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POWERING BETTER LIVES

EXXARO RESOURCES LIMITED

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

for the six-month period ended 30 June 2018

exxaro

POWERING POSSIBILITY

SALIENT FEATURES



Group

- > Revenue **R12.3 billion**, up **14%**
- > Net operating profit **R3.1 billion**, up **7%**
- > Interim dividend of **530 cents** per share, up 230 cents per share
- > **HEPS*** of **1 222** cents up **39%**
- > **AEPS**** of **1 268** cents, up **49%**
- > **Cash generated** by operations **at R3.9 billion**

SIOC

- >**R0.8 billion** post-tax equity-accounted income
- >**R1.3 billion**, Exxaro's share of dividend declared for **1H18**



Tronox

- > **R224 million** post-tax equity-accounted income
- > Dividend of **R31 million** received in **1H18**



Value distribution (R million)



* Headline earnings per share ** Attributable earnings per share
 Please refer to the inside back cover for an explanation of the acronyms used throughout this booklet.

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CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 June 2018 Reviewed Rm	(Re-presented) 6 months ended 30 June 2017 Reviewed Rm	12 months ended 31 December 2017 Audited Rm
Revenue (note 7)	12 260	10 736	22 813
Operating expenses	(9 134)	(7 751)	(17 593)
Operating profit (note 8)	3 126	2 985	5 220
BEE credentials			(4 245)
Net operating profit	3 126	2 985	975
Finance income (note 9)	168	71	217
Finance costs (note 9)	(345)	(522)	(828)
Income from financial assets	1		2
Share of income of equity-accounted investments (note 10)	1 046	1 488	3 952
Profit before tax	3 996	4 022	4 318
Income tax expense	(809)	(861)	(1 542)
Profit for the period from continuing operations	3 187	3 161	2 776
Profit/(loss) for the period from discontinued operations (note 6)	31	(438)	3 256
Profit for the period	3 218	2 723	6 032
Other comprehensive income/(loss), net of tax	223	(181)	(1 352)
<i>Items that will not be reclassified to profit or loss:</i>	59	(4)	13
– Remeasurement of post-retirement employee obligations		(29)	(29)
– Changes in fair value of equity investments at fair value through other comprehensive income	57		
– Share of other comprehensive income of equity-accounted investments	2	25	42
<i>Items that may subsequently be reclassified to profit or loss:</i>	150	(177)	(92)
– Unrealised gains/(losses) on translation of foreign operations	41	(39)	(62)
– Revaluation of financial assets available-for-sale		5	(14)
– Share of other comprehensive income/(loss) of equity-accounted investments	109	(143)	(16)
<i>Items that have subsequently been reclassified to profit or loss:</i>	14		(1 273)
– Recycling of exchange differences on translation of foreign operations	14		58
– Share of recycling of other comprehensive income of equity-accounted investments			(1 331)
Total comprehensive income for the period	3 441	2 542	4 680

	6 months ended 30 June 2018 Reviewed Rm	(Re-presented) 6 months ended 30 June 2017 Reviewed Rm	12 months ended 31 December 2017 Audited Rm
Profit/(loss) attributable to:			
Owners of the parent	3 182	2 692	5 982
– Continuing operations	3 151	3 130	2 726
– Discontinued operations	31	(438)	3 256
Non-controlling interests	36	31	50
– Continuing operations	36	31	50
Profit for the period	3 218	2 723	6 032
Total comprehensive income/(loss) attributable to:			
Owners of the parent	3 405	2 511	4 630
– Continuing operations	3 374	3 016	2 545
– Discontinued operations	31	(505)	2 085
Non-controlling interests	36	31	50
– Continuing operations	36	31	50
Total comprehensive income for the period	3 441	2 542	4 680
	6 months ended 30 June 2018 Reviewed cents	(Re-presented) 6 months ended 30 June 2017 Reviewed cents	12 months ended 31 December 2017 Audited cents
Attributable earnings/(loss) per share			
Aggregate			
– Basic	1 268	852	1 923
– Diluted	988	852	1 724
Continuing operations			
– Basic	1 256	991	876
– Diluted	978	991	786
Discontinued operations			
– Basic	12	(139)	1 047
– Diluted	10	(139)	938



CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	At 30 June 2018 Reviewed Rm	At 30 June 2017 Reviewed Rm	At 31 December 2017 Audited Rm
ASSETS			
Non-current assets	49 691	51 556	47 706
Property, plant and equipment	25 613	22 568	24 362
Biological assets	34	47	34
Intangible assets	15	23	17
Investments in associates (note 13)	16 336	22 333	15 810
Investments in joint ventures (note 14)	1 482	1 329	1 479
Financial assets	2 601	4 827	5 433
– Financial assets at fair value through other comprehensive income (note 20)	221		
– Financial assets at fair value through profit or loss (note 20)	1 426		
– Loans to associates and joint ventures (note 20)	258		
– Other financial assets at amortised cost (note 20)	696		
Lease receivables	60		
Deferred tax	566	429	571
Other non-current assets (note 15)	2 984		
Current assets	7 333	5 919	10 936
Inventories	1 485	1 287	1 055
Financial assets	82		48
– Loans to associates and joint ventures (note 20)	1		
– Other financial assets at amortised cost (note 20)	81		
Trade and other receivables	2 687	2 440	3 199
Lease receivables	14		
Current tax receivable	29	119	28
Cash and cash equivalents	2 596	2 073	6 606
Other current assets (note 15)	440		
Non-current assets held-for-sale (note 16)	3 740	175	3 910
Total assets	60 764	57 650	62 552

	At 30 June 2018 Reviewed Rm	At 30 June 2017 Reviewed Rm	At 31 December 2017 Audited Rm
EQUITY AND LIABILITIES			
Capital and other components of equity			
Share capital	1 021	1 660	1 021
Other components of equity	8 063	5 007	8 120
Retained earnings	30 294	30 476	30 962
Equity attributable to owners of the parent	39 378	37 143	40 103
Non-controlling interests	(702)	(757)	(738)
Total equity	38 676	36 386	39 365
Non-current liabilities	15 770	15 909	17 409
Interest-bearing borrowings (note 17)	4 480	5 498	6 480
Non-current other payables	92		
Provisions	3 817	4 149	3 864
Post-retirement employee obligations	235	222	227
Financial liabilities	496	253	850
– Financial liabilities at fair value through profit or loss (note 20)	337		
– Financial liabilities at amortised cost (note 20)	159		
Deferred tax	6 641	5 787	5 988
Other non-current liabilities (note 19)	9		
Current liabilities	4 633	4 221	4 127
Interest-bearing borrowings (note 17)	581	11	2
Trade and other payables	2 555	2 753	3 237
Shareholder loans		18	
Provisions	114	140	95
Financial liabilities	636	236	371
– Financial liabilities at fair value through profit or loss (note 20)	310		
– Financial liabilities at amortised cost (note 20)	285		
– Derivative financial instruments (note 20)	41		
Current tax payable	68	146	368
Overdraft (note 17)	49	917	54
Other current liabilities (note 19)	630		
Non-current liabilities held-for-sale (note 16)	1 685	1 134	1 651
Total liabilities	22 088	21 264	23 187
Total equity and liabilities	60 764	57 650	62 552



CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Other components of equity			
	Share capital Rm	Foreign currency translation Rm	Financial instruments revaluation Rm	Equity-settled Rm
At 31 December 2016 (Audited)	2 509	4 010	23	1 898
Profit for the period				
Other comprehensive (loss)/income		(39)		
Share of other comprehensive (loss)/income of equity-accounted investments		(174)	(58)	89
Issue of share capital ¹	463			
Share-based payments movement ²				(422)
Dividends paid				
Share repurchase ³	(1 312)			
Reclassification within equity				
At 30 June 2017 (Reviewed)	1 660	3 797	(35)	1 565
Profit for the period				
Other comprehensive loss		(23)		
Share of other comprehensive income/(loss) of equity-accounted investments		20	(7)	114
Issue of share capital ¹	10 242			
Share-based payments movement ²				4 479
Dividends paid				
Share repurchase ³	(639)			
Treasury shares ⁴	(10 242)			
Partial disposal of an associate ⁵		(1 332)	1	(286)
Liquidation of subsidiaries ⁶		58		
At 31 December 2017 (Audited)	1 021	2 520	(41)	5 872
Adjustment on initial application of IFRS 15 (net of tax) ⁷				
Adjustment on initial application of IFRS 9 (net of tax) ⁷				
Adjusted balance at 1 January 2018	1 021	2 520	(41)	5 872
Profit for the year				
Other comprehensive income		41		
Share of other comprehensive income of equity-accounted investments		88	21	
Share-based payments movement ²				(280)
Dividends paid				
Liquidation of subsidiaries ⁶		14		
At 30 June 2018 (Reviewed)	1 021	2 663	(20)	5 592

¹ For 2017, the issue of share capital comprises the vesting of Mpower 2012 treasury shares to good leavers and beneficiaries upon final vesting of the share-based payment scheme on 31 May 2017 amounting to R463 million and an issue of 67 221 565 ordinary shares to NewBEECo at a discounted share price of R73.92 per share which had a market share price of R152.35 on 11 December 2017.

² For 2018, the share-based payment movements include an amount of R147 million paid to the BEE Parties as a dividend. For 2017, comprises the final vesting of Mpower 2012 shares as well as the potential benefit to be obtained by the BEE Parties amounting to R4 245 million.

³ Exxaro executed two repurchases during 2017. Exxaro repurchased 43 943 744 ordinary shares from Main Street 333 for a purchase consideration of R3 524 million during January 2017 and 22 686 572 ordinary shares from Main Street 333 for a purchase consideration of R2 695 million during December 2017.

⁴ For 2017, 107 612 026 ordinary shares held by NewBEECo in Exxaro were accounted for as treasury shares on consolidation of NewBEECo.

⁵ During October 2017, Exxaro disposed of 22 425 000 Class A Tronox Limited ordinary shares which resulted in a gain on translation differences being recycled to profit or loss, the release of a loss from the financial instruments revaluation reserve to profit or loss, a net reclassification within equity from retirement benefit obligation reserve and equity-settled reserve to retained earnings.

⁶ For 2018, recognised a gain on translation difference recycled to profit or loss on the liquidation of a foreign subsidiary (Exxaro Coal Botswana Holding Company Proprietary Limited). For 2017, recognised a gain on translation difference recycled to profit or loss on the liquidation of a foreign subsidiary (Exxaro Mineral Sands BV).

⁷ Refer note 4 for details of the adjustments on initial application of IFRS 9 Financial Instruments (IFRS 9) and IFRS 15 Revenue from Contracts with Customers (IFRS 15).

Post-retirement employee obligations Rm	Available-for-sale revaluation Rm	Financial asset FVOCI revaluation Rm	Other Rm	Retained earnings Rm	Attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
(262)	(60)		(3 524)	31 281	35 875	(788)	35 087
(29)	5			2 692	2 692	31	2 723
25					(63)		(63)
					(118)		(118)
					463		463
					(422)		(422)
			3 524	(1 284)	(1 284)		(1 284)
			1	(2 212)			
				(1)			
(266)	(55)		1	30 476	37 143	(757)	36 386
	(19)			3 290	3 290	19	3 309
					(42)		(42)
17					144		144
					10 242		10 242
					4 479		4 479
				(943)	(943)		(943)
				(2 056)	(2 695)		(2 695)
					(10 242)		(10 242)
91				195	(1 331)		(1 331)
					58		58
(158)	(74)		1	30 962	40 103	(738)	39 365
				314	314		314
	74	(74)		(11)	(11)		(11)
(158)		(74)	1	31 265	40 406	(738)	39 668
		57		3 182	3 182	36	3 218
					98		98
2					111		111
					(280)		(280)
				(4 153)	(4 153)		(4 153)
					14		14
(156)		(17)	1	30 294	39 378	(702)	38 676

Dividend distribution

Final dividend per share paid in respect of the 2017 financial year
Dividend per share paid in respect of the 2017 interim period
Dividend per share payable in respect of the 2018 interim period

cents
400
300
530

Foreign currency translation

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

Financial instruments revaluation

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

Equity-settled

Represents the fair value, net of tax, of services received from employees and settled by equity instruments granted as well as the fair value of the potential benefit to be obtained by the BEE Parties in relation to the Replacement BEE Transaction.

Post-retirement employee obligations

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

Available-for-sale revaluation

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

Financial asset FVOCI revaluation

Comprises the fair value adjustments, net of tax, on the financial assets classified at FVOCI.



CONDENSED GROUP STATEMENT OF CASH FLOWS

	6 months ended 30 June 2018 Reviewed Rm	6 months ended 30 June 2017 Reviewed Rm	12 months ended 31 December 2017 Audited Rm
Cash flows from operating activities	(926)	1 528	3 400
Cash generated by operations	3 941	3 660	6 826
Interest paid	(269)	(328)	(597)
Interest received	143	55	188
Tax paid	(588)	(575)	(790)
Dividends paid	(4 153)	(1 284)	(2 227)
Cash flows from investing activities	(1 109)	(907)	4 377
Property, plant and equipment acquired to maintain operations (note 12)	(1 177)	(1 105)	(2 977)
Property, plant and equipment acquired to expand operations (note 12)	(860)	(209)	(944)
Intangible assets acquired	(1)		(1)
Proceeds from disposal of property, plant and equipment	232	2	11
Settlement of contingent consideration (note 20.2)	(299)	(74)	(74)
Decrease in loans to related parties		400	400
Interest received on loans to related parties		84	84
Decrease in other financial assets at amortised cost	41		
Decrease in loan to joint venture	18		
Increase in loan to joint venture	(150)		
Decrease in lease receivable	7		
Increase in loan to associate			(1)
Acquisition of associate (note 13)	(191)		(26)
Income from investments in associates and joint ventures	1 306	59	1 499
Proceeds from disposal of equity-accounted investments			6 525
Decrease in non-current financial assets		6	14
Increase in non-current financial assets		(4)	(4)
Increase in environmental rehabilitation funds	(67)	(66)	(130)
Dividend income from financial assets and non-current assets classified as held-for-sale	32		1
Cash flows from financing activities	(2 065)	(4 620)	(6 361)
Interest-bearing borrowings raised			2 491
Interest-bearing borrowings repaid	(1 496)	(999)	(2 534)
Shares acquired in the market to settle share-based payments	(422)	(97)	(99)
Dividends paid to BEE Parties	(147)		
Repurchase of share capital		(3 524)	(6 219)
Net (decrease)/increase in cash and cash equivalents	(4 100)	(3 999)	1 416
Cash and cash equivalents at beginning of the period	6 566	5 183	5 183
Reclassifications of cash and cash equivalents	51		
Translation difference on movement in cash and cash equivalents	40	(24)	(33)
Cash and cash equivalents at end of the period	2 557	1 160	6 566
Cash and cash equivalents	2 596	2 073	6 606
Cash and cash equivalents classified as held-for-sale	10	4	14
Overdraft	(49)	(917)	(54)

Reviewed condensed group interim financial statements and unreviewed production and sales volumes information for the six-month period ended 30 June 2018



