



exxaro

POWERING POSSIBILITY

Exxaro Resources Limited

**Reviewed condensed group annual financial statements and
unreviewed production and sales volumes information**

For the year ended 31 December 2019



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HIGHLIGHTS

GROUP FINANCIAL PERFORMANCE

R25.7 billion

Revenue, up 1%

R5.8 billion

Core EBITDA, down 20%

R23.54 per share

Core headline earnings, up 9%

R5.3 billion

Cash generated by operations, down 25%

R5.66 per share

Final cash dividend, total dividend of R23.27 per share, for FY19

SUSTAINABLE OPERATIONS

LTIFR of 0.12

COAL OPERATIONAL PERFORMANCE

45.3Mt

Production volumes

44.5Mt

Sales volumes

9.1Mt

Record export volumes

SIOC

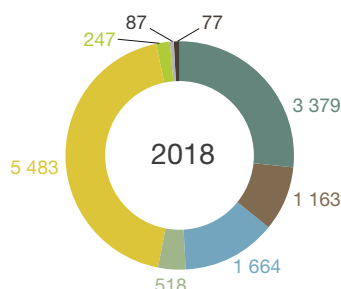
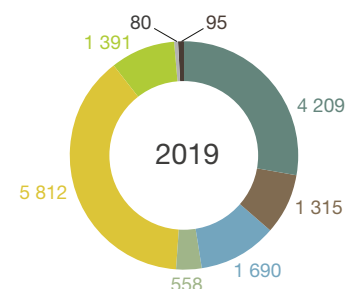
R4.4 billion

post-tax equity-accounted income

R4.1 billion

Total dividend in FY19

Value distribution (Rm)



● Salaries, wages and benefits

● Cash dividend paid

● Employees' tax

● Dividend paid to BEE Parties

● Payments to government: taxation contribution

● Phantom employee scheme

● Cost of finance

● Community investments and volunteerism

COMMENTARY

For the year ended 31 December 2019

Comments below are based on a comparison between the financial years ended 31 December 2019 and 2018 (FY19 and FY18) respectively.

Safety

Zero harm remains Exxaro's key safety objective. The group recorded an LTIFR of 0.12 (FY18: 0.12), which is higher than the set target of 0.11. We have done better in previous years and remain confident that we will improve on this through our safety campaign, "khetha ukuphepha", which we launched in November 2019. We are pleased to report zero fatalities for 33 consecutive months at 31 December 2019.

Results overview

Group revenue was up 1% to R25 726 million (FY18: R25 491 million), while group core EBITDA (after adjusting for non-core items) decreased 20% to R5 832 million (FY18: R7 281 million). The main contributors were the lower benchmark API4 export price negatively impacting revenue, as well as cost pressures which are further explained under financial and operational results.

Core equity-accounted income from associates and joint ventures increased to R4 750 million (FY18: R3 271 million) mainly as a result of SIOC.

Core headline earnings rose 3% to R7 402 million (FY18: R7 167 million), despite the lower core EBITDA, which was more than offset by the net increase in our core equity-accounted income.

Comparability of results

The key items (non-core adjustments) shown below should be considered for a better understanding of the comparability of the results between the different reporting periods. EBITDA is calculated by adjusting net operating profit before tax with depreciation, amortisation, impairment charges/reversals and net losses or gains on disposal of assets and investments (including translation differences recycled to profit or loss). This term is not defined under IFRS and may not be comparable with similarly titled measures reported by other companies.

COMMENTARY continued

For the year ended 31 December 2019

Key items impacting on comparability of results (non-core adjustments)

| Segment | Description | FY19 Rm | FY18 Rm |
|--------------------------|---|----------------|------------|
| Coal | - Insurance claim recovery from external parties | (99) | |
| | - Targeted voluntary packages ¹ | 393 | |
| Ferrous | - Targeted voluntary packages ¹ | 3 | |
| TiO ₂ | - Indemnification asset movement relating to the tax implications of the partial Tronox Holdings plc divestment | (65) | |
| Other | - Fair value adjustment on debt | (58) | |
| | - Fair value adjustment on the ECC contingent consideration | (296) | 357 |
| Group | Total EBITDA impact | (122) | 357 |
| Coal | - Insurance claim recovery from external parties ² | (49) | (57) |
| | - Gain on disposal of non-core investments ^{2,3} | (76) | (171) |
| | - Loss on loss of control of Tumelo ² | 35 | |
| | - Net gains on disposal of property, plant and equipment ^{2,4} | (18) | (121) |
| | - Impairment reversal of property, plant and equipment ² | (23) | |
| | - Tax on non-core adjustments ² | 11 | 29 |
| Ferrous | - Post-tax share of SIOC's loss on disposal of property, plant and equipment ² | 10 | 13 |
| TiO ₂ | - Net gains on partial disposal of investment in Tronox, including net gain on translation differences recycled to profit and loss ^{2,5} | (2 336) | |
| | - Tax on partial disposal of investment in Tronox Holdings plc ² | 65 | |
| Energy | - Impairment of associate (GAM) ² | 58 | |
| Other | - Net gain on translation differences recycled to profit or loss on foreign subsidiaries ² | (7) | (14) |
| | - Net loss on disposal of property, plant and equipment ² | 18 | |
| | - Losses on dilution of investments in associates ² | 42 | |
| | - Post-tax share of Insect Technology's loss on disposal of intangible assets and impairment of goodwill ² | 42 | |
| Various | - Other items individually less than R10 million ² | 4 | 1 |
| Net financing cost | - Eyesizwe preference dividend accrued (consolidation impact) | 25 | 100 |
| Non-controlling interest | - Non-controlling interests on non-core adjustments | (86) | |
| Group | Total attributable earnings impact | (2 407) | 137 |

¹ Exxaro is committed to comply with the employment equity targets prescribed by the Mining Charter and DTI codes and as such approved various mechanisms that will support the achievement of the 2022 targets.

² Excluded from headline earnings.

³ Relates to a gain on disposal of Paardeplaats mining right; FY18 comprises a gain on disposal of Manyeka (R69 million) and a gain on disposal of NBC (R102 million).

⁴ FY18 includes R115 million gain on disposal of mineral properties by Matla.

⁵ Includes a gain of R1 234 million on the partial disposal of Tronox Holdings plc, a gain of R832 million on translation differences recycled to profit or loss on partial disposal of Tronox Holdings plc and a gain of R270 million on the redemption of the Tronox UK membership interest.

COMMENTARY continued

For the year ended 31 December 2019

COMMODITY PRICE PERFORMANCE AND GROUP SEGMENT RESULTS

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

Change in commodity prices

| Commodity price | Average US\$ per tonne | | |
|-----------------------------------|------------------------|------|----------|
| | FY19 | FY18 | % change |
| API4 coal | 72 | 98 | -27 |
| Iron ore fines 62% Fe (CFR China) | 94 | 70 | +34 |

FINANCIAL AND OPERATIONAL RESULTS

Group financial results

Group segment results (Rm)

| | Revenue | | Core EBITDA ¹ | |
|--------------|---------------|---------------|--------------------------|--------------|
| | FY19 | FY18 | FY19 | FY18 |
| Coal | 25 582 | 25 302 | 5 902 | 7 617 |
| Ferrous | 130 | 169 | 3 | 15 |
| Other | 14 | 20 | (73) | (351) |
| Total | 25 726 | 25 491 | 5 832 | 7 281 |

¹ Core EBITDA is calculated after adjusting for non-core adjustments.

Revenue and core EBITDA

Group revenue was up 1% to R25 726 million (FY18: R25 491 million). While coal export volumes increased by 14%, there was a significant decline in the API4 price resulting in a 30% lower average price per tonne achieved of US\$54 (FY18: US\$77). This negative impact was cushioned somewhat by a weaker average spot exchange rate of R14.44 to the US dollar (FY18: R13.24). On the domestic front, while higher prices from commercial mines had a positive revenue impact, this was offset by lower production volumes when compared to the previous year.

Group core EBITDA decreased by 20% to R5 832 million (FY18: R7 281 million), mostly due to lower export prices, inflationary pressure on costs, higher selling and distribution costs directly attributed to our higher export volumes and higher rehabilitation costs at our closed operations resulting from revised cost estimates in line with the latest NEMA regulations.

Earnings

Headline earnings were 13% higher at R7 599 million (FY18: R6 707 million) or 3 027 cents per share (FY18: 2 672 cents per share). This was mainly driven by an increase of R1 434 million in Exxaro's share of income of equity-accounted investments to R4 693 million (FY18: R3 259 million) which more than offset the drop in coal earnings.

After adjusting for non-core items, core headline earnings rose 3% to R7 402 million (FY18: R7 167 million) or 2 354¹ cents per share (FY18: 2 159¹ cents per share).

¹ Based on a core WANOS of 332 million shares from January to October 2019 and core WANOS of 251 million shares from November and December 2019 (FY18: 332 million shares).

COMMENTARY continued

For the year ended 31 December 2019

FINANCIAL AND OPERATIONAL RESULTS continued

Group financial results continued

Earnings continued

Core equity-accounted income (Rm)

| | Core equity-accounted income/(loss) | | Dividend income | |
|-----------------------------------|-------------------------------------|--------------|-----------------|--------------|
| | FY19 | FY18 | FY19 | FY18 |
| Coal: Mafube | 127 | 113 | | |
| Coal: RBCT | 3 | (34) | | |
| Ferrous: SIOC | 4 423 | 2 605 | 4 051 | 2 569 |
| TiO₂: Tronox SA | 236 | 381 | | |
| Tronox UK ¹ | | 110 | | |
| Tronox Holdings plc ² | | | 47 | 69 |
| Energy³ | 17 | 60 | 95 | 58 |
| Other: Other⁴ | (56) | 36 | | |
| Total | 4 750 | 3 271 | 4 193 | 2 696 |

¹ Application of the equity method ceased when the investment was classified as a non-current asset held-for-sale on 30 November 2018. On 15 February 2019, the 26% Tronox UK membership interest was redeemed.

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

³ Includes equity-accounted income for Cennergi of R45 million (FY18: R65 million) and equity-accounted loss for LightApp of R28 million (FY18: R5 million). The dividend received for both periods is from Cennergi.

⁴ Includes an equity-accounted income for Black Mountain of R51 million (FY18: R70 million), an equity-accounted loss for Insect Technology of R103 million (FY18: R31 million) and an equity-accounted loss for Curapipe of R4 million (FY18: R3 million).

Cash flow and funding

Cash flow generated by operations of R5 273 million (FY18: R7 024 million) and dividends received from investments of R4 193 million (FY18: R2 696 million) were sufficient to cover ordinary dividends paid, after paying taxes and net finance costs.

Total capital expenditure of R6 076 million increased by R286 million, when compared to the corresponding period last year, consisting of R345 million decrease on sustaining and environmental capital (stay-in-business capital) and R631 million increase on new capacity (expansion capital).

Debt exposure

Net debt for the year ended 31 December 2019 increased by R1 943 million to R5 810 million (FY18: R3 867 million). The main cash outflow items during 2019 include the funding of our capital expenditure programme of R6 076 million, R344 million cash payment in respect of the ECC contingent consideration, R678 million for the acquisition of shares in the market to settle share-based payments and R263 million being the deferred consideration paid to Insect Technology (previously known as AgriProtein).

In addition to the cash generated by our own operations and dividends received, we also received cash of R2 057 million from Tronox UK for the redemption of Exxaro's 26% membership interest and R2 889 million from Tronox Holdings plc for the repurchase of 14 million shares from Exxaro. Of the cash received, 65% was returned to shareholders as a special dividend of R3 218 million.

The dividends received by Eyesizwe resulted in the full settlement of the preference share liability in October 2019.

COMMENTARY continued

For the year ended 31 December 2019

FINANCIAL AND OPERATIONAL RESULTS continued

Coal business performance

Unreviewed coal production and sales volumes ('000 tonnes)

| | Production | | Sales | |
|---------------------------------------|------------|--------|--------|--------|
| | FY19 | FY18 | FY19 | FY18 |
| Thermal | 43 203 | 44 417 | 43 503 | 43 967 |
| Commercial – Waterberg | 25 683 | 27 375 | 24 443 | 25 364 |
| Commercial – Mpumalanga | 11 529 | 10 433 | 3 975 | 4 033 |
| Exports | | | 9 087 | 7 965 |
| Tied | 5 991 | 6 609 | 5 998 | 6 605 |
| Metallurgical | 2 074 | 2 323 | 1 030 | 1 197 |
| Commercial – Waterberg | 2 074 | 2 323 | 1 030 | 1 197 |
| Total coal | 45 277 | 46 740 | 44 533 | 45 164 |
| Semi-coke | | 23 | | 33 |
| Total coal (excluding buy-ins) | 45 277 | 46 763 | 44 533 | 45 197 |
| Thermal coal buy-ins | 305 | 1 049 | | |
| Total coal (including buy-ins) | 45 582 | 47 812 | 44 533 | 45 197 |

In the domestic market, steam coal demand remained stable with Eskom demand varying due to lower offtake from Medupi power station offset by additional offtake from Leeuwpan and ECC. AMSA demand varied due to fluctuations in kiln operations as well as the steel plant in Saldanha being placed on care and maintenance. Exxaro has successfully placed the AMSA material in the market with other customers.

Overall, the thermal coal seaborne market remained in oversupply. However, price support for the API4 was evident towards the end of 2019 but the sharp increase in API4 priced South African producers out of their natural markets. The competition in our markets is intensifying, with traditional Atlantic Ocean suppliers competing aggressively. The API4 averaged US\$72 per tonne compared to US\$98 per tonne in 2018. Export volumes increased 14% from 8.0Mt in FY18 to 9.1Mt in FY19.

Production and sales volumes

Coal **production** volumes (excluding buy-ins) were down 1 463kt (-3%). The lower production volumes are mainly attributed to the divestment of NBC at the end of October 2018 as well as lower production at Grootegeluk due to the lower demand from Eskom for the Medupi power station. This was partially offset by the early tonnes from Belfast and ramp-up of Mafube. **Sales** volumes were only 1% (-632kt) down due to belt failure and ash handling problems experienced at the Medupi power station resulting in lower offtake.

Thermal coal

Commercial: Waterberg

Production at Grootegeluk declined by 1 692kt (-6%) due to the lower offtake from the Medupi power station. This also resulted in a decrease in **sales** volumes of 921kt (-4%).

