) | (841) | | (841) |
| (13) | 100 | (802) | 29 668 | 36 298 | (26) | 36 272 |
| | | | (2 441) | (2 441) | (1) | (2 442) |
| | 148 | | | 316 | (4) | 312 |
| 35 | | (6) | 35 | 156 | | 156 |
| | | | | 6 | | 6 |
| | | | | (118) | | (118) |
| | | 808 | (808) | | | |
| | | | (1 126) | (1 126) | | (1 126) |
| | | (27) | | (27) | 27 | |
| 22 | 248 | (27) | 25 328 | 33 064 | (4) | 33 060 |

## 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 (controlled and non-controlled) markets.

## 2. Basis of accounting

### Statement of compliance

The reviewed condensed group interim financial statements as at and for the six-month period ended 30 June 2014 comprise the company and its subsidiaries (together referred to as the group) and the group's interest in equity-accounted investments and 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 International Accounting Standard (IAS) 34 *Interim Financial Reporting*, the Listings Requirements of the Johannesburg Securities Exchange (JSE), Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act No 71 of 2008 as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committees.

The reviewed condensed group interim 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 International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The reviewed condensed group interim 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 interim financial statements for the six-month period ended 30 June 2014 were authorised for issue by the board of directors on 19 August 2014.

### Judgments and estimates

In preparing these reviewed condensed group interim financial statements, management made judgments, 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 judgments 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.

Taxes on income for the six-month period ended 30 June 2014 were accrued using the tax rates that would be applicable to expected total annual profit or loss.

## 3. Significant accounting policies

The accounting policies adopted in the preparation of the reviewed condensed interim financial statements 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.

The accounting standards and amendments issued to accounting standards and interpretations which are relevant to the group, but not yet effective at 30 June 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 30 June 2014, are described below:

### Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements*. The exception to consolidation 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 the phrase '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 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGU's) for which an impairment loss has been recognised or reversed during the period. The group adopted these disclosure requirements on 1 January 2014.

## 4. Correction of prior period error

During the finalisation of the 2013 year end results audit an accounting error in the equity-accounting of a foreign associate, Tronox Limited, was identified. Exxaro did not translate the total net assets of Tronox Limited, which has a functional currency of US Dollar, to South African Rand as required by IFRS. Instead, Exxaro translated the individual reserves. The omission of translating the total net assets of Tronox Limited in the previous period financial statements (June 2013) represents a prior period accounting error which must be accounted for retrospectively in the financial statements. Consequently, Exxaro adjusted all comparative amounts presented in the current period's financial statements affected by the accounting error.

The accounting error impacted the results as follows:

- investments in associates for the period ended 30 June 2013 increased from R17,0 billion, as previously published, to R18,6 billion;
- foreign currency translation reserve for the period ended 30 June 2013 increased from R539 million, as previously published, to R2 147 million;
- total assets for the $TiO_2$ operating segment for the period ended 30 June 2013 increased from R11,6 billion, as previously published, to R13,2 billion;
- there was no impact on the reported profit for the period ended 30 June 2013;
- there was no impact on the statement of cash flows for the period ended 30 June 2013;
- there was no impact on the headline earnings per share for the period ended 30 June 2013; and
- there was no impact on the attributable earnings per share for the period ended 30 June 2013.

Refer below for the impact of corrections on the statements of comprehensive income and financial position as well as related notes previously published:

| | 6 months ended 30 Jun 2013 Previously published Reviewed Rm | 30 Jun 2013 Restatement impact Reviewed Rm | 6 months ended 30 Jun 2013 Restated Reviewed Rm |
|---|---|---|---|
| **Impact on statement of comprehensive income** | | | |
| Profit for the period | 2 239 | | 2 239 |
| **Other comprehensive income/(loss), net of tax** | (507) | 1 608 | 1 101 |
| *Items that will not be reclassified to profit or loss, net of tax:* | 12 | | 12 |
| – Share of comprehensive income of equity-accounted investments | 12 | | 12 |
| *Items that may be reclassified subsequently to profit or loss:* | (519) | 1 608 | 1 089 |
| – Unrealised exchange gains on translating foreign operations | 320 | | 320 |
| – Revaluation of available-for-sale financial assets | 94 | | 94 |
| – Share of comprehensive (loss)/income of equity-accounted investments | (933) | 1 608 | 675 |
| **Total comprehensive income for the period** | 1 732 | 1 608 | 3 340 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | 1 735 | 1 608 | 3 343 |
| – continuing operations | 1 742 | 1 608 | 3 350 |
| – discontinued operations | (7) | | (7) |
| Non-controlling interests | (3) | | (3) |
| – continuing operations | (3) | | (3) |
| **Total comprehensive income for the period** | 1 732 | 1 608 | 3 340 |
| **Impact on statement of financial position** | | | |
| **Non-current assets** | | | |
| Investments in associates | 17 008 | 1 608 | 18 616 |
| **Equity** | | | |
| **Capital and other components of equity** | | | |
| Other components of equity | 1 070 | 1 608 | 2 678 |
| Equity attributable to owners of the parent | 29 958 | 1 608 | 31 566 |
| **Impact on segmental information** | | | |
| **Total assets** | | | |
| $TiO_2$ | 11 566 | 1 608 | 13 174 |

## 4. Correction of prior period error (continued)

| | Other components of equity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital Rm | Foreign currency translations Rm | Financial instruments revaluation Rm | Equity-settled Rm | Retirement benefit obligation Rm | Other Rm | Retained earnings Rm | Attributable to owners of the parent Rm | Non-controlling interests Rm | Total equity Rm |
| Balance at 30 June 2013 (previously published – reviewed) | 2 388 | 539 | 106 | 1 377 | (151) | (801) | 26 500 | 29 958 | (19) | 29 939 |
| Impact of restatement | | 1 608 | | | | | | 1 608 | | 1 608 |
| Balance at 30 June 2013 (restated, – reviewed) | 2 388 | 2 147 | 106 | 1 377 | (151) | (801) | 26 500 | 31 566 | (19) | 31 547 |

## 5. 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 executive committee of the group. 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 invoiced. Export revenue is recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred.

Total segment revenue further includes operating revenue directly and reasonably allocable to the segments. Segment revenue includes sales made between segments. These sales are made on a commercial basis.

Segment net operating profit equals segment revenue less operating segment expenses and includes impairment charges.

Segment operating expenses represent direct or reasonably allocable operating expenses on a segment basis. Segment assets and liabilities include directly and reasonably allocable operating assets and liabilities.

The group has four reportable operating segments, as described below, which are the group's strategic divisions. The strategic divisions offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the executive committee of the group reviews internal management reports on at least a quarterly basis. The following summary describes the operations in 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 coal operations and Tied (Captive) coal operations. The operations produce thermal, metallurgical and semi-coking coal.

### Ferrous
The ferrous operations include the group's investment in African Iron ore Limited (AKI), a 19,98% investment in Sishen Iron Ore Company Proprietary Limited (SIOC) and investments in the FerroAlloys and Alloystream™ operations.

### $TiO_2$
Exxaro holds a 44,18% (2013: 44,40%) equity interest in Tronox Limited, a 26% direct investment in each of the South African based KZN Sands and Namakwa Sands operations (collectively referred to as the SA operators) as well as a 26% interest in the Tronox Sands Limited Liability Partnership in the United Kingdom (UK financing entity).

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

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

| 6 months ended 30 June 2014 (Reviewed) | Coal<br>Tied operations Rm | <br>Commercial operations Rm | Ferrous<br>Iron ore Rm | <br>Alloys Rm | <br>Other ferrous Rm | $TiO_2$<br>Rm | Other<br>Base metals Rm | <br>Other Rm | Total<br>Rm |
|---|---|---|---|---|---|---|---|---|---|
| **Total revenue** | 2 094 | 5 220 | | 71 | 11 | | | 29 | 7 425 |
| Inter-segmental | | (2) | | | (11) | | | | (13) |
| **External revenue** | 2 094 | 5 218 | | 71 | | | | 29 | 7 412 |
| **Segment net operating profit/(loss)** | 208 | 1 628 | (5 821) | (96) | | | | 1 | (4 080) |
| Depreciation and amortisation of intangible assets (note 6) | 21 | 326 | 8 | 2 | 3 | | | 48 | 408 |
| Impairment charges of non-current assets (note 8) | | | 5 751 | | 9 | | | | 5 760 |
| Impairment charges of trade and other receivables (note 6) | | 1 | 26 | | | | | 2 | 29 |
| Impairment charges of non-current financial asset (note 6) | | | 21 | | | | | | 21 |
| Cash generated by/(utilised in) operations | 169 | 1 483 | 108 | (20) | (9) | | | (176) | 1 555 |
| Income/(loss) from equity-accounted investments (note 10) | | 109 | | | 1 711 | (304) | 46 | (47) | 1 515 |
| Capital expenditure (note 13) | | 1 045 | 456 | 8 | | | | 69 | 1 578 |
| **At 30 June 2014 (Reviewed)** | | | | | | | | | |
| **Segment assets and liabilities** | | | | | | | | | |
| Deferred tax | 43 | 98 | | 125 | 50 | | | 275 | 591 |
| Investments in associates (equity-accounted) (note 15) | | | | | 5 583 | 12 918 | 327 | | 18 828 |
| Investments in joint ventures (equity-accounted) (note 16) | | 636 | | | | | | 223 | 859 |
| External assets (excluding deferred tax, investments in equity-accounted associates and joint ventures and non-current assets held-for-sale) | 1 803 | 21 364 | 62 | 88 | 78 | | 287 | 2 020 | 25 702 |
| **Total assets** | 1 846 | 22 098 | 62 | 213 | 5 711 | 12 918 | 614 | 2 518 | 45 980 |
| Non-current assets held-for-sale (note 17) | | 284 | | | | | | | 284 |
| **Total assets as per statement of financial position** | 1 846 | 22 382 | 62 | 213 | 5 711 | 12 918 | 614 | 2 518 | 46 264 |
| Liabilities (external) | 1 432 | 3 318 | 193 | 91 | 11 | | | 4 311 | 9 356 |
| Deferred tax liabilities | 105 | 3 343 | 51 | 2 | 40 | | | 41 | 3 582 |
| Current tax payable | | 10 | 2 | | | | | 45 | 57 |
| **Total liabilities** | 1 537 | 6 671 | 246 | 93 | 51 | | | 4 397 | 12 995 |
| Non-current liabilities held-for-sale (note 17) | | 209 | | | | | | | 209 |
| **Total liabilities as per statement of financial position** | 1 537 | 6 880 | 246 | 93 | 51 | | | 4 397 | 13 204 |