RECONCILIATION OF GROUP HEADLINE EARNINGS

	Gross Rm	Tax Rm	Net Rm
6 months ended 30 June 2018 (Reviewed)			
Profit for the period attributable to owners of the parent			3 182
Adjusted for:	(118)	3	(115)
– IAS 16 Net gains on disposal of property, plant and equipment	(118)	(1)	(119)
– IAS 21 Loss on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary	14		14
– IAS 28 Share of equity-accounted investments' separate identifiable remeasurements	(14)	4	(10)
Headline earnings			3 067
Continuing operations			3 036
Discontinued operations			31
6 months ended 30 June 2017 (Reviewed) (Re-presented)			
Profit for the period attributable to owners of the parent			2 692
Adjusted for:	103	(8)	95
– IAS 16 Net losses on disposal of property, plant and equipment	22	(6)	16
– IAS 28 Loss on dilution of associate	75		75
– IAS 28 Share of equity-accounted investments' separate identifiable remeasurements	6	(2)	4
Headline earnings/(loss)			2 787
Continuing operations			3 150
Discontinued operations			(363)
12 months ended 31 December 2017 (Audited)			
Profit for the year attributable to owners of the parent			5 982
Adjusted for:	(4 674)	252	(4 422)
– IAS 16 Net losses on disposal of property, plant and equipment	61	(18)	43
– IAS 16 Compensation from third parties for items of property, plant and equipment impaired, abandoned or lost	(3)	1	(2)
– IAS 21 Net gains on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary and partial disposal of investment in foreign associate	(1 274)		(1 274)
– IAS 28 Loss on dilution of associate	106		106
– IAS 28 Share of equity-accounted investments' impairment reversal of property, plant and equipment	(987)	271	(716)
– IAS 28 Share of equity-accounted investments' separate identifiable remeasurements	12	(2)	10
– IAS 28 Share of equity-accounted investments' loss on disposal of a subsidiary	1 271		1 271
– IAS 28 Gain on partial disposal of associate	(3 860)		(3 860)
Headline earnings/(loss)			1 560
Continuing operations			2 120
Discontinued operations			(560)



RECONCILIATION OF GROUP HEADLINE EARNINGS (continued)

	6 months ended 30 June 2018 Reviewed cents	(Re- presented) 6 months ended 30 June 2017 Reviewed cents	12 months ended 31 December 2017 Audited cents
Headline earnings/(loss) per share			
Aggregate			
– Basic	1 222	882	502
– Diluted	953	882	450
Continuing operations			
– Basic	1 210	997	682
– Diluted	943	997	611
Discontinued operations			
– Basic	12	(115)	(180)
– Diluted	10	(115)	(161)

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



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS

1. CORPORATE BACKGROUND

Exxaro, a public company incorporated in South Africa, is a diversified resources group with interests in the coal (controlled and non-controlled), TiO_2 (non-controlled), ferrous (controlled and non-controlled) and energy (non-controlled) markets. These reviewed condensed group interim financial statements as at and for the six-month period ended 30 June 2018 (interim financial statements) comprise the company and its subsidiaries (together referred to as the group) and the group's interest in associates and joint ventures.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The interim financial statements have been prepared in accordance with IFRS, IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

The interim financial statements have been prepared under the supervision of Mr PA Koppeschaar CA(SA), SAICA registration number: 00038621.

The interim financial statements should be read in conjunction with the group annual financial statements as at and for the year ended 31 December 2017, which have been prepared in accordance with IFRS as issued by the IASB. The interim financial statements have been prepared on the historical cost basis, excluding financial instruments and biological assets, which are measured at fair value. This is the first set of interim financial statements where IFRS 9 and IFRS 15 have been applied. Changes to significant accounting policies are described in note 4.

The interim financial statements of the Exxaro group were authorised for issue by the board of directors on 14 August 2018.

2.2 Judgements and estimates

Management made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the group's accounting policies and the key source of estimation uncertainty were similar to those applied to the group annual financial statements as at and for the year ended 31 December 2017, except for new significant judgements related to the adoption of IFRS 9, which are described in note 4.2.4.

2.3 Re-presentation of comparative information

The reviewed condensed group statement of comprehensive income for the six-month period ended 30 June 2017 has been re-presented as a result of the investment in Tronox Limited being identified as a discontinued operation (refer note 6).



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the group annual financial statements as at and for the year ended 31 December 2017, except for the estimation of income tax and the adoption of new or amended standards as set out below.

3.1 Income tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual tax rate expected for the full financial year. As such, the effective tax rate used in the interim financial statements may differ from management's estimate of the effective tax rate for the group annual financial statements. The estimated weighted average effective annual tax rate used for the six-month period ended 30 June 2018 is 20.1%, compared to 24% for the six-month period ended 30 June 2017. The decrease in the effective tax rate is mainly due to the following:

- Share of income or loss of equity-accounted investments and dividend income (-7%)
- Prior year adjustments (-1%)

Partly offset by:

- Non-deductible expenditure (+0.5%).

3.2 New or amended standards adopted by the group

A number of new or amended standards became effective for the current reporting period.

The group has adopted the following new standards, which are relevant to the group, for the first time for the six-month period commencing on 1 January 2018:

- IFRS 9 *Financial Instruments* (IFRS 9)
- IFRS 15 *Revenue from Contracts with Customers* (IFRS 15).

The adoption of these standards has resulted in the group changing its accounting policies. The impact of the adoption and the new accounting policies are disclosed in note 4.

3.3 Impact of new, amended or revised standards issued but not yet adopted by the group

Certain new accounting standards and interpretations have been published but are not yet effective on 30 June 2018, and have not been early adopted. Of these standards, only IFRS 16 *Leases* (IFRS 16) is anticipated to have an impact on the group as summarised below.

IFRS 16

The standard is effective for annual periods beginning on or after 1 January 2019. The group made progress on the initial assessment of the potential impact of this standard on the group's financial statements. This initial assessment included the identification of material lease transactions within the group. The group must still make a decision on the transition method to be applied as well as the practical expedients to be used, if elected.

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 and IFRS 15 on the interim financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

4.1 Impact on the financial statements

Prior year financial statements did not have to be restated as a result of the changes in the group's accounting policies due to the adoption of IFRS 9 and IFRS 15. As explained in note 4.2 below, IFRS 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in a restated statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018. As explained in note 4.3 below, IFRS 15 was also adopted without restating comparative information.

The following table shows the reclassifications and adjustments recognised for each individual line item as per the statement of financial position. The reclassifications and adjustments are explained in more detail by standard below.

	31 December 2017	1 January 2018		
Statement of financial position (extract)	Previously presented Rm	IFRS 9 Rm	IFRS 15 Rm	Restated Rm
ASSETS				
Non-current assets	47 706	(56)		47 650
Property, plant and equipment	24 362			24 362
Biological assets	34			34
Intangible assets	17			17
Investments in associates	15 810			15 810
Investments in joint ventures	1 479			1 479
Financial assets	5 433	(5 433)		
– Financial assets at fair value through other comprehensive income		152		152
– Financial assets at fair value through profit or loss		1 391		1 391
– Loans to associates and joint ventures		128		128
– Other financial assets at amortised cost		678		678
Lease receivables ¹		62		62
Deferred tax	571	2		573
Other non-current assets		2 964		2 964
Current assets	10 936	(11)		10 925
Inventories	1 055			1 055
Financial assets	48	(48)		
– Other current financial assets at amortised cost		48		48
– Derivative financial instruments		4		4
Trade and other receivables	3 199	(601)		2 598
Lease receivables		14		14
Current tax receivable	28			28
Cash and cash equivalents ²	6 606	51		6 657
Other current assets		521		521
Non-current assets held-for-sale	3 910			3 910
Total assets	62 552	(67)		62 485

¹ Unearned finance income of R56 million was reclassified from financial liabilities – finance leases to lease receivables as the finance lease was previously presented on a gross basis instead of a net basis.

² An amount of R51 million was reclassified from other receivables to cash and cash equivalents as the balances meet the definition of cash and cash equivalents.

NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

4. CHANGES IN ACCOUNTING POLICIES (continued)

4.1 Impact on the financial statements (continued)

Statement of financial position (extract)	31 December 2017			1 January 2018
	Previously presented Rm	IFRS 9 Rm	IFRS 15 Rm	Restated Rm
EQUITY AND LIABILITIES				
Capital and other components of equity				
Share capital	1 021			1 021
Other components of equity	8 120			8 120
Retained earnings	30 962	(11)	314	31 265
Equity attributable to owners of the parent	40 103	(11)	314	40 406
Non-controlling interests	(738)			(738)
Total equity	39 365	(11)	314	39 668
Non-current liabilities	17 409	31	(252)	17 188
Interest-bearing borrowings	6 480			6 480
Non-current other payables ¹		89		89
Provisions	3 864			3 864
Post-retirement employee obligations	227			227
Financial liabilities	850	(850)		
– Financial liabilities at fair value through profit or loss		414		414
Deferred tax	5 988	(2)	122	6 108
Other non-current liabilities		380	(374)	6
Current liabilities	4 127	(87)	(62)	3 978
Interest-bearing borrowings	2	66		68
Trade and other payables	3 237	(825)		2 412
Provisions	95			95
Financial liabilities	371	(371)		
– Financial liabilities at fair value through profit or loss		309		309
– Derivative financial instruments		6		6
Current tax payable	368			368
Overdraft	54			54
Other current liabilities		728	(62)	666
Non-current liabilities held-for-sale	1 651			1 651
Total liabilities	23 187	(56)	(314)	22 817
Total equity and liabilities	62 552	(67)		62 485

¹ An amount of R89 million was reclassified from current other payables to non-current other payables as the balance should have been presented as non-current due to it being payable after 12 months.

4.2 Impact of adopting IFRS 9

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) for annual periods beginning on or after 1 January 2018. IFRS 9 brings together all aspects of accounting for financial instruments that relate to the recognition, classification and measurement, derecognition, impairment and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 4.2.3 below. Comparative information has not been restated in accordance with the transitional requirements of IFRS 9 which requires comparative information not to be restated (with an exception where it is possible to restate without the use of hindsight) but for disclosures to be made concerning the reclassifications and measurements as set out below.

The total impact on the group's retained earnings as at 1 January 2018 is as follows:

	Note	Rm
Closing balance at 31 December 2017 (IAS 39/IAS 18 Revenue (IAS 18))		30 962
Adjustments from the adoption of IFRS 9		(11)
Increase in impairment allowances for trade receivables	4.2.2	(7)
Increase in impairment allowances for financial assets at amortised cost	4.2.2	(8)
Increase in deferred tax assets relating to impairment allowances	4.2.2	2
Decrease in deferred tax liabilities relating to impairment allowances	4.2.2	2
Opening balance at 1 January 2018 (after IFRS 9 before IFRS 15 restatement)		30 951

4.2.1 Classification and measurement

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale financial assets.

The accounting for the group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with changes in fair value recognised in profit or loss.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI) debt investment;
- FVOCI equity investment; or
- Fair value through profit or loss (FVPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

4. CHANGES IN ACCOUNTING POLICIES (continued)

4.2 Impact of adopting IFRS 9 (continued)

4.2.1 Classification and measurement (continued)

On 1 January 2018 (the date of initial application of IFRS 9), the group's management assessed which business model applied to the financial assets held by the group and classified its financial instruments into the appropriate IFRS 9 categories. In addition, the group's management assessed whether contractual cash flows on debt instruments solely comprised principal and interest based on the facts and circumstances at the initial recognition of the assets. The main effects resulting from this reclassification are as follows:

		IAS 39 categories	
		At fair value through profit or loss	
Financial assets ¹	Note	Held-for-trading Rm	Designated Rm
Closing balance at 31 December 2017 (IAS 39)		4	1 391
Reclassify non-trading equities from available-for-sale to FVOCI	a		
Reclassify held-for-trading FVPL financial assets to FVPL	b	(4)	
Reclassify designated FVPL financial assets to FVPL	b		(1 391)
Reclassify loans and receivables financial assets to amortised cost	c		
Reclassify indemnification asset to non-financial instruments	d		
Reclassify reimbursive non-current receivable asset to non-financial instruments	e		
Reclassify loans and receivables at amortised cost to a financial asset measured at FVPL	f		
Opening balance at 1 January 2018 (IFRS 9)			

¹ The closing balances as at 31 December 2017 are prior to any adjustments made in terms of IFRS 9 and IFRS 15. The opening balances as at 1 January 2018 differ from the amounts disclosed in note 4.1 as this table illustrates the reclassification adjustments only and not the impairment adjustments.

Financial liabilities ¹	Note
Closing balance at 31 December 2017 (IAS 39)	
Reclassify held-for-trading FVPL financial liabilities to FVPL	g
Reclassify designated FVPL financial liabilities to FVPL	g
Reclassify financial liabilities to amortised cost	h
Opening balance at 1 January 2018 (IFRS 9)	

¹ The closing balances as at 31 December 2017 are prior to any adjustments made in terms of IFRS 9 and IFRS 15.

		IFRS 9 categories			
Loans and receivables at amortised cost Rm	Available-for-sale financial assets at fair value Rm	FVPL Rm	Amortised cost Rm	FVOCI equity instrument Rm	Non-financial instruments Rm
13 129	152				
	(152)			152	
		4			
		1 391			
(10 169)			10 169		
(1 268)					1 268
(1 692)					1 692
		1 395	10 169	152	2 960

IAS 39 categories			IFRS 9 categories	
At fair value through profit or loss				
Held-for-trading Rm	Designated Rm	Financial liabilities at amortised cost Rm	FVPL Rm	Amortised cost Rm
6	723	9 080		
(6)			6	
	(723)		723	
		(9 080)		9 080
			729	9 080

NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

4. CHANGES IN ACCOUNTING POLICIES (continued)

4.2 Impact of adopting IFRS 9 (continued)

4.2.1 Classification and measurement (continued)

The impact of the changes on the group's equity is as follows:

		IAS 39	IFRS 9
		Available-for-sale revaluation reserve	Financial asset FVOCI revaluation reserve
		Rm	Rm
Other components of equity ¹	Note		
Closing balance at 31 December 2017 (IAS 39)		(74)	
Reclassify non-trading equities from available-for-sale to FVOCI	a	74	(74)
Opening balance at 1 January 2018 (IFRS 9)			(74)

¹ Reserves which were impacted by IFRS 9.

(a) Reclassify non-trading equities from available-for-sale to FVOCI

The group elected to present in OCI changes in the fair value of the Chifeng equity investment previously classified as available-for-sale, because the investment is not expected to be sold in the short- to medium-term. As a result, an asset with a fair value of R152 million was reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value losses of R74 million were reclassified from the available-for-sale revaluation reserve to the financial asset FVOCI revaluation reserve on 1 January 2018.

(b) Reclassify held-for-trading and designated FVPL financial assets to FVPL

These reclassifications have no impact on the measurement categories.

(c) Reclassify loans and receivables financial assets to amortised cost

These reclassifications have no impact on the measurement categories.

(d) Reclassify indemnification asset to non-financial instruments

This asset previously formed part of the financial instruments. However, with the adoption of IFRS 9 it was concluded that this asset is not within the scope of IFRS 9. This asset arose on the acquisition of ECC which is within the scope of IFRS 3 *Business Combinations*.

(e) Reclassify reimbursable non-current receivable asset to non-financial instruments

This asset previously formed part of the financial instruments. However, with the adoption of IFRS 9 it was concluded that this is not within the scope of IFRS 9. This asset relates to the reimbursement of the environmental rehabilitation provisions and the post-retirement medical obligations which is within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

(f) Reclassify loans and receivables at amortised cost to a financial asset measured at FVPL

An other receivable with a gross amount of R70 million was reclassified to a financial asset at FVPL as a result of the contractual cash flows not meeting the solely payments of principal and interest (SPPI) criteria. In addition, the impairment allowance of R70 million was also reclassified. The fair value of the financial asset was determined to be nil.