Commercial: Mpumalanga

The commercial Mpumalanga mines' thermal coal **production** was 1 096kt (11%) higher compared to FY18 mainly driven by:

- Belfast ramping up earlier than expected and producing 1 029kt
- Higher production at Mafube of 878kt, mainly due to the ramping down of Springboklaagte in FY18 and the ramping up of Nootgedacht in FY19
- Higher production at ECC of 438kt following the ramp-up of FZON, the first production of 4 seam coal at DCMW and increased yield and product achieved at DCME
- Higher production at Leeuwpan of 176kt due to the change in production specifications resulting in higher yields and improved throughput, partly offset by lower tempos to meet the contracted quality requirement on the Eskom contract at the crush and screening plant.

The increase was partly offset by no volume from NBC (-1 425kt) as a result of our divestment in 2H18.

COMMENTARY continued

For the year ended 31 December 2019

FINANCIAL AND OPERATIONAL RESULTS continued

Production and sales volumes continued

Thermal coal continued

Commercial: Mpumalanga continued

The commercial Mpumalanga mines' thermal coal **sales** were marginally down by 58kt (-1%), mainly due to our divestment of NBC (-1 478kt) in 2H18. The decrease was partly offset by higher sales at Leeuwanpan (706kt) and ECC (655kt) due to our strategy to divert coal from the export market to Eskom.

Exports commercial

Export **sales** increased by 1 122kt (+14%) mainly because of more coal being available from Mafube, ECC and Belfast.

Tied

Coal **production** and **sales** from Matla mine decreased by 9%, mainly due to the shortwall-stop at Mine 3.

Metallurgical coal

Grootegeeluk's metallurgical coal **production** decreased by 249kt (-11%) as a result of TFR performance and full stockpiles. **Sales** volumes were lower by 167kt (-14%) mainly due to lower demand from AMSA.

Revenue and core EBITDA

Coal revenue and core EBITDA (Rm)

| | Revenue | | Core EBITDA ¹ | |
|-------------------------|---------------|---------------|--------------------------|--------------|
| | FY19 | FY18 | FY19 | FY18 |
| Commercial – Waterberg | 14 012 | 13 289 | 7 146 | 6 882 |
| Commercial – Mpumalanga | 7 240 | 7 984 | 71 | 1 558 |
| Tied ² | 4 038 | 3 665 | 159 | 144 |
| Other | 292 | 364 | (1 474) | (967) |
| Total coal | 25 582 | 25 302 | 5 902 | 7 617 |

¹ Core EBITDA is calculated after adjusting for non-core adjustments.

² Matla mine supplying its entire production to Eskom.

Coal revenue was 1% higher at R25 582 million (FY18: R25 302 million). The higher revenue was mainly driven by an increase in domestic sales due to price escalations and new contracts, partly offset by other lower domestic volumes. Although export volumes were 14% higher than the previous year, the average realised rand price per tonne was 24% lower at R774 compared to R1 013 in FY18.

Coal core EBITDA of R5 902 million (FY18: R7 617 million) decreased by 23%, mainly driven by:

- Inflation (-R676 million)
- Higher distribution costs due to increased exports (-R514 million)
- Higher rehabilitation costs (-R336 million), mainly at our closed operations
- Higher operational costs (contract mining and mining consumables) mainly at ECC (-R184 million).

The decrease was partly offset by:

- Lower royalties (+R151 million).

Equity-accounted investment

Mafube, a 50% joint venture with Anglo, recorded a core equity-accounted income of R127 million (FY18: R113 million) mainly due to the ramping up of the Nootgedacht reserve.

COMMENTARY continued

For the year ended 31 December 2019

FINANCIAL AND OPERATIONAL RESULTS continued

Coal business performance continued

Capex and projects

Exxaro's coal capital expenditure of R5 817 million increased by 2% compared to R5 722 million in FY18. While our expansion capital in the Mpumalanga region increased by R1 345 million, this was partly offset by a lower capex spend of R789 million in the Waterberg region. Our sustaining capital decreased by R534 million, mainly in the Mpumalanga region.

As reported previously, first coal from our greenfield Belfast mine was produced in March 2019 and first product sales took place in May 2019. Completion of the beneficiation plant is close to commissioning with ramp up expected in 1Q20. At Mafube, ramping up of the Nooitgedacht reserve to name plate capacity was achieved in 4Q19 and continues to exceed expectations.

Coal Capex (Rm)

| | FY19 | FY18 | % change FY19 vs FY18 |
|-------------------------|--------------|--------------|--------------------------|
| Sustaining | 2 245 | 2 779 | -19 |
| Commercial – Waterberg | 1 753 | 1 904 | -8 |
| Commercial – Mpumalanga | 475 | 875 | -46 |
| Other | 17 | | |
| Expansion | 3 572 | 2 943 | +21 |
| Commercial – Waterberg | 1 198 | 1 987 | -40 |
| Commercial – Mpumalanga | 2 301 | 956 | +141 |
| Other | 73 | | |
| Total coal capex | 5 817 | 5 722 | +2 |

Ferrous business

Equity-accounted investment

The core equity-accounted income from SIOC increased by R1 818 million to R4 423 million (FY18: R2 605 million). The increase is primarily driven by the effect of the higher iron-ore prices realised and a weaker exchange rate.

An interim dividend of R2 680 million was received from our investment in SIOC (2H18: R1 263 million). SIOC has declared a final dividend to its shareholders in February 2020. Exxaro's 20.62% share of the dividend amounts to R1 412 million. The dividend will be accounted for in 2020.

Titanium dioxide

Equity-accounted investment

Core equity-accounted income from Tronox SA decreased by R145 million to R236 million compared to FY18. The decrease is mainly as a result of increased costs (royalties and allocated head office costs), inventory revaluation adjustments and foreign currency exchange losses.

Our investment in Tronox Holdings plc continues to meet the criteria to be classified as a non-current asset held-for-sale.

COMMENTARY continued

For the year ended 31 December 2019

FINANCIAL AND OPERATIONAL RESULTS continued

Energy business

Equity-accounted investment

Cennergi, a 50% joint venture with Tata Power, recorded core equity-accounted income of R45 million for FY19 (FY18: R65 million). The results were negatively impacted by the ineffective portion of interest rate swaps and fair value adjustments on share-based payment liabilities offset by improved operational performance. Cash flow generation remains positive as Exxaro received dividends of R95 million in FY19 compared to R58 million in FY18.

Despite the loss of two turbines due to fire incidents, for a significant period of the year, generation output to date at the two windfarms is better than planned given favourable wind conditions. The replacement turbines have been commissioned in November 2019 and are in full production.

As announced on 17 September 2019, Exxaro has concluded an agreement with Khopoli, a wholly owned subsidiary of Tata Power, to acquire Khopoli's 50% shareholding in Cennergi for an amount of R1 550 million, subject to normal working capital adjustments. Post the conclusion of the agreement, Exxaro will have 100% ownership of Cennergi. The last condition precedent was met in March 2020.

SALE OF NON-CORE ASSETS AND INVESTMENTS

During the second half of 2019, the Exxaro board approved a decision to divest from its 26% interest in Black Mountain. On 30 November 2019, the investment was classified as a non-current asset held-for-sale and the application of the equity method ceased.

On 31 January 2020, the Arnot operation was transferred to Arnot OpCo Proprietary Limited Consortium. The accounting of the transfer will be accounted for in 2020.

On 20 February 2020, Exxaro announced our intention to divest our entire interest in ECC and the Leeuwpans operations. The divestment will be executed through a formal disposal process. The proposed transaction is a category two transaction in terms of the JSE Listings Requirements and is therefore not regarded as material.

PERFORMANCE OF REPLACEMENT BEE TRANSACTION

We are proud to report that Eyesizwe, our BEE shareholder, has fully settled its acquisition debt in October 2019, three years earlier than anticipated. The early settlement was funded from dividends received from Exxaro. From an accounting perspective this resulted in the outside shareholders of Eyesizwe being treated as non-controlling interests for the Exxaro group from 1 November 2019.

Furthermore, we undertook to transfer at least 10% of our 24.9% shareholding in Eyesizwe into structures for the benefit of Exxaro's employees and communities adjacent to our operations. The transaction agreements are expected to be concluded in 1Q20 with implementation of the employee scheme expected in April 2020 and the implementation of the community scheme dependent on the registration of the company as a public benefit organisation in terms of s18A of the Income tax Act.

PERFORMANCE AGAINST NEW BBBEE CODES

As mentioned previously, Exxaro is proud to have achieved a level 2 BBBEE recognition status for FY18, two years earlier than planned. While the FY19 audit is still in progress, we expect to maintain our level 2 BBBEE status. The certificate will be published as soon as the audit is concluded.

COMMENTARY continued

For the year ended 31 December 2019

COAL RESOURCES AND COAL RESERVES

During 2018, Exxaro indicated that it was considering options relating to four prospecting rights grouped into two projects, namely Waterberg North and South. The projects are located approximately 30km north of Grootegeeluk, and consist of Inferred Coal Resources of 2 147Mt and 869Mt, respectively.

Following a strategic review, a decision was taken to relinquish these prospecting rights, resulting in the Exxaro total attributable Coal Resources decreasing by approximately 22%. We are conducting all activities to ensure we fulfil the necessary closure requirements.

Furthermore, Exxaro total attributable Coal Reserves decreased by approximately 3%. The Coal Reserves for ECC's Forzando operation decreased by approximately 37% for the reporting year. The most significant contributors to the decrease are mining depletion, the review of macro-economic assumptions and certain areas excluded due to unfavourable floor gradients. Changes in Coal Reserves larger than 10% (material) are also reported at our Matla and Leeuwpan operations. The approximate 13% decrease at Leeuwpan is primarily due to mining depletion and the approximate 14% decrease at Matla is mainly due to mining depletion and the disposal of mining areas due to unfavourable stoping conditions in close proximity to surface infrastructure.

For all our other operations no material changes to Coal Resources and Coal Reserves estimates are reported, other than normal LOM depletion.

MINING AND PROSPECTING RIGHTS

Matla's mining right lapsed in November 2019. A compliant mining right renewal application was submitted in August 2019.

OUTLOOK

For 1H20, global economic growth stabilisation is anticipated. However, depending on the duration and speed of the coronavirus in China, the recovery in the thermal coal import demand in China might support the seaborne market somewhat.

We expect domestic thermal coal demand and pricing to remain relatively stable during 2020.

The API4 is expected to be under pressure as a similar liquefied natural gas (LNG) supply wave, as was evident in 2019, is anticipated to continue into 2020, together with low gas prices globally. However, a potential increase in thermal coal import demand in China might support the seaborne market somewhat.

South Africa's fiscal imbalance is set to remain a huge constraint in addressing the increasing socio-economic challenges with the risk of a sovereign rating downgrade increasing. As a result, the rand/dollar exchange rate is expected to remain volatile.

As we roll out the integrated operations centres (IOCs) at all our operations, according to our digitalisation plan, the increased visualisation of the mining value chain will highlight embedded inefficiencies that will be addressed through in-time decision making relating to safety, productivity and cost performance. At an enterprise level, we are on schedule to implement our integrated management platform allowing us to access strategic insights across our operations, enabling future looking value add conversations.

The expected recovery in iron ore seaborne supply with narrowing steel margins will soften the iron ore market.

Our shareholding in Tronox Holdings plc has been reduced to approximately 14.7 million shares, representing about 10% of the total outstanding shares as at 31 December 2019. We remain committed to monetising our stake in Tronox Holdings plc over time and in the best possible manner, taking into account prevailing market conditions.

In 2017 Exxaro adopted a strategy to explore new investment opportunities based on three pillars, namely water security, food security and energy security. Based on our experience since then, we have now changed that

COMMENTARY continued

For the year ended 31 December 2019

strategy to focus solely on new opportunities in the energy security space. As we pursue these opportunities, our approach continues to be measured with a view to mitigating potential risks and ensuring that the capital allocation decisions are in line with appropriate metrics.

In respect of the Moranbah South hard coking coal project, Exxaro, together with Anglo Coal, is in the process of reassessing the potential development plan for the project.

In August 2019, we reported that we will share our climate response strategy, including our progress with incorporating the recommendations from the FSB's Taskteam on Climate-related Financial Disclosures (TCFD) which highlight climate change transitional and physical risks confronting our business and the related financial impacts of these risks. Our Climate Change Position Statement contains details on our approach to climate change mitigation and adaptation. The document also includes our aspirational target of carbon neutrality by 2050. We have developed climate change scenarios that take into account the 2°C world as per the recommendation of the TCFD. We will be using these scenarios to conduct a detailed analysis to quantify the financial risks and opportunities in our operations.

FINAL DIVIDEND

In terms of our capital allocation framework, we will remain prudent in returning cash to shareholders, managing debt, and selectively reinvesting for the growth of our business. Exxaro's declared dividend policy is based on two components: a pass-through of the SIOC dividend received and a targeted cover ratio of 2.5 times to 3.5 times core attributable coal earnings.

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

The board of directors has declared a cash dividend comprising:

- 3 times core attributable coal earnings and
- Pass through of SIOC dividend of R1 412 million.

Notice is hereby given that a gross final cash dividend, number 34 of 566 cents per share, for the year ended 31 December 2019 was declared, and is payable to shareholders of ordinary shares. For details of the dividend, please refer note 11 of the reviewed condensed group annual financial statements for the year ended 31 December 2019.

Salient dates for payment of the interim dividend are:

- Last day to trade cum dividend on the JSE Tuesday, 21 April 2020
- First trading day ex dividend on the JSE Wednesday, 22 April 2020
- Record date Friday, 24 April 2020
- Payment date Monday, 28 April 2020

No share certificates may be dematerialised or re-materialised between Wednesday, 22 April 2020 and Friday, 24 April 2020, 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, 28 April 2020.

GENERAL

Additional information on financial and operational results for the year ended 31 December 2019, and the accompanying presentation can be accessed on our website on www.exxaro.com.