## 5. Segmental information (continued)

| | Coal | | Ferrous | | | $TiO_2$ | Other | | Total |
|---|---|---|---|---|---|---|---|---|---|
| **6 months ended 30 June 2013 (Reviewed, restated)** | Tied operations Rm | Commercial operations Rm | Iron ore Rm | Alloys Rm | Other ferrous Rm | Rm | Base metals Rm | Other Rm | Rm |
| **Total revenue** | 1 782 | 4 367 | | 55 | 6 | | | 41 | 6 251 |
| Inter-segmental | | | | | (6) | | | | (6) |
| **External revenue** | 1 782 | 4 367 | | 55 | | | | 41 | 6 245 |
| Revenue from continuing operations | 1 782 | 4 367 | | 55 | | | | 41 | 6 245 |
| Revenue from discontinued operations | | | | | | | | | |
| **Segment net operating profit/(loss)** | 210 | 821 | (1) | (26) | (17) | | 32 | (102) | 917 |
| Net operating profit/(loss) from continuing operations | 210 | 821 | (1) | (26) | (17) | | (1) | (102) | 884 |
| Net operating profit from discontinued operations | | | | | | | 33 | | 33 |
| Depreciation and amortisation of intangible assets (note 6) | 18 | 301 | | 1 | 1 | | | 93 | 414 |
| Impairment charges of non-current assets (note 8) | | 292 | | | | | | | 292 |
| Cash generated by/(utilised in) operations | 161 | 641 | (131) | (5) | (20) | | 42 | (86) | 602 |
| Income/(loss) from equity-accounted investments (note 10) | | 80 | | | 2 120 | (168) | 52 | (69) | 2 015 |
| Capital expenditure (note 13) | | 1 485 | 793 | 5 | 78 | | | 42 | 2 403 |
| **At 30 June 2013 (Reviewed, restated)** | | | | | | | | | |
| **Segment assets and liabilities** | | | | | | | | | |
| Deferred tax | 2 | 67 | 2 | 82 | 3 | | | 74 | 230 |
| Investments in associates (equity-accounted) (note 15) | | | | | 5 110 | 13 174 | 332 | | 18 616 |
| Investments in joint ventures (equity-accounted) (note 16) | | 468 | | | | | | 45 | 513 |
| External assets (excluding deferred tax and investments in equity-accounted associates and joint ventures) | 1 830 | 18 783 | 4 171 | 65 | 126 | | 234 | 1 477 | 26 686 |
| **Total assets as per statement of financial position** | 1 832 | 19 318 | 4 173 | 147 | 5 239 | 13 174 | 566 | 1 596 | 46 045 |
| Liabilities (external) | 1 549 | 3 723 | 87 | 33 | 2 | | 896 | 5 231 | 11 521 |
| Deferred tax liabilities | 58 | 2 311 | 544 | 1 | | | | (103) | 2 811 |
| Current tax payable | 20 | 118 | | 4 | | | 4 | 20 | 166 |
| **Total liabilities as per statement of financial position** | 1 627 | 6 152 | 631 | 38 | 2 | | 900 | 5 148 | 14 498 |

| 12 months ended 31 December 2013 (Audited) | Coal | | Ferrous | | | $TiO_2$ | Other | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Tied operations Rm | Commercial operations Rm | Iron ore Rm | Alloys Rm | Other ferrous Rm | Rm | Base metals Rm | Other Rm | Rm |
| **Total revenue** | 3 917 | 9 445 | | 120 | 21 | | | 86 | 13 589 |
| Inter-segmental | | | | | (21) | | | | (21) |
| **External revenue** | 3 917 | 9 445 | | 120 | | | | 86 | 13 568 |
| Revenue from continuing operations | 3 917 | 9 445 | | 120 | | | | 86 | 13 568 |
| Revenue from discontinued operations | | | | | | | | | |
| **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 |
| Depreciation and amortisation of intangible assets (note 6) | 41 | 624 | 8 | 3 | 5 | | | 175 | 856 |
| Impairment charges/(reversals) of non-current assets (note 8) | | 143 | | | | | (98) | | 45 |
| Impairment charges of trade and other receivables (note 6) | | 23 | | | | | | 2 | 25 |
| Cash generated by/(utilised in) operations | 75 | 2 072 | (7) | (60) | (44) | | 26 | 97 | 2 159 |
| Income/(loss) from equity-accounted investments (note 10) | | 129 | | | 4 166 | (638) | 77 | (103) | 3 631 |
| Capital expenditure (note 13) | | 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 15) | | | | | 5 523 | 13 325 | 359 | | 19 207 |
| Investments in joint ventures (equity-accounted) (note 16) | | 528 | | | | | | 333 | 861 |
| External assets (excluding deferred tax, investments in equity-accounted associates and joint ventures and non-current assets held-for-sale) | 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 17) | | 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 |
| Liabilities (external) | 1 387 | 3 046 | 128 | 32 | 12 | | | 4 792 | 9 397 |
| Deferred tax liabilities | 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 17) | | 225 | | | | | | | 225 |
| **Total liabilities as per statement of financial position** | 1 391 | 6 161 | 729 | 33 | 52 | | | 4 868 | 13 234 |

## 6. Significant items included in operating profit

| | 6 months ended 30 Jun 2014 Reviewed Rm | 6 months ended 30 Jun 2013 Reviewed Rm | 12 months ended 31 Dec 2013 Audited Rm |
|---|---|---|---|
| Depreciation and amortisation | 408 | 414 | 856 |
| Net realised foreign currency exchange losses/(gains) | 24 | (88) | (56) |
| Net unrealised foreign currency exchange (gains)/losses | (5) | 15 | 20 |
| Net (gains)/losses on derivative instruments held-for-trading | (28) | 84 | 81 |
| Impairment charges of trade and other receivables[1] | 29 | | 25 |
| Impairment charges of non-current financial asset[2] | 21 | | |
| Royalties | 46 | 24 | 8 |
| Net losses/(gains) on disposal of property, plant and equipment | 18 | (3) | 23 |
| Loss on dilution of investment in associate | 29 | 13 | 12 |

*1. Include trade and other receivables relating to the Mayoko project (R26 million).*
*2. Non-current financial asset relating to the Mayoko project.*

## 7. Other income

| | | | |
|---|---|---|---|
| Other income | 888 | 645 | 1 594 |

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

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

Included in operating expenses are the following impairment charges/(reversals):

| | | | |
|---|---|---|---|
| **Mayoko project** | 5 208 | | |
| Impairment of property, plant and equipment | 4 740 | | |
| Impairment of goodwill (note 14) | 1 020 | | |
| – Total impairment charges | 5 760 | | |
| – Net tax effect | (552) | | |
| **New Clydesdale Colliery (NCC) operation** | | 281 | 132 |
| Impairment of property, plant and equipment | | 292 | 292 |
| Partial reversal of impairment of property, plant and equipment | | | (149) |
| – Total impairment charges | | 292 | 143 |
| – Net tax effect | | (11) | (11) |
| **Zincor** | | | |
| Partial reversal of impairment of property, plant and equipment | | | (98) |
| Net impairment charges per statement of comprehensive income | 5 760 | 292 | 45 |
| Net tax effect | (552) | (11) | (11) |
| **Net effect on attributable earnings** | 5 208 | 281 | 34 |
| – continuing operations | 5 208 | 281 | 132 |
| – discontinued operations | | | (98) |

### Mayoko project

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

The concept study on the revised 12 million tonnes Mayoko project was concluded during June 2014. However, Exxaro has not yet been successful in concluding the definitive port and rail agreements for the Mayoko project. As a result of the delays in these agreements as well as higher future project development costs following the outcome of the concept study, a pre-tax impairment loss of R5 807 million (R5 760 excluding financial assets written down), 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 cost capitalised of R1 696 million) as well as financial assets amounting to R47 million written down in terms of IAS 39 *Financial instruments: Recognition and Measurement* (refer note 20).

The recoverable amount, being the fair value less costs of disposal (level 3 as per IFRS 13 *Fair value Measurement*), is a discounted cash flow valuation technique (consistent with the valuation technique used on 31 December 2013) using cash flow projections and a pre-tax discount rate of 17,4% (31 December 2013: 14,6%). The main reason for the increase in the discount rate is the market assumptions of risk around the implementation of the Mayoko project. The decrease in life of mine (LoM) is mainly due to the increase in annual production cost, acceleration in ramp-up, lower plant yield and different ore mix, based on the most recent information available.

Key assumptions made in the valuation, include the following:

LoM: estimated at 25 years (31 December 2013: 35 years)

Iron ore price: range between US$70/tonne to US$120/tonne (31 December 2013: US$70/tonne to US$120/tonne).

### 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 operating 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 the end of the reporting year due to the signing of the sales agreement of the NCC asset, which was concluded with Universal Coal Development VIII Proprietary Limited (Universal) (refer note 17) in January 2014. As a result of the revision of the recoverable amount, a partial impairment reversal to the amount of R149 million was recorded, bringing the net impairment loss (pre-tax) recorded to R143 million.

### Zincor

The partial 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 transaction of Exxaro Base Metals Proprietary Limited (Exxaro Base Metals), which included the Zincor assets (refer note 11).