(g) Reclassify held-for-trading and designated FVPL financial liabilities to FVPL

These reclassifications have no impact on the measurement categories.

(h) Reclassify financial liabilities to amortised cost

These reclassifications have no impact on the measurement categories.

4.2.2 Impairment of financial assets

IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses (impairments) are recognised earlier than under IAS 39.

Under IFRS 9, expected credit loss allowances are measured on either of the following basis:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The group has four types of financial assets that are subject to IFRS 9’s new ECL model, namely:

- Trade receivables for sale of commodities and from the rendering of services;
- Other receivables;
- Loans to joint ventures and associates; and
- Financial assets carried at amortised cost.

The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the group’s retained earnings and equity is disclosed in the first table of note 4.2 above.

While loans to joint ventures and associates as well as cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(a) Trade receivables

The group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected credit loss allowance for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics (corporate entities, small medium enterprises and public sector entities) and the days past due.

The impairment allowances as at 1 January 2018 for trade receivables are as follows:

	Current Rm	More than 30 days past due Rm	More than 60 days past due Rm	More than 90 days past due Rm	Total Rm
Gross carrying amount	2 458	69	5	35	2 567
Impairment allowance	6	22	5	35	68

The impairment allowances for trade receivables as at 31 December 2017 reconcile to the opening expected credit loss allowances for trade receivables on 1 January 2018 as follows:

Impairment allowances	Rm
Closing balance at 31 December 2017 (IAS 39)	61
Amounts restated through opening retained earnings	7
Opening balance at 1 January 2018 (IFRS 9)	68

The expected credit loss allowances increased by a further R8 million to R76 million for trade receivables during the six-month period ended 30 June 2018. The increase would have been R7 million lower under the incurred loss model of IAS 39.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

4. CHANGES IN ACCOUNTING POLICIES (continued)

4.2 Impact of adopting IFRS 9 (continued)

4.2.2 Impairment of financial assets (continued)

(b) Other receivables and other financial assets at amortised cost

The group's other receivables and other financial assets at amortised cost are considered to have low credit risk, and the expected credit loss allowance recognised during the period was therefore limited to 12 months expected losses. These instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Applying the expected credit risk model resulted in the recognition of an expected credit loss allowance of R8 million on 1 January 2018 (previous impairment allowance was R70 million which was reclassified on 1 January 2018) with no further increase in the allowance during the six-month period ended 30 June 2018.

Impairment allowances	Rm
Closing balance at 31 December 2017 (IAS 39)	70
Amount reclassified on a financial asset classified as FVPL	(70)
Amounts restated through opening retained earnings	8
Opening balance as at 1 January 2018 (IFRS 9)	8

4.2.3 Accounting policies applied from 1 January 2018

(a) Financial assets

(i) Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those measured subsequently at fair value (either through OCI, or through profit or loss); and
- those measured at amortised cost.

The classification depends on the group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held-for-trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The group reclassifies debt instruments when, and only when, its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. Currently there are two measurement categories into which the group classifies its debt instruments, as the group does not hold any debt instruments classified as FVOCI, as summarised in the table on the following page.

Category	Financial instruments	Business model and cash flow characteristics	Movements in carrying amount	Derecognition	Impairment
Amortised cost	<ul style="list-style-type: none"> – Trade and other receivables – Loans to joint ventures and associates – Other financial assets 	Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI.	<p>Interest income from these financial assets is included in finance income using the effective interest rate method.</p> <p>Foreign exchange gains and losses are recognised in profit or loss.</p>	Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in operating expenses.	Impairment losses are presented as a separate line item in the notes to the statement of comprehensive income. The impairment losses are considered to be immaterial and therefore it has not been presented as a separate line on the face of the statement of comprehensive income.
FVPL	<ul style="list-style-type: none"> – Debt securities – Derivative financial assets 	Financial assets that do not meet the criteria for amortised cost or FVOCI.	<p>Gains and losses on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within operating expenses in the period in which it arises.</p> <p>Interest income is recognised in profit or loss.</p>	Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in operating expenses.	Debt instruments measured at FVPL are not subject to the impairment model in terms of IFRS 9.

Equity instruments

Equity investments are subsequently measured at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as income from financial assets when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in operating expenses in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

4. CHANGES IN ACCOUNTING POLICIES (continued)

4.2 Impact of adopting IFRS 9 (continued)

4.2.3 Accounting policies applied from 1 January 2018 (continued)

(a) Financial assets (continued)

(iii) Impairment

From 1 January 2018, the group assesses on a forward-looking basis the ECLs associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires lifetime ECLs to be recognised from initial recognition of the receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

For other financial assets measured at amortised cost, the ECL is based on the 12-month expected credit loss allowance. The 12-month expected credit loss allowance is the portion of lifetime expected credit loss allowances that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the ECL will be based on the lifetime expected credit loss allowances.

The group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group.

(b) Loan commitments issued by the group

Undrawn loan commitments are commitments under which, over the duration of the commitment, the group is required to provide a loan with pre-specified terms to the counterparty. These contracts are in the scope of the ECL requirements of IFRS 9.

When estimating 12-month or lifetime ECLs for undrawn loan commitments, the group estimates the expected portion of the loan commitment that will be drawn down over 12 months or its expected life respectively. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability weighting. The cash shortfalls include the realisation of any collateral. The expected cash shortfalls are discounted at an approximation to the expected effective interest rate on the loan.

4.2.4 Significant estimates and judgements

Impairment of financial assets

The expected credit loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 4.2.2.

4.2.5 Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
 - The determination of the business model within which a financial asset is held
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVPL
 - The designation of certain investments in equity instruments not held-for-trading as at FVOCI
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

4. CHANGES IN ACCOUNTING POLICIES (continued)

4.3 Impact of adopting IFRS 15

The revenue accounting policy has changed with effect from 1 January 2018 as a result of the group adopting IFRS 15.

IFRS 15 supersedes IAS 18, IAS 11 *Construction Contracts* and related interpretations for annual periods beginning on or after 1 January 2018. IFRS 15 applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, providing additional guidance in many areas not covered in detail under the previous revenue standards and interpretations. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying the framework to the contracts with customers. The standard also specifies the accounting treatment for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. IFRS 15 further includes extensive new disclosure requirements.

Refer note 4.3.3 for the group's revised revenue accounting policy and note 7 for the disaggregated revenue disclosure required by IFRS 15.

In accordance with the transition provisions of IFRS 15, the group has adopted the standard applying the cumulative effect method. In terms of this method the group:

- (a) applied the new rules retrospectively, only to contracts with customers that were not completed by 1 January 2018 (the date of initial application); and
- (b) has adjusted the opening balance of retained earnings as at 1 January 2018, with the cumulative effect of the retrospective application (per (a) above).

Accordingly, the comparative information presented for 2017 has not been restated, but presented as previously reported applying the previous revenue standards and interpretations.

The cumulative effect of the retrospective application on the group's retained earnings as at 1 January 2018 is as follows:

	Note	Rm
Opening balance at 1 January 2018 (after IFRS 9 before IFRS 15 restatement) (refer note 4.2)		30 951
Adjustment from the adoption of IFRS 15		314
Decrease in deferred revenue liability due to earlier recognition of revenue from pricing adjustment	4.3.2 (a)	436
Increase in deferred tax liability relating to earlier recognition of revenue from pricing adjustment	4.3.2 (a)	(122)
Opening balance at 1 January 2018 (after IFRS 9 and IFRS 15 restatements)		31 265

4.3.1 Financial results for the six-month period ended 30 June 2018 had IAS 18 been applied

The following tables present a comparison of the financial results as reported in terms of IFRS 15 to what the financial results would have been in terms of IAS 18.

Impact on the reviewed condensed group statement of comprehensive income

		As reported	Adjust- ments ¹	IAS 18 ²
		6 months ended 30 June 2018 Rm	6 months ended 30 June 2018 Rm	6 months ended 30 June 2018 Rm
Revenue	4.3.2	12 260	(70)	12 190
Operating (expenses)/income	4.3.2	(9 134)	101	(9 033)
Net operating profit		3 126	31	3 157
Finance income		168		168
Finance costs		(345)		(345)
Income from financial assets		1		1
Share of income of equity-accounted investments		1 046		1 047
Profit before tax		3 996	31	4 027
Income tax expense		(809)	(9)	(818)
Profit for the period from continuing operations		3 187	22	3 209
Profit for the period from discontinued operations		31		31
Profit for the period		3 218	22	3 240
Other comprehensive income, net of tax		223		223
Total comprehensive income for the period		3 441	22	3 463
Profit attributable to:				
Owners of the parent		3 182	22	3 204
Non-controlling interests		36		36
Profit for the period		3 218	22	3 240
Total comprehensive income attributable to:				
Owners of the parent		3 405	22	3 427
Non-controlling interests		36		36
Total comprehensive income for the period		3 441	22	3 463

¹ Adjustments (refer note 4.3.2) comprise of:

- contract modification consideration that would be recognised as revenue over seven years under the previous revenue standards and interpretations (R31 million and tax of R9 million); and
- reclassification of stock yard management service fee that would be recognised as a cost recovery in operating expenses under the previous revenue standards and interpretations (R101 million).

² Amounts without the adoption of IFRS 15.



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

4. CHANGES IN ACCOUNTING POLICIES (continued)

4.3 Impact of adopting IFRS 15 (continued)

4.3.1 Financial results for the six-month period ended 30 June 2018 had IAS 18 been applied (continued)

	As reported	Adjust- ments	IAS 18
	6 months ended 30 June 2018 cents	6 months ended 30 June 2018 cents	6 months ended 30 June 2018 cents
Attributable earnings per share			
Aggregate			
– Basic	1 268	9	1 277
– Diluted	988	7	995

Impact on the reviewed condensed group statement of financial position

		As reported	Adjust- ments ¹	IAS 18 ²
		At 30 June 2018	At 30 June 2018	At 30 June 2018
	Note	Rm	Rm	Rm
ASSETS				
Non-current assets		49 691		49 691
Current assets		7 333		7 333
Non-current assets held-for-sale		3 740		3 740
Total assets		60 764		60 764
EQUITY AND LIABILITIES				
Capital and other components of equity				
Share capital		1 021		1 021
Other components of equity		8 063		8 063
Retained earnings	4.3.2 (a)	30 294	(292)	30 002
Equity attributable to owners of the parent		39 378	(292)	39 086
Non-controlling interests		(702)		(702)
Total equity		38 676	(292)	38 384
Non-current liabilities		15 770	230	16 000
Interest-bearing borrowings		4 480		4 480
Non-current other payables		92		92
Provisions		3 817		3 817
Post-retirement employee obligations		235		235
Financial liabilities		496		496
Deferred tax	4.3.2 (a)	6 641	(113)	6 528
Other non-current liabilities	4.3.2 (a)	9	343	352
Current liabilities		4 633	62	4 695
Interest-bearing borrowings		581		581
Trade and other payables		2 555		2 555
Provisions		114		114
Financial liabilities		636		636
Current tax payable		68		68
Overdraft		49		49
Other current liabilities	4.3.2 (a)	630	62	692
Non-current liabilities held-for-sale		1 685		1 685
Total liabilities		22 088	292	22 380
Total equity and liabilities		60 764		60 764

¹ Relates to the reversal of the IFRS 15 initial application adjustment amounting to R314 million, net of tax, (refer note 4.3) and the impact for the six-month period ended 30 June 2018 arising from the contract modification consideration assessment of R22 million, net of tax (refer note 4.3.2 (a)).

² Amounts without the adoption of IFRS 15.



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

4. CHANGES IN ACCOUNTING POLICIES (continued)

4.3 Impact of adopting IFRS 15 (continued)

4.3.2 Impact assessment of customer contract terms and conditions

The standard terms and conditions in the group's contracts with customers result in the same revenue recognition under IFRS 15, as compared to IAS 18, except for the following specific contractual arrangements that had an impact on initial application:

(a) Contract modification consideration

A contract with a customer for the sale of goods has two distinct phases of delivery of the underlying goods. The contract was modified to include additional consideration over a period of seven years (referred to as the contract modification consideration).

Under IAS 18, the contract modification consideration was determined as a standalone revenue arrangement and would have been recognised as revenue over the seven year period. Under IFRS 15, the contract modification consideration is assessed as a pricing adjustment that relates only to the goods delivered under the first phase of the contract, which was concluded at the end of the 2017 financial year, and is therefore required to be allocated to the goods delivered under this phase. Accordingly, the revenue recognition of the contract modification consideration is recognised earlier under IFRS 15 than IAS 18. This adjustment has been made on the cumulative effect basis, with the adoption of IFRS 15, to opening retained earnings as at 1 January 2018.

(b) Stock yard management services

On certain contracts, the group was compensated in the form of a cost recovery for the rendering of stock yard management services.

Under IAS 18, up to 31 December 2017, these cost recoveries were accounted for in operating expenses as a cost recovery, as it was not seen as the main operation or revenue stream of the group. Under IFRS 15, however, the rendering of these services is seen as a separate performance obligation and forms part of the revenue of the group. Accordingly, the income from the rendering of stock yard management services is presented as revenue separately from the corresponding cost. There is no impact on the profit or loss of the group as the accounting is similar to a reclassification.

4.3.3 Accounting policies applied from 1 January 2018

The group derives revenue from contracts with customers for the supply of goods (namely coal, ferrosilicon and certain biological goods) and rendering of services (namely corporate management services, stock yard management services and other mine management services).

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected where the group acts as an agent. If the group is an agent, then revenue is recognised on a net basis – corresponding to any fee or commission to which the group expects to be entitled.

The group recognises revenue when it transfers control of the goods or services to a customer. The group has applied the practical expedient in IFRS 15.63 (which states that an entity is not required to reflect the time value of money in its estimate of the transaction price if it expects, at contract inception, that the period between customer payment and the transfer of goods or services will not exceed 12 months). Generally for contracts in the group, the period of time between delivery of goods or services and receipt of payment ranges between two weeks and 60 days which is less than 12 months. Accordingly, the group does not adjust the promised amount of consideration for the effects of a significant financing component. For the group, the total consideration in the service contracts will be allocated to all services per the contract based on their standalone selling prices. The standalone selling prices will be determined based on the listed prices at which the group sells the services in separate transactions.

Nature of goods and services

Below is a summary of the different types of revenue derived by the group depicting the standard terms and performance obligations for each type:

Revenue type	Performance obligation	Timing of when performance obligation is satisfied	Allocation of transaction price to performance obligations	Payment terms
Coal (domestic supply)	Delivery of coal at a contractually agreed upon delivery point	On delivery (point in time)	Agreed standalone price	Range: 15 to 60 days
Coal (export supply)	Delivery of coal at a contractually agreed upon delivery point (FOB)	On delivery (point in time)	Agreed standalone price	Range: 15 to 60 days
Ferrosilicon	Delivery of ferrosilicon at a contractually agreed upon delivery point	On delivery (point in time)	Agreed standalone price	Range: 15 to 60 days
Biological goods	Delivery of biological goods at a contractually agreed upon delivery point	On delivery (point in time)	Agreed standalone price	Range: 15 to 60 days
Corporate management services	Rendering of corporate services over time	As services are performed (over time)	Based on costs incurred	Within 30 days
Stock yard management services	Rendering of stock yard management services over time	As services are performed (over time)	Based on costs incurred	Within 30 days
Other mine management services	Rendering of other mine management services over time	As services are performed (over time)	Based on costs incurred	Within 30 days



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

5. SEGMENTAL INFORMATION

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

Total operating segment revenue, which excludes VAT, represents revenue from contracts with customers for the supply of goods and rendering of services and includes operating revenues directly and reasonably allocable to the segments. Segment net operating profit or loss equals segment revenue less segment expenses, impairment charges, plus impairment reversals. Segment operating expenses, assets and liabilities represent direct or reasonably allocable operating expenses, assets and liabilities.