On behalf of the board

Jeff van Rooyen
Chairman

Mxolisi Mgojo
Chief executive officer

Riaan Koppeschaar
Finance director

12 March 2020

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

| | 2019 Reviewed Rm | (Re-presented) 2018 Audited Rm |
|--|------------------------|---|
| Revenue (note 7) | 25 726 | 25 491 |
| Operating expenses (note 8) | (21 457) | (19 788) |
| Net operating profit | 4 269 | 5 703 |
| Finance income (note 9) | 318 | 283 |
| Finance costs (note 9) | (355) | (605) |
| Income from financial assets | | 6 |
| Share of income of equity-accounted investments (note 10) | 4 641 | 3 189 |
| Profit before tax | 8 873 | 8 576 |
| Income tax expense | (968) | (1 653) |
| Profit for the year from continuing operations | 7 905 | 6 923 |
| Profit for the year from discontinued operations (note 6) | 2 164 | 139 |
| Profit for the year | 10 069 | 7 062 |
| Other comprehensive (loss)/income, net of tax | (710) | 246 |
| <i>Items that will not be reclassified to profit or loss:</i> | | |
| – Remeasurement of retirement employee obligations | 71 | 66 |
| – Changes in fair value of equity investments at fair value through other comprehensive income | 19 | 39 |
| – Share of other comprehensive income of equity-accounted investments | 50 | 21 |
| <i>Items that may subsequently be reclassified to profit or loss:</i> | | |
| – Unrealised exchange differences on translation of foreign operations | 2 | 6 |
| – Share of other comprehensive income of equity-accounted investments | 58 | 194 |
| – Unrealised exchange differences on translation of foreign operations | (7) | 67 |
| – Share of other comprehensive income of equity-accounted investments | 65 | 127 |
| <i>Items that have subsequently been reclassified to profit or loss:</i> | | |
| – Recycling of exchange differences on translation of foreign operations | (839) | (14) |
| – Recycling of share of other comprehensive income of equity-accounted investments | (7) | (14) |
| | (832) | |
| Total comprehensive income for the year | 9 359 | 7 308 |
| Profit attributable to: | | |
| Owners of the parent | 9 809 | 7 030 |
| – Continuing operations | 7 649 | 6 891 |
| – Discontinued operations | 2 160 | 139 |
| Non-controlling interests | 260 | 32 |
| – Continuing operations | 256 | 32 |
| – Discontinued operations | 4 | |
| Profit for the year | 10 069 | 7 062 |
| Total comprehensive income attributable to: | | |
| Owners of the parent | 9 108 | 7 276 |
| – Continuing operations | 7 778 | 7 135 |
| – Discontinued operations | 1 330 | 141 |
| Non-controlling interests | 251 | 32 |
| – Continuing operations | 247 | 32 |
| – Discontinued operations | 4 | |
| Total comprehensive income for the year | 9 359 | 7 308 |
| Attributable earnings per share (cents) | | |
| Aggregate ¹ | | |
| – Basic | 3 908 | 2 801 |
| – Diluted | 3 908 | 2 156 |
| Continuing operations | | |
| – Basic | 3 047 | 2 746 |
| – Diluted | 3 047 | 2 113 |
| Discontinued operations | | |
| – Basic | 861 | 55 |
| – Diluted | 861 | 43 |

¹ In 2020 the BEE Parties will share in the consolidated Eyesizwe results for the 12-month period as opposed to two months in 2019.

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

At 31 December

| | 2019 Reviewed Rm | (Re-presented) ¹ 2018 Audited Rm |
|--|------------------------|--|
| ASSETS | | |
| Non-current assets | 57 106 | 52 226 |
| Property, plant and equipment | 33 562 | 28 825 |
| Right-of-use assets (note 13) | 462 | |
| Inventories | 101 | |
| Equity-accounted investments (note 14) | 16 630 | 17 046 |
| Financial assets (note 22) | 2 674 | 2 634 |
| Lease receivables | 61 | 66 |
| Deferred tax | 467 | 523 |
| Other assets (note 15) | 3 149 | 3 132 |
| Current assets | 9 121 | 7 641 |
| Inventories | 1 809 | 1 604 |
| Financial assets (note 22) | 272 | 134 |
| Trade and other receivables | 3 241 | 3 140 |
| Lease receivables | 6 | 5 |
| Cash and cash equivalents | 2 695 | 2 080 |
| Other assets (note 15) | 1 098 | 678 |
| Non-current assets held-for-sale (note 16) | 2 613 | 5 183 |
| Total assets | 68 840 | 65 050 |
| EQUITY AND LIABILITIES | | |
| Capital and other components of equity | | |
| Share capital | 1 021 | 1 021 |
| Other components of equity | 2 723 | 8 028 |
| Retained earnings | 31 032 | 32 797 |
| Equity attributable to owners of the parent | 34 776 | 41 846 |
| Non-controlling interests | 8 111 | (701) |
| Total equity | 42 887 | 41 145 |
| Non-current liabilities | | |
| Interest-bearing borrowings (note 17) | 6 991 | 3 843 |
| Lease liabilities (note 18) | 461 | |
| Other payables | 121 | 152 |
| Provisions (note 19) | 4 305 | 3 952 |
| Retirement employee obligations | 181 | 193 |
| Financial liabilities (note 22) | | 713 |
| Deferred tax | 7 138 | 6 874 |
| Other liabilities (note 21) | 167 | 18 |
| Current liabilities | 5 179 | 6 823 |
| Interest-bearing borrowings (note 17) | 50 | 571 |
| Lease liabilities (note 18) | 27 | 2 |
| Trade and other payables | 2 603 | 2 960 |
| Provisions (note 19) | 99 | 70 |
| Financial liabilities (note 22) | 498 | 757 |
| Overdraft (note 17) | 976 | 1 531 |
| Other liabilities (note 21) | 926 | 932 |
| Non-current liabilities held-for-sale (note 16) | 1 410 | 1 337 |
| Total liabilities | 25 953 | 23 905 |
| Total equity and liabilities | 68 840 | 65 050 |

¹ The investments in associates and joint ventures have been aggregated as both are accounted for as equity-accounted investments. In addition, the non-current intangible assets, biological assets and current tax receivables have been reclassified as part of other assets respectively. Similarly the current tax payables have been reclassified as part of other liabilities. These reclassifications have been made to remove these immaterial items from the face of the statement of financial position so as to provide a better presentation of assets and liabilities for the users.

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 2017 (Audited) | 1 021 | 2 520 | (41) | 5 872 |
| Adjustment on initial application of IFRS 9, net of tax | | | | |
| Adjustment on initial application of IFRS 15, net of tax | | | | |
| Adjusted balance at 1 January 2018 | 1 021 | 2 520 | (41) | 5 872 |
| Total comprehensive income | | 171 | 9 | |
| – Profit for the year | | | | |
| – Other comprehensive income for the year | | 171 | 9 | |
| Transactions with owners of the company | | | | (338) |
| – Dividends paid ¹ | | | | |
| – Share-based payments movement ² | | | | (338) |
| Changes in ownership interest | | | | |
| – Adjustment to NCI | | | | |
| – Disposal of subsidiary | | | | |
| At 31 December 2018 (Audited) | 1 021 | 2 691 | (32) | 5 534 |
| Adjustment on initial application of IFRS 16, net of tax ³ | | | | |
| Adjusted balance at 1 January 2019 | 1 021 | 2 691 | (32) | 5 534 |
| Total comprehensive (loss)/income | | (785) | (3) | 10 |
| – Profit for the year | | | | |
| – Other comprehensive (loss)/income for the year | | (785) | (3) | 10 |
| Transactions with owners of the company | | | | (4 483) |
| – Dividends paid ¹ | | | | |
| – Share-based payments movement ² | | | | (1 875) |
| – Reclassifications within equity ⁴ | | | | (2 608) |
| Changes in ownership interest | | | | (178) |
| – Recognition of NCI ⁵ | | | | |
| – Loss of control of subsidiary ⁶ | | | | |
| – Partial disposal of associate classified as non-current asset held-for-sale ⁷ | | | | (178) |
| At 31 December 2019 (Reviewed) | 1 021 | 1 906 | (35) | 883 |

¹ Refer note 11 for details of the dividends paid.

² The share-based payments movement includes an amount of R1.391 billion (2018: R247 million) paid to the BEE Parties as a dividend.

³ Refer note 4 for details of the adjustment on initial application of IFRS 16.

⁴ An amount of R2 608 billion was reclassified within equity upon the BEE Parties exercising their option subsequent to the settlement of the preference share liability.

⁵ Recognition of the NCI's share of Eyesizwe's consolidated net asset value upon the exercise of the option held by the BEE Parties as they are now true equity holders.

⁶ Derecognition of NCI reserve upon the loss of control of Tumelo.

⁷ Tronox Holdings plc repurchased 14 000 000 Tronox Holdings plc ordinary shares from Exxaro which resulted in a net reclassification within equity from the retirement employee obligations reserve and equity-settled reserve to retained earnings.

| 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 |
|---|---|--|-------------|----------------------------|---|--|-----------------------|
| (158) | (74) | | 1 | 30 962 | 40 103 | (738) | 39 365 |
| | 74 | (74) | | (11) | (11) | | (11) |
| | | | | 314 | 314 | | 314 |
| (158) | | (74) | 1 | 31 265 | 40 406 | (738) | 39 668 |
| 45 | | 21 | | 7 030 | 7 276 | 32 | 7 308 |
| | | | | 7 030 | 7 030 | 32 | 7 062 |
| 45 | | 21 | | | 246 | | 246 |
| | | | | (5 483) | (5 821) | | (5 821) |
| | | | | (5 483) | (5 483) | | (5 483) |
| | | | | | (338) | | (338) |
| | | | | (15) | (15) | 5 | (10) |
| | | | | (15) | (15) | 15 | (10) |
| | | | | | | (10) | (10) |
| (113) | | (53) | 1 | 32 797 | 41 846 | (701) | 41 145 |
| | | | | (12) | (12) | | (12) |
| (113) | | (53) | 1 | 32 785 | 41 834 | (701) | 41 133 |
| 17 | | 57 | 3 | 9 809 | 9 108 | 251 | 9 359 |
| | | | | 9 809 | 9 809 | 260 | 10 069 |
| 17 | | 57 | 3 | | (701) | (9) | (710) |
| | | | | (3 204) | (7 687) | | (7 687) |
| | | | | (5 812) | (5 812) | | (5 812) |
| | | | | | (1 875) | | (1 875) |
| | | | | 2 608 | | | |
| 57 | | | | (8 358) | (8 479) | 8 561 | 82 |
| | | | | (8 479) | (8 479) | 8 479 | |
| | | | | | | 82 | 82 |
| 57 | | | | 121 | | | |
| (39) | | 4 | 4 | 31 032 | 34 776 | 8 111 | 42 887 |

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.

Retirement employee obligations

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

Available-for-sale revaluation

Comprises the fair value adjustments, net of tax, on the available-for-sale financial assets (Pre IFRS 9).

Financial asset FVOCI revaluation

Comprises the fair value adjustments, net of tax, on the financial assets classified at FVOCI (Post IFRS 9).

CONDENSED GROUP STATEMENT OF CASH FLOWS

For the year ended 31 December

| | 2019 Reviewed Rm | 2018 Audited Rm |
|--|------------------------|-----------------------|
| Cash flows from operating activities | (2 329) | (54) |
| Cash generated by operations | 5 273 | 7 024 |
| Settlement of contingent consideration | (344) | (299) |
| Interest paid | (558) | (518) |
| Interest received | 289 | 229 |
| Tax paid | (1 177) | (1 007) |
| Dividends paid | (5 812) | (5 483) |
| Cash flows from investing activities | 2 974 | (3 195) |
| Property, plant and equipment acquired (note 12) | (6 076) | (5 790) |
| Intangible assets acquired | (5) | (1) |
| Proceeds from disposal of property, plant and equipment | 83 | 268 |
| Decrease in other financial assets at amortised cost | 82 | 82 |
| Increase in enterprise and supplier development loans | (121) | (125) |
| Decrease in enterprise and supplier development loans | 39 | |
| Deferred consideration paid for acquisition of associates ¹ | (306) | |
| Decrease in loan to joint venture | 250 | 186 |
| Increase in loan to joint venture | | (250) |
| Increase in loan to associate | (40) | |
| Decrease in lease receivables | 15 | 14 |
| Proceeds from disposal of operation | 76 | 17 |
| Proceeds from disposal of subsidiaries | | 75 |
| Proceeds from disposal of financial asset | | 24 |
| Acquisition of associates | (14) | (263) |
| Dividend income received from equity-accounted investments | 4 146 | 2 627 |
| Proceeds from disposal of associates classified as non-current assets held-for-sale ² | 4 486 | |
| Increase in environmental rehabilitation funds | (148) | (135) |
| Dividend income received from financial assets and non-current assets held-for-sale ³ | 507 | 76 |
| Cash flows from financing activities | 526 | (2 861) |
| Interest-bearing borrowings raised (note 20) | 4 250 | 14 |
| Interest-bearing borrowings repaid (note 20) | (1 622) | (2 161) |
| Lease liabilities paid | (33) | |
| Shares acquired in the market to settle share-based payments | (678) | (467) |
| Dividends paid to BEE Parties | (1 391) | (247) |
| Net increase/(decrease) in cash and cash equivalents | 1 171 | (6 110) |
| Cash and cash equivalents at beginning of the year | 549 | 6 617 |
| Translation difference on movement in cash and cash equivalents | (1) | 42 |
| Cash and cash equivalents at end of the year | 1 719 | 549 |
| Cash and cash equivalents | 2 695 | 2 080 |
| Overdraft | (976) | (1 531) |

¹ Relates to deferred consideration paid to Insect Technology (R263 million) and LightApp (R43 million).

² Relates to the redemption of the membership interest in Tronox UK (R1 597 million) and partial disposal of shares in Tronox Holdings plc (R2 889 million).

³ Mainly includes a cash dividend received from Tronox UK of R460 million.