## 9. Net financing costs

| | 6 months ended 30 Jun 2014 Reviewed Rm | 6 months ended 30 Jun 2013 Reviewed Rm | 12 months ended 31 Dec 2013 Audited Rm |
|---|---|---|---|
| Interest income | 43 | 42 | 81 |
| – Interest income on cash and cash equivalents | 33 | 22 | 48 |
| – Finance leases interest | 5 | 6 | 11 |
| – Interest received from joint ventures | 5 | 14 | 22 |
| Total interest expense (net of borrowing costs capitalised) | (86) | (268) | (367) |
| Interest expense | (273) | (433) | (705) |
| – Interest expense and loan costs | (182) | (160) | (329) |
| – Unwinding of discount rate on rehabilitation cost | (86) | (268) | (367) |
| – Amortisation of transaction costs | (5) | (5) | (9) |
| Borrowing cost capitalised[1] | 187 | 165 | 338 |
| Total net financing costs | (43) | (226) | (286) |
| *1. Borrowing cost capitalisation rate.* | *6,56%* | *5,61%* | *5,67%* |

## 10. Income/(loss) from equity-accounted investments

| | | | |
|---|---|---|---|
| Sishen Iron Ore Company Proprietary Limited (SIOC) | 1 711 | 2 120 | 4 166 |
| Tronox (including Tronox Limited, SA and UK operations) | (304) | (168) | (638) |
| Mafube Coal Proprietary Limited | 109 | 80 | 131 |
| South Dunes Coal Terminal Company SOC Limited (SDCT) | | | (2) |
| Black Mountain Proprietary Limited | 46 | 52 | 77 |
| Cennergi Proprietary Limited | (47) | (69) | (103) |
| Share of income from equity-accounted investments | 1 515 | 2 015 | 3 631 |

## 11. Discontinued operations

### Exxaro Base metals

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 for a total consideration of R183 million. This process completed the Zincor divestment process, which commenced with the cessation of the production of zinc metal at Zincor in 2011 and was followed by the sale of the Rosh Pinah mine during 2012.

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

| | 6 months ended 30 Jun 2014 Reviewed Rm | 6 months ended 30 Jun 2013 Reviewed Rm | 12 months ended 31 Dec 2013 Audited Rm |
|---|---|---|---|
| Revenue | | | |
| Operating income | | 33 | 61 |
| Impairment reversal | | | 98 |
| Operating profit | | 33 | 159 |
| Profit on sale of subsidiary | | | 964 |
| Net operating profit | | 33 | 1 123 |
| Interest expense | | (40) | (74) |
| (Loss)/profit for the period from discontinued operations | | (7) | 1 049 |
| Cash flow attributable to operating activities | | 43 | 26 |
| Cash flow attributable to investing activities | | | 98 |
| Cash flow attributable to financing activities | | (43) | (37) |
| Cash flow attributable to discontinued operations | | | 87 |

## 12. Dividends

Total dividends paid in 2013 amounted to R1 387 million, made up of a final dividend of R546 million that relates to the year ended 31 December 2012, which was paid in April 2013, as well as an interim dividend of R841 million, paid in September 2013.

An interim cash dividend for 2014 of 260 cents per share (2013: 235 cents per share) was approved by the board of directors on 20 August 2014. The dividend is payable on 15 September 2014 to shareholders who will be on the register at 12 September 2014. This interim dividend, amounting to approximately R931 million (2013: R841 million), has not been recognised as a liability in this reviewed condensed interim financial statements. It will be recognised in shareholders' equity in the year ending 31 December 2014.

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 withholding tax. Although the local dividend tax rate was 15% for the corresponding period in 2013, no tax was due as a result of the secondary tax on companies (STC) credits utilised. The number of ordinary shares in issue at the date of this declaration is 358 115 505 (2013: 358 061 205). Exxaro's tax reference number is 9218/098/14/4.

| | At 30 Jun 2014 Reviewed | At 30 Jun 2013 Reviewed | At 31 Dec 2013 Audited |
|---|---|---|---|
| Issued shares as at declaration date (number) | 358 115 505 | 358 061 205 | 358 115 505 |
| Ordinary shares (million) | | | |
| – weighted average number of shares | 355 | 355 | 355 |
| – diluted weighted average number of shares | 356 | 355 | 356 |

| | 6 months ended 30 Jun 2014 Reviewed Rm | 6 months ended 30 Jun 2013 Reviewed Rm | 12 months ended 31 Dec 2013 Audited Rm |
|---|---|---|---|
| **13. Property, plant and equipment** | | | |
| Capital expenditure | | | |
| – incurred | 1 578 | 2 403 | 4 764 |
| to maintain operations | 502 | 577 | 1 257 |
| to expand operations | 1 076 | 1 826 | 3 507 |
| – contracted | 2 084 | 2 756 | 4 204 |
| contracted for the group excluding group's share of capital commitments of equity-accounted investments | 1 251 | 1 574 | 3 241 |
| group's share of capital commitments of equity-accounted investments | 833 | 1 182 | 963 |
| – authorised, but not contracted | 523 | 2 055 | 2 826 |

| | At 30 Jun 2014 Reviewed Rm | At 30 Jun 2013 Reviewed (Restated) Rm | At 31 Dec 2013 Audited Rm |
|---|---|---|---|
| **14. Intangible assets** | | | |
| **Goodwill[1]** | | | |
| At beginning of the period | 953 | 902 | 902 |
| Exchange differences | 67 | 23 | 51 |
| Impairment charge | (1 020) | | |
| At end of the period | | 925 | 953 |
| **Patents and licences[2]** | | | |
| **Gross carrying amount** | | | |
| At beginning of the period | 232 | 121 | 121 |
| Additions | 10 | 21 | 201 |
| Transfer from other assets | 6 | | |
| Scrapping of other intangibles | | (19) | (90) |
| Exchange differences | | | |
| At end of the period | 248 | 123 | 232 |
| **Accumulated amortisation** | | | |
| At beginning of the period | 9 | 61 | 61 |
| Scrapping of other intangibles | | (19) | (88) |
| Amortisation charge included in depreciation charge | 7 | 12 | 36 |
| At end of the period | 16 | 54 | 9 |
| **Net carrying amount at end of the period** | 232 | 994 | 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 cost of disposal where factors such as iron ore prices, exchange rates and respective discount rates were considered. The full amount of goodwill was impaired at 30 June 2014 (refer note 8).*

*2. Include SAP licences, Linc Energy Intellectual Property as well as an option to receive specific quantities of water from the Eungella water pipeline at lower than market rates.*

| | At 30 Jun 2014 Reviewed Rm | At 30 Jun 2013 Reviewed (Restated) Rm | At 31 Dec 2013 Audited Rm |
|---|---|---|---|
| **15. Investments in associates** | | | |
| *Listed investments* | | | |
| Tronox Limited[1] | 9 823 | 10 685 | 10 267 |
| *Unlisted investments* | 9 005 | 7 931 | 8 940 |
| SIOC | 5 583 | 5 110 | 5 523 |
| Tronox Mineral Sands Proprietary Limited & Tronox KZN Sands Proprietary Limited | 1 807 | 1 493 | 1 819 |
| Tronox Sands Limited Liability Partnership | 1 288 | 995 | 1 239 |
| Black Mountain Mining Proprietary Limited | 327 | 333 | 359 |
| **Total carrying value of investment in associates** | 18 828 | 18 616 | 19 207 |
| *1. Fair value based on a listed price (Level 1 within the IFRS 13 Fair Value Measurement fair value hierarchy) for Tronox Limited* | | | |
| *– Fair value* | *14 559* | *10 184* | *12 319* |
| *– Listed share price* | *US$26,90* | *US$20,15* | *US$23,07* |

| | At 30 Jun 2014 Reviewed Rm | At 30 Jun 2013 Reviewed (Restated) Rm | At 31 Dec 2013 Audited Rm |
|---|---|---|---|
| **16. Investments in joint ventures** | | | |
| *Unlisted investments* | 999 | 878 | 1 116 |
| Mafube Coal Mining Proprietary Limited[1] | 696 | 765 | 714 |
| SDCT[2] | 80 | 68 | 69 |
| Cennergi Proprietary Limited | 223 | 45 | 333 |
| **Total carrying value of investment in joint ventures** | 999 | 878 | 1 116 |

*1. Includes a loan to the joint venture of R60 million (June 2013: R297 million; 31 December 2013: R186 million) disclosed as part of financial assets (note 20).*

*2. Includes a loan to the joint venture of R80 million (June 2013: R68 million; 31 December 2013: R69 million) disclosed as part of financial assets (note 20).*

## 17. Non-current assets held-for-sale

Exxaro concluded a sale of asset agreement relating to the NCC operation with Universal in January 2014. The sale is conditional on a section 11 approval required in terms of the Mineral and Petroleum Resources Development Act No 28 of 2002 for the transfer of the new-order mining right from Exxaro Coal Mpumalanga Proprietary Limited to the new owners.

On 30 June 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.

The NCC operation met the relevant recognition 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 major classes of assets and liabilities classified as non-current assets held-for-sale are as follows:

| | At 30 Jun 2014 Reviewed Rm | At 31 Dec 2013 Audited Rm |
|---|---|---|
| **Assets** | | |
| Property, plant and equipment | 149 | 149 |
| Deferred tax | 31 | 90 |
| Financial assets | 70 | 67 |
| Inventories | 7 | 8 |
| Trade and other receivables | 6 | 4 |
| – Trade receivables | 3 | |
| – Non-financial instrument receivables | 3 | 4 |
| Current tax receivable | 21 | 24 |
| **Total assets** | 284 | 342 |
| **Liabilities** | | |
| Non-current provisions | (151) | (144) |
| Post-retirement employee obligations | (4) | (3) |
| Trade and other payables | (16) | (39) |
| – Trade payables | (9) | (20) |
| – Other payables | (1) | (7) |
| – Derivative instruments | (5) | (9) |
| – Non-financial instrument payables | (1) | (3) |
| Current provisions | (38) | (39) |
| **Total liabilities** | (209) | (225) |
| **Net assets classified as held-for-sale** | 75 | 117 |

## 18. Interest-bearing borrowings

| | At 30 Jun 2014 Reviewed Rm | At 30 Jun 2013 Reviewed Rm | At 31 Dec 2013 Audited Rm |
|---|---|---|---|
| **Non-current borrowings** | | | |
| Summary of loans by financial year of redemption | | | |
| 2014 | | 29 | 31 |
| 2015 | 197 | 157 | 324 |
| 2016 | 324 | 326 | 326 |
| 2017 | 1 406 | 1 927 | 1 927 |
| 2018 | 328 | 327 | 329 |
| 2019 | 850 | 330 | 331 |
| 2020 onwards | 497 | 498 | 332 |
| Total interest-bearing borrowings | 3 602 | 3 594 | 3 600 |
| – current | 197 | 29 | 31 |
| – non-current | 3 405 | 3 565 | 3 569 |

The R197 million current portion represents a capital repayment of R166 million, interest capitalised of R41 million and amortised transaction costs of R10 million.