There were no differences in the way segment profit or loss is measured between the reportable segments' profit or loss and the group's profit or loss.

The reportable operating segments, as described below, offer different goods and services, and are managed separately based on commodity, location and support function grouping. The group executive committee reviews internal management reports on these divisions at least quarterly.

Coal

The coal operations are mainly situated in the Waterberg and Mpumalanga regions and are split between coal commercial operations and coal tied operations. Coal commercial operations include a 50% (30 June 2017: 50%; 31 December 2017: 50%) investment in Mafube (a joint venture with Anglo), as well as a 10.82% (30 June 2017: 10.82%; 31 December 2017: 10.82%) effective equity interest in RBCT. The coal operations produce thermal coal, metallurgical coal and SSCC.

Ferrous

The ferrous segment mainly comprises the 20.62% (30 June 2017: 20.62%; 31 December 2017: 20.62%) equity interest in SIOC (located in the Northern Cape province) reported within the other ferrous operating segment as well as the FerroAlloys operations (referred to as Alloys).

TiO₂

This segment has been renamed TiO₂ as the Alkali chemicals business was disposed of in 2017. Exxaro holds a 23.36% (30 June 2017: 43.66%; 31 December 2017: 23.66%) equity interest in Tronox Limited subsequent to the sale of 22 425 000 Class A Tronox Limited ordinary shares on 10 October 2017. The investment in Tronox Limited was classified as a non-current asset held-for-sale on 30 September 2017 (refer note 16). Exxaro holds a 26% (30 June 2017: 26%; 31 December 2017: 26%) equity interest in Tronox SA (both South African-based operations), as well as a 26% (30 June 2017: 26%; 31 December 2017: 26%) member's interest in Tronox UK.

Energy

The energy segment comprises a 50% (30 June 2017: 50%; 31 December 2017: 50%) investment in Cennergi (a South African joint venture with Tata Power) which operates two windfarms.

Other

This reportable segment comprises the 26% (30 June 2017: 26%; 31 December 2017: 26%) equity interest in Black Mountain (located in the Northern Cape province), an effective investment of 11.7% (30 June 2017: 11.7%; 31 December 2017: 11.7%) in Chifeng (located in the PRC), the recently acquired equity interests in Curapipe and AgriProtein as well as the corporate office which renders services to operations and other customers. The Ferroland agricultural operation is also included in this segment.

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

	Coal		Ferrous		Other				Total
	Tied opera- tions Rm	Com- mercial opera- tions Rm	Alloys Rm	Other ferrous Rm	TiO ₂ Rm	Energy Rm	Base metals Rm	Other Rm	Rm
6 months ended 30 June 2018 (Reviewed)									
External revenue	1 827	10 413	12					8	12 260
Segment net operating profit/(loss)	192	3 195	8	(1)				(268)	3 126
– Continuing operations	192	3 195	8	(1)				(268)	3 126
External finance income (note 9)		44						124	168
External finance costs (note 9)	(4)	(121)						(220)	(345)
Income tax expense	(36)	(703)	(2)					(68)	(809)
Depreciation and amortisation (note 8)	(6)	(704)						(34)	(744)
Cash generated by/(utilised in) operations	122	3 844	122	(1)				(146)	3 941
Share of (loss)/income of equity-accounted investments (note 10)		(48)		793	224	20	57		1 046
– Continuing operations		(48)		793	224	20	57		1 046
Capital expenditure (note 12)		(1 982)						(55)	(2 037)
At 30 June 2018 (Reviewed)									
Segment assets and liabilities									
Deferred tax ¹	(18)	184	12					388	566
Investments in associates (note 13)		2 176		8 952	3 701		806	701	16 336
Investments in joint ventures (note 14)		1 066				416			1 482
Loans to joint ventures		151				108			259
External assets ²	2 985	32 354	188	25				2 829	38 381
Assets	2 967	35 931	200	8 977	3 701	524	806	3 918	57 024
Non-current assets held-for-sale (note 16)		344			3 396				3 740
Total assets as per statement of financial position	2 967	36 275	200	8 977	7 097	524	806	3 918	60 764
External liabilities	2 642	4 677	27	5				6 343	13 694
Deferred tax ¹	5	6 672		1				(37)	6 641
Current tax payable ¹	1	64						3	68
Liabilities	2 648	11 413	27	6				6 309	20 403
Non-current liabilities held-for-sale (note 16)		1 685							1 685
Total liabilities as per statement of financial position	2 648	13 098	27	6				6 309	22 088

¹ Offset per legal entity and tax authority.

² Excluding deferred tax, investments in associates, investments in and loans to joint ventures and non-current assets held-for-sale.



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

5. SEGMENTAL INFORMATION (continued)

FERROUS METALS INFORMATION (continued)

6 months ended 30 June 2017 (Reviewed) (Re-presented)	Coal		Ferrous			Other			Total
	Tied operations Rm	Com-mercial operations Rm	Alloys Rm	Other ferrous Rm	TiO ₂ Rm	Energy Rm	Base metals Rm	Other Rm	Rm
External revenue	1 591	9 079	56					10	10 736
Segment net operating profit/(loss)	149	2 865			(75)			(29)	2 910
– Continuing operations	149	2 865						(29)	2 985
– Discontinued operations					(75)				(75)
External finance income (note 9)		21						50	71
External finance costs (note 9)	(83)	(121)						(318)	(522)
Income tax (expense)/benefit	(26)	(777)	8					(66)	(861)
Depreciation and amortisation (note 8)	(6)	(623)						(46)	(675)
Cash generated by/(utilised in) operations	120	3 523	24					(7)	3 660
Share of income/(loss) of equity-accounted investments (note 10)		104		1 228	(295)	(11)	99		1 125
– Continuing operations		104		1 228	68	(11)	99		1 488
– Discontinued operations					(363)				(363)
Capital expenditure (note 12)		(1 305)	(2)					(7)	(1 314)
At 30 June 2017 (Reviewed)									
Segment assets and liabilities									
Deferred tax	67	17	28					317	429
Investments in associates (note 13)		2 203	8 771		10 740		619		22 333
Investments in joint ventures (note 14)		961				368			1 329
Loan to joint venture						126			126
External assets ¹	2 907	27 911	163	25			177	2 075	33 258
Assets	2 974	31 092	191	8 796	10 740	494	796	2 392	57 475
Non-current assets held-for-sale (note 16)		46						129	175
Total assets as per statement of financial position	2 974	31 138	191	8 796	10 740	494	796	2 521	57 650
External liabilities	2 650	4 464	23	4				7 056	14 197
Deferred tax ²	4	5 842						(59)	5 787
Current tax payable ²	(4)	150							146
Liabilities	2 650	10 456	23	4				6 997	20 130
Non-current liabilities held-for-sale (note 16)		1 134							1 134
Total liabilities as per statement of financial position	2 650	11 590	23	4				6 997	21 264

¹ Excluding deferred tax, investments in associates, investments in and loans to joint ventures and non-current assets held-for-sale.

² Offset per legal entity and tax authority.

12 months ended 31 December 2017 (Audited)	Coal		Ferrous		Other				Total
	Tied operations Rm	Commercial operations Rm	Alloys Rm	Other ferrous Rm	TiO ₂ Rm	Energy Rm	Base metals Rm	Other Rm	Rm
External revenue	3 256	19 297	243					17	22 813
Segment net operating profit/(loss)	133	5 876	54	(1)	5 085			(5 087)	6 060
– Continuing operations	133	5 876	54	(1)				(5 087)	975
– Discontinued operations					5 085				5 085
External finance income (note 9)	1	45	1					170	217
External finance costs (note 9)		(254)						(574)	(828)
Income tax expense	(24)	(1 326)	(13)					(179)	(1 542)
Depreciation and amortisation (note 8)	(12)	(1 296)						(85)	(1 393)
Gain on partial disposal of associate					3 860				3 860
Cash generated by/(utilised in) operations	151	6 754	(54)	(2)				(23)	6 826
Share of income/(loss) of equity-accounted investments (note 10)		235		3 303	(1 643)	2	226		2 123
– Continuing operations		235		3 303	186	2	226		3 952
– Discontinued operations					(1 829)				(1 829)
Capital expenditure (note 12)		(3 804)	(6)					(111)	(3 921)
At 31 December 2017 (Audited)									
Segment assets and liabilities									
Deferred tax	32	104	11	1				423	571
Investments in associates (note 13)		2 193		9 367	3 477		747	26	15 810
Investments in joint ventures (note 14)		1 105				374			1 479
Loan to joint venture						126			126
External assets ¹	3 012	30 648	309	25				6 662	40 656
Assets	3 044	34 050	320	9 393	3 477	500	747	7 111	58 642
Non-current assets held-for-sale (note 16)		385			3 396			129	3 910
Total assets as per statement of financial position	3 044	34 435	320	9 393	6 873	500	747	7 240	62 552
External liabilities	2 677	4 726	27	4				7 746	15 180
Deferred tax ²	1	6 030						(43)	5 988
Current tax payable ²		292						76	368
Liabilities	2 678	11 048	27	4				7 779	21 536
Non-current liabilities held-for-sale (note 16)		1 651							1 651
Total liabilities as per statement of financial position	2 678	12 699	27	4				7 779	23 187

¹ Excluding deferred tax, investments in associates, investments in and loans to joint ventures and non-current assets held-for-sale.

² Offset per legal entity and tax authority.



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

6. DISCONTINUED OPERATIONS

On 30 September 2017, Exxaro classified the Tronox Limited investment as a non-current asset held-for-sale (refer note 16). It was concluded that the related performance and cash flow information be presented as a discontinued operation as the Tronox Limited investment represents a major geographical area of operation as well as the majority of the TiO₂ reportable operating segment.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below:

	(Re-presented)		
	6 months ended 30 June 2018 Reviewed Rm	6 months ended 30 June 2017 Reviewed Rm	12 months ended 31 December 2017 Audited Rm
Financial performance			
Losses on financial instruments revaluations recycled to profit or loss			(1)
Gains on translation differences recycled to profit or loss on partial disposal of investment in foreign associate			1 332
Other operating expenses ¹		(75)	(106)
Operating (loss)/profit		(75)	1 225
Gain on partial disposal of associate			3 860
Net operating (loss)/profit		(75)	5 085
Dividend income	31		
Share of loss of equity-accounted investment		(363)	(1 829)
Profit/(loss) for the period from discontinued operations	31	(438)	3 256
Cash flow information			
Cash flow attributable to investing activities	31	59	6 634
Cash flow attributable to discontinued operations	31	59	6 634

¹ Relates to loss on dilution of investment in associate of nil (30 June 2017: R75 million; 31 December 2017: R106 million).

7. REVENUE

Revenue is derived from contracts with customers. Revenue has been disaggregated based on timing of revenue recognition, major type of goods and services, major geographic area and major customer industries.

6 months ended 30 June 2018 (Reviewed)	Coal		Ferrous	Other	Total
	Tied operations Rm	Commercial operations Rm	Alloys Rm	Other Rm	Rm
By timing and major type of goods and services					
Sale of goods recognised at a point in time	1 539	10 413	12	7	11 971
Coal	1 539	10 413			11 952
Ferrosilicon			12		12
Biological goods				7	7
Rendering of services recognised over time	288			1	289
Stock yard management services	101				101
Other mine management services	187				187
Accommodation				1	1
Total revenue from contracts with customers	1 827	10 413	12	8	12 260
By major geographic area¹					
Domestic	1 827	6 587	12	8	8 434
Export		3 826			3 826
Europe		2 384			2 384
Asia		1 043			1 043
Other		399			399
Total revenue from contracts with customers	1 827	10 413	12	8	12 260
By major customer industries					
Public utilities	1 804	4 964			6 768
Merchants		2 889			2 889
Steel	23	800			823
Mining		600	12		612
Manufacturing		310			310
Cement		171			171
Other		679		8	687
Total revenue from contracts with customers	1 827	10 413	12	8	12 260

¹ Geographic area is determined based on the customer supplied by Exxaro.



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

7. REVENUE (continued)

6 months ended 30 June 2017 (Reviewed) (Re-presented)	Coal		Ferrous	Other	Total
	Tied operations Rm	Commercial operations Rm	Alloys Rm	Other Rm	Rm
By timing and major type of goods and services					
Sale of goods recognised at a point in time	1 383	9 079	56	4	10 522
Coal	1 383	9 079			10 462
Ferrosilicon			56		56
Biological goods				4	4
Rendering of services recognised over time	208			6	214
Corporate management services				5	5
Other mine management services ¹	208				208
Accommodation ¹				1	1
Total revenue from contracts with customers	1 591	9 079	56	10	10 736
By major geographic area²					
Domestic	1 591	6 157	56	10	7 814
Export		2 922			2 922
Europe		1 609			1 609
Asia		1 201			1 201
Other		112			112
Total revenue from contracts with customers	1 591	9 079	56	10	10 736
By major customer industries					
Public utilities	1 563	4 670			6 233
Merchants		2 838			2 838
Steel	28	623			651
Mining		306	56		362
Manufacturing		309			309
Cement		161			161
Other		172		10	182
Total revenue from contracts with customers	1 591	9 079	56	10	10 736

¹ Reclassification of service revenue previously included as part of revenue from goods sold.

² Geographic area is determined based on the customer supplied by Exxaro.

12 months ended 31 December 2017 (Audited) (Re-presented)	Coal		Ferrous	Other	Total
	Tied operations Rm	Commercial operations Rm	Alloys Rm	Other Rm	Rm
By timing and major type of goods and services					
Sale of goods recognised at a point in time	2 838	19 297	243	10	22 388
Coal	2 838	19 297			22 135
Ferrosilicon			243		243
Biological goods				10	10
Rendering of services recognised over time	418			7	425
Corporate management services				6	6
Other mine management services ¹	418				418
Accommodation ¹				1	1
Total revenue from contracts with customers	3 256	19 297	243	17	22 813
By major geographic area²					
Domestic	3 256	12 279	243	17	15 795
Export		7 018			7 018
Europe		3 670			3 670
Asia		2 629			2 629
Other		719			719
Total revenue from contracts with customers	3 256	19 297	243	17	22 813
By major customer industries					
Public utilities	3 212	9 870			13 082
Merchants		5 637			5 637
Steel	44	1 278			1 322
Mining		853	243		1 096
Manufacturing		468			468
Cement		340			340
Other		851		17	868
Total revenue from contracts with customers	3 256	19 297	243	17	22 813

¹ Reclassification of service revenue previously included as part of revenue from goods sold.

² Geographic area is determined based on the customer supplied by Exxaro.

NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

8. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT

	(Re-presented)		
	6 months ended 30 June 2018 Reviewed Rm	6 months ended 30 June 2017 Reviewed Rm	12 months ended 31 December 2017 Audited Rm
Raw materials and consumables	(1 340)	(1 412)	(3 058)
Staff costs	(2 308)	(2 011)	(4 060)
Royalties	(172)	(70)	(143)
Depreciation and amortisation	(744)	(675)	(1 393)
Fair value adjustments on contingent consideration ¹	(188)	(37)	(354)
Net realised foreign currency exchange gains/(losses)	57	(78)	(147)
Consultancy fees	(231)	(134)	(424)
Net gains/(losses) on disposal or scrapping of property, plant and equipment	118	(22)	(55)
¹ Relates to the ECC acquisition.			