RECONCILIATION OF GROUP HEADLINE EARNINGS

| | Gross Rm | Tax Rm | Non- controlling interest Rm | Net Rm |
|--|-------------|-----------|---------------------------------------|----------------|
| For the year ended 31 December 2019 (Reviewed) | | | | |
| Profit attributable to owners of the parent | | | | 9 809 |
| Adjusted for: | (2 286) | 62 | 14 | (2 210) |
| – IFRS 10 Loss on loss of control of subsidiary | 35 | | | 35 |
| – IAS 16 Gain on disposal of operation | (76) | | 17 | (59) |
| – IAS 16 Net gains on disposal of property, plant and equipment | | (3) | (3) | (6) |
| – IAS 16 Compensation from third parties for items of property, plant and equipment impaired, abandoned or lost | (49) | 14 | 8 | (27) |
| – IAS 21 Net gains on translation differences recycled to profit or loss on partial disposal of associate | (832) | | | (832) |
| – IAS 21 Net gains on translation differences recycled to profit or loss on dilution of associates | (1) | | | (1) |
| – IAS 21 Net gain on translation differences recycled to profit or loss on liquidation of foreign subsidiary | (10) | | | (10) |
| – IAS 21 Net loss on translation differences recycled to profit or loss on deregistration of foreign entity | 3 | | (1) | 2 |
| – IAS 28 Losses on dilution of investments in associates | 42 | | | 42 |
| – IAS 28 Net gains on disposal of associates' | (1 504) | 65 | | (1 439) |
| – IAS 28 Share of equity-accounted investments' separately identifiable remeasurements | 71 | (14) | (12) | 45 |
| – IAS 36 Net impairment of non-current assets | 35 | | 5 | 40 |
| Headline earnings | | | | 7 599 |
| Continuing operations | | | | 7 437 |
| Discontinued operations | | | | 162 |
| For the year ended 31 December 2018 (Audited) (Re-presented) | | | | |
| Profit attributable to owners of the parent | | | | 7 030 |
| Adjusted for: | (348) | 25 | | (323) |
| – IFRS 10 Gain on disposal of subsidiaries | (69) | | | (69) |
| – IAS 16 Gain on disposal of operation | (102) | | | (102) |
| – IAS 16 Net gains on disposal of property, plant and equipment | (122) | 13 | | (109) |
| – IAS 16 Compensation from third parties for items of property, plant and equipment impaired, abandoned or lost | (57) | 16 | | (41) |
| – IAS 21 Net gain on translation differences recycled to profit or loss on liquidation of foreign subsidiary | (14) | | | (14) |
| – IAS 28 Share of equity-accounted investments' separately identifiable remeasurements | 16 | (4) | | 12 |
| Headline earnings | | | | 6 707 |
| Continuing operations | | | | 6 568 |
| Discontinued operations | | | | 139 |
| <i>¹ Includes a gain of R1 234 million on the partial disposal of Tronox Holdings plc and a gain of R270 million on the redemption of the membership interest in Tronox UK.</i> | | | | |
| | | | (Re-presented) | |
| | | | 2019 | 2018 |
| | | | Reviewed | Audited |
| Headline earnings per share (cents) | | | | |
| Aggregate | | | | |
| – Basic | | | 3 027 | 2 672 |
| – Diluted | | | 3 027 | 2 057 |
| Continuing operations | | | | |
| – Basic | | | 2 962 | 2 617 |
| – Diluted | | | 2 962 | 2 014 |
| Discontinued operations | | | | |
| – Basic | | | 65 | 55 |
| – Diluted | | | 65 | 43 |

Refer note 11 for details regarding the number of shares.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL 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 annual financial statements as at and for the year ended 31 December 2019 (condensed annual 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 condensed annual financial statements have been prepared in accordance with the requirements of the JSE Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS (as issued by the IASB), the SAICA Financial Reporting Guides (as issued by the Accounting Practices Committee) and Financial Pronouncements (as issued by the Financial Reporting Standards Council). As a minimum, preliminary reports must contain the information required by IAS 34 *Interim Financial Reporting*.

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

The condensed annual financial statements should be read in conjunction with the group annual financial statements as at and for the year ended 31 December 2018, which have been prepared in accordance with IFRS. The condensed annual financial statements have been prepared on the historical cost basis, except for financial instruments, share-based payments and biological assets, which are measured at fair value. This is the first set of condensed annual financial statements where IFRS 16 *Leases* (IFRS 16) has been applied. Changes to significant accounting policies are described in note 4.

The condensed annual financial statements of the Exxaro group were authorised for issue by the board of directors on 10 March 2020.

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 expenses. Actual results may differ from these estimates. The significant judgements 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 2018, except for new judgements and assumptions related to the adoption of IFRS 16 as described in note 4.3.

2.3 Re-presentation of comparative information

The condensed group statement of comprehensive income (and related notes) for the year ended 31 December 2018 has been re-presented as a result of the investment in Black Mountain being classified as a discontinued operation as described further in note 6.

3. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed annual financial statements are consistent with those of the group annual financial statements as at and for the year ended 31 December 2018, except for the adoption of new or amended standards as set out below.

3.1 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 IFRS 16 for the first time for the year commencing on 1 January 2019. The adoption of IFRS 16 has resulted in the group changing its accounting policies. The impact of the adoption and the new accounting policies are disclosed in note 4.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

3. ACCOUNTING POLICIES *continued*

3.2 Impact of new, amended or revised standards issued but not yet effective

New accounting standards, amendments to accounting standards and interpretations issued which are relevant to the group, but not yet effective on 31 December 2019, have not been adopted. The group continuously evaluates the impact of these standards and amendments.

3.3 Carbon tax

The Carbon Tax Bill has been implemented with an effective date of 1 June 2019. The registration forms were issued in January 2020 but the payment procedures have not yet been finalised. The first payment of the carbon tax levy is due on 31 July 2020, relating to the period 1 June 2019 to 31 December 2019. An accrual of R3.4 million has been recognised during 2019.

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 on the condensed annual financial statements and also discloses the new leases accounting policies that have been applied from 1 January 2019.

Overview of changes resulting from the adoption of IFRS 16

IFRS 16 replaces IAS 17 *Leases* (IAS 17), IFRIC 4 *Determining whether an Arrangement contains a Lease* (IFRIC 4), SIC 15 *Operating Leases-Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard establishes a new definition and criteria to identify whether a contract is, or contains, a lease as well as principles for the recognition, measurement, presentation and disclosure of leases. For lessee accounting, a single accounting model is introduced that requires lessees to recognise assets and liabilities for all leases. The standard, however, allows an optional exemption to recognise leases with a lease term of less than 12 months (short-term leases) or leases of low value assets in profit or loss on a straight-line basis. For lessor accounting, IFRS 16's approach is substantially unchanged from IAS 17. Lessor's continue to classify leases as either operating leases or finance leases. Subleases are classified with reference to the underlying right-of-use asset of the head lease.

Refer note 4.1 for details of the group's transition to IFRS 16.

Refer note 4.2 for the new accounting policy applied from 1 January 2019.

Refer note 4.3 for the judgements and assumptions made by management in applying the related accounting policies.

Refer note 8, 13 and 18 for the related disclosures of leases.

Leasing activities (as lessee)

The group leases various land, buildings and equipment as the need arises. Lease contracts are typically made for fixed periods between 18 months to 15 years but may have extension options. Lease contracts are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease contracts do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in a number of leases across the group. These options are used to maximise operational flexibility in terms of managing lease contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

4. CHANGES IN ACCOUNTING POLICIES continued

4.1 Transition

4.1.1 Transition method, exemptions and practical expedients applied

As lessor

The group had no adjustments to its lessor accounting.

As lessee

IFRS 16 has been adopted using the cumulative effect method. In terms of this method, comparative information has not been restated. Instead, the cumulative effect of initially applying IFRS 16 has been recognised as an adjustment to the opening balance of retained earnings on date of initial application (being 1 January 2019).

In applying IFRS 16 for the first time, the group has elected the following practical expedients:

(a) In applying the definition of a lease:

- The group has elected not to re-assess whether a contract is, or contains, a lease at the date of initial application. Instead, the group has applied this standard, at date of initial application, to all contracts previously identified as leases in terms of IAS 17 and IFRIC 4. Therefore the definition of a lease in terms of IFRS 16 will only be applied to contracts entered into or changed on or after 1 January 2019.

(b) In determining the transition adjustments of leases previously classified as operating leases:

- Leases of low value assets were excluded as the group has elected the exemption to not apply lease accounting to these leases from 1 January 2019
- Leases with a lease term of less than 12 months on initial application were excluded and accounted for as short-term leases from 1 January 2019 (i.e. recognised through profit or loss on a straight-line basis)
- Initial direct costs of leases were excluded from the measurement of the right-of-use assets recognised on 1 January 2019; and
- Hindsight was applied to determine the lease term for contracts containing options to extend or terminate the lease.

4.1.2 Impact on retained earnings at 1 January 2019

The impact on retained earnings at 1 January 2019 is summarised as follows:

| | Note | Rm |
|--|--------------|--------|
| Closing balance at 31 December 2018 (IAS 17) | | 32 797 |
| Adjustments from the adoption of IFRS 16, net of tax | | (12) |
| Adjustment from Exxaro's adoption of IFRS 16, net of tax | | (1) |
| - Portion of gross carrying amount of right-of-use assets recognised relating to the present value of lease payments incurred before 1 January 2019 ¹ | 4.1.4, 4.1.5 | 10 |
| - Accumulated depreciation on right-of-use assets recognised from commencement date of leases to 1 January 2019 | 4.1.5 | (11) |
| Share of equity-accounted investments' adjustment from the adoption of IFRS 16 | | (11) |
| Opening balance at 1 January 2019 (after IFRS 16 restatement) | | 32 785 |

¹ Calculated as the difference between the gross carrying amount of the right-of-use assets recognised of R76 million (refer note 4.1.5) and the lease liabilities recognised of R66 million (refer note 4.1.4), that relate to leases previously classified as operating leases.

The IFRS 16 adoption impact, net of tax, has been adjusted by R1 million, compared to the interim results presented for the six month period ended 30 June 2019, as a result of a lease in an offshore entity being remeasured applying a foreign incremental borrowing rate.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

4. CHANGES IN ACCOUNTING POLICIES continued

4.1 Transition continued

4.1.3 Impact on the statement of financial position at 1 January 2019

The table below shows the reclassifications and adjustments recognised on initial application of IFRS 16 for each individual line item as per the statement of financial position.

| Statement of financial position (extract) | Note | At 31 December 2018 | IFRS 16 adjustment Rm | At 1 January 2019 |
|--|-------|------------------------|-----------------------------|----------------------|
| | | As presented Rm | | Restated Rm |
| ASSETS | | | | |
| Non-current assets | | 52 226 | 54 | 52 280 |
| Property, plant and equipment | 4.1.5 | 28 825 | (14) | 28 811 |
| Right-of-use assets | 4.1.5 | | 79 | 79 |
| Equity-accounted investments ¹ | | 17 046 | (11) | 17 035 |
| Financial assets | | 2 634 | | 2 634 |
| Lease receivables | | 66 | | 66 |
| Deferred tax | | 523 | | 523 |
| Other assets | | 3 132 | | 3 132 |
| Current assets | | 7 641 | | 7 641 |
| Inventories | | 1 604 | | 1 604 |
| Financial assets | | 134 | | 134 |
| Trade and other receivables | | 3 140 | | 3 140 |
| Lease receivables | | 5 | | 5 |
| Cash and cash equivalents | | 2 080 | | 2 080 |
| Other assets | | 678 | | 678 |
| Non-current assets held-for-sale | | 5 183 | | 5 183 |
| Total assets | | 65 050 | 54 | 65 104 |

¹ Relates to the group's share of equity-accounted investments' adjustment from the adoption of IFRS 16.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

4. CHANGES IN ACCOUNTING POLICIES continued

4.1 Transition continued

4.1.3 Impact on the statement of financial position at 1 January 2019 continued

| Statement of financial position (extract) | Note | At 31 December 2018 | IFRS 16 adjustment Rm | At 1 January 2019 |
|--|-------|------------------------|-----------------------------|----------------------|
| | | As presented Rm | | Restated Rm |
| EQUITY AND LIABILITIES | | | | |
| Capital and other components of equity | | | | |
| Share capital | | 1 021 | | 1 021 |
| Other components of equity | | 8 028 | | 8 028 |
| Retained earnings | | 32 797 | (12) | 32 785 |
| Equity attributable to owners of the parent | | | | |
| | | 41 846 | (12) | 41 834 |
| Non-controlling interests | | (701) | | (701) |
| Total equity | | 41 145 | (12) | 41 133 |
| Non-current liabilities | | | | |
| Interest-bearing borrowings | | 15 745 | 39 | 15 784 |
| Lease liabilities | 4.1.4 | 3 843 | 39 | 3 843 |
| Other payables | | 152 | | 152 |
| Provisions | | 3 952 | | 3 952 |
| Retirement employee obligations | | 193 | | 193 |
| Financial liabilities | | 713 | | 713 |
| Deferred tax | | 6 874 | | 6 874 |
| Other liabilities | | 18 | | 18 |
| Current liabilities | | | | |
| | | 6 823 | 27 | 6 850 |
| Interest-bearing borrowings | | 571 | | 571 |
| Lease liabilities | 4.1.4 | 2 | 27 | 29 |
| Trade and other payables | | 2 960 | | 2 960 |
| Provisions | | 70 | | 70 |
| Financial liabilities | | 757 | | 757 |
| Overdraft | | 1 531 | | 1 531 |
| Other liabilities | | 932 | | 932 |
| Non-current liabilities held-for-sale | | | | |
| | | 1 337 | | 1 337 |
| Total liabilities | | 23 905 | 66 | 23 971 |
| Total equity and liabilities | | 65 050 | 54 | 65 104 |

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

4. CHANGES IN ACCOUNTING POLICIES continued

4.1 Transition continued

4.1.4 Lease liabilities recognised on initial application

Lease liabilities were recognised for leases, previously classified as operating leases under IAS 17, that had commenced prior to 1 January 2019, excluding leases of low-value assets and short-term leases. These liabilities were measured as the present value of the remaining lease payments discounted using the incremental borrowing rate at 1 January 2019 which ranged between 7.85% and 10.42%.

The table below shows the reconciliation between operating lease commitments (disclosed under IAS 17) at 31 December 2018 and lease liabilities recognised on 1 January 2019:

| | Rm |
|--|-------|
| Operating lease commitments at 31 December 2018 (adjusted)¹ | 1 004 |
| <i>Less: lease commitments relating to leases commencing on or after 1 January 2019</i> | (864) |
| <i>Less: lease commitments that relate to short-term leases</i> | (13) |
| <i>Less: lease commitments that relate to leases of low-value assets</i> | (52) |
| Lease commitments (remaining lease payments) to which initial application of IFRS 16 has been applied | 75 |
| <i>Less: discounting impact using the lessee's incremental borrowing rate at 1 January 2019</i> | (9) |
| Lease liabilities recognised at 1 January 2019 | 66 |
| Non-current | 39 |
| Current | 27 |

¹ Operating lease commitments at 31 December 2018, previously disclosed as R876 million, has been adjusted to an amount of R1 004 million, to include an additional R128 million worth of lease commitments (in terms of IAS 17 and IFRIC 4) that was erroneously excluded.

For leases previously classified as finance leases, the group recognised the carrying amount of the lease liability immediately before transition as the carrying amount of the lease liability at the date of initial application. Therefore no adjustment was required for finance lease liabilities at 1 January 2019. The measurement principles of IFRS 16 have been applied since 1 January 2019.