**Senior loan facility**

During April 2012, Exxaro secured a senior loan facility of R8 billion. The senior loan facility comprises of 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 2,5% for the revolving facility. The effective interest rate for the transaction costs for the term loan is 0,47%. Interest is paid on a three monthly basis for the term loan and on a monthly basis for the revolving facility.

The undrawn portion relating to the term loan amount to R3 billion (30 June 2013: R3 billion; 31 December 2013: R3 billion). The undrawn portion of the revolving facility amount to R2,4 billion (30 June 2013: R1,4 billion; 31 December 2013: R1,4 billion). On 22 May 2014 R1 billion of the revolving facility was repaid.

No capital repayments are expected until 2015. However, on 24 July 2014 (an event after the reporting period), an addendum to the senior loan facility was signed extending the first capital repayment to 2016.

**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 1,7% 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 is 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.

| | At 30 Jun 2014 Reviewed Rm | At 30 Jun 2013 Reviewed Rm | At 31 Dec 2013 Audited Rm |
|---|---|---|---|
| Overdraft | | | |
| Bank overdraft | 638 | 1 313 | 806 |
| 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 the reporting period. | | | |

## 19. Net debt

| | At 30 Jun 2014 Reviewed Rm | At 30 Jun 2013 Reviewed Rm | At 31 Dec 2013 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): | (2 653) | (3 677) | (3 377) |
| – Cash and cash equivalents | 1 587 | 1 230 | 1 029 |
| – Non-current interest-bearing borrowings | (3 405) | (3 565) | (3 569) |
| – Current interest-bearing borrowings | (197) | (29) | (31) |
| – Overdraft | (638) | (1 313) | (806) |
| **Calculation of movement in net debt:** | | | |
| Cash inflow/(outflow): | 747 | (1 429) | (1 058) |
| Add: | | | |
| – shares issued | | 11 | 14 |
| – share-based payments | | (2) | (3) |
| – non-cash flow movement for interest accrued not yet paid | (1) | | (40) |
| – non-cash flow amortisation of transaction costs | (1) | | (9) |
| – translation difference on movements in cash and cash equivalents | (21) | 77 | |
| – consideration paid to non-controlling interests | | (96) | (96) |
| – non-cash flow movements in net debt applicable to currency translation differences of transactions denominated in foreign currency | | (39) | 14 |
| **Decrease/(increase) in net debt** | 724 | (1 478) | (1 178) |

## 20. Financial instruments

### Carrying amounts and fair values

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

| | At 30 June 2014 | | At 31 December 2013 | |
|---|---|---|---|---|
| | Carrying amount Rm | Fair value Rm | Carrying amount Rm | Fair value Rm |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Financial assets, consisting of: | 2 603 | 2 603 | 2 469 | 2 469 |
| – Exxaro Environmental Rehabilitation Trust asset | 749 | 749 | 618 | 618 |
| – Loans to equity-accounted investments | 140 | 140 | 255 | 255 |
| – Richards Bay Coal Terminal (RBCT) | 691 | 691 | 551 | 551 |
| – Kumba Iron Ore Limited | 30 | 30 | 40 | 40 |
| – New Age Exploration Limited | 1 | 1 | 1 | 1 |
| – Chifeng Kumba Hongye Zinc Corporation Limited (Chifeng) | 287 | 287 | 253 | 253 |
| – Non-current receivables | 705 | 705 | 751 | 751 |
| **Current assets**[1] | 3 896 | 3 896 | 2 875 | 2 875 |
| Trade and other receivables | 2 306 | 2 306 | 1 845 | 1 845 |
| Derivative financial instruments | 3 | 3 | 1 | 1 |
| Cash and cash equivalents | 1 587 | 1 587 | 1 029 | 1 029 |
| Non-current assets held-for-sale (note 17) | 73 | 73 | 67 | 67 |
| **Total assets** | 6 572 | 6 572 | 5 411 | 5 411 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | 3 405 | 3 405 | 3 569 | 3 569 |
| Interest-bearing borrowings[2] | 3 405 | 3 405 | 3 569 | 3 569 |
| **Current liabilities**[1] | 2 994 | 2 994 | 2 907 | 2 907 |
| Trade and other payables | 2 159 | 2 159 | 2 056 | 2 056 |
| Derivative financial instruments | | | 14 | 14 |
| Interest-bearing borrowings[2] | 197 | 197 | 31 | 31 |
| Overdraft | 638 | 638 | 806 | 806 |
| Non-current liabilities held-for-sale (note 17) | 15 | 15 | 36 | 36 |
| **Total liabilities** | 6 414 | 6 414 | 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.*

### 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 30 June 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 | | 3 | | 3 |
| **Financial assets designated at fair value through profit or loss** | | | | |
| – Exxaro Environmental Rehabilitation Trust | 749 | | | 749 |
| – Exxaro Environmental Rehabilitation Trust held-for-sale | 70 | | | 70 |
| – Kumba Iron Ore Limited | 30 | | | 30 |
| **Available-for-sale financial assets** | | | | |
| – RBCT | | | 691 | 691 |
| – New Age Exploration Limited | 1 | | | 1 |
| – Chifeng | | | 287 | 287 |
| **Financial liabilities held-for-trading at fair value through profit or loss** | | | | |
| – Current derivative financial liabilities held-for-sale | | (5) | | (5) |
| Net financial assets/(liabilities) carried at fair value | 850 | (2) | 978 | 1 826 |

| At 31 December 2013 (Audited) | Level 1 Rm | Level 2 Rm | Level 3 Rm | Level 3 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** | | | | |
| – Exxaro Environmental Rehabilitation Trust | 618 | | | 618 |
| – Exxaro Environmental Rehabilitation Trust held-for-sale | 67 | | | 67 |
| – Kumba Iron Ore Limited | 40 | | | 40 |
| **Available-for-sale financial assets** | | | | |
| – RBCT | | | 551 | 551 |
| – New Age Exploration Limited | 1 | | | 1 |
| – Chifeng | | | 253 | 253 |
| **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 |

**Level 3 fair values**

Reconciliation of assets within Level 3 of the hierarchy

| | Chifeng Rm | RBCT Rm |
|---|---|---|
| Balance at 31 December 2012 | 174 | 467 |
| *Movement during the year* | | |
| Gains recognised in other comprehensive income (pre-tax effect) | 46 | 82 |
| Settlements | | 2 |
| Exchange gains for the year recognised in profit or loss | 33 | |
| **Closing balance at 31 December 2013** | 253 | 551 |
| *Movement during the period* | | |
| Gains recognised in other comprehensive income (pre-tax effect) | 34 | 140 |
| **Closing balance at 30 June 2014** | 287 | 691 |

**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 periods ended 30 June 2014 and 31 December 2013.

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

## 20. Financial instruments (continued)

### Fair value hierarchy (continued)

**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 reasonability 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 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 was consistent with the valuation technique used on 31 December 2013.

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 London Metal Exchange (LME) price, production volumes, operational costs and the discount rate. Significant increases/(decreases) in any of those inputs in isolation would result in a significantly lower/(higher) fair value measurement.

**At 30 June 2014 (Reviewed)**

| Observable inputs | Range of inputs | Sensitivity of inputs and fair value measurement[1] | Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm |
|---|---|---|---|
| Rand/RMB exchange rate | R1,70/RMB1 | Strengthening of the Rand to the RMB | 28 |
| RMB/US$ exchange rate | RMB6,02 to RMB6,18/US$1 | Strengthening of the RMB to the US$ | 153 |
| Zinc LME price (US$ per tonne in real terms) | 2 007 to 2 140 | Increase in price of Zinc concentrate | 153 |
| **Unobservable inputs** | | | |
| Production volumes (tonnes) | 108 750 | Increase in production volumes | 76 |
| Operational costs (US$ million per annum in real terms) | 69 to 71 | Decrease in operational costs | 160 |
| Discount rate | 10% | Decrease in discount rate | 23 |

**At 31 December 2013 (Audited)**

| Observable inputs | Range of inputs | Sensitivity of inputs and fair value measurement[1] | Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm |
|---|---|---|---|
| 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) | 2 039 to 2 027 | Increase in price of Zinc concentrate | 161 |
| **Unobservable inputs** | | | |
| Production volumes (tonnes) | 208 750 | Increase in production volumes | 177 |
| Operational costs (US$ million per annum in real terms) | 74 to 88 | Decrease in operational costs | 143 |
| Discount rate | 10% | Decrease in discount rate | 21 |

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

## Interrelationships

Any interrelationships between unobservable inputs are not considered to have a significant impact within the range of reasonably possible alternative assumptions for the periods ended 30 June 2014 and 31 December 2013.

**RBCT**

RBCT is classified within a level 3 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 was consistent with the valuation technique used on 31 December 2013.

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 the annual utilisation factor. Significant increases/(decreases) in any of those inputs in isolation would result in a significantly lower/(higher) fair value measurement.

**At 30 June 2014 (Reviewed)**

| Observable inputs | Range of inputs | Sensitivity of inputs and fair value measurement[1] | Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm |
|---|---|---|---|
| Rand/US$ exchange rate | R10.53 to R15.47/US$1 | Strengthening of the Rand to the US$ | 145 |
| API4 export price per tonne (steam coal A-grade price in real terms) | 83.33 to 97 US$ per tonne | Increase in API4 export price per tonne | 145 |
| **Unobservable inputs** | | | |
| Transnet Market Demand Strategy for the terminal (million tonnes per annum – Mtpa) | 72 to 91 Mtpa | Acceleration of Transnet Freight Rail performance, ie reach full capacity sooner | 145 |
| Discount rate | 13% to 17% | Decrease in discount rate | 116 |
| Annual utilisation factor (safety and rail delay factor) | 90% | Increase in annual utilisation factor | 145 |

**At 31 December 2013 (Audited)**

| Observable inputs | Range of inputs | Sensitivity of inputs and fair value measurement[1] | Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm |
|---|---|---|---|
| Rand/US$ exchange rate | R9,85 to R10,15/US$1 | Strengthening of the Rand to the US$ | 119 |
| API4 export price per tonne (steam coal A-grade price in real terms) | 75,50 to 97 US$ per tonne | Increase in API4 export price per tonne | 119 |
| **Unobservable inputs** | | | |
| Transnet Market Demand Strategy for the terminal (million tonnes per annum – Mtpa) | 70 to 91 Mtpa | Acceleration of Transnet Freight Rail performance, ie reach full capacity sooner | 127 |
| Discount rate | 13% to 17% | Decrease in 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 are not considered to have a significant impact within the range of reasonably possible alternative assumptions for the periods ended 30 June 2014 and 31 December 2013.

| | At 30 Jun 2014 Reviewed Rm | At 30 Jun 2013 Reviewed Rm | At 31 Dec 2013 Audited Rm |
|---|---|---|---|
| **21. Contingent liabilities** | | | |
| Total contingent liabilities | 2 447 | 1 856 | 2 066 |
| – Grootegeluk Medupi Expansion Project | | 145 | 50 |
| – DMC Iron Congo SA | 84 | 84 | 84 |
| – Pending litigation claims | 411 | 304 | 328 |
| – Operational guarantees | 1 258 | 831 | 927 |
| – Group's share of contingent liabilities of equity-accounted investments | 694 | 492 | 677 |

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.