9. NET FINANCING COSTS

Finance income	168	71	217
Interest income	161	66	207
Finance lease interest income	5	5	10
Commitment fee income	1		
Interest income from loan to joint venture	1		
Finance costs	(345)	(522)	(828)
Interest expense	(272)	(325)	(600)
Unwinding of discount rate on rehabilitation cost	(198)	(202)	(410)
Recovery of unwinding of discount rate on rehabilitation cost (tied mines)	72		163
Finance lease interest expense		(2)	(3)
Amortisation of transaction costs	(4)	(3)	(9)
Borrowing costs capitalised ¹	57	10	31
Total net financing costs	(177)	(451)	(611)
¹ Borrowing costs capitalisation rate:	10.08%	9.05%	8.98%

10. SHARE OF INCOME/(LOSS) OF EQUITY-ACCOUNTED INVESTMENTS

	(Re-presented)		
	6 months ended 30 June 2018 Reviewed Rm	6 months ended 30 June 2017 Reviewed Rm	12 months ended 31 December 2017 Audited Rm
Associates			
<i>Unlisted investments</i>	1 056	1 381	3 691
SIOC	793	1 228	3 303
Tronox SA	166	9	67
Tronox UK	58	59	119
RBCT	(18)	(14)	(24)
Black Mountain	57	99	226
Joint ventures			
<i>Unlisted investments</i>	(10)	107	261
Mafube	(30)	118	259
Cennergi	20	(11)	2
Share of income of equity-accounted investments	1 046	1 488	3 952
Included in discontinued operations:			
Associates			
<i>Listed investments</i>			
Tronox Limited ¹		(363)	(1 829)
Total share of income of equity-accounted investments	1 046	1 125	2 123

¹ Application of the equity method ceased when the investment was classified as a non-current asset held-for-sale on 30 September 2017 (refer notes 6 and 16).



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

11. DIVIDEND DISTRIBUTION

Total dividends paid in 2017 amounted to R2 227 million, made up of a final dividend of R1 284 million which related to the year ended 31 December 2016, paid in April 2017, as well as an interim dividend of R943 million, paid in September 2017. A special dividend of 1 255 cents per share (R3 149 million to external shareholders) was paid in March 2018, following the partial disposal of the shareholding in Tronox Limited. A final dividend relating to the 2017 financial year of 400 cents per share (R1 004 million to external shareholders) was paid in April 2018.

An interim cash dividend, number 31, for 2018 of 530 cents per share, was approved by the board of directors on 14 August 2018, to be paid out of income reserves. The dividend is payable on 25 September 2018 to shareholders who will be on the register on 21 September 2018. This interim dividend, amounting to approximately R1 330 million (to external shareholders), has not been recognised as a liability in these interim financial statements. It will be recognised in shareholders' equity in the year ended 31 December 2018.

The interim dividend declared will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local dividend payable to shareholders, subject to dividend withholding tax at a rate of 20% amounts to 424.00000 cents per share. The number of ordinary shares in issue at the date of this declaration is 358 706 754. Exxaro company's tax reference number is 9218/098/14/4.

	At 30 June 2018 Reviewed	At 30 June 2017 Reviewed	At 31 December 2017 Audited
Issued share capital (number of shares)	358 706 754	314 171 761	358 706 754
Ordinary shares (million)			
– Weighted average number of shares	251	316	311
– Diluted weighted average number of shares	322	316	347

12. CAPITAL EXPENDITURE

	At 30 June 2018 Reviewed	At 30 June 2017 Reviewed	At 31 December 2017 Audited
Incurred	2 037	1 314	3 921
To maintain operations	1 177	1 105	2 977
To expand operations	860	209	944
Contracted	5 211	3 881	5 409
Contracted for the group (owner-controlled)	3 760	2 581	4 313
Share of capital commitments of equity-accounted investments	1 451	1 300	1 096
Authorised, but not contracted	3 387	1 148	2 838

13. INVESTMENTS IN ASSOCIATES

Listed investments			
Tronox Limited ¹		7 383	
Unlisted investments	16 336	14 950	15 810
SIOC	8 952	8 771	9 367
Tronox SA	1 966	1 740	1 800
Tronox UK	1 735	1 617	1 677
RBCT	2 176	2 203	2 193
Black Mountain	806	619	747
AgriProtein ²	674		
Curapipe	27		26
Total carrying value of investments in associates	16 336	22 333	15 810

¹ The investment in Tronox Limited was classified as a non-current asset held-for-sale on 30 September 2017 (refer note 16).

² On 31 May 2018, Exxaro entered into a share purchase agreement to obtain an equity interest in the shareholding of AgriProtein, which is incorporated in the UK. The purchase price amounted to US\$52.5 million, comprising an initial cash consideration of US\$14.5 million (R184.2 million) paid on 1 June 2018 and deferred consideration amounting to US\$38 million (R482.8 million) which will be paid over the next two years. The timing of the deferred consideration is dependent on AgriProtein's capital expenditure requirements. Transaction costs paid of R6.6 million were capitalised to the cost of the investment. AgriProtein is in the business of developing operating municipal organic waste conversion plants in order to generate high-quality, natural protein which is sold for use in animal, aquaculture and pet feed. Exxaro is currently in process of conducting a notional purchase price allocation on the acquisition of the investment in AgriProtein.

NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

14. INVESTMENTS IN JOINT VENTURES

	At 30 June 2018 Reviewed	At 30 June 2017 Reviewed	At 31 December 2017 Audited
Unlisted investments	1 482	1 329	1 479
Mafube ¹	1 066	961	1 105
Cennergi ²	416	368	374
Total carrying value of investments in joint ventures	1 482	1 329	1 479
¹ Included in financial assets is a loan to Mafube (refer note 20):	151		
² Included in financial assets is a loan to Cennergi (refer note 20):	108	126	126

15. OTHER ASSETS

Non-current	
Reimbursements ¹	1 669
Indemnification asset ²	1 302
Other non-current assets	13
Total non-current other assets	2 984
Current	
VAT	337
Royalties	39
Prepayments	33
Other current assets	31
Total current other assets	440
Total other assets	3 424
¹ Amounts which are recoverable from Eskom in respect of the rehabilitation, environmental expenditure and post-retirement medical obligation of the Matla and Arnot mines at the end of life of these mines.	
² Arose on the ECC acquisition.	

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

Tronox Limited

In September 2017, the directors of Exxaro formally decided to dispose of the investment in Tronox Limited. As part of this decision, Tronox Limited was required to publish an automatic shelf registration statement of securities of well-known seasoned issuers which allowed for the conversion of Exxaro's Class B Tronox Limited ordinary shares to Class A Tronox Limited ordinary shares. From this point, it was concluded that the Tronox Limited investment should be classified as a non-current asset held-for-sale as all the requirements in terms of IFRS 5 *Non-Current Assets Held-for-Sale and Discontinued Operations* (IFRS 5) were met. As of 30 September 2017, the Tronox Limited investment, totalling 42.66% of Tronox Limited's total outstanding voting shares, was classified as a non-current asset held-for-sale and the application of the equity method ceased.

Subsequent to the classification as a non-current asset held-for-sale, Exxaro completed an initial offering of 22 425 000 Class A Tronox Limited ordinary shares during October 2017. On 24 May 2018, Exxaro obtained shareholder approval to sell the remainder of its shares in Tronox Limited. Exxaro will continue to assess market conditions for further possible sell downs of the remaining 28 729 280 Class A Tronox Limited ordinary shares.

The Tronox Limited investment is presented within the total assets of the TiO₂ reportable operating segment and presented as a discontinued operation (refer note 6).

Manyeka

Exxaro concluded a sale of share agreement with Universal, for the 100% shareholding in Manyeka, which includes a 51% interest in Eloff. Manyeka was classified as a non-current asset held-for-sale on 30 September 2017. On 30 June 2018, conditions precedent to the sale of share agreement with Universal had not been met. Manyeka did not meet the criteria to be classified as a discontinued operation since it did not represent a separate major line of business, nor did it represent a major geographical area of operation and is reported as part of the coal commercial operating segment. Subsequent to 30 June 2018, the sale became effective (refer note 25).

NBC

During 2017, Exxaro took the decision to divest from the NBC operation and the divestment process commenced during August 2017. On 31 December 2017, the NBC operation met the criteria to be classified as a non-current asset held-for-sale in terms of IFRS 5. The NBC operation did not meet the criteria to be classified as a discontinued operation since it did not represent a separate major line of business, nor did it represent a major geographical area of operation and is reported as part of the coal commercial operating segment.

On 2 March 2018, Exxaro concluded a sale of asset agreement for the disposal of the NBC operation. On 30 June 2018, conditions precedent to the sale of asset agreement had not been met. Subsequent to 30 June 2018, the sale became effective (refer note 25).

EMJV

As part of the ECC acquisition in 2015, Exxaro acquired non-current liabilities held-for-sale relating to the EMJV. The sale of the EMJV is conditional on section 11 approval required in terms of the MPRDA for transfer of the new-order mining right to the new owners, Scinta Energy Proprietary Limited, as well as section 43(2) approval for the transfer of environmental liabilities and responsibilities. The EMJV remains a non-current liability held-for-sale for the Exxaro group on 30 June 2018, as the required approvals are still pending. The EMJV does not meet the criteria to be classified as a discontinued operation since it does not represent a separate major line of business, nor does it represent a major geographical area of operation.



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

16. NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE (continued)

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

	At 30 June 2018 Reviewed Rm	At 30 June 2017 Reviewed Rm	At 31 December 2017 Audited Rm
Assets			
Property, plant and equipment ¹	153	166	282
Investments in associate	3 396		3 396
Deferred tax	11	1	9
Inventories	105		133
Trade and other receivables	30	4	49
– Trade receivables	30		39
– Other receivables		4	
– Non-financial instrument receivables			10
Current tax receivable	28		27
Cash and cash equivalents	10	4	14
Other current assets	7		
Non-current assets held-for-sale	3 740	175	3 910
Liabilities			
Non-current provisions	(1 558)	(1 113)	(1 494)
Post-retirement employee obligations	(22)	(18)	(22)
Trade and other payables	(69)	(3)	(99)
– Trade payables	(68)	(3)	(54)
– Other payables	(1)		(8)
– Non-financial instrument payables			(37)
Shareholder loans	(18)		(18)
Current provisions			(18)
Other current liabilities	(18)		
Non-current liabilities held-for-sale	(1 685)	(1 134)	(1 651)
Net non-current assets/(liabilities) held-for-sale	2 055	(959)	2 259

¹ The land and buildings situated at the corporate centre were sold during 2018.

17. INTEREST-BEARING BORROWINGS

	At 30 June 2018 Reviewed Rm	At 30 June 2017 Reviewed Rm	At 31 December 2017 Audited Rm
Non-current¹	4 480	5 498	6 480
Loan facility	3 478	4 969	3 474
Bonds issue		520	520
Preference share liability ²	1 001		2 483
Finance leases	1	9	3
Current³	581	11	2
Loan facility	51	(10)	(9)
Bonds issue	525		
Preference share liability	(5)		(5)
Finance leases	10	21	16
Total interest-bearing borrowings	5 061	5 509	6 482
<i>Summary of loans and finance leases by period of redemption:</i>			
– Less than six months	68	6	1
– Six to 12 months	513	5	1
– Between one and two years	(12)	521	509
– Between two and three years	(13)	(9)	(13)
– Between three and four years	3 305	(9)	3 239
– Between four and five years	1 139	4 809	2 620
– Over five years	61	186	125
Total interest-bearing borrowings	5 061	5 509	6 482
¹ The non-current portion includes the following amounts in respect of transaction costs that will be amortised using the effective interest rate method, over the term of the facilities:	38	30	44
² An amount of R1 489 million was redeemed during the six-month period ended 30 June 2018.			
³ The current portion represents:	581	11	2
– Capital repayments:	530	21	16
– Interest capitalised:	65		
– Reduced by the amortisation of transaction costs:	(14)	(10)	(14)
Overdraft			
Bank overdraft	49	917	54

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 periods.



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

17. INTEREST-BEARING BORROWINGS (continued)

Loan facility

The loan facility comprises a:

- R3 250 million bullet term loan facility with a term of five years (term loans)
- R2 000 million amortised term loan facility with a term of seven years (term loans) and
- R2 750 million revolving credit facility with a term of five years (revolving facility).

Interest is based on JIBAR plus a margin of 3.25% (30 June 2017: 3.25%; 31 December 2017: 3.25%) for the bullet term loan facility (R3 250 million), JIBAR plus a margin of 3.60% (30 June 2017: 3.60%; 31 December 2017: 3.60%) for the amortised term loan facility (R2 000 million) and JIBAR plus a margin of 3.25% (30 June 2017: 3.25%; 31 December 2017: 3.25%) for the revolving credit facility (R2 750 million). The effective interest rate for the transaction costs on the term loans is 0.17% and 1.17% respectively (30 June 2017: 0.17% and 1.17%; 31 December 2017: 0.17% and 1.17%). Interest is paid on a quarterly basis for the term loans, and on a monthly basis for the revolving credit facility.

The undrawn portion relating to the term loan facilities amounts to R1 750 million (30 June 2017: R1 750 million; 31 December 2017: R1 750 million). The undrawn portion of the revolving credit facility amounts to R2 750 million (30 June 2017: R1 250 million; 31 December 2017: R2 750 million).

Bond issue

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

Interest on the R520 million bond is based on JIBAR plus a margin of 1.95% (30 June 2017: 1.95%; 31 December 2017: 1.95%) and paid on a quarterly basis. The effective interest rate for the transaction costs for the R520 million bond was 0.08% (30 June 2017: 0.08%; 31 December 2017: 0.08%).

Preference share liability

The preference share liability relates to the consolidation of NewBEECo. The preference share liability represents 249 069 Class A variable rate cumulative redeemable preference shares issued on 11 December 2017 by NewBEECo at an issue price of R10 000 per share. The preference shares are redeemable five years after the subscription date or earlier as agreed between the parties at R10 000 per share plus the cumulative preference dividends. The preference shareholders are entitled to receive a dividend equal to the issue price multiplied by the dividend rate of 80% of Prime Rate calculated on a daily basis based on a 365-day year compounded per period and capitalised per period.

Subscription undertakings for the full value of the preference shares were secured at a total cost of R23.8 million. The preference share liability is measured at amortised cost and the transaction costs have therefore been included on initial measurement. The amount is amortised over the five-year period.