4.1.5 Right-of-use-assets recognised on initial application

Right-of-use assets were recognised for leases, previously classified as operating leases under IAS 17, that had commenced prior to 1 January 2019, excluding leases of low-value assets and short-term leases. These assets were measured as if IFRS 16 had been applied since the commencement date of the leases, but discounted using the incremental borrowing rate at date of initial application. In other words, the gross carrying amount of the right-of-use assets were determined taking into account the present value of all remaining lease payments at the commencement date of the leases, but discounted at the incremental borrowing rate of 1 January 2019. The accumulated depreciation was measured from the commencement date of the leases until 1 January 2019.

The right-of-use assets recognised at 1 January 2019 were considered for impairment in terms of IAS 36 *Impairment of Assets*, however, as the recoverable amounts were in excess of the carrying amounts, no impairment adjustments were required.

For assets acquired in terms of finance leases, as previously classified under IAS 17, the group recognised the carrying amount of these assets immediately before transition as the carrying amount of the right-of-use assets at 1 January 2019. Therefore no adjustment was required except that the carrying amount of these assets has been reclassified from property, plant and equipment to right-of-use assets. The measurement principles of IFRS 16 have been applied since 1 January 2019.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

4. CHANGES IN ACCOUNTING POLICIES continued

4.1 Transition continued

4.1.5 Right-of-use-assets recognised on initial application continued

The table below shows the right-of-use assets, by class of asset, at 1 January 2019, reconciled to the reclassifications and adjustments made on initial application of IFRS 16:

| | Gross carrying amount Rm | Accumulated depreciation Rm | Net carrying amount Rm |
|---|-----------------------------|--------------------------------|---------------------------|
| Land and buildings | 1 | | 1 |
| Residential land and buildings | 4 | | 4 |
| Buildings and infrastructure | 33 | (4) | 29 |
| Machinery, plant and equipment | 54 | (9) | 45 |
| Total right-of-use assets | 92 | (13) | 79 |
| Relating to leases previously classified as operating leases recognised retrospectively on 1 January 2019 | 76 | (11) | 65 |
| Relating to leases previously classified as finance leases reclassified from property, plant and equipment ¹ | 16 | (2) | 14 |

¹ Included in machinery, plant and equipment.

4.2 Accounting policies applied from 1 January 2019

The group has elected as an accounting policy choice not to apply IFRS 16 to leases of intangible assets.

At inception of a contract, the group assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- The contract involves the use of an identified asset, this may be specified explicitly or implicitly, and must be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified
- The group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The group has the right to direct the use of the asset. The group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the group has the right to direct the use of the asset if either:
 - The group has the right to operate the asset; or
 - The group designed the asset in a way that predetermines how and for what purpose it will be used.

The group has applied this definition to contracts entered into or changed on or after 1 January 2019.

At inception, or on reassessment, of a contract that contains a lease component, the group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative standalone prices.

As lessee

(a) Recognition

Leases are recognised as a lease liability and corresponding right-of-use asset at the commencement date of the leases. Each lease payment is allocated between the settlement of the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, except, when there is a purchase option which is expected to be exercised, in which case it is depreciated over the asset's useful life.

Non-lease components, contained in a lease, are recognised as an expense in profit or loss when incurred.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

4. CHANGES IN ACCOUNTING POLICIES *continued*

4.2 Accounting policies applied from 1 January 2019 *continued*

As lessee continued

(b) Measurement

(i) Initial measurement

| Right-of-use assets | Lease liabilities |
|---|--|
| <p>Measured at cost which is:</p> <ul style="list-style-type: none"> - The amount of the initial measurement of the lease liability - Plus any lease payments made at or before the commencement date - Less any lease incentives received - Plus any initial direct costs - Plus estimated restoration costs. | <p>Measured at the present value of the following lease payments:</p> <ul style="list-style-type: none"> - Fixed payments (including in-substance fixed payments), less any lease incentives receivable - Variable lease payments that are based on an index or a rate - Amounts expected to be payable by the group, as a lessee, under residual value guarantees - The exercise price of a purchase option if the group, as a lessee, is reasonably certain to exercise that option; and - Payments of penalties for terminating the lease, if the lease term reflects the group, as a lessee, exercising that option. <p>The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, an incremental borrowing rate is applied.</p> |

(ii) Subsequent measurement

| Right-of-use assets | Lease liabilities |
|---|---|
| <p>After commencement date of the lease, the group measures the right-of-use asset applying the cost model where a right-of-use asset falls within the scope of IAS 16 <i>Property, Plant and Equipment</i>.</p> <p>Measured at:</p> <ul style="list-style-type: none"> - Cost less - Any accumulated depreciation and any accumulated impairment losses; and - Adjusted for any remeasurements or modifications of the lease liability. <p><i>Useful lives:</i></p> <p>Land and buildings – 15 years Residential land and buildings – 10 years Buildings and infrastructure – three to 10 years Machinery, plant and equipment – two to five years</p> | <p>After commencement date of the lease, the group measures the lease liability by:</p> <ul style="list-style-type: none"> - Increasing the carrying amount to reflect interest on the lease liability - Reducing the carrying amount to reflect the lease payments made, and - Remeasuring the carrying amount to reflect any reassessment or lease modification or to reflect revised in-substance fixed lease payments. <p><i>Incremental borrowing rates:</i></p> <p>Lease term greater than 12 months but less than 18 months – 7.85% Lease term greater than 18 months – 10.42% to 10.44%</p> |

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

4. CHANGES IN ACCOUNTING POLICIES continued

4.2 Accounting policies applied from 1 January 2019 continued

As lessee continued

(c) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis, over the lease term, as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Leases of low-value assets comprise IT equipment, furniture, fittings and appliances as well as tools and other small equipment used at the plants.

As lessor

When the group acts as a lessor, it determines at lease inception whether a lease is a finance lease or an operating lease.

To classify a lease, the group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease. If not, then it is an operating lease. As part of this assessment, the group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the group applies the exemption described above, then it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the group applies IFRS 15 to allocate the consideration in the contract.

Lease income from operating leases is recognised as income on a straight-line basis over the lease term in profit or loss.

The group recognises the net investment in finance leases, which is the aggregate of the minimum lease payments receivable, discounted at the interest rate implicit in the lease, at the commencement of the lease. On conclusion of the lease agreement the leased asset is derecognised and depreciation ceases. Each lease payment received is allocated between the receivable and finance income. The interest element is recognised in profit or loss over the lease period.

4.3 Judgements and assumptions made by management in applying the related accounting policies

(a) Useful lives of right-of-use assets

In determining the useful lives of right-of-use assets, management considers all available information about the lease term as well as the asset's useful life itself. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

(b) Incremental borrowing rates

In determining the incremental borrowing rates, management considers the term of the lease, the nature of the asset being leased and the funding strategy and principles applied by the group's treasury department.

(c) Extensions and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL 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 is the group executive committee. Segments reported are based on the group's different commodities and operations.

During the first half of 2019, the chief operating decision maker revised the segment in which the remaining NBC assets and liabilities were reported on. These assets and liabilities are reported as part of the coal other operating segment instead of the coal commercial Mpumalanga operating segment. The comparative segmental information has been represented to reflect this change.

The export revenue and related export cost items are allocated between the coal operating segments based on the origin of the initial coal production.

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 operating segments at least quarterly.

Coal

The coal reportable operating segment is split between commercial (Waterberg and Mpumalanga), tied and other operations. Commercial Mpumalanga operations include a 50% (2018: 50%) investment in Mafube (a joint venture with Anglo). The 10.36% (2018: 10.82%) effective equity interest in RBCT is included in the other coal operations. The 49% equity interest in Tumelo continues to be reported as part of the commercial Mpumalanga operations although it is no longer accounted for as a subsidiary, but as an associate since 1 January 2019. The coal operations produce thermal coal, metallurgical coal and SSCC.

Ferrous

The ferrous segment mainly comprises the 20.62% (2018: 20.62%) equity interest in SIOC (located in the Northern Cape province) reported within the other ferrous operating segment as well as the FerroAlloys operation (referred to as Alloys). The Alloys operation manufactures ferrosilicon.

TiO₂

The TiO₂ segment comprises a 10.38% (2018: 23.35%) equity interest in Tronox Holdings plc, which was classified as a non-current asset held-for-sale on 30 September 2017 (refer note 16), and a 26% (2018: 26%) equity interest in Tronox SA (both South African-based operations). The 26% member's interest in Tronox UK was redeemed on 15 February 2019.

Energy

The energy segment comprises a 50% (2018: 50%) investment in Cennergi (a South African joint venture with Tata Power), which operates two wind-farms, and an equity interest of 28.59% (2018: 28.98%) in LightApp, as well as an equity interest of 22% in GAM which was acquired in 2019 (refer note 14).

Other

The other reportable segment comprises an equity interest in Curapipe of 15% (2018: 10.53%), an equity interest in Insect Technology of 25.86% (2018: 26.37%), the Ferroland agricultural operation as well as the corporate office which renders services to operations and other customers. The 26% (2018: 26%) equity interest in Black Mountain (located in the Northern Cape province) was classified as a non-current asset held-for-sale and a discontinued operation on 30 November 2019 (refer note 16).

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

5. SEGMENTAL INFORMATION continued

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

| For the year ended 31 December 2019 (Reviewed) | Coal | | | |
|--|-----------------|------------------|------------|-------------|
| | Commercial | | Tied Rm | Other Rm |
| | Waterberg Rm | Mpumalanga Rm | | |
| External revenue (note 7) | 14 012 | 7 240 | 4 038 | 292 |
| Segmental net operating profit/(loss) | 5 752 | (318) | 136 | (1 623) |
| – Continuing operations | 5 752 | (318) | 136 | (1 623) |
| – Discontinued operations | | | | |
| External finance income (note 9) | 57 | 21 | | 30 |
| External finance costs (note 9) | (54) | (165) | | (27) |
| Income tax (expense)/benefit | (1 627) | 120 | (47) | 627 |
| – Continuing operations | (1 627) | 120 | (47) | 627 |
| – Discontinued operations | | | | |
| Depreciation and amortisation (note 8) | (1 383) | (382) | (23) | (3) |
| Loss on loss of control of subsidiary | | (35) | | |
| Share of income/(loss) of equity-accounted investments (note 10) | | 127 | | 1 |
| – Continuing operations | | 127 | | 1 |
| – Discontinued operations | | | | |
| Cash generated by/(utilised in) operations | 6 062 | (253) | 201 | (1 042) |
| Capital spend (note 12) | (2 951) | (2 776) | | (90) |
| At 31 December 2019 (Reviewed) | | | | |
| Segmental assets and liabilities | | | | |
| Deferred tax ¹ | | | (107) | 340 |
| Equity-accounted investments (note 14) | | 1 335 | | 2 067 |
| Loans to associates | | 133 | | |
| External assets | 28 832 | 10 499 | 1 210 | 3 951 |
| Assets | 28 832 | 11 967 | 1 103 | 6 358 |
| Non-current assets held-for-sale (note 16) | | | | |
| Total assets per statement of financial position | 28 832 | 11 967 | 1 103 | 6 358 |
| External liabilities | 1 951 | 2 336 | 938 | 2 684 |
| Deferred tax ¹ | 6 411 | 715 | | 68 |
| Liabilities | 8 362 | 3 051 | 938 | 2 752 |
| Non-current liabilities held-for-sale (note 16) | | 1 410 | | |
| Total liabilities per statement of financial position | 8 362 | 4 461 | 938 | 2 752 |

¹ Offset per legal entity and tax authority.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

5. SEGMENTAL INFORMATION continued

| For the year ended 31 December 2019 (Reviewed) | Ferrous | | | Other | | | Total Rm |
|--|--------------|------------------------|------------------------|--------------|----------------------|-------------|-------------|
| | Alloys Rm | Other ferrous Rm | TiO ₂ Rm | Energy Rm | Base metals Rm | Other Rm | |
| External revenue (note 7) | 130 | | | | | 14 | 25 726 |
| Segmental net operating profit/(loss) | (3) | (1) | 2 400 | (58) | | 114 | 6 399 |
| – <i>Continuing operations</i> | (3) | (1) | 270 | (58) | | 114 | 4 269 |
| – <i>Discontinued operations</i> | | | 2 130 | | | | 2 130 |
| External finance income (note 9) | | | | | | 210 | 318 |
| External finance costs (note 9) | (1) | | | | | (108) | (355) |
| Income tax (expense)/benefit | 3 | | (65) | | | (44) | (1 033) |
| – <i>Continuing operations</i> | 3 | | | | | (44) | (968) |
| – <i>Discontinued operations</i> | | | (65) | | | | (65) |
| Depreciation and amortisation (note 8) | (5) | | | | | (116) | (1 912) |
| Loss on loss of control of subsidiary | | | | | | | (35) |
| Share of income/(loss) of equity-accounted investments (note 10) | | 4 413 | 234 | 18 | 52 | (152) | 4 693 |
| – <i>Continuing operations</i> | | 4 413 | 234 | 18 | | (152) | 4 641 |
| – <i>Discontinued operations</i> | | | | | 52 | | 52 |
| Cash generated by/(utilised in) operations | 1 | | | | | 304 | 5 273 |
| Capital spend (note 12) | | | | | | (259) | (6 076) |
| At 31 December 2019 (Reviewed) | | | | | | | |
| Segmental assets and liabilities | | | | | | | |
| Deferred tax ¹ | 11 | | | | | 223 | 467 |
| Equity-accounted investments (note 14) | | 9 835 | 2 472 | 350 | | 571 | 16 630 |
| Loans to associates | | | | | | | 133 |
| External assets | 279 | 25 | 65 | | | 4 136 | 48 997 |
| Assets | 290 | 9 860 | 2 537 | 350 | | 4 930 | 66 227 |
| Non-current assets held-for-sale (note 16) | | | 1 741 | | 872 | | 2 613 |
| Total assets per statement of financial position | 290 | 9 860 | 4 278 | 350 | 872 | 4 930 | 68 840 |
| External liabilities | 30 | 6 | | | | 9 460 | 17 405 |
| Deferred tax ¹ | | | | | | (56) | 7 138 |
| Liabilities | 30 | 6 | | | | 9 404 | 24 543 |
| Non-current liabilities held-for-sale (note 16) | | | | | | | 1 410 |
| Total liabilities per statement of financial position | 30 | 6 | | | | 9 404 | 25 953 |

¹ Offset per legal entity and tax authority.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