Due to the Mineral and Petroleum Resources Development Act of 2002 currently not specifying how to financially provide for future water treatment liabilities at post mine closure. Exxaro is in the process of developing a specific policy to provide for such expenses. An estimate of this amount is currently not available, however, a liability may arise in future.

| | At 30 Jun 2014 Reviewed Rm | At 30 Jun 2013 Reviewed Rm | At 31 Dec 2013 Audited Rm |
|---|---|---|---|
| **22. Contingent assets** | | | |
| Total contingent assets | 226 | 113 | 108 |
| – Surrender fee on prospecting rights, exploration rights and mining rights[1] | 87 | 86 | 81 |
| – Group's share of contingent assets of equity-accounted investments | 139 | 27 | 27 |

The timing and occurrence of any possible inflows of the contingent assets above are uncertain.

*1. Relate to a surrender fee in exchange for the exclusive right to prospect, explore, investigate and mine coal within a designated area of Central Queensland and Moranbah, Australia, conditional on the grant of a mining lease.*

## 23. 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.

## 24. 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.

## 25. JSE Limited Listings Requirements

The condensed group interim financial statements have been prepared in accordance with the Listings Requirements of the JSE Limited.

## 26. Events after the reporting period

Details of the final dividend are given in Note 12.

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

- Subsequent to the reporting date of 30 June 2014, Exxaro entered into a binding sale and purchase agreement with Total S.A. on 28 July 2014, subject to certain conditions precedent, for the acquisition of 100% of the issued share capital of Total Coal South Africa Proprietary Limited and its related export marketing rights under primary RBCT allocation. Exxaro has agreed to pay a purchase consideration of US$472 million and is required to provide a US$-based guarantee. As a result, R5,4 billion of Exxaro's debt facilities have been ring-fenced for this guarantee.
- On 31 July 2014 R600 million of Exxaro's remaining revolving facility was repaid.
- On 24 July 2014 the capital repayments on the senior loan facility was extended to January 2016.

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

The reviewed condensed group interim financial statements for the six-month period ended 30 June 2014, on page 2 to 25, 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.

## 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) 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.

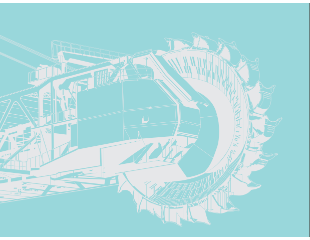
## 29. Mineral resources and reserves

Other than the normal life of mine depletion there have been no material changes to the mineral reserves and resources as disclosed in the 2013 annual report.

## 30. Salient features[1]

| | At 30 Jun 2014 | At 30 Jun 2013 | At 31 Dec 2013 |
|---|---|---|---|
| Net asset value per share (Rand/share) | 92 | 88 | 101 |
| Capital expenditure contracted relating to captive mines, Tshikondeni, Arnot and Matla, which will be financed by ArcelorMittal SA Limited and Eskom, respectively (Rm) | 239 | 257 | 317 |
| Operating lease commitments (Rm) | 146 | 3 | 212 |
| Closing share price (Rand/share) | 138,50 | 145,58 | 146,46 |
| Market capitalisation (Rbn) | 49,60 | 52,13 | 52,45 |
| Average Rand/US$ exchange rate (spot rate) | 10,67 | 9,20 | 9,62 |
| Closing Rand/US$ exchange rate (spot rate) | 10,58 | 9,88 | 10,44 |

1. *Non-IFRS numbers.*



# 1H14 VS 1H13 IN BRIEF

## What we did well

- Zero fatalities, record 20 months without a fatality
- Coal production at 18,8 million tonnes
- Coal exports of 2,7 million tonnes, up 43%
- Grootegeluk Medupi Expansion Project shortfall income of R888 million
- Headline earnings per share up 11% to 793 cents per share
- Interim dividend of 260 cents per share, up 11%
- Raised R1 billion in successful debut bond

## What we continue to work on

- Regrettable fatality on 5 July 2014
- Lost-time injury frequency rate at 0,22, a regression of 5%

***Comparability of results***

*Comments are based on a comparison of reviewed group condensed interim financial results and unreviewed production and sales volumes information for the six-month periods ended 30 June 2014 and 2013 (1H14 and 1H13), respectively, unless where specifically indicated.*

*The financial results for the six-month periods ended 30 June 2014 and 2013 are not comparable due to certain key events listed in table 1. Where relevant, comments exclude transactions which make the results under review not comparable.*

*Legend*

| | |
|---|---|
| *1H14* | *Six-month period ended 30 June 2014* |
| *2H13* | *Six-month period ended 31 December 2013* |
| *1H13* | *Six-month period ended 30 June 2012* |

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

| | 2014 | 1H14 Rm | AI(1) | 2013 | 2H13 Rm | 1H13 Rm | AI(1) |
|---|---|---|---|---|---|---|---|
| January | • New Clydesdale Colliery operations disposal agreement signed<br>• Mayoko mining convention signed | | | | | | |
| June | **Impairments**<br>• Pre-tax impairment of the original investment including goodwill, carrying value of the property, plant and equipment and qualifying project costs capitalised for the Mayoko project as well as the write-off of financial assets | (5 807) | # | **Impairments**<br>• Pre-tax impairment of the carrying value of property, plant and equipment at New Clydesdale Colliery | | (292) | ∞ |
| | **Other**<br>• A loss on dilution of the shareholding in Tronox | (29) | ^ | **Other**<br>• A loss on dilution of the shareholding in Tronox | | (13) | * |
| July | • Fatality at Arnot<br>• Announcement of the offer to acquire Total Coal South Africa subject to terms and conditions precedent | | | | | | |
| December | | | | **Impairment reversals**<br>• Partial pre-tax impairment reversal (R247 million) at: | | | |
| | | | | – Zincor | 98 | | ° |
| | | | | – New Clydesdale Colliery | 149 | | ° |
| | | | | **Other**<br>• Profit on sale of Zincor refinery | 964 | | ◊ |
| | | | | • Profit on dilution of the shareholding in Tronox | 1 | | ∆ |
| | Total net operating (loss)/profit impact | (5 836) | | Total net operating profit/(loss) impact | 1 212 | (305) | |

*Explanatory notes*

*(1) AI – Adjustment indicator in the commentary where applicable*

## Safety, health, environment and community

On 30 June 2014 Exxaro achieved a record uninterrupted 20 months without a fatality. Regrettably on 5 July 2014, Exxaro recorded a fatality at Arnot mine in Mpumalanga when an employee, Mr Solomon Latebotse Mashigo, was fatally injured by a rock that slid from a continuous miner. The incident is being investigated by the Department of Mineral Resources (DMR) Mpumalanga. Exxaro extends sincere condolences to the family, colleagues and friends of Mr Mashigo. This fatality follows Exxaro's 2013 achievement of a full year without a fatality, and we remain committed to our goal of zero harm.

For the six-month period under review a lost-time injury frequency of 0,22 was recorded, marginally higher than the 0,21 recorded in June 2013. Twenty-two lost-time injuries were reported for the review period compared to 21 in the corresponding period in 2013. Exxaro will continue to roll-out safety improvement plans, which include the Global Mining Industry Risk Management and Safety Health Environment Representative Empowerment programmes, to further raise awareness of safety risks.

Nineteen cases of occupational diseases were reported in the review period compared to 46 in the corresponding period in 2013, a decline of 59%. This includes seven cases of tuberculosis (18 in 2013), six cases of pneumoconiosis (23 in 2013) and four cases of noise-induced hearing loss (the same as in 2013). During the period, there was a 46% (211 enrolments) increase in the number of employees enrolled on the HIV/Aids programme compared to 456 in the corresponding period in 2013. The chronic disease campaign was launched at the company's annual Safety Indaba. During the period, 18 new cases of diabetes, 45 new cases of hypertension and one epilepsy case were diagnosed.

Water is crucial to the sustainability of our business and the company implements a holistic programme to manage water-related risks, minimise impact and operate efficiently using water-reduction plans and recycling procedures. Group-wide water conservation plans aligned to the national water management strategy will be finalised in the first quarter of 2015. Two scheduled water treatment plants at the Matla and North Block Complex mines, will now be delivered in the third quarter of 2014 and first quarter of 2016, respectively, due to delays in the approval of an integrated water use licence. Potential post mine-closure affected-water treatment liabilities will be included in financial provisions at all mines in future as required by the water use licence.

For the six months to 30 June 2014, the Exxaro Chairman's Fund contributed R55 million (1H13: R23 million) towards the group's local economic development projects. Exxaro's focus areas for community development are education, infrastructure, skills development, agriculture and enterprise development. For example, to improve the quality of education in labour-sending communities, the Inyanda mine launched a programme where extra classes are provided to high school learners on Saturdays and during school holidays. The project was officially launched at Pine Ridge combined school and aimed at improving the pass rates of students by focusing on maths, science, English and life orientation. This initiative is also expected to assist in providing a steady throughput of local learners suitable for Exxaro's bursary and artisan programmes. Exxaro provides teaching aids for teachers along with study materials, a science laboratory, transportation and nutrition. The Klarinet community will also benefit from this initiative as local suppliers are used to provide supporting services and six new permanent jobs have been created.

## Mineral resources and reserves

There have been no material changes to the mineral reserves and resources as disclosed in the 2013 Exxaro integrated report (summarised in the integrated report with a full report available on www.exxaro.com). Appointed competent persons initiate the update of models that will support the changes in annual mineral reserve and resource statements, as applicable. Internal and external reviews, which form part of the Exxaro resource and reserve reporting calendar, are scheduled for the second half of 2014.