Finance leases

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

18. NET (DEBT)/CASH

Net (debt)/cash is presented by the following items on the statement of financial position (excluding assets and liabilities classified as held-for-sale):

	At 30 June 2018 Reviewed Rm	At 30 June 2017 Reviewed Rm	At 31 December 2017 Audited Rm
Total net (debt)/cash	(2 514)	(4 353)	70
Non-current interest-bearing borrowings	(4 480)	(5 498)	(6 480)
Current interest-bearing borrowings	(581)	(11)	(2)
Net cash	2 547	1 156	6 552
– Cash and cash equivalents	2 596	2 073	6 606
– Overdraft	(49)	(917)	(54)

NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

18. NET (DEBT)/CASH (continued)

Analysis of movement in net (debt)/cash

	Cash and cash equivalents/ overdraft Rm	Liabilities from financing activities		Total Rm
		Non-current interest-bearing borrowings Rm	Current interest-bearing borrowings Rm	
Net debt at 31 December 2016	5 183	(6 002)	(503)	(1 322)
Cash flows	(3 999)	500	499	(3 000)
Operating activities	1 528			1 528
Investing activities	(907)			(907)
Financing activities	(4 620)	500	499	(3 621)
– Interest-bearing borrowings repaid	(999)	500	499	
– Shares acquired in the market to settle share-based payments	(97)			(97)
– Repurchase of share capital	(3 524)			(3 524)
Non-cash movements	(28)	4	(7)	(31)
Amortisation of transaction costs			(3)	(3)
Transfers between non-current and current liabilities		4	(4)	
Reclassification to non-current assets held-for-sale	(4)			(4)
Translation difference on movement in cash and cash equivalents	(24)			(24)
Net debt at 30 June 2017	1 156	(5 498)	(11)	(4 353)
Cash flows	5 415	(972)	16	4 459
Operating activities	1 872			1 872
Investing activities	5 284			5 284
Financing activities	(1 741)	(972)	16	(2 697)
– Interest-bearing borrowings raised	2 491	(2 491)		
– Interest-bearing borrowings repaid	(1 535)	1 519	16	
– Shares acquired in the market to settle share-based payments	(2)			(2)
– Repurchase of share capital	(2 695)			(2 695)
Non-cash movements	(19)	(10)	(7)	(36)
Amortisation of transaction costs			(6)	(6)
Preference dividend accrued		(11)		(11)
Reclassification to non-current assets held-for-sale	(10)			(10)
Transfers between non-current and current liabilities		1	(1)	
Translation difference on movement in cash and cash equivalents	(9)			(9)

	Cash and cash equivalents/ overdraft Rm	Liabilities from financing activities		Total Rm
		Non-current interest-bearing borrowings Rm	Current interest-bearing borrowings Rm	
Net cash at 31 December 2017	6 552	(6 480)	(2)	70
Cash flows	(4 100)	1 496		(2 604)
Operating activities	(926)			(926)
Investing activities	(1 109)			(1 109)
Financing activities	(2 065)	1 496		(569)
– Interest-bearing borrowings repaid	(1 496)	1 496		
– Shares acquired in the market to settle share-based payments	(422)			(422)
– Dividend paid to BEE Parties	(147)			(147)
Non-cash movements	95	511	(586)	20
Amortisation of transaction costs		(7)		(7)
Interest accrued			(64)	(64)
Reclassification of cash and cash equivalents	51			51
Preference dividend accrued		(4)		(4)
Reclassification to non-current assets held-for-sale	4			4
Transfers between non-current and current liabilities		522	(522)	
Translation difference on movement in cash and cash equivalents	40			40
Net debt at 30 June 2018	2 547	(4 473)	(588)	(2 514)

19. OTHER LIABILITIES

	At 30 June 2018 Reviewed Rm
Non-current	
Income received in advance	9
Total non-current other liabilities	9
Current	
Leave pay	168
VAT	118
Royalties	29
Bonuses	201
Other current liabilities	114
Total current other liabilities	630
Total other liabilities	639



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

20. FINANCIAL INSTRUMENTS

The group holds the following financial instruments:

	At 30 June 2018 Reviewed Rm
Non-current	
Financial assets	2 601
<i>Financial assets at fair value through other comprehensive income</i>	221
Equity: unlisted	221
– Chifeng	221
<i>Financial assets at fair value through profit or loss</i>	1 426
Equity: listed	26
– KIO	26
Debt: unlisted	1 400
– Environmental rehabilitation funds	1 400
<i>Loans to associates and joint ventures</i>	258
Joint ventures	258
– Cennerg ¹	108
– Mafube ²	150
<i>Other financial assets at amortised cost</i>	696
Environmental rehabilitation funds	320
Deferred pricing receivable ³	363
Deferred consideration receivable ⁴	15
Impairment allowances of other financial assets at amortised cost	(2)
Interest-bearing borrowings (excluding finance leases)	(4 479)
Non-current other payables	(92)
Financial liabilities	(496)
<i>Financial liabilities at fair value through profit or loss</i>	(337)
Contingent consideration ⁵	(337)
<i>Financial liabilities at amortised cost</i>	(159)
Deferred consideration payable ⁶	(159)

	At 30 June 2018 Reviewed Rm
Current	
Financial assets	82
<i>Other current financial assets at amortised cost</i>	81
Deferred pricing receivable ³	51
Deferred consideration receivable ⁴	29
Commitment fee receivable	1
Employee receivables	6
Impairment allowances of other current financial assets at amortised cost	(6)
<i>Loans to associates and joint ventures</i>	1
Joint ventures	1
– Mafube ²	1
<i>Trade and other receivables</i>	2 687
Trade receivables	2 405
– Trade receivables: gross	2 481
– Impairment allowances of trade receivables	(76)
Other receivables	282
Cash and cash equivalents	2 596
Interest-bearing borrowings (excluding finance leases)	(571)
<i>Trade and other payables</i>	(2 555)
Trade payables	(1 226)
Other payables	(1 329)
Financial liabilities	(636)
<i>Derivative financial liabilities</i>	(41)
<i>Financial liabilities at fair value through profit or loss</i>	(310)
Contingent consideration ⁵	(310)
<i>Financial liabilities at amortised cost</i>	(285)
Deferred consideration payable ⁶	(285)
Overdraft	(49)

¹ Loan granted to Cennergi in 2016. The loan is interest free, unsecured and repayable on termination date in 2026, unless otherwise agreed by the parties.

² Loan granted to Mafube in 2018. The loan bears interest at JIBAR plus a margin of 4%, is unsecured and repayable within five years, unless otherwise agreed by the parties.

³ An amount receivable in relation to a deferred pricing adjustment which arose during 2017. The amount receivable will be settled over seven years and bears interest at Prime Rate less 2%.

⁴ Relates to deferred consideration receivable which arose on the disposal of a mining right.

⁵ Relates to the ECC acquisition.

⁶ Deferred consideration payable in relation to the acquisition of the investment in AgriProtein.

NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

20. FINANCIAL INSTRUMENTS (continued)

The group holds the following loan commitments:

	At 30 June 2018 Reviewed Rm
Total loan commitments	1 186
Mafube ¹	500
AgriProtein ²	686
Undrawn loan commitments	1 036
Mafube	350
AgriProtein	686

¹ Revolving credit facility available for five years, ending 2023.

² A US\$50 million term loan facility available from 2020 to 2025.

20.1 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 2018 (Reviewed)	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets at fair value through other comprehensive income	221			221
Equity: unlisted	221			221
– Chifeng	221			221
Financial assets at fair value through profit or loss	1 426	26	1 400	
Equity: listed	26	26		
– KIO	26	26		
Debt: unlisted	1 400		1 400	
– Environmental rehabilitation funds	1 400		1 400	
Financial liabilities at fair value through profit or loss	(647)			(647)
Non-current contingent consideration	(337)			(337)
Current contingent consideration	(310)			(310)
Derivative financial liabilities	(41)		(41)	
Net financial assets/(liabilities) held at fair value	959	26	1 359	(426)

At 30 June 2017 (Reviewed)	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets held-for-trading at fair value through profit or loss	1		1	
– Current derivative financial assets	1		1	
Financial assets designated at fair value through profit or loss	1 263	1 263		
– Environmental rehabilitation funds	1 248	1 248		
– KIO	15	15		
Available-for-sale financial assets	177			177
– Chifeng	177			177
Financial liabilities designated at fair value through profit or loss	(427)			(427)
– Non-current contingent consideration	(191)			(191)
– Current contingent consideration	(236)			(236)
Net financial assets/(liabilities) held at fair value	1 014	1 263	1	(250)
At 31 December 2017 (Audited)				
	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets held-for-trading at fair value through profit or loss	4		4	
– Current derivative financial assets	4		4	
Financial assets designated at fair value through profit or loss	1 391	1 391		
– Environmental rehabilitation funds	1 357	1 357		
– KIO	34	34		
Available-for-sale financial assets	152			152
– Chifeng	152			152
Financial liabilities held-for-trading at fair value through profit or loss	(6)		(6)	
– Current derivative financial liabilities	(6)		(6)	
Financial liabilities designated at fair value through profit or loss	(723)			(723)
– Non-current contingent consideration	(414)			(414)
– Current contingent consideration	(309)			(309)
Net financial assets/(liabilities) held at fair value	818	1 391	(2)	(571)



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

20. FINANCIAL INSTRUMENTS (continued)

20.1 Fair value hierarchy (continued)

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

	Contingent consideration Rm	Chifeng ¹ Rm	Total Rm
At 31 December 2016 (Audited)	(483)	178	(305)
<i>Movement during the period</i>			
Gains recognised for the period in other comprehensive income (pre-tax effect) ²		5	5
Losses recognised for the period in profit or loss	(37)		(37)
Settlements	74		74
Exchange losses for the period recognised in other comprehensive income		(6)	(6)
Exchange gains for the period recognised in profit or loss	19		19
At 30 June 2017 (Reviewed)	(427)	177	(250)
<i>Movement during the period</i>			
Losses recognised for the period in other comprehensive income (pre-tax effect) ²		(31)	(31)
Losses recognised for the period in profit or loss	(317)		(317)
Exchange gains for the period recognised in other comprehensive income		6	6
Exchange gains for the period recognised in profit or loss	21		21
At 31 December 2017 (Audited)	(723)	152	(571)
<i>Movement during the period</i>			
Gains recognised for the period in other comprehensive income (pre-tax effect) ²		69	69
Losses recognised for the period in profit or loss	(188)		(188)
Settlements	299		299
Exchange losses for the period recognised in profit or loss	(35)		(35)
At 30 June 2018 (Reviewed)	(647)	221	(426)

¹ Before 1 January 2018, the Chifeng equity investment was classified as available-for-sale in accordance with IAS 39. From 1 January 2018, the Chifeng equity investment is classified at FVOCI in accordance with IFRS 9.

² Tax on Chifeng amounts to R12 million (30 June 2017: nil; 31 December 2017: R12 million).

Transfers

The group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 and Level 2 nor between Level 2 and Level 3 of the fair value hierarchy during the periods ended 30 June 2018, 30 June 2017 and 31 December 2017, except for the environmental rehabilitation funds which were transferred from Level 1 to Level 2 as a result of not applying the look-through principle.

Valuation process applied by the group

The fair value computations of the investments are performed by the group's corporate finance department, reporting to the finance director, on a six-monthly basis. The valuation reports are discussed with the chief operating decision maker and the audit committee in accordance with the group's reporting governance.

Current derivative financial instruments

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

Environmental rehabilitation funds

Level 2 fair values for debt instruments held in the environmental rehabilitation funds are based on quotes provided by the financial institutions at which the funds are invested at measurement date.

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

Chifeng

Chifeng is classified within Level 3 of the fair value hierarchy as there is no quoted market price or observable price available for this investment. This unlisted investment is valued as the present value of the estimated future cash flows, using a discounted cash flow model. The valuation technique is consistent to that used in previous reporting periods.

The significant observable and unobservable inputs used in the fair value measurement of the investment in Chifeng are rand/RMB exchange rate, RMB/US\$ exchange rate, zinc LME price, production volumes, operational costs and the discount rate.



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

20. FINANCIAL INSTRUMENTS (continued)

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

Chifeng (continued)

	Inputs	Sensitivity of inputs and fair value measurement ¹	Sensitivity analysis of a 10% increase in the inputs is demonstrated below ² Rm
At 30 June 2018 (Reviewed)			
Observable inputs			
Rand/RMB exchange rate	R2.07/RMB1	Strengthening of the rand to the RMB	22
RMB/US\$ exchange rate	RMB6.37 to RMB6.97/US\$1	Strengthening of the RMB to the US\$	119
Zinc LME price (US\$ per tonne in real terms)	US\$2 200 to US\$2 860	Increase in price of zinc concentrate	119
Unobservable inputs			
Production volumes	85 000 tonnes	Increase in production volumes	39
Operational costs (US\$ million per annum in real terms)	US\$62.71 to US\$71.36	Decrease in operational costs	(86)
Discount rate	11.07%	Decrease in the discount rate	(17)
At 30 June 2017 (Reviewed)			
Observable inputs			
Rand/RMB exchange rate	R1.92/RMB1	Strengthening of the rand to the RMB	18
RMB/US\$ exchange rate	RMB6.52 to RMB7.42/US\$1	Strengthening of the RMB to the US\$	96
Zinc LME price (US\$ per tonne in real terms)	US\$2 100 to US\$2 719	Increase in price of zinc concentrate	96
Unobservable inputs			
Production volumes	85 000 tonnes	Increase in production volumes	29
Operational costs (US\$ million per annum in real terms)	US\$59.14 to US\$71.31	Decrease in operational costs	(70)
Discount rate	11.23%	Decrease in the discount rate	(12)

¹ Change in observable or 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.

		Sensitivity of inputs and fair value measurement ¹	Sensitivity analysis of a 10% increase in the inputs is demonstrated below ² Rm
At 31 December (Audited)			
Observable inputs			
Rand/RMB exchange rate	R1.90/RMB1	Strengthening of the rand to the RMB	15
RMB/US\$ exchange rate	RMB6.52 to RMB7.28/US\$1	Strengthening of the RMB to the US\$	100
Zinc LME price (US\$ per tonne in real terms)	US\$2 100 to US\$3 000	Increase in price of zinc concentrate	100
Unobservable inputs			
Production volumes	85 000 tonnes	Increase in production volumes	29
Operational costs (US\$ million per annum in real terms)	US\$58.46 to US\$70.20	Decrease in operational costs	(75)
Discount rate	11.05%	Decrease in the discount rate	(12)

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

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

Inter-relationships

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

Contingent consideration

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

At 30 June 2018, there was an increase of US\$13.7 million (R188.09 million) (30 June 2017: US\$2.9 million (R37 million); 31 December 2017: US\$28.5 million (R354 million)) recognised in profit or loss for the contingent consideration arrangement.

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

NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

20. FINANCIAL INSTRUMENTS (continued)

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

Contingent consideration (continued)

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

- If the average API4 price in the reference year is below the minimum API4 price of the agreed range, then no payment will be made;
- If the average API4 price falls within the range, then the amount to be paid is determined based on a formula contained in the agreement; and
- If the average API4 price is above the maximum API4 price of the range, then Exxaro is liable for the full amount due for that reference year.

An additional payment to Total SA amounting to R299 million was required for the 2017 reference year and R74 million was required for the 2016 reference year as the API4 price was within the agreed range. No additional payment to Total SA was required for the 2015 reference year as the API4 price was below the range.

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

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

	Inputs	Sensitivity of inputs and fair value measurement ¹	Sensitivity analysis of a 10% increase in the inputs is demonstrated below ² Rm
At 30 June 2018 (Reviewed)			
Observable inputs			
Rand/US\$ exchange rate	R13.72/US\$1	Strengthening of the rand to the US\$	65
API4 export price (price per tonne)	US\$82.50 to US\$88.06	Increase in API4 export price per tonne	134
Unobservable inputs			
Discount rate	3.44%	Decrease in the discount rate	(31)
At 30 June 2017 (Reviewed)			
Observable inputs			
Rand/US\$ exchange rate	R13.01/US\$1	Strengthening of the rand to the US\$	43
API4 export price (price per tonne)	US\$68.52 to US\$75.00	Increase in API4 export price per tonne	241
Unobservable inputs			
Discount rate	3.44%	Decrease in the discount rate	(23)

¹ Change in observable or 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, except for the API4 export price which would result in a decrease of R221 million (30 June 2017: R280 million; 31 December 2017: R245 million), on the basis that all other variables remain constant.