5. SEGMENTAL INFORMATION continued

| For the year ended 31 December 2018 (Audited) (Re-presented) | Coal | | | |
|--|-----------------|------------------|------------|-------------|
| | Commercial | | Tied Rm | Other Rm |
| | Waterberg Rm | Mpumalanga Rm | | |
| External revenue (note 7) | 13 289 | 7 984 | 3 665 | 364 |
| Segmental net operating profit/(loss) | 5 738 | 1 429 | 250 | (966) |
| – <i>Continuing operations</i> | 5 738 | 1 429 | 250 | (966) |
| External finance income (note 9) | 48 | 33 | | 19 |
| External finance costs (note 9) | (47) | (164) | | (47) |
| Income tax (expense)/benefit | (1 572) | (302) | (48) | 378 |
| – <i>Continuing operations</i> | (1 572) | (302) | (48) | 378 |
| Depreciation and amortisation (note 8) | (1 204) | (299) | (13) | |
| Share of income/(loss) of equity-accounted investments (note 10) | | 114 | | (36) |
| – <i>Continuing operations</i> | | 114 | | (36) |
| – <i>Discontinued operations</i> | | | | |
| Cash generated by/(utilised in) operations | 6 955 | 1 490 | 99 | (1 366) |
| Capital spend (note 12) | (3 890) | (1 832) | | |
| At 31 December 2018 (Audited) | | | | |
| Segmental assets and liabilities | | | | |
| Deferred tax ¹ | | 35 | (53) | 135 |
| Equity-accounted investments (note 14) | | 1 237 | | 2 157 |
| Loans to joint ventures | | 259 | | |
| External assets | 26 514 | 7 709 | 1 062 | 4 542 |
| Assets | 26 514 | 9 240 | 1 009 | 6 834 |
| Non-current assets held-for-sale (note 16) | | | | |
| Total assets per statement of financial position | 26 514 | 9 240 | 1 009 | 6 834 |
| External liabilities | 2 567 | 2 531 | 725 | 2 552 |
| Deferred tax ¹ | 6 009 | 866 | | 39 |
| Liabilities | 8 576 | 3 397 | 725 | 2 591 |
| Non-current liabilities held-for-sale (note 16) | | 1 337 | | |
| Total liabilities per statement of financial position | 8 576 | 4 734 | 725 | 2 591 |

¹ Offset per legal entity and tax authority.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

5. SEGMENTAL INFORMATION continued

| For the year ended 31 December 2018 (Audited) (Re-presented) | Ferrous | | Other | | | | Total Rm |
|---|--------------|------------------------|------------------------|--------------|----------------------|-------------|-------------|
| | Alloys Rm | Other ferrous Rm | TiO ₂ Rm | Energy Rm | Base metals Rm | Other Rm | |
| External revenue (note 7) | 169 | | | | | 20 | 25 491 |
| Segmental net operating profit/(loss) | 17 | (3) | | | | (762) | 5 703 |
| – <i>Continuing operations</i> | 17 | (3) | | | | (762) | 5 703 |
| External finance income (note 9) | | | | | | 183 | 283 |
| External finance costs (note 9) | | | | | | (347) | (605) |
| Income tax (expense)/benefit | | (4) | | | | (105) | (1 653) |
| – <i>Continuing operations</i> | | (4) | | | | (105) | (1 653) |
| Depreciation and amortisation (note 8) | | | | | | (66) | (1 582) |
| Share of income/(loss) of equity-accounted investments (note 10) | | 2 592 | 492 | 61 | 70 | (34) | 3 259 |
| – <i>Continuing operations</i> | | 2 592 | 492 | 61 | | (34) | 3 189 |
| – <i>Discontinued operations</i> | | | | | 70 | | 70 |
| Cash generated by/(utilised in) operations | 60 | (2) | | | | (212) | 7 024 |
| Capital spend (note 12) | | | | | | (68) | (5 790) |
| At 31 December 2018 (Audited) | | | | | | | |
| Segmental assets and liabilities | | | | | | | |
| Deferred tax ¹ | 8 | 1 | | | | 397 | 523 |
| Equity-accounted investments (note 14) | | 9 511 | 2 185 | 473 | 818 | 665 | 17 046 |
| Loans to joint ventures | | | | | | | 259 |
| External assets | 265 | 25 | | | | 1 922 | 42 039 |
| Assets | 273 | 9 537 | 2 185 | 473 | 818 | 2 984 | 59 867 |
| Non-current assets held-for-sale (note 16) | | | 5 183 | | | | 5 183 |
| Total assets per statement of financial position | 273 | 9 537 | 7 368 | 473 | 818 | 2 984 | 65 050 |
| External liabilities | 23 | 5 | | | | 7 291 | 15 694 |
| Deferred tax ¹ | | | | | | (40) | 6 874 |
| Liabilities | 23 | 5 | | | | 7 251 | 22 568 |
| Non-current liabilities held-for-sale (note 16) | | | | | | | 1 337 |
| Total liabilities per statement of financial position | 23 | 5 | | | | 7 251 | 23 905 |

¹ Offset per legal entity and tax authority.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

6. DISCONTINUED OPERATIONS

Tronox Holdings plc

On 30 September 2017, Exxaro classified the Tronox Limited investment as a non-current asset held-for-sale (refer note 16). During March 2019, Tronox Limited redomiciled from Australia to the UK by "top-hatting" Tronox Limited with a new holding company incorporated under the laws of England and Wales called Tronox Holdings plc. Each Tronox Limited shareholder received one share in the newly incorporated company in exchange for each share held in the Australian-incorporated Tronox Limited, which shares are listed on the New York Stock Exchange. On 9 May 2019, Tronox Holdings plc repurchased 14 000 000 shares from Exxaro. The remaining investment in Tronox Holdings plc remains classified as a non-current asset held-for-sale.

It was concluded that the related performance and cash flow information be presented as a discontinued operation as the Tronox Holdings plc investment represents a major geographical area of operation as well as the majority of the TiO₂ reportable operating segment.

Black Mountain

On 30 November 2019, Exxaro classified the Black Mountain 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 Black Mountain represents the base metals operating segment which management view to be a separate major operation.

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

| | For the year ended 31 December | |
|--|-----------------------------------|---|
| | 2019 Reviewed Rm | (Re-presented) 2018 Audited Rm |
| Financial performance | | |
| Losses on financial instruments revaluations recycled to profit or loss | (1) | |
| Net gains on translation differences recycled to profit or loss on partial disposal of investment in foreign associate | 832 | |
| Indemnification asset movement ¹ | 65 | |
| Operating profit | 896 | |
| Gain on partial disposal of associate ² | 1 234 | |
| Net operating profit | 2 130 | |
| Dividend income received from non-current assets held-for-sale | 47 | 69 |
| Share of income of equity-accounted investment ³ | 52 | 70 |
| Profit before tax | 2 229 | 139 |
| Income tax expense | (65) | |
| Profit for the year from discontinued operations | 2 164 | 139 |
| Other comprehensive (loss)/income, net of tax | (830) | 2 |
| <i>Items that have subsequently been reclassified to profit or loss:</i> | (831) | |
| – Recycling of share of other comprehensive income of equity-accounted investments | (831) | |
| <i>Items that will not be reclassified to profit or loss:</i> | 1 | 2 |
| – Share of other comprehensive income of equity-accounted investments | 1 | 2 |
| Total comprehensive income for the year | 1 334 | 141 |
| Cash flow information | | |
| Cash flow attributable to investing activities | | |
| Dividend income received from non-current assets held-for-sale | 47 | 69 |
| Proceeds from partial disposal of associate classified as non-current assets held-for-sale | 2 889 | |
| Cash flow attributable to discontinued operations | 2 936 | 69 |

¹ The indemnification asset movement arose on the repurchase of the Tronox Holdings plc ordinary shares as Tronox Holdings plc has indemnified Exxaro from any tax obligation which may arise on the disposal of any of the Tronox Holdings plc ordinary shares held by Exxaro since the redomicile.

² Comprises proceeds of R2 889 million and carrying value of R1 655 million.

³ Relates to Black Mountain.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

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.

| For the year ended 31 December 2019 (Reviewed) | Coal | | Tied | Other | Ferrous | | Other | Total Rm |
|---|--------------|---------------|-------|-------|---------|-------|-------|----------|
| | Commercial | | | | Alloys | Other | | |
| | Waterberg Rm | Mpumalanga Rm | Rm | Rm | | | Rm | |
| Segmental revenue reconciliation | | | | | | | | |
| Segmental revenue based on origin of coal production | 14 012 | 7 240 | 4 038 | 292 | 130 | | 14 | 25 726 |
| Export sales allocated to selling entity | (1 494) | (5 468) | | 6 962 | | | | |
| Total revenue from contracts with customers | 12 518 | 1 772 | 4 038 | 7 254 | 130 | | 14 | 25 726 |
| By timing and major type of goods and services | | | | | | | | |
| Sale of goods at a point in time | 12 518 | 1 721 | 3 414 | 6 870 | 122 | | 12 | 24 657 |
| Coal | 12 518 | 1 721 | 3 414 | 6 870 | | | | 24 523 |
| Ferrosilicon | | | | | 122 | | | 122 |
| Biological goods | | | | | | | 12 | 12 |
| Rendering of services over time | | 51 | 624 | 384 | 8 | | 2 | 1 069 |
| Stock yard management services | | | 130 | | | | | 130 |
| Project engineering services | | | 494 | | | | | 494 |
| Other mine management services | | | | 292 | | | | 292 |
| Transportation services ¹ | | 51 | | 92 | 2 | | | 145 |
| Other services | | | | | 6 | | 2 | 8 |
| Total revenue from contracts with customers | 12 518 | 1 772 | 4 038 | 7 254 | 130 | | 14 | 25 726 |
| By major geographic area of customer² | | | | | | | | |
| Domestic | 12 518 | 1 772 | 4 038 | 292 | 130 | | 13 | 18 763 |
| Export | | | | 6 962 | | | 1 | 6 963 |
| Europe | | | | 3 617 | | | 1 | 3 618 |
| Asia | | | | 3 159 | | | | 3 159 |
| Other | | | | 186 | | | | 186 |
| Total revenue from contracts with customers | 12 518 | 1 772 | 4 038 | 7 254 | 130 | | 14 | 25 726 |
| By major customer industries | | | | | | | | |
| Public utilities | 10 211 | 1 009 | 4 038 | 467 | | | | 15 725 |
| Merchants | 179 | 326 | | 6 475 | | | | 6 980 |
| Steel | 1 378 | 68 | | 43 | | | | 1 489 |
| Mining | 81 | 133 | | 266 | 103 | | | 583 |
| Manufacturing | 279 | | | | 24 | | | 303 |
| Food and beverage | 200 | | | | | | 1 | 201 |
| Chemicals | | 167 | | | | | | 167 |
| Cement | 148 | | | | | | | 148 |
| Other | 42 | 69 | | 3 | 3 | | 13 | 130 |
| Total revenue from contracts with customers | 12 518 | 1 772 | 4 038 | 7 254 | 130 | | 14 | 25 726 |

¹ Relates mainly to the rendering of export freight services over time (in terms of incoterm CFR) and separate transport requests from customers.

² Determined based on the customer supplied by Exxaro.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

7. REVENUE continued

| | Coal | | | | Ferrous | Other | Total Rm |
|---|---------------|---------------|--------------|--------------|------------|-----------|---------------|
| | Commercial | | | | | | |
| | Waterberg Rm | Mpumalanga Rm | Tied Rm | Other Rm | Alloys Rm | Other Rm | |
| For the year ended 31 December 2018 (Audited) (Re-presented)¹ | | | | | | | |
| Segmental revenue reconciliation | | | | | | | |
| Segmental revenue based on origin of coal production | 13 289 | 7 984 | 3 665 | 364 | 169 | 20 | 25 491 |
| Export sales allocated to selling entity | (1 796) | (6 254) | | 8 050 | | | |
| Total revenue from contracts with customers | 11 493 | 1 730 | 3 665 | 8 414 | 169 | 20 | 25 491 |
| By timing and major type of goods and services¹ | | | | | | | |
| Sale of goods at a point in time¹ | 11 493 | 1 730 | 3 145 | 8 050 | 163 | 16 | 24 597 |
| Coal ¹ | 11 493 | 1 730 | 3 145 | 8 050 | | | 24 418 |
| Ferrosilicon | | | | | 163 | | 163 |
| Biological goods | | | | | | 16 | 16 |
| Rendering of services over time¹ | | | 520 | 364 | 6 | 4 | 894 |
| Stock yard management services | | | 224 | | | | 224 |
| Project engineering services ¹ | | | 296 | | | | 296 |
| Other mine management services | | | | 364 | | | 364 |
| Other services | | | | | 6 | 4 | 10 |
| Total revenue from contracts with customers | 11 493 | 1 730 | 3 665 | 8 414 | 169 | 20 | 25 491 |
| By major geographic area of customer² | | | | | | | |
| Domestic | 11 493 | 1 730 | 3 665 | 364 | 169 | 15 | 17 436 |
| Export | | | | 8 050 | | 5 | 8 055 |
| Europe | | | | 4 920 | | 2 | 4 922 |
| Asia | | | | 2 455 | | 3 | 2 458 |
| Other | | | | 675 | | | 675 |
| Total revenue from contracts with customers | 11 493 | 1 730 | 3 665 | 8 414 | 169 | 20 | 25 491 |
| By major customer industries | | | | | | | |
| Public utilities | 9 101 | 301 | 3 665 | 701 | | | 13 768 |
| Merchants | 141 | 835 | | 6 458 | | | 7 434 |
| Steel | 1 557 | 165 | | 36 | | | 1 758 |
| Mining | 88 | 43 | | 747 | 144 | | 1 022 |
| Manufacturing | 291 | 33 | | 101 | 22 | | 447 |
| Food and beverage | 89 | | | | | | 89 |
| Chemicals | | 96 | | | | | 96 |
| Cement | 156 | 202 | | | | | 358 |
| Other | 70 | 55 | | 371 | 3 | 20 | 519 |
| Total revenue from contracts with customers | 11 493 | 1 730 | 3 665 | 8 414 | 169 | 20 | 25 491 |

¹ Represented for a separate performance obligation identified in the sale of coal contract, being the project engineering services. There has been no impact on the amount of revenue recognised as both performance obligations have been fulfilled during the year.