Exploration drilling at the Grootegeluk, Leeuwpan, Matla and Arnot coal mines to enhance the level of geological confidence is progressing on schedule. Initiatives to refine resource reconciliation processes are ongoing and results are expected to assist in the optimal extraction of coal resources at the North Block Complex and Leeuwpan mines where selective mining of various coal seams is a priority.

The 2014 drilling programme, which was focused on enhancing geological and metallurgical information on the Mayoko project, has been suspended.

The application for the Paardeplaats mining right (an extension of the North Block Complex mine) has been resubmitted due to an administrative error, while the approval of the integrated water use licence at the Belfast mining right is progressing well. A section 11 application has been submitted to the Department of mineral resources in relation to the proposed sale of the New Clydesdale Colliery mine. The outstanding mining right executions of Matla and Tshikondeni mines are expected to be finalised in the second half of 2014.

## Operational and financial excellence
## Group financial results
### Revenue

Group consolidated revenue increased by 19% to R7 412 million compared to R6 245 million in the six-month period ended 30 June 2013, but remained stable compared to the R7 323 million recorded in the second half of 2013, predominantly due to the increase in export sales.

**Table 2: Group segment results**

| Rm | Revenue 6 months ended 30 Jun 2014 Reviewed | Revenue 6 months ended 30 Jun 2013 Reviewed | Revenue 6 months ended 31 Dec 2013 Reviewed | Revenue 12 months ended 31 Dec 2013 Audited | Net operating profit/(loss) 6 months ended 30 Jun 2014 Reviewed | Net operating profit/(loss) 6 months ended 30 Jun 2013 Reviewed | Net operating profit/(loss) 6 months ended 31 Dec 2013 Reviewed | Net operating profit/(loss) 12 months ended 31 Dec 2013 Audited |
|---|---|---|---|---|---|---|---|---|
| **Coal** | 7 312 | 6 149 | 7 213 | 13 362 | 1 836 | 1 031 | 1 738 | 2 769 |
| – Tied[(1)] | 2 094 | 1 782 | 2 135 | 3 917 | 208 | 210 | 5 | 215 |
| – Commercial[(2)] | 5 218 | 4 367 | 5 078 | 9 445 | 1 628 | 821 | 1 733 | 2 554 |
| **Ferrous** | 71 | 55 | 65 | 120 | (5 917) | (44) | (97) | (141) |
| – Iron ore[(3)] | | | | | (5 821) | (1) | (26) | (27) |
| – Alloys | 71 | 55 | 65 | 120 | (96) | (26) | (35) | (61) |
| – Other[(4)] | | | | | | (17) | (36) | (53) |
| **Other** | 29 | 41 | 45 | 86 | 1 | (70) | 1 008 | 938 |
| – Base metals[(5)] | | | | | | 32 | 113 | 145 |
| – Other[(6)] | 29 | 41 | 45 | 86 | 1 | (102) | 895 | 793 |
| **Total** | 7 412 | 6 245 | 7 323 | 13 568 | (4 080) | 917 | 2 649 | 3 566 |

*(1) Tied operations refer to mines that supply their entire production to either Eskom or ArcelorMittal South Africa Limited in terms of contractual agreements.*
*(2) Includes the New Clydesdale Colliery pre-tax impairment loss of R292 million recorded in the six-month period ended 30 June 2013 as well as the subsequent partial impairment loss reversal recorded during the six-month period ended 31 December 2013. This resulted in a net impairment loss of R143 million recorded during the 12 months ended 31 December 2013.*
*(3) Includes the pre-tax impairment of the original investment including goodwill, carrying value of the property, plant and equipment and qualifying project costs capitalised for the Mayoko project of R 5 760 million as well as the write-off of financial assets totalling R47 million recorded in the six-month period ended 30 June 2014.*
*(4) Mainly made up of ferrous head office costs not directly attributable to the operation at Mayoko and as such could not be capitalised with the development of the project.*
*(5) Includes a Zincor refinery partial impairment loss reversal of R98 million recorded during the six-month period ended 31 December 2013.*
*(6) Includes a profit on the sale of subsidiaries of R964 million on the sale of Base Metals Proprietary Limited (which held the Zincor refinery) recorded during the six-month period ended 31 December 2013.*

### Net operating profit

Group consolidated net operating profit was R557 million higher at R1 774 million#^ (1H13: R1 218 million∞*, 2H13: R1 452 million°◊Δ) after excluding items noted in the 'comparability of results' section above. The exclusion is the responsibility of the group's board of directors and has been presented to illustrate the impact of the items noted in the 'comparability of the results' section above and hence may not fairly present the group's operational results. This exclusion has not been reviewed nor reported on by the group's external auditors. This adjusted net operating profit represented a 46% increase on 1H13 and a 22% increase on 2H13, mainly due to a higher net operating profit contribution from the coal business.

Other net operating profit improved from an operating loss of R70 million recorded in 1H13 to a marginal net operating profit of R1 million in 1H14. This was mainly due to lower corporate costs (R61 million) recorded in 1H14.

An average exchange rate of R10,83 to the US dollar was realised for the six-month period ended 30 June 2014 compared to R9,19 in 2013 (2H13: R9,70).

### Earnings

Attributable losses to owners of the parent, which include Exxaro's equity-accounted investments in associates and joint ventures, were R2 441 million (1H13: earnings of R2 244 million; 2H13: earnings of R3 973 million) or 688 cents loss per share, down 209% from 1H13 (down 161% from 2H13) mainly due to the non-recurring impairment loss of the Mayoko project in 2014.

Headline earnings, which exclude the impact of any impairment and partial impairment reversal as well as profits realised on the sale of discontinued subsidiaries and other non-core assets, were R2 814 million (1H13: R2 529 million, 2H13: R2 665 million) or 793 cents per share (1H13: 712 cents per share; 2H13: 751 cents per share), representing an 11% increase on 1H13 (6% on 2H13) headline earnings per share.

### Cash flow

Cash generated from operations was R1 555 million (1H13: R602 million; 2H13: R1 557 million) for the group. This was primarily used to fund net financing charges of R136 million (1H13: R128 million; 2H13: R64 million), taxation payments of R31 million (1H13: R117 million; 2H13: R41 million) and to pay dividends of R1 126 million (1H13: R546 million; 2H13: R841 million).

A total of R1 578 million (1H13: R2 403 million; 2H13: R2 361 million) was spent on acquiring property, plant and equipment (capital expenditure), of which R1 076 million (1H13: R1 826 million; 2H13: R1 681 million) was invested in new capacity (expansion capital), with R502 million (1H13: R577 million; 2H13: R680 million) applied to sustaining and environmental capital. Of the funds spent on new capacity, R134 million (1H13: R850 million; 2H13: R962 million) was for the Grootegeluk Medupi Expansion Project (GMEP), R60 million (1H13: R237 million; 2H13: R122 million) was for Grootegeluk backfill and R456 million (1H13: R854 million, 2H13: R759 million) for the Mayoko project, which was subsequently impaired.

After the receipt of dividends of R2 083 million (1H13: R1 218 million; 2H13: R2 023 million), primarily from Sishen Iron Ore Company Proprietary Limited and Tronox, as well as the outflow associated with capital expenditure, the group had net cash inflow before financing activities of R747 million (1H13: R1 429 million outflow; 2H13: R371 million inflow) for the review period. Net debt at 30 June 2014 decreased to R2 653 million (1H13: R3 677 million; 2H13: R3 377 million), reflecting a net debt to equity ratio of 8% (1H13: 12%; 2H13: 9%).

### Funding

Exxaro raised R1 billion in its debut bonds against an oversubscribed order book of R5 billion during the period under review. This transaction marked Exxaro's entrance to the bond market and established a new source of financing for the group. Two floating-rate bonds were on offer, a three-year bond and a five-year bond. Both bonds received strong investor support, allowing Exxaro to issue the full targeted R1 billion at pricing levels better than the initial price guidance. The bonds were issued under Exxaro's new R5 billion domestic medium-term note programme listed on the interest rate market of the Johannesburg Stock Exchange Limited (JSE Limited or JSE). The debut bond will support Exxaro's strategy of diversifying sources of funding to optimise its portfolio.

## Coal commodity business

Trading conditions were challenging in 2014 with average export API4 coal index prices dropping from US$83 per tonne at the beginning of January to a low of US$74 per tonne in June, averaging the six-month period at US$77 per tonne. Exxaro realised an average export price of US$68 per tonne in 2014 compared to US$82 per tonne in 1H13. This was mainly due to the fact that a higher weighting of low-value products is included in the period under review compared to 2013, resulting in the group realising an overall lower export price.

Export volumes increased from the corresponding period in 2013. This was enhanced by 490kt (90%) higher buy-ins from Mafube and other suppliers.

Demand in the domestic market for metallurgical, power station and steam coal was lower than the corresponding period in 2013.

The demand from the ferroalloys market has recovered compared to 2013, resulting in Exxaro returning to full production on its semi-coke production plant.

### Production and sales volumes

Overall coal production volumes (excluding buy-ins from Mafube and other external suppliers) were in line with 1H13, although sales were 766kt (4%) higher.

*Metallurgical coal*

Grootegeluk metallurgical coal production was 214kt (23%) higher, mainly due to an initiative to fill an increased number of trains allocated by Transnet Freight Rail. Grootegeluk sales to ArcelorMittal South Africa increased by 11kt (2%). Tshikondeni production decreased by 71kt as the mine ramps down to closure in December 2014, when it is expected to reach its end of life. As a result, sales to ArcelorMittal South Africa Limited decreased by 28kt.

*Thermal coal*

Power station coal production from the tied mines was 361kt (6%) higher compared to 1H13. Matla production was 384kt (8%) higher, mainly due to improved cutting rates at the short walls as well as timing of short wall moves. Difficult geological conditions resulted in 23kt (3%) lower production at Arnot.