	Inputs	Sensitivity of inputs and fair value measurement ¹	Sensitivity analysis of a 10% increase in the inputs is demonstrated below ² Rm
At 31 December 2017 (Audited)			
Observable inputs			
Rand/US\$ exchange rate	R12.37/US\$1	Strengthening of the rand to the US\$	72
API4 export price (price per tonne)	US\$74.41 to US\$84.35	Increase in API4 export price per tonne	180
Unobservable inputs			
Discount rate	3.44%	Decrease in the discount rate	(19)

¹ Change in observable or 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, except for the API4 export price which would result in a decrease of R221 million (30 June 2017: R280 million; 31 December 2017: R245 million), on the basis that all other variables remain constant.

Inter-relationships

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



NOTES TO THE REVIEWED CONDENSED GROUP INTERIM FINANCIAL STATEMENTS (continued)

21. CONTINGENT LIABILITIES

	At 30 June 2018 Reviewed Rm	At 30 June 2017 Reviewed Rm	At 31 December 2017 Audited Rm
Pending litigation and other claims ¹	1 030	948	876
Operational guarantees ²	3 168	3 683	3 480
– Guarantees ceded to the DMR	2 918	2 905	3 052
– Other operational guarantees	250	778	428
Share of contingent liabilities of equity-accounted investments ³	909	1 189	1 084
Total contingent liabilities	5 107	5 820	5 440

¹ Consists of legal cases as well as tax disputes where Exxaro is the defendant.

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

³ Mainly operational guarantees issued by financial institutions relating to environmental rehabilitation and closure cost.

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

SARS

On 18 January 2016, Exxaro received a letter of audit findings from SARS following an international income tax audit for the years of assessment 2009 to 2013.

According to the letter, SARS proposed that certain international Exxaro companies would be subject to South African income tax under section 9D of the Income Tax Act.

Assessments to the amount of R442 million (R199 million tax payable, R91 million interest and R152 million penalties) were issued on 30 March 2016 and Exxaro formally objected against these assessments. These assessments were subsequently reduced by SARS to R246 million (including interest and penalties). A resolution hearing with SARS was held on 18 July 2017 but the parties could not settle the matter. Notice was given to refer the matter to the Tax Court and a court date of 4 March 2019 was allocated to Exxaro.

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

22. RELATED PARTY TRANSACTIONS

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

23. GOING CONCERN

Based on the latest results for the six-month period ended 30 June 2018, the latest board approved budget for 2018, as well as the available bank facilities and cash generating capability, Exxaro satisfies the criteria of a going concern.

24. JSE LISTINGS REQUIREMENTS

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

25. EVENTS AFTER THE REPORTING PERIOD

Details of the interim dividend are provided in note 11.

Subsequent to 30 June 2018, all conditions precedent to the sale of share agreement with Universal were met and the sale of Manyeka became effective.

Subsequent to 30 June 2018, all conditions precedent to the sale of the NBC operation became effective.

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

26. REVIEW CONCLUSION

These reviewed condensed group interim financial statements for the six-month period ended 30 June 2018, as set out on pages 2 to 61, have been reviewed by the group's external auditors, PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report on the condensed group interim financial statements is available for inspection at Exxaro's registered office together, with the financial statements identified in the external auditor's report.

27. CORPORATE GOVERNANCE

Corporate governance forms one of the foundational layers of the Exxaro strategy as we understand that transparency, integrity and accountability need to permeate everything that we do. The board of directors endorse the principles contained in King IV™. A thorough gap analysis was conducted in 2017, to understand where additional effort is required to implement the recommended practices that support the King IV™ principles. Exxaro will disclose actions taken toward compliance in the integrated report for the year ending 31 December 2018. We have also mandated EY to conduct an independent review of our application of King IV™ to ensure that we are able to thoroughly apply and explain our application of the principles in the next integrated report. Exxaro's application of these principles are set out in the supplementary information, as well as in the 2017 integrated report and has been, in accordance with the JSE Listings Requirements, available on the company's website since April 2018. Please contact Mrs SE van Loggerenberg, group company secretary and legal, for any additional information.

28. MINERAL RESOURCES AND MINERAL RESERVES

Other than the normal LOM depletion, there have been no material changes to the Mineral Resources and Mineral Reserves estimates as disclosed in the 2017 integrated report.

29. KEY MEASURES¹

	At 30 June 2018	At 30 June 2017	At 31 December 2017
Closing share price (rand per share)	125.70	93.00	162.50
Market capitalisation (Rbn)	45.09	29.22	58.29
Average rand/US\$ exchange rate (for the period ended)	12.30	13.20	13.30
Closing rand/US\$ spot exchange rate	13.72	13.01	12.37

¹ Non-IFRS numbers.



COMMENTARY

for the six-month period ended 30 June 2018

Comments below are based on a comparison between the six-month periods ended 30 June 2018 and 2017 (1H18 and 1H17) respectively.

1. SAFETY

Exxaro recorded a year-to-date LTIFR of 0.10, an improvement compared to the 0.12 reported in FY17 and reported zero fatalities during 1H18. Exxaro remains committed to the Zero Harm Vision and relentless efforts to reduce incidents through the Safety Improvement Plans continue.

2. ROBUST FINANCIAL PERFORMANCE

The group's net operating profit for 1H18 increased by 7% to R3 126 million compared to 1H17. This was mainly driven by a 12% increase in the net operating profit of the coal segment to R3 387 million (1H17: R3 014 million), partly offset by a higher net operating loss of R268 million (1H17: R29 million) of the other segment, which includes a R188 million fair value adjustment on the contingent consideration relating to the acquisition of ECC. The income from equity-accounted investments decreased to R1 046 million (1H17: R1 125 million), primarily due to lower equity-accounted income from SIOC due to rail challenges experienced coupled with a stronger rand and lower iron ore export prices. However, this was offset by a positive impact of ceasing equity accounting of the Tronox Limited investment due to the investment being classified as a non-current asset held-for-sale on 30 September 2017 (1H17 included an equity-accounted loss of R363 million).

3. COMPARABILITY OF RESULTS

The key transactions shown in table 1 should be considered to gain a better understanding of the comparability of the results for the two periods.

Table 1: Key transactions impacting comparability

Reporting segment	Description	1H18 Rm	1H17 Rm	2H17 Rm
Coal	<ul style="list-style-type: none"> Insurance claim received by Leeuwpan from external parties¹ Gain/(loss) on disposal of property, plant and equipment¹ 	117	(22)	3 (40)
TiO₂	<ul style="list-style-type: none"> Loss on dilution of shareholding in Tronox Limited¹ Gain on partial disposal of investment in Tronox Limited including the recycling of the foreign currency translation reserve, offset by a loss on the recycling of the financial instruments revaluation reserve to profit and loss^{1, 2} 		(75)	(31) 5 191
Other	<ul style="list-style-type: none"> Gain/(loss) on disposal of property, plant and equipment¹ Receivable relating to the Mayoko iron ore project written off Recycling of foreign currency translation reserve on liquidation of foreign entities to profit or loss¹ BEE credentials expense and transaction costs Fair value adjustment on contingent consideration relating to the acquisition of ECC 	1 (14) (188)	 (27)	(2) (58) (4 339) (317)
Group	Total net operating profit impact	(84)	(161)	407
Coal	<ul style="list-style-type: none"> Tax on disposal of property, plant and equipment¹ Tax on insurance claim received by Leeuwpan Post-tax share of Mafube gain on disposal of property, plant and equipment¹ 	1 1	6	12 (1)
Ferrous	<ul style="list-style-type: none"> Post-tax share of SIOC gain/(loss) on disposal of property, plant and equipment¹ Post-tax share of SIOC reversal of impairment of property, plant and equipment¹ 	9	(4)	(7) 716
TiO₂	<ul style="list-style-type: none"> Post-tax share of Tronox Limited loss on disposal of Alkali chemical business¹ Post-tax share of Tronox gain on disposal of property, plant and equipment¹ 			(1 271) 1
Net financing cost	<ul style="list-style-type: none"> NewBEECo preference dividend accrued (consolidation impact) 	(67)		(11)
Group	Total attributable earnings impact	(140)	(159)	(154)

¹ Excluded from headline earnings.

² Tronox Limited was classified as a non-current asset held-for-sale on 30 September 2017.



COMMENTARY (continued)

for the six-month period ended 30 June 2018

4. COMMODITY PRICE PERFORMANCE AND GROUP SEGMENT RESULTS

The movement in the main commodity prices impacting Exxaro's performance is summarised in table 2 below.

Table 2: Change in commodity prices

Commodity price	Average US\$ per tonne		Change
	1H18	1H17	%
API4 coal	97	79	+23
Iron ore fines 62% Fe ((CFR) China)	70	74	-5

The group revenue and net operating profit is summarised in table 3 below.

Table 3: Group segment results (Rm)

	Revenue			Net operating profit/(loss)		
	Reviewed 1H18	Reviewed 1H17	2H17	Reviewed 1H18	Reviewed 1H17	2H17
Coal	12 240	10 670	11 883	3 387	3 014	2 995
– Tied ¹	1 827	1 591	1 665	192	149	(16)
– Commercial	10 413	9 079	10 218	3 195	2 865	3 011
Ferrous	12	56	187	7		53
TiO₂					(75)	5 160
Other	8	10	7	(268)	(29)	(5 058)
Total	12 260	10 736	12 077	3 126	2 910	3 150

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

5. FINANCIAL AND OPERATIONAL RESULTS

5.1. Group financial results

5.1.1. Revenue and net operating profit

Consolidated group revenue increased by 14% to R12 260 million (1H17: R10 736 million), mainly due to a higher contribution from the coal operations driven by improved coal sales prices and higher Eskom commercial volumes at Grootegeluk based on demand from the Medupi Power Station. The average price per tonne achieved on exports was US\$79 (1H17: US\$65) which was offset by a stronger average spot exchange rate of R12.30 to the US dollar recorded for the period ended 30 June 2018 (1H17: R13.20).

Consolidated group net operating profit increased by 7% to R3 126 million (1H17: R2 910 million), which is discussed further under the relevant segments.

5.1.2. Earnings

Earnings, which include Exxaro's share of income or loss of equity-accounted investments in associates and joint ventures, were R3 182 million (1H17: R2 692 million) or 1 268 cents per share (1H17: 852 cents per share).

Headline earnings were 10% higher at R3 067 million (1H17: R2 787 million) or 1 222 cents per share (1H17: 882 cents per share).

Table 4: Income/(loss) from investments in associates and joint ventures (Rm)

	Equity-accounted income/(loss)			Dividends received		
	Reviewed 1H18	Reviewed 1H17	2H17	Reviewed 1H18	Reviewed 1H17	2H17
SIOC	793	1 228	2 075	1 306		1 390
Tronox SA and UK operations ¹	224	68	118			
Tronox Limited ²		(363)	(1 466)	31	59	50
Mafube	(30)	118	141			
Black Mountain	57	99	127			
Cennergi	20	(11)	13			
RBCT	(18)	(14)	(10)			
Total	1 046	1 125	998	1 337	59	1 440

¹ Exxaro has a 26% interest in Tronox SA and Tronox UK.

² Application of the equity method ceased when the investment was classified as a non-current asset held-for-sale on 30 September 2017.

5.1.3. Cash flow and funding

Cash flow generated by operations increased by R281 million to R3 941 million (1H17: R3 660 million) and was sufficient to cover operating activities and capital expenditure, as shown in table 5 below.

Table 5: Utilisation of cash generated by operations (Rm)

	Reviewed 1H18	Reviewed 1H17	2H17
Cash generated by operations	3 941	3 660	3 166
Net finance costs	(126)	(273)	(136)
Capital expenditure	(2 037)	(1 314)	(2 607)
Tax paid	(588)	(575)	(215)
Final/interim ordinary dividend paid	(1 004)	(1 284)	(943)
Net surplus/(deficit) after operating activities and capital expenditure	186	214	(735)

Total capital expenditure for 1H18 increased by R723 million when compared to the corresponding period last year, consisting of a R72 million increase in expenditure on sustaining and environmental capital (stay-in-business capital) and R651 million on new capacity (expansion capital).

A gross special dividend of R4 502 million (R3 149 million paid to external shareholders) was paid to shareholders on 5 March 2018 following the partial disposal of Exxaro's shareholding in Tronox Limited during October 2017.

A dividend of R1 306 million was received from our investment in SIOC (1H17: nil). SIOC has declared a dividend to its shareholders in July 2018, amounting to R1 263 million for Exxaro's 20.62% shareholding. The dividend will be accounted for in 2H18.

5.1.4. Debt exposure

Net debt at 30 June 2018 was R2 514 million compared to net debt of R4 353 million at 30 June 2017. This equates to a net debt to equity ratio of 6.5% (1H17: 12.0%), well below our internal limit of 40%.



COMMENTARY (continued)

for the six-month period ended 30 June 2018

5. FINANCIAL AND OPERATIONAL RESULTS (continued)

5.2. Coal business performance

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

	Production			Sales		
	1H18	1H17	2H17	1H18	1H17	2H17
Thermal	22 218	20 823	22 020	22 125	20 911	22 347
Tied	3 538	3 542	3 858	3 538	3 542	3 861
Commercial: domestic	18 680	17 281	18 162	14 666	13 973	14 270
Commercial: export				3 921	3 396	4 216
Metallurgical	1 179	1 069	1 063	584	566	624
Commercial: domestic	1 179	1 069	1 063	584	566	624
Total coal	23 397	21 892	23 083	22 709	21 477	22 971
Semi-coke	23	46	40	33	47	41
Total coal (excluding buy-ins)	23 420	21 938	23 123	22 742	21 524	23 012
Thermal coal buy-ins	868	105	399			
Total coal (including buy-ins)	24 288	22 043	23 522	22 742	21 524	23 012

Domestic trading conditions were favourable in 1H18 as producers experienced strong demand for higher-quality product. The metals and reductants markets remained stable amid stable international commodity prices.

The first half of 2018 saw relatively subdued export demand as a result of high international prices. The API4 index remained above US\$100 per tonne. This resulted in India, our natural market, sourcing its coal from Russia, United States and Australia.

5.2.1. Production and sales volumes

Overall coal production volumes (excluding buy-ins and semi-coke) increased by 7% or 1 505kt. This increase can essentially be attributed to the higher production volumes at Grootegeluk (GG) due to continued ramp up at GG7 and GG8 plants to supply the Medupi Power Station. Sales were also 6% higher (1 232kt).

5.2.1.1. Metallurgical coal

Grootegeluk's metallurgical coal production was 110kt (10%) higher, mainly due to better yields at GG1 as a result of better geological conditions compared to 2017. Sales increased by 18kt (3%) mainly due to higher demand.

5.2.1.2. Thermal coal

Tied mines

Power station coal production from Matla mine was in line with 1H17, despite equipment breakdowns and unfavourable geological conditions.

Commercial mines

Power station coal production from the commercial mines was 2 122kt higher mainly due to:

- Increased production at the Grootegeluk plants (GG7 and GG8) of 2 329kt
- Increased production at Leeuwpan of 155kt as a result of higher plant availability.

This increase was partly offset by:

- Lower production at NBC of 362kt due to community actions as well as discontinuing production at Eerstelingsfontein due to the pending divestment to Universal.

Domestic power station coal sales from the commercial mines were 913kt higher than 1H17 mainly as a result of an increase of 1 508kt at Grootegeluk due to higher demand from Medupi Power Station. This was partly offset by lower NBC sales of 595kt due to community actions preventing Eskom from collecting coal.