² Determined based on the customer supplied by Exxaro.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

8. SIGNIFICANT ITEMS INCLUDED IN OPERATING EXPENSES

| | For the year ended 31 December | |
|--|-----------------------------------|-----------------------|
| | 2019 Reviewed Rm | 2018 Audited Rm |
| <i>The following (expense)/income items are included, amongst others, in operating expenses:</i> | | |
| Raw materials and consumables | (3 760) | (3 175) |
| Staff costs ¹ | (5 248) | (4 622) |
| Royalties | (459) | (427) |
| Contract mining | (2 308) | (1 818) |
| Repairs and maintenance | (2 251) | (2 213) |
| Railage and transport | (2 353) | (1 787) |
| Movement in rehabilitation provisions | (127) | 194 |
| Depreciation and amortisation | (1 912) | (1 582) |
| – Depreciation of property, plant and equipment | (1 849) | (1 579) |
| – Depreciation of right-of-use assets | (59) | |
| – Amortisation of intangible assets | (4) | (3) |
| Fair value adjustments on contingent consideration ² | 296 | (357) |
| Legal and professional fees | (742) | (776) |
| Net gains on disposal of property, plant and equipment | | 122 |
| Loss on loss of control of subsidiary ³ | (35) | |
| Gain on disposal of operation ⁴ | 76 | 102 |
| Loss on dilution of investment in associates ⁵ | (42) | |
| Gain on disposal of associate ⁶ | 270 | |
| Expected credit losses ⁷ | (165) | (64) |
| Net impairment charges of non-current assets ⁸ | (35) | |
| Expenses relating to short-term leases | (180) | |
| Expenses relating to leases of low value assets | (11) | |
| Gain on termination of lease | 1 | |
| Operating lease income | 39 | 37 |
| Operating lease rental expense | | (232) |
| Insurance recoveries for: | 148 | 57 |
| – Business interruption | 99 | |
| – Property, plant and equipment | 49 | 57 |

¹ Includes an amount of R459 million relating to TVPs.

² Relates to the ECC acquisition.

³ On 1 January 2019 Exxaro lost control over the management function of Tumelo. This resulted in Tumelo being accounted for as an associate at an initial carrying value of nil.

⁴ 2019 relates to the disposal of the Paardeplaats mining right which formed part of the NBC operation. 2018 relates to the sale of certain assets and liabilities of the NBC operation.

⁵ Relates to the dilution of Insect Technology and LightApp (refer note 14).

⁶ Relates to the redemption of membership interest in Tronox UK.

⁷ Mainly relates to ECLs recognised for non-performing other receivables and the loan to Tumelo.

⁸ Includes an impairment charge of the equity-accounted investment in GAM (R58 million) and an impairment reversal on the Reductants plant (R23 million).

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

9. NET FINANCING COSTS

| | For the year ended 31 December | |
|--|-----------------------------------|---------------|
| | 2019 | 2018 |
| | Reviewed Rm | Audited Rm |
| Finance income | 318 | 283 |
| Interest income | 292 | 256 |
| Finance lease interest income | 9 | 10 |
| Commitment fee income | 6 | 1 |
| Interest income from loan to joint venture | 11 | 16 |
| Finance costs | (355) | (605) |
| Interest expense | (506) | (514) |
| Unwinding of discount rate on rehabilitation costs | (414) | (408) |
| Recovery of unwinding of discount rate on rehabilitation costs | 167 | 158 |
| Interest expense on lease liabilities | (36) | (1) |
| Amortisation of transaction costs | (14) | (27) |
| Borrowing costs capitalised ¹ | 448 | 187 |
| Total net financing costs | (37) | (322) |
| ¹ Borrowing costs capitalisation rate: | 9.98% | 10.13% |

10. SHARE OF INCOME OF EQUITY-ACCOUNTED INVESTMENTS

| | For the year ended 31 December | |
|--|-----------------------------------|---------------|
| | (Re-presented) | |
| | 2019 | 2018 |
| | Reviewed Rm | Audited Rm |
| Associates | 4 468 | 3 009 |
| SIOC | 4 413 | 2 592 |
| Tronox SA | 234 | 382 |
| Tronox UK ¹ | | 110 |
| RBCT | 1 | (36) |
| Curapipe | (4) | (3) |
| Insect Technology | (148) | (31) |
| LightApp | (28) | (5) |
| Joint ventures | 173 | 180 |
| Mafube | 127 | 114 |
| Cennergi | 46 | 66 |
| Share of income of equity-accounted investments | 4 641 | 3 189 |

¹ Application of the equity method ceased on 30 November 2018 when the investment was classified as a non-current asset held-for-sale.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

11. DIVIDEND DISTRIBUTIONS

A final cash dividend, number 34, for 2019 of 566 cents per share, was approved by the board of directors on 11 March 2020. The dividend is payable on 28 April 2020 to shareholders who will be on the register on 24 April 2020. This final dividend, amounting to approximately R1 420 million (to external shareholders), has not been recognised as a liability in these condensed annual financial statements. It will be recognised in shareholders' equity in the year ending 31 December 2020.

The final dividend declared will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local dividend payable to shareholders, subject to dividend withholding tax at a rate of 20% amounts to 452.80000 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.

| | For the year ended 31 December | |
|---|-----------------------------------|-------------------------|
| | 2019 Reviewed Rm | 2018 Audited Rm |
| Dividends paid | 5 812 | 5 483 |
| Final dividend (relating to prior year) | 1 393 | 1 004 |
| Special dividend | 2 251 | 3 149 |
| Interim dividend (current year) | 2 168 | 1 330 |
| | cents | cents |
| Dividend per share | 2 316 | 2 185 |
| Final dividend (relating to prior year) | 555 | 400 |
| Special dividend | 897 | 1 255 |
| Interim dividend (current year) | 864 | 530 |
| | At 31 December | |
| | 2019 Reviewed | 2018 Audited |
| Issued share capital (number of shares) | 358 706 754 | 358 706 754 |
| Ordinary shares (millions) | | |
| – Weighted average number of shares | 251 | 251 |
| – Diluted weighted average number of shares | 251 | 326 |

12. CAPITAL SPEND AND CAPITAL COMMITMENTS

| | At 31 December | |
|--|------------------------|-----------------------|
| | 2019 Reviewed Rm | 2018 Audited Rm |
| Capital spend | | |
| To maintain operations | 2 502 | 2 847 |
| To expand operations | 3 574 | 2 943 |
| Total capital spend | 6 076 | 5 790 |
| Capital commitments | | |
| <i>Contracted</i> | 2 225 | 4 508 |
| Contracted for the group (owner-controlled) | 1 985 | 3 533 |
| Share of capital commitments of equity-accounted investments | 240 | 975 |
| <i>Authorised, but not contracted</i> | 3 119 | 2 914 |

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

13. RIGHT-OF-USE ASSETS

| At 31 December 2019 | Land and buildings Rm | Residential land and buildings Rm | Buildings and infrastructure Rm | Machinery, plant and equipment Rm | Total Rm |
|--|-----------------------------|--|--|--|-------------|
| Gross carrying amount | | | | | |
| Transfer from property, plant and equipment ¹ | | | | 16 | 16 |
| Recognised on initial application of IFRS 16 | 1 | 4 | 33 | 38 | 76 |
| Balance at 1 January 2019 | 1 | 4 | 33 | 54 | 92 |
| Additions | | 1 | 457 | 2 | 460 |
| Remeasurement adjustments ² | | | 7 | | 7 |
| Lease terminations | | | | (18) | (18) |
| Transfer to property, plant and equipment ³ | | | | (16) | (16) |
| At end of the year | 1 | 5 | 497 | 22 | 525 |
| Accumulated depreciation | | | | | |
| Transfer from property, plant and equipment ¹ | | | | (2) | (2) |
| Recognised on initial application of IFRS 16 | | | (4) | (7) | (11) |
| Balance at 1 January 2019 | | | (4) | (9) | (13) |
| Charges for the year | | (1) | (44) | (14) | (59) |
| Lease terminations | | | | 7 | 7 |
| Transfer to property, plant and equipment ³ | | | | 2 | 2 |
| At end of the year | | (1) | (48) | (14) | (63) |
| Net carrying amount at end of the year | 1 | 4 | 449 | 8 | 462 |

¹ Assets acquired in terms of finance leases transferred from property, plant and equipment on adoption of IFRS 16.

² Relates to remeasurements arising from changes in CPI.

³ Transfer to property, plant and equipment as there was a transfer in legal ownership of the underlying asset.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

14. EQUITY-ACCOUNTED INVESTMENTS

| | At 31 December | |
|---|------------------------|-----------------------|
| | 2019 Reviewed Rm | 2018 Audited Rm |
| Associates | 15 056 | 15 477 |
| SIOC | 9 835 | 9 511 |
| Tronox SA | 2 472 | 2 185 |
| RBCT ¹ | 2 067 | 2 157 |
| Black Mountain ² | | 818 |
| Curapipe ³ | 37 | 22 |
| Insect Technology ⁴ | 534 | 643 |
| LightApp ⁴ | 111 | 141 |
| Tumelo ⁵ | | |
| GAM ⁵ | | |
| Joint ventures | 1 574 | 1 569 |
| Mafube | 1 335 | 1 237 |
| Cennergi | 239 | 332 |
| Total carrying value of equity-accounted investments | 16 630 | 17 046 |

¹ On 1 January 2019 Exxaro lost control over the management function of Tumelo. This resulted in Tumelo being accounted for as an associate and a dilution in the effective interest in RBCT.

² The investment in Black Mountain was classified as a non-current asset held-for-sale on 30 November 2019 (refer note 16).

³ An additional 4.47% interest was acquired in Curapipe.

⁴ The interests in Insect Technology and LightApp have diluted during the year.

⁵ A 22% equity interest in GAM was acquired in exchange for settlement of the Lebonix debt. The investment in GAM has since been impaired to a net carrying value of nil.

15. OTHER ASSETS

| | At 31 December | |
|---|------------------------|-----------------------|
| | 2019 Reviewed Rm | 2018 Audited Rm |
| Non-current | | |
| Reimbursements ¹ | 1 648 | 1 723 |
| Indemnification asset: Total S.A. ² | 1 410 | 1 337 |
| Biological assets | 24 | 30 |
| Intangible assets | 16 | 15 |
| Other | 51 | 27 |
| Total non-current other assets | 3 149 | 3 132 |
| Current | | |
| Indemnification asset: Tronox Holdings plc ³ | 65 | |
| VAT | 501 | 480 |
| Royalties | 114 | 46 |
| Prepayments | 120 | 110 |
| Current tax receivables | 265 | 23 |
| Other | 33 | 19 |
| Total current other assets | 1 098 | 678 |
| Total other assets | 4 247 | 3 810 |

¹ Amounts recoverable from Eskom in respect of the rehabilitation, environmental expenditure and retirement employee obligations of the Matla and Amot mines at the end of life of these mines.

² Upon the acquisition of ECC in 2015, Total S.A. indemnified Exxaro from any obligations relating to the EMJV.

³ Indemnification asset which arose on the repurchase of the Tronox Holdings plc ordinary shares as Tronox Holdings plc has indemnified Exxaro from any tax obligation which may arise on the disposal of any of the Tronox Holdings plc ordinary shares held by Exxaro subsequent to the redomicile.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

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

Tronox Holdings plc

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 criteria 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.

Subsequently, Exxaro sold 22 425 000 Class A Tronox Limited ordinary shares during October 2017. During May 2019, Tronox Holdings plc repurchased 14 000 0000 Tronox Holdings plc ordinary shares from Exxaro after Tronox Limited had redomiciled to the UK. On 31 December 2019, management concluded that the remaining investment in Tronox Holdings plc continues to meet the criteria to be classified as a non-current asset held-for-sale in terms of IFRS 5. Exxaro continues to assess market conditions for further possible sell downs of the remaining 14 729 280 Tronox Holdings plc ordinary shares.

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

Black Mountain

During the second half of 2019, the Exxaro board of directors approved a decision to divest from its 26% interest in Black Mountain. A non-binding offer from an interested party was received. On 30 November 2019 the investment was classified as a non-current asset held-for-sale as all the criteria in terms of IFRS 5 were met and the application of the equity method ceased.

The Black Mountain investment is presented within the total assets of the other reportable operating segment and is presented as a discontinued operation (refer note 6).

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 business is conditional on section 43 consent required in terms of the MPRDA for transfer of the environmental liabilities and rehabilitation obligations of the EMJV to Scinta Energy Proprietary Limited. The liabilities remain classified as non-current liabilities held-for-sale for the Exxaro group as at 31 December 2019 as the required approvals were still pending. Subsequent to 31 December 2019, the required approvals have been obtained (refer note 26).