The commercial mines' power station coal production was 311kt (3%) lower than 1H13, mainly reflecting a cut-back in production at Grootegeluk as a result of the lower burn rate at Matimba power station due to shuts on units and stacker/reclaimer problems. Lower demand from Matimba resulted in Grootegeluk sales decreasing by 391kt (6%). At Leeuwpan production increased by 257kt (23%) on higher yields achieved by the crush and screen plant, while sales increased 198kt (22%) due to higher customer demand. Production decreased 278kt (18%) at North Block Complex due to breakdowns, blockages and in-pit water issues. North Block Complex sales were 180kt (13%) lower mainly due to the contractual sales limitation agreement (200kt limit per month) with Eskom implemented in 1H14. During the review period, 341kt were exported via the Maputo and Richards Bay Coal Terminal harbours.

**Table 3: Unreviewed coal production and sales volumes**

| | Production | | | | Sales | | | |
|---|---|---|---|---|---|---|---|---|
| | 6 months ended 30 Jun | | 6 months ended 31 Dec | 12 months ended 31 Dec | 6 months ended 30 Jun | | 6 months ended 31 Dec | 12 months ended 31 Dec |
| **(000 tonnes)** | 2014 | 2013 | 2013 | 2013 | 2014 | 2013 | 2013 | 2013 |
| **Thermal** | 17 561 | 17 704 | 18 849 | 36 553 | 18 462 | 17 902 | 19 957 | 37 859 |
| – Tied[(1)] | 6 001 | 5 640 | 6 126 | 11 766 | 5 997 | 5 643 | 6 125 | 11 768 |
| – Commercial: domestic | 11 560 | 12 064 | 12 723 | 24 787 | 10 238 | 10 634 | 11 570 | 22 204 |
| – Commercial: export | | | | | 2 227 | 1 625 | 2 262 | 3 887 |
| **Metallurgical** | 1 238 | 1 095 | 1 156 | 2 251 | 1 348 | 1 142 | 1 073 | 2 215 |
| – Tied | 108 | 179 | 164 | 343 | 157 | 185 | 150 | 335 |
| – Commercial: domestic | 1 130 | 916 | 992 | 1 908 | 693 | 681 | 627 | 1 308 |
| – Commercial: export[(2)] | | | | | 498 | 276 | 296 | 572 |
| **Total coal** | 18 799 | 18 799 | 20 005 | 38 804 | 19 810 | 19 044 | 21 030 | 40 074 |
| Semi-coke | 63 | 24 | 67 | 91 | 65 | 16 | 81 | 97 |
| **Total (excluding buy-ins)** | 18 862 | 18 823 | 20 072 | 38 895 | 19 875 | 19 060 | 21 111 | 40 171 |
| Thermal buy-ins | 1 032 | 542 | 928 | 1 470 | | | | |
| **Total (including buy-ins)** | 19 894 | 19 365 | 21 000 | 40 365 | 19 875 | 19 060 | 21 111 | 40 171 |

*(1) Tied operations refer to mines that supply their entire production to either Eskom or ArcelorMittal South Africa Limited in terms of contractual agreements.*
*(2) Exported as a steam coal product, blended at Richards Bay Coal Terminal.*

Steam coal production was 193kt (7%) lower mainly due to New Clydesdale Colliery mine stoppage while Inyanda production decreased 96kt (10%) as a result of lower qualities on reserves mined. Domestic sales at Inyanda rose by 59kt (48%) due to higher demand while export sales decreased by 49kt (7%) as a result of some export product being redirected to the domestic market. Leeuwpan production increased by 190kt (29%) due to better production from the JIG plant and better yields achieved. Sales at Leeuwpan declined by 30kt (4%) due to lower customer demand. Production at Grootegeluk increased by 15kt (2%) due to good yields achieved. Domestic steam sales from Grootegeluk decreased by 43kt (6%) on lower demand from customers while other export sales decreased by 9kt (36%).

Semi-coke plant production was 39kt (162%) higher mainly due to new markets and the technical repositioning of the product as semi-coke late in 2013 during a downturn in the ferrochrome industry where production was reduced to match demand.

### Revenue

The coal business revenue of R7 312 million was 19% higher than the comparable period in 2013, mainly from the commercial mines due to a combination of higher export sales volumes recorded at weaker Rand and US dollar prices, higher local steam coal sales volumes against higher prices as well as lower power station coal sales volumes at higher prices.

### Net operating profit

A 39%[∞] increase in net operating profit to R1 836 million (at an operating margin of 25%) was recorded for the review period compared to the corresponding period in 2013, after the exclusion on R292 million pre-tax impairment loss recorded in 1H13 on the property, plant and equipment at New Clydesdale Colliery. The exclusion is the responsibility of the group's board of directors and has been done to illustrate the impact of the items listed in table 1 on coal's net operating profit in the respective periods and hence may not fairly present coal's operational results.

The 39% increase was mainly made up of higher sales volumes (R189 million), higher shortfall income received from Eskom (R243 million), favourable exchange rate variances due to the weakening of the Rand against the US dollar (R237 million), lower operating losses (R111 million) at New Clydesdale Colliery which is under care and maintenance and higher overall cost savings (R45 million). However, higher net operating profit was partially offset by lower sales price (R52 million) and inflationary cost pressures in electricity and diesel (R242 million).

**Table 4: Coal segment results**

| | Revenue | | | | Net operating profit | | | |
|---|---|---|---|---|---|---|---|---|
| | 6 months ended 30 Jun | | 6 months ended 31 Dec | 12 months ended 31 Dec | 6 months ended 30 Jun | | 6 months ended 31 Dec | 12 months ended 31 Dec |
| **Rm** | 2014 Reviewed | 2013 Reviewed | 2013 Reviewed | 2013 Audited | 2014 Reviewed | 2013 Reviewed | 2013 Reviewed | 2013 Audited |
| – Tied(1) | 2 094 | 1 782 | 2 135 | 3 917 | 208 | 210 | 5 | 215 |
| – Commercial(2) | 5 218 | 4 367 | 5 078 | 9 445 | 1 628 | 821 | 1 733 | 2 554 |
| **Total** | 7 312 | 6 149 | 7 213 | 13 362 | 1 836 | 1 031 | 1 738 | 2 769 |

*(1) Tied operations refer to mines that supply their entire production to either Eskom or ArcelorMittal South Africa Limited in terms of contractual agreements.*
*(2) Includes the New Clydesdale Colliery pre-tax impairment loss of R292 million recorded in the six-month period ended 30 June 2013 as well as the subsequent partial impairment loss reversal recorded during the six-month period ended 31 December 2013. This resulted in a net impairment loss of R143 million recorded during the 12 months ended 31 December 2013.*

### Logistics

The Transnet Freight Rail rate was at 61,3 million tonnes for 1H14, including the force majeure event in February 2014 and annual Transnet Freight Rail shut in May. Exxaro has used 100% of its available Richards Bay Coal Terminal entitlement as at 30 June 2014.

### Markets

Demand in international coal markets is generally stable amid the global drive for energy efficiency and energy mix changes. Both global thermal and metallurgical markets are, however, oversupplied. This is expected to prolong the current imbalance between supply and demand, and pricing is forecast to be generally flat for the remainder of the year.

### Portfolio improvement

*Capital expenditure and project pipeline*

Following the delays in the construction of the Medupi power station, Exxaro and Eskom continue to engage in order to reach an amicable agreement on a revised Grootegeluk Medupi Expansion Project ramp-up profile in terms of the Medupi coal supply agreement (CSA). In January 2014, Eskom formally notified Exxaro that it would not be able to begin offtake from 1 February 2014 as agreed in the CSA due to construction delays. The terms and conditions of the CSA remain in full force until a revised agreement is reached. It is envisaged that such an agreement will be reached in the form of an addendum to the agreement which will be submitted for approval by the respective boards of directors of Exxaro and Eskom in August 2014. Coal dispatches to Medupi power station began in June 2014. Total project costs remain estimated at R10,2 billion.

Thabametsi is a prospective multi-product greenfields opencast mine adjacent to Grootegeluk in the Waterberg, Limpopo. Phase 1 development of the mine is expected to coincide with the 600MW coal-fired base-load independent power producer (IPP) power station project, owned and developed by GDF SUEZ. Thabametsi mine will supply approximately 3,5Mtpa of run-of-mine coal to the power station at full production. The prefeasibility study was completed in the second quarter of 2014 for the first-phase development of the Thabametsi mine. A bankable feasibility study will begin in the third quarter of 2014 and is expected to be completed by mid-2015.

The Belfast project is a greenfields opencast mine development in Mpumalanga. The project encompasses one of the last high-quality coal reserves in the province and presents Exxaro with an opportunity for excellent returns. The estimated annual production from the mine is 2,2Mpta of A-grade export coal and 0,5Mtpa of power station coal over a 16-year period post commissioning which is scheduled for 2H17. The mining right was awarded in 2013. In June 2014, the Exxaro board approved R3,8 billion for the project development with R3,6 billion to be spent only once all required licences and regulatory approvals are obtained.

Moranbah South is a prospective greenfields mine (50:50 joint venture with Anglo American plc) in Queensland, Australia, with estimated production of 10 million tonnes per annum of hard coking coal through a dual long-wall operation. Project development has been deferred until 2018/2019. In the meantime, the environmental impact study is progressing well with the final response to public submissions submitted in May 2014. The environmental authorisation is expected to be granted in the second half of 2014.

The prefeasibility study of the semi-coke two-retort expansion (a 50% expansion of the existing reductants business) was concluded in 1H14. A bankable feasibility study commenced in June 2014.

As previously announced, Exxaro continues to engage with Universal Coal Development VIII Proprietary Limited on the attainment of all regulatory approvals as well as the fulfilment of the terms and conditions precedent to the sale of New Clydesdale Colliery.

## Ferrous commodity business

### Production and sales volumes

Changes in the product mix at FerroAlloys in 2014 resulted in an overall production increase of 996 tonnes (37%) from the corresponding period in 2013. The change in the product mix reflects higher demand for fine ferrosilicon from Sishen Iron Ore Company Proprietary Limited.

Sales volumes rose by 342 tonnes (12%) from the corresponding period in 2013 due to higher production. Coarse ferrosilicon sold in 2014 is lower than its production as portions of the coarse ferrosilicon produced have been mixed with the fine and blended ferrosilicon.

**Revenue and net operating loss**

FerroAlloys remains the only contributor of revenue to our ferrous business. Revenue increased by R16 million (29%) for the review period from the corresponding period in 2013 due to higher demand from Sishen Iron Ore Company Proprietary Limited.