Steam coal production decreased by 723kt mainly as a result of:

- Lower buy-ins from Mafube JV of 616kt due to the ramping down of Springboklaagte and the ramping up of Nootgedacht reserve.

Domestic steam sales decreased by 225kt mainly as a result of:

- Lower sales at Leeuwpan of 407kt due to coal being diverted to the export market
- Lower sales at Grootegeluk of 67kt due to lower product availability
- Lower sales at ECC of 44kt.

The negative variance was partly offset by:

- Higher sales at NBC 293kt due to alternative markets found for the lower Eskom off-take.

The Semi-Coke production was 23kt (50%) lower due to a fire incident in March 2018 at Grootegeluk's reductant plant. Sales were 14kt (30%) lower and in line with the lower production and stock availability.

5.2.2. Revenue and net operating profit

Coal revenue of R12 240 million was 15% higher than 1H17 (R10 670 million). Higher revenue from the commercial mines was mainly attributable to the higher selling prices as well as an increase in Eskom volumes.

Net operating profit of R3 387 million (1H17: R3 014 million) at an operating margin of 28% represents an increase of 12%, mainly due to:

- Higher sales prices (+R1 195 million)
- Volume variances (+R605 million)
- Lower distribution cost (+R257 million).

Partly offset by:

- Higher cost of buy-ins (-R396 million)
- Inflation (-R392 million)
- Exchange rate variance on sales due to a stronger rand against the US dollar (-R311 million)
- Net scope changes of environmental rehabilitation provisions (-R134 million)
- Royalties (-R71 million).

5.2.3. Equity-accounted investment

Exxaro recorded an equity-accounted loss of R30 million for 1H18 (1H17: profit of R118 million) from Mafube, a 50% joint venture with Anglo, mainly due to the ramping down of Springboklaagte reserve and ramping up of the Nootgedacht reserve.



COMMENTARY (continued)

for the six-month period ended 30 June 2018

5. FINANCIAL AND OPERATIONAL RESULTS (continued)

5.3. Ferrous business

Equity-accounted investment

The decrease in equity-accounted income from SIOC of R435 million to R793 million in 1H18 is primarily due to rail challenges experienced coupled with a stronger rand exchange rate and lower iron ore export prices.

5.4. Titanium dioxide

Equity-accounted investment

Equity-accounted income from Tronox SA and Tronox UK increased by R156 million to R224 million compared to 1H17. This is mainly due to an improved operating performance as well as foreign currency exchange gains.

The Tronox Limited investment was classified as a non-current asset held-for-sale on 30 September 2017, upon which date equity accounting ceased. An equity-accounted loss of R363 million was included in 1H17 for Tronox Limited.

Exxaro obtained shareholder approval to sell the remainder of its shares in Tronox Limited and is exploring alternatives for the monetisation thereof, through an efficient and staged sales process. We are continuing to monitor developments with Tronox Limited, such as the proposed acquisition of Cristal, and its approval by the US and European authorities.

5.5. Energy business

Equity-accounted investment

Exxaro recorded an equity-accounted income of R20 million for 1H18 (1H17: loss of R11 million) from Cennergi, a 50% joint venture with Tata Power. The two windfarm projects are running at slightly lower than planned capacity due to lower than expected wind speeds, which was offset by better than contracted equipment availability.

The results were also positively influenced by a change in the useful life (from 20 years to 30 years) of the property, plant and equipment at the two windfarms which reduced the depreciation charge.

6. PERFORMANCE AGAINST NEW B-BBEE CODES AND MINING CHARTER

We are pleased with the improvement in our recognition level, from Level Six to Level Five, in terms of the scorecard of the Department of Trade and Industry (DTI) Codes of Good Practice. This improvement is attributable to our initial efforts during 2017 in the Enterprise and Supplier Development category; however, much work remains to achieve our goal of reaching Level Three by 2019. We are confident that, with the plans we have in place, together with our intent to diversify our supply chain, enhance local economic development in the various communities of our operations and innovatively grow our business of tomorrow, we will achieve this goal.

We further note the publication by the DMR of a draft Mining Charter and the invitation for comment by stakeholders. Exxaro has commented on the draft document and is also participating, through the Minerals Council South Africa, regarding key issues that need to be considered to achieve competitiveness, growth and transformation.

7. THE YOUTH EMPLOYMENT SERVICES (YES) INITIATIVE

The YES initiative was pronounced by President Cyril Ramaphosa on 27 March 2018. YES is a partnership between government, business, labour and civil society and aims to see more than one million young South Africans, between the ages of 18 and 35, being offered paid work experience over the next three years. We are committed to this initiative and currently awaiting further clarification and guidelines for participation from the DTI. We will be partnering with service providers to implement and enable the programme of both skills and work experience for the youth.

8. BROAD-BASED BLACK ECONOMIC EMPOWERMENT

As referred to in the announcement released on SENS of the JSE Limited on 20 November 2017 relating to the results of the extraordinary general meeting of shareholders with respect to the implementation of the Replacement BEE Transaction, Exxaro provided certain undertakings:

8.1. Implementation of Employee and Community Empowerment Schemes

In order to ensure that the profile of NewBEECo is enhanced to be more broad-based, and include new empowerment beneficiaries, Exxaro undertook to finalise appropriate employee and community empowerment structures by transferring no less than 10% of its equity holding in NewBEECo by 30 June 2018.

Exxaro has made meaningful progress with respect to the conceptualisation of relevant employee and community empowerment structures in line with the abovementioned undertaking. In light of the recent developments regarding the revised Mining Charter, the board of directors of Exxaro has resolved that the implementation of the relevant employee and community empowerment structures be delayed to ensure regulatory compliance is achieved and that sustainable ownership structures are optimised in this regard.

Exxaro remains fully committed in meeting the undertaking given in a manner which meets the objectives of all stakeholders.

8.2. Other undertakings

Exxaro is in discussions with stakeholders in respect of the undertakings relating to the restructuring of the BEE shareholding and the potential listing of NewBEECo on a BEE exchange.

9. MINERAL RESOURCES AND MINERAL RESERVES

Other than the normal LOM depletion, there have been no material changes to the Mineral Resources and Mineral Reserves as disclosed in the 2017 integrated report.

10. MINING AND PROSPECTING RIGHTS

Exxaro has continued with the successful submissions of amendments to existing rights to protect Exxaro's interests and ensure greater LOM.

In addition to the above, Exxaro has made slow progress with the mining right registrations of Matla, Arnot and Glisa (at the NBC operation). While there are still challenges pertaining to these registrations, Exxaro still expects the registrations to be concluded during 3Q18.

11. CHANGES TO THE BOARD OF DIRECTORS AND BOARD COMMITTEES

The following non-executive directors have been appointed on 23 May 2018:

- Ms GJ Fraser-Moleketi
- Mr MJ Moffett
- Mr LI Mophatlane.

Mr J van Rooyen, who joined the board of directors in August 2008, was appointed as lead independent director on 26 March 2018. Mr van Rooyen resigned as lead independent director and as chairman of the audit committee when he was appointed as chairman of the board of directors on 15 June 2018.

Ms GJ Fraser-Moleketi was appointed as lead independent director on 15 June 2018.



COMMENTARY (continued)

for the six-month period ended 30 June 2018

11. CHANGES TO THE BOARD AND BOARD OF DIRECTORS COMMITTEES (continued)

The following independent non-executive directors have been appointed as chairmen of Exxaro's board committees on 15 June 2018:

- Mr V Nkonyeni, has been appointed to chair the audit committee
- Mr LI Mophatlane, has been appointed to chair the investment committee (a newly constituted committee of the board)
- Mr EJ Myburgh, has been appointed to chair the remuneration committee
- Ms A Sing, has been appointed to chair the social and ethics committee
- Mr PCCH Snyders, has been appointed to chair the sustainability, risk and compliance committee
- Mr J van Rooyen, has been appointed to chair the nomination committee.

12. OUTLOOK

We expect that the domestic market demand for sized product will remain strong as supply remains tight. We are confident that all products will be placed successfully into the market during 2H18.

Export markets are still reliant on demand from India for lower-quality coal. However, Exxaro is actively diversifying its markets for lower quality coal to minimise dependency on the Indian market. Growth is expected from the South-East Asian markets.

Exxaro expects a stable outlook for the coal business in 2H18 based on:

- Favourable trading conditions in domestic markets
- Strong international coal prices
- Our business optimisation strategy driving operational and innovation excellence throughout the business with a strong focus on eliminating systemic waste
- Good progress being made on building key technology enabling infrastructure and the visualisation of business constraints, aimed at accelerating our innovation and technology implementation strategy.

During 2H18, the performance of our SIOC investment will be supported by a relatively stable iron ore fines price and lump premium, and continued strong demand for higher-grade products.

Relatively stable commodity prices and global economic growth are anticipated. Over the next six months the US-China trade tension and high oil price are expected to slow global economic growth momentum somewhat. The rand to the US dollar exchange rate is expected to remain volatile and subject to ongoing event risk such as US Federal interest rate normalisation, geopolitical risks and emerging market sentiment.

13. REVISED DIVIDEND POLICY AND INTERIM DIVIDEND

In determining the level of dividend payout Exxaro takes cognisance of the current state of the industry, Exxaro's capital expenditure and other relevant commitments as well as its ability to generate sustainable cash flows.

Exxaro's declared dividend policy was based on a cover ratio of between 2.5 and 3.5 times core attributable group earnings.

Given Exxaro's strong balance sheet, underpinned by strong cash flow generation, the board of directors has approved a revised dividend policy. The revised dividend policy comprises two components; firstly, a pass through of the SIOC dividend received and secondly, a dividend based on a targeted cover ratio of 2.5 to 3.5 core attributable coal earnings.

Additionally, Exxaro is targeting a gearing ratio below 1.5 times net debt to EBITDA.

The board of directors has therefore declared a cash dividend comprising:

- 3.3 times core attributable coal earnings
- Pass through of SIOC dividend of R1 263 million.

Notice is hereby given that a gross interim cash dividend, number 31 of 530 cents per share, for the six-month period ended 30 June 2018 was declared, and is payable to shareholders of ordinary shares. For details of the dividend, please refer to note 11 of the reviewed condensed group interim financial statements for the six-month period ended 30 June 2018.

Salient dates for payment of the interim dividend are:

- | | |
|--|-------------------|
| - Last day to trade cum dividend on the JSE Tuesday | 18 September 2018 |
| - First trading day ex dividend on the JSE Wednesday | 19 September 2018 |
| - Record date Friday | 21 September 2018 |
| - Payment date Tuesday | 25 September 2018 |

No share certificates may be dematerialised or re-materialised between Wednesday, 19 September 2018 and Friday, 21 September 2018, both days inclusive. Dividends for certificated shareholders will be transferred electronically to their bank accounts on payment date. Shareholders who hold dematerialised shares will have their accounts at their central securities depository participant or broker credited on Tuesday, 25 September 2018.

14. GENERAL

Additional information on financial and operational results for the six-month period ended 30 June 2018, and the accompanying presentation can be accessed on our website on www.exxaro.com.

On behalf of the board of directors

Jeffrey van Rooyen

Chairman

Mxolisi Mgojo

Chief executive officer

Riaan Koppeschaar

Finance director

16 August 2018

REGISTERED OFFICE

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

This report is available at: www.exxaro.com

DIRECTORS

J van Rooyen*** (chairman), MDM Mgojo* (chief executive officer), PA Koppeschaar* (finance director), GJ Fraser-Moleketi (lead independent director)***, MW Hlahla**, D Mashile-Nkosi*, L Mbatha**, VZ Mntambo**, MJ Moffett***, LI Mophatlane***, EJ Myburgh***, V Nkonyeni***, A Sing***, PCCH Snyders***

**Executive*

***Non-executive*

****Independent non-executive*

PREPARED UNDER SUPERVISION OF:

PA Koppeschaar CA(SA)
SAICA registration number: 00038621

GROUP COMPANY SECRETARY

SE van Loggerenberg

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
Rosebank Towers
13 Biermann Avenue
Rosebank, 2196
PO Box 61051
Marshalltown, 2107

INVESTOR RELATIONS

MI Mthenjane (+27 12 307 7393)

SPONSOR

Absa Bank Limited (acting through its Corporate and Investment Bank Division)
Tel: +27 11 895 6000

EXXARO RESOURCES LIMITED

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

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

ACRONYMS

AgriProtein	AgriProtein Holdings UK Limited
Anglo	Anglo South Africa Capital Proprietary Limited
API4	All publications index 4 (FOB Richards Bay 6000kcal/kg)
B-BBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
BEE Parties	External shareholders of NewBEECo
Black Mountain	Black Mountain Proprietary Limited
Cennergi	Cennergi Proprietary Limited
CFR	Cost and freight
Chifeng	Chifeng Kumba Hongye Corporation Limited
Cps	Cents per share
Curapipe	Curapipe Systems Limited
DCM	Dorstfontein
DEA	Department of Environmental Affairs
DMR	Department of Mineral Resources
DMTN	Domestic medium-term note
ECC	Exxaro Coal Central Proprietary Limited
ECL(s)	Expected credit loss(es)
Eloff	Eloff Mining Company Proprietary Limited
EMJV	Ermelo joint venture
Ferroland	Ferroland Grondtrust Proprietary Limited
FOB	Free on board
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
HDSA	The meaning given to it, or any equivalent or replacement term, in the broad-based socio-economic empowerment charter for the South African Mining Industry, developed under section 100 of the MPRDA, as amended or replaced from time to time
HEPS	Headline earnings per share
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
JIBAR	Johannesburg Interbank Agreed Rate
JSE	JSE Limited
kcal	Kilocalorie
KIO	Kumba Iron Ore Limited
Kt	Kilo tonnes
LME	London Metal Exchange
LOM	Life of mine
LTIFR	Lost-time injury frequency rate
Mafube	Mafube Coal Proprietary Limited
Main Street 333	Main Street 333 Proprietary Limited
Manyeka	Manyeka Coal Mines Proprietary Limited
Mpower 2012	Exxaro Employee Empowerment Trust
MPRDA	Mineral and Petroleum Resources Development Act, 2002



Mt	Million tonnes
Mtpa	Million tonnes per annum
NBC	North Block Complex
NEMA	National Environmental Management Act, 1998
NewBEECo	Eyesizwe (RF) Proprietary Limited, special purpose private company which holds the BEE shares
OCI	Other comprehensive income
PRC	Peoples Republic of China
Prime Rate	South African prime bank rate
Rb	Rand billion
RB1	Richards Bay export product 1
RBCT	Richards Bay Coal Terminal Proprietary Limited
Replacement BEE Transaction	BEE transaction which was implement in 2017 and resulted in Exxaro being held 30% by HDSAs
Rm	Rand million
RMB	Chinese Renminbi
SAICA	South African Institute of Chartered Accountants
SARS	South African Revenue Service
SIOC	Sishen Iron Ore Company Proprietary Limited
SPPI	Solely payments of principal and interest
SSCC	Semi-soft coking coal
Tata Power	Tata Power Company Limited
TiO ₂	Titanium dioxide
Tronox	Exxaro's investment in Tronox entities
Tronox SA	Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited
Tronox UK	Tronox Sands Limited Liability Partnership in the United Kingdom
UK	United Kingdom
Universal	Universal Coal Development IV Proprietary Limited
US\$	United States Dollar
VAT	Value Added Tax

Disclaimer

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