Net operating losses increased by R66 million# (excluding the impact of the pre-tax impairment loss (R5 760 million) and write-off of financial assets (R47 million) recorded for the Mayoko project) for the review period compared to the R44 million losses in the corresponding period in 2013. The exclusion is the responsibility of the group's board of directors and has been done to illustrate the impact of the items listed in table 1 on Ferrous's net operating loss in the respective periods and hence may not fairly present the Ferrous's operational results. The increase in the net operating loss was mainly due to higher operating costs from AlloyStream (R19 million), and an increase in corporate costs (R29 million).

**Table 5: Ferrous segment results**

| | Revenue | | | | Net operating loss | | | |
|---|---|---|---|---|---|---|---|---|
| | 6 months ended 30 Jun | | 6 months ended 31 Dec | 12 months ended 31 Dec | 6 months ended 30 Jun | | 6 months ended 31 Dec | 12 months ended 31 Dec |
| **Rm** | 2014 Reviewed | 2013 Reviewed | 2013 Reviewed | 2013 Audited | 2014 Reviewed | 2013 Reviewed | 2013 Reviewed | 2013 Audited |
| – Iron ore[(1)] | | | | | (5 821) | (1) | (26) | (27) |
| – Alloys | 71 | 55 | 65 | 120 | (96) | (26) | (35) | (61) |
| – Other[(2)] | | | | | | (17) | (36) | (53) |
| **Total** | 71 | 55 | 65 | 120 | (5 917) | (44) | (97) | (141) |

*(1) Includes the pre-tax impairment of the original investment including goodwill, carrying value of the property, plant and equipment and qualifying project costs capitalised for the Mayoko project of R5 760 million as well as the write-off of financial assets totalling R47 million recorded in the six-month period ended 30 June 2014.*

*(2) Mainly made up of ferrous head office costs not directly attributable to the operation at Mayoko and as such could not be capitalised with the development of the project.*

**Portfolio improvement**

*Capital expenditure and project pipeline*

In January 2014, the mining convention was signed by the government of the Republic of the Congo, along with rail and port framework agreements for the development of a two to 10 million tonnes per annum Mayoko project. Capital expenditure in the review period to develop the project was R456 million, bringing the total spent since acquisition to R2,5 billion.

A concept study on a revised 12 million tonnes per annum Mayoko project was concluded in June 2014. However, to date, Exxaro has not succeeded in concluding definitive port and rail agreements for this project as anticipated and communicated to the market in the results announcement on 6 March 2014. As a result of these delays as well as higher project development costs indicated by the concept study, Exxaro has impaired the investment in the Mayoko project. The impact of this decision was a pre-tax write-off of an amount up to the original acquisition cost as well as project-related costs capitalised to date amounting to R5 807 million.

Exxaro continues to actively liaise with the government of the Republic of the Congo on the conclusion of the port and rail agreements before a final decision can be made on any future pre-feasibility studies.

## Equity-accounted investments

Overall equity-accounted investment income declined by 25% to R1 515 million. Equity-accounted income from Exxaro's 19,98% shareholding in Sishen Iron Ore Company Proprietary Limited (SIOC) decreased 19% compared to the six-months period ended 30 June 2013, mainly due to a decrease in export iron ore prices and a weaker Rand/US dollar exchange rate.

Exxaro's share in Tronox's losses was R304 million for the review period (1H13: R168 million; 2H13: R470 million), mainly as a result of lower mineral sands and pigment prices in 2014 as well as purchase price accounting adjustments recorded.

Exxaro's share of Black Mountain's equity-accounted income declined by 12% to R46 million mainly due to an increase in production costs.

Equity-accounted income from Mafube increased by 36% due to higher sales prices paid by the JV partners on export coal.

Cennergi equity-accounted losses reduced by 32% mainly as a result of the foreign exchange contracts entered into to hedge future euro payments during the construction phase of its renewable energy projects.

**Table 6: Equity-accounted investments**

| | Equity-accounted income in profit or loss | | | | Exxaro's share of dividends received | | | |
|---|---|---|---|---|---|---|---|---|
| | 6 months ended 30 Jun | | 6 months ended 31 Dec | 12 months ended 31 Dec | 6 months ended 30 Jun | | 6 months ended 31 Dec | 12 months ended 31 Dec |
| **Rm** | 2014 Reviewed | 2013 Reviewed | 2013 Reviewed | 2013 Audited | 2014 Reviewed | 2013 Reviewed | 2013 Reviewed | 2013 Audited |
| SIOC(1) | 1 711 | 2 120 | 2 046 | 4 166 | 1 736 | 915 | 1 749 | 2 664 |
| Tronox(1) | (304) | (168) | (470) | (638) | 274 | 243 | 264 | 507 |
| Black Mountain | 46 | 52 | 25 | 77 | 71 | 58 | | 58 |
| Mafube | 109 | 80 | 51 | 131 | | | | |
| Cennergi | (47) | (69) | (34) | (103) | | | | |
| South Dunes Coal Terminal | | | (2) | (2) | | | | |
| **Total** | 1 515 | 2 015 | 1 616 | 3 631 | 2 081 | 1 216 | 2 013 | 3 229 |

*(1) Includes Exxaro's effective shareholding in SIOC and Tronox's restatement of R71 million and R27 million respectively, which were fully accounted for in 2013 as the amount were not material to restate Exxaro 2012 numbers.*

## Other portfolio improvement

### Energy capital expenditure and project pipeline

Construction on the 134MW Amakhala Emoyeni wind farm project began in June 2014 and is expected to be completed in the second quarter of 2016. Commercial operation is planned for the third quarter of 2016.

Construction on the 95MW Tsitsikamma Community Development wind farm project is due to begin in September 2014 and should be completed in the fourth quarter of 2015. Commercial operation is planned for the first quarter of 2016.

The underground coal gasification concept study for the generation of electricity was completed in the first half of 2014. The planning and the concept study augmented with a high-level update of the potential for gas-to-liquids facilities, after which it will be considered to advance to the pre-feasibility study.

## Outlook

Global economic growth improved gradually during the review period, although the performances of major world economies were mixed. US economic growth contracted significantly in the first quarter of 2014, mainly due to adverse weather, but economic activity bounced back in the second quarter and is expected to maintain its momentum into the second half of 2014. The deceleration in China's economic growth was evident in the first half of 2014 with the construction sector being one of the most affected. However, some measures to cushion the broad investment slowdown were introduced. In Europe, business and consumer confidence continued an improving trend.

South Africa's economic growth outlook remains subject to a number of headwinds – prolonged strikes, electricity supply constraints, low business and consumer confidence and higher consumer debt levels. In addition, gross domestic product contracted by 0,6% in the first quarter of 2014 with risks of tighter monetary policy due to a weak currency and accelerated inflationary pressures. The recent downgrades by credit rating agencies are testimony to current economic challenges for South Africa.

The global macro-economic and mineral commodity environment remains challenging. Against this background, Exxaro is optimistic about prospects for the second half of 2014.

The second half of 2014 is expected to see final coal delivered from the Tshikondeni hard coking coal mine to ArcelorMittal South Africa Limited as the mine will come to the end of its life. Power station coal demand is expected to increase. Demand in the semi-coke market segment is expected to remain strong as domestic ferrochrome and ferromanganese producers remain globally competitive. However, the risk in this segment remains the availability of electricity.

Coal export volumes are expected to be similar to the first half of 2014. Although Transnet Freight Rail performance to Richards Bay Coal Terminal was affected in the first half of 2014 by the power outage at the terminal as well as the annual coal line maintenance shut, it is, however, making good progress in ramping up rail performance of the coal line.

Demand in international thermal and coking coal markets is stable and growing in some regions. Due to the international oversupply of both thermal and coking coal, coal prices are expected to remain under pressure for the rest of the year as there are still signs of additional supply coming onto the market.

During the first half of 2014, the iron ore market experienced a fairly rapid shift as new, lower cost Australian supply come on-stream. As a result, price supportive Chinese production is expected to continue during the second half of 2014. However, as uncompetitive supply is displaced, the supply-demand balance is expected to limit any further significant price falls in the medium term.

## Changes to the board and Audit Committee

Dr CJ Fauconnier was appointed as a member of the Audit Committee of the board with effect from 29 January 2014.

Mr JJ Geldenhuys retired as an independent non-executive director with effect from 27 May 2014. Mr NL Sowazi resigned from the board with effect from 3 June 2014. The board expressed its sincere appreciation to both directors for their respective contributions during their tenures. Subsequent to Mr Sowazi's resignation, Mr V Nkonyeni has been appointed as an independent non-executive director with effect from 3 June 2014. The board welcomes Mr Nkonyeni.

## Interim dividend

Notice is given that a gross interim cash dividend, number 23 of 260 cents (2013: 235 cents) per share, for the six-month period ended 30 June 2014 has been declared, payable to shareholders of ordinary shares. No secondary tax on companies (STC) credits are available for offsetting against the dividend tax, while total STC credits available for the interim dividend number 21 amounted to R1 566 million, representing 54,51893 cents per share. The gross local dividend is 260 cents per share for shareholders exempt from dividend 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 withholding tax. Although the local dividend rate was 15% for the corresponding period in 2013, no tax was due as a result of STC credits used. The net local dividend is 221 cents per share payable to shareholders who are subject to withholding tax at a rate of 15%. The withholding tax amounts to 39 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: 358 061 205). Exxaro's tax reference number is 9218/098/14/4.

The salient dates on payment of the interim dividend are:

| | |
|---|---|
| Last day to trade cum dividend on the JSE | Friday, 5 September 2014 |
| First trading day ex dividend on the JSE | Monday, 8 September 2014 |
| Record date | Friday, 12 September 2014 |
| Payment date | Monday, 15 September 2014 |

No share certificates may be dematerialised or rematerialised between Monday, 8 September 2014 and Friday, 12 September 2014, 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, 15 September 2014.

On behalf of the board:

**Len Konar**
*Chairman*

**Sipho Nkosi**
*Chief Executive Officer*

**Wim de Klerk**
*Finance Director*

20 August 2014

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* *Executive*
** *Non-executive*
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**ISIN:** ZAE000084992

**ADR code:** EXXAY
(Exxaro or the company or the group)

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

HKLM

This report is available on www.exxaro.com or scan the code with your smartphone to take you there.