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 ANNUAL 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 31 December | |
|--|------------------------|-----------------------|
| | 2019 Reviewed Rm | 2018 Audited Rm |
| Assets | | |
| Investments in associates | 2 613 | 5 183 |
| – Tronox Holdings plc | 1 741 | 3 396 |
| – Tronox UK | | 1 787 |
| – Black Mountain | 872 | |
| Non-current assets held-for-sale | 2 613 | 5 183 |
| Liabilities | | |
| Non-current provisions ¹ | (1 393) | (1 320) |
| Retirement employee obligations ¹ | (17) | (17) |
| Non-current liabilities held-for-sale | (1 410) | (1 337) |
| Net non-current assets held-for-sale | 1 203 | 3 846 |

¹ *Relates to the EMJV.*

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

17. INTEREST-BEARING BORROWINGS

| | At 31 December | |
|--|------------------------|-----------------------|
| | 2019 Reviewed Rm | 2018 Audited Rm |
| Non-current¹ | 6 991 | 3 843 |
| Loan facility | 5 991 | 3 233 |
| Bonds ² | 1 000 | |
| Preference share liability ³ | | 610 |
| Current⁴ | 50 | 571 |
| Loan facility | 46 | 47 |
| Bonds | 4 | 525 |
| Preference share liability | | (1) |
| Total interest-bearing borrowings | 7 041 | 4 414 |
| <i>Summary of interest-bearing borrowings by period of redemption:</i> | | |
| Less than six months | 54 | 576 |
| Six to 12 months | (4) | (5) |
| Between one and two years | 2 744 | (10) |
| Between two and three years | 3 605 | 3 242 |
| Between three and four years | (1) | 611 |
| Between four and five years | 643 | |
| Total interest-bearing borrowing | 7 041 | 4 414 |
| ¹ Has been reduced by the amortisation of transaction costs of: | (9) | (20) |
| ² New bonds issued during May 2019. | | |
| ³ Capital redemption on preference share liability of: | 602 | 1 889 |
| ⁴ The current portion represents: | 50 | 571 |
| – Capital repayments | | 520 |
| – Interest capitalised | 59 | 61 |
| – Reduced by the amortisation of transaction costs | (9) | (10) |
| Overdraft | | |
| Bank overdraft | 976 | 1 531 |

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

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

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

17. INTEREST-BEARING BORROWINGS *continued*

Below is a summary of the salient terms and conditions of the facilities:

| | Year | Loan facility | | |
|--|------------------|--|--|--|
| | | Bullet term loan | Amortised loan | Revolving facility |
| Aggregate nominal amount (Rm) | 31 December 2019 | 3 250 | 1 750 | 2 750 |
| | 31 December 2018 | 3 250 | 1 750 | 2 750 |
| Issue date or draw date | | 29 July 2016 | 29 July 2016 | 29 July 2016 |
| Maturity date | | 29 July 2021 | 29 July 2023 | 29 July 2021 |
| Capital payments | | The total outstanding amount is payable on final maturity date | Four consecutive semi-annual instalments commencing on the date occurring 18 months prior to the final maturity date | The total outstanding amount is payable on final maturity date |
| Duration (months) | | 60 | 84 | 60 |
| Secured or unsecured | | Unsecured | Unsecured | Unsecured |
| Undrawn portion (Rm) | 31 December 2019 | nil | 1 750 | nil |
| | 31 December 2018 | nil | 1 750 | 2 750 |
| Interest | | | | |
| Interest-payment basis | | Floating rate | Floating rate | Floating rate |
| Interest-payment period | | Three months | Three months | Monthly |
| Interest rate | | JIBAR plus a margin of 325 basis points (3.25%) | JIBAR plus a margin of 360 basis points (3.60%) | JIBAR plus a margin of 325 basis points (3.25%) |
| Effective interest rates for transaction costs | 31 December 2019 | 0.17% | N/A | N/A |
| | 31 December 2018 | 0.17% | 0.17% | N/A |
| Closing rate of interest | 31 December 2019 | 10.04% | nil | 9.63% |
| | 31 December 2018 | 10.28% | nil | nil |

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

17. INTEREST-BEARING BORROWINGS continued

| DMTN Programme (bonds) | | | |
|-------------------------------|------------------|---|---|
| | | R357 million senior unsecured floating rate note | R643 million senior unsecured floating rate note |
| Year | | | |
| Aggregate nominal amount (Rm) | 31 December 2019 | 357 | 643 |
| Issue date or draw date | | 13 June 2019 | 13 June 2019 |
| Maturity date | | 13 June 2022 | 13 June 2024 |
| Capital payments | | No fixed or determinable payments, the total outstanding amount is payable on final maturity date | No fixed or determinable payments, the total outstanding amount is payable on final maturity date |
| Duration (months) | | 36 | 60 |
| Secured or unsecured | | Unsecured | Unsecured |
| Interest | | | |
| Interest-payment basis | | Floating rate | Floating rate |
| Interest-payment period | | Three months | Three months |
| Interest rate | | JIBAR plus a margin of 165 basis points (1.65%) | JIBAR plus a margin of 189 basis points (1.89%) |
| Closing rate of interest | 31 December 2019 | 8.45% | 8.69% |

18. LEASE LIABILITIES

| | At 31 December | |
|---|------------------------|-----------------------|
| | 2019 Reviewed Rm | 2018 Audited Rm |
| Non-current | 461 | |
| Current | 27 | 2 |
| Total lease liabilities | 488 | 2 |
| Summary of lease liabilities by period of redemption: | | |
| Less than six months | 15 | 2 |
| Six to 12 months | 12 | |
| Between one and two years | 28 | |
| Between two and three years | 34 | |
| Between three and four years | 34 | |
| Between four and five years | 43 | |
| Over five years | 322 | |
| Total lease liabilities | 488 | 2 |
| Analysis of movement in lease liabilities | | |
| At beginning of the year – IAS 17 | 2 | |
| Recognised on initial application of IFRS 16 | 66 | |
| Balance at 1 January 2019 | 68 | |
| New leases | 458 | |
| Lease terminations | (12) | |
| Lease remeasurement adjustments | 7 | |
| Capital repayments | (33) | |
| – Lease payments | (69) | |
| – Interest charges | 36 | |
| At end of the year | 488 | |

The lease liabilities relate to the right-of-use assets disclosed under note 13. Interest is based on incremental borrowing rates ranging between 7.85% and 10.44%.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

19. PROVISIONS

| | Environmental rehabilitation | | | Other site closure costs Rm | Total Rm |
|---|------------------------------|--------------------|--------------------|-----------------------------|--------------|
| | Restoration Rm | Decommissioning Rm | Residual impact Rm | | |
| At 31 December 2019 | | | | | |
| At beginning of the year | 2 516 | 451 | 975 | 80 | 4 022 |
| Charge to operating expenses (note 8) | (244) | 52 | 301 | 18 | 127 |
| – Additional provision | 374 | 56 | 403 | 19 | 852 |
| – Unused amounts reversed | (618) | (4) | (102) | (1) | (725) |
| Unwinding of discount rate on rehabilitation costs (note 9) | 228 | 47 | 139 | | 414 |
| Provisions capitalised to property, plant and equipment | | (4) | | | (4) |
| Utilised during the year | (58) | | | (15) | (73) |
| Reclassification to non-current liabilities held-for-sale | (4) | | (69) | | (73) |
| Loss of control of subsidiary | (6) | (2) | (1) | | (9) |
| Total provisions at end of the year | 2 432 | 544 | 1 345 | 83 | 4 404 |
| – Current provision | 66 | | 11 | 22 | 99 |
| – Non-current provision | 2 366 | 544 | 1 334 | 61 | 4 305 |
| At 31 December 2018 | | | | | |
| At beginning of the year | 2 473 | 450 | 956 | 80 | 3 959 |
| Charge to operating expenses (note 8) | (133) | (29) | (32) | | (194) |
| – Additional provision | 35 | | 45 | | 80 |
| – Unused amounts reversed | (168) | (29) | (77) | | (274) |
| Unwinding of discount rate on rehabilitation costs (note 9) | 219 | 42 | 124 | 23 | 408 |
| Provisions capitalised to property, plant and equipment | | (12) | | | (12) |
| Utilised during the year | (35) | | | (23) | (58) |
| Reclassification to non-current liabilities held-for-sale | (8) | | (73) | | (81) |
| Total provisions at end of the year | 2 516 | 451 | 975 | 80 | 4 022 |
| – Current provision | 46 | | | 24 | 70 |
| – Non-current provision | 2 470 | 451 | 975 | 56 | 3 952 |

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

20. NET DEBT

| | At 31 December | |
|--|------------------------|-----------------------|
| | 2019 Reviewed Rm | 2018 Audited Rm |
| Net debt is presented by the following items on the statement of financial position: | | |
| Non-current interest-bearing debt | (7 452) | (3 843) |
| Interest-bearing borrowings | (6 991) | (3 843) |
| Lease liabilities | (461) | |
| Current interest-bearing debt | (77) | (573) |
| Interest-bearing borrowings | (50) | (571) |
| Lease liabilities | (27) | (2) |
| Net cash and cash equivalents | 1 719 | 549 |
| Cash and cash equivalents | 2 695 | 2 080 |
| Overdraft | (976) | (1 531) |
| Total net debt | (5 810) | (3 867) |

Analysis of movement in net cash/(debt):

| | Cash and cash equivalents/ (overdraft) Rm | Liabilities arising from financing activities | | Total Rm |
|---|---|---|----------------------------------|----------------|
| | | Non-current interest-bearing debt Rm | Current interest-bearing debt Rm | |
| Net cash at 31 December 2017 (Audited) | 6 617 | (6 480) | (68) | 69 |
| Cash flows | (6 110) | 2 139 | 8 | (3 963) |
| Operating activities | (54) | | | (54) |
| Investing activities | (3 195) | | | (3 195) |
| Financing activities | (2 861) | 2 139 | 8 | (714) |
| – Interest-bearing borrowings raised | 14 | | (14) | |
| – Interest-bearing borrowings repaid | (2 161) | 2 139 | 22 | |
| – Shares acquired in the market to settle share-based payments | (467) | | | (467) |
| – Dividends paid to BEE Parties | (247) | | | (247) |
| Non-cash movements | 42 | 498 | (513) | 27 |
| Amortisation of transaction costs | | | (27) | (27) |
| Preference dividend accrued | | (1) | | (1) |
| Interest accrued | | | 5 | 5 |
| Lease terminations | | 5 | 3 | 8 |
| Transfers between non-current and current liabilities | | 494 | (494) | |
| Translation difference on movement in cash and cash equivalents | 42 | | | 42 |
| Net debt at 31 December 2018 (Audited) | 549 | (3 843) | (573) | (3 867) |

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

20. NET DEBT continued

Analysis of movement in net cash/(debt) continued:

| | Cash and cash equivalents/(overdraft) Rm | Liabilities arising from financing activities | | Total Rm |
|---|---|---|-------------------------------------|-------------|
| | | Non-current interest-bearing debt Rm | Current interest-bearing debt Rm | |
| Net debt at 31 December 2018 (Audited) | 549 | (3 843) | (573) | (3 867) |
| Cash flows | 1 171 | (3 148) | 553 | (1 424) |
| Operating activities | (2 329) | | | (2 329) |
| Investing activities | 2 974 | | | 2 974 |
| Financing activities | 526 | (3 148) | 553 | (2 069) |
| – Interest-bearing borrowings raised | 4 250 | (3 750) | (500) | |
| – Interest-bearing borrowings repaid | (1 622) | 602 | 1 020 | |
| – Lease liabilities paid | (33) | | 33 | |
| – Shares acquired in the market to settle share-based payments | (678) | | | (678) |
| – Dividends paid to BEE Parties | (1 391) | | | (1 391) |
| Non-cash movements | (1) | (461) | (57) | (519) |
| Amortisation of transaction costs | | | (14) | (14) |
| Preference dividend accrued | | 13 | | 13 |
| Interest accrued | | | 2 | 2 |
| Lease remeasurements | | (7) | | (7) |
| New leases (including IFRS 16 adoption adjustment) | | (524) | | (524) |
| Lease terminations | | | 12 | 12 |
| Transfers between non-current and current liabilities | | 57 | (57) | |
| Translation difference on movement in cash and cash equivalents | (1) | | | (1) |
| Net debt at 31 December 2019 (Reviewed) | 1 719 | (7 452) | (77) | (5 810) |

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

21. OTHER LIABILITIES

| | At 31 December | |
|--|------------------------|-----------------------|
| | 2019 Reviewed Rm | 2018 Audited Rm |
| Non-current | | |
| Termination benefits ¹ | 144 | |
| Income received in advance | 23 | 18 |
| Total non-current other liabilities | 167 | 18 |
| Current | | |
| Termination benefits ¹ | 305 | 17 |
| Leave pay | 203 | 171 |
| Bonuses | 241 | 305 |
| VAT | 21 | 86 |
| Royalties | 9 | 50 |
| Current tax payables | 50 | 209 |
| Other | 97 | 94 |
| Total current other liabilities | 926 | 932 |
| Total other liabilities | 1 093 | 950 |

¹ During 2019, Exxaro announced the implementation of TVPs. Under this policy, employees that qualified would receive a severance package in exchange for termination of employment. Offers made by Exxaro to the targeted employees (who accepted the agreements) were signed by the end of 2019.

22. FINANCIAL INSTRUMENTS

The group holds the following financial instruments:

| | At 31 December | |
|--|------------------------|-----------------------|
| | 2019 Reviewed Rm | 2018 Audited Rm |
| Non-current | | |
| Financial assets | | |
| <i>Financial assets at fair value through other comprehensive income</i> | | |
| Equity: unlisted – Chifeng | 235 | 185 |
| <i>Financial assets at fair value through profit or loss</i> | | |
| Debt: unlisted – environmental rehabilitation funds | 2 039 | 1 432 |
| <i>Financial assets at amortised cost</i> | | |
| Loans to associates and joint ventures ¹ | 400 | 1 017 |
| ESD loans ² | | |
| Other financial assets at amortised cost | 124 | 80 |
| – Environmental rehabilitation funds | 276 | 687 |
| – Deferred pricing receivable ³ | 279 | 336 |
| – Impairment allowances | (3) | |
| Financial liabilities | | |
| <i>Financial liabilities at amortised cost</i> | | |
| Interest-bearing borrowings | (7 112) | (4 220) |
| Other payables | (6 991) | (3 843) |
| Deferred consideration payable ⁴ | (121) | (152) |
| <i>Financial liabilities at fair value through profit or loss</i> | | |
| Contingent consideration | | (225) |
| | | (488) |
| | | (488) |

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

22. FINANCIAL INSTRUMENTS continued

The group holds the following financial instruments continued:

| | At 31 December | |
|---|------------------------|-----------------------|
| | 2019 Reviewed Rm | 2018 Audited Rm |
| Current | | |
| Financial assets | | |
| <i>Financial assets at amortised cost</i> | 6 208 | 5 354 |
| Loans to associates and joint ventures | 133 | 9 |
| Associates ⁵ | 133 | |
| – Gross | 182 | |
| – Impairment allowances | (49) | |
| Joint ventures ¹ | | 9 |
| – Gross | | 9 |
| ESD loans ² | 82 | 45 |
| – Gross | 83 | 45 |
| – Impairment allowances | (1) | |
| Other financial assets at amortised cost | 57 | 80 |
| – Deferred pricing receivable ³ | 57 | 52 |
| – Deferred consideration receivable ⁴ | 1 | 29 |
| – Employee receivables | 5 | 4 |
| – Impairment allowances | (6) | (5) |
| Trade and other receivables | 3 241 | 3 140 |
| Trade receivables | 2 928 | 2 971 |
| – Gross | 3 023 | 3 052 |
| – Impairment allowances | (95) | (81) |
| Other receivables | 313 | 169 |
| – Gross | 464 | 223 |
| – Impairment allowances | (151) | (54) |
| Cash and cash equivalents | 2 695 | 2 080 |
| Financial liabilities | | |
| <i>Financial liabilities at amortised cost</i> | (3 936) | (5 457) |
| Interest-bearing borrowings | (50) | (571) |
| Deferred consideration payable ⁴ | (307) | (395) |
| Trade and other payables | (2 603) | (2 960) |
| – Trade payables | (1 164) | (1 456) |
| – Other payables | (1 439) | (1 504) |
| Overdraft | (976) | (1 531) |
| <i>Financial liabilities at fair value through profit or loss</i> | (191) | (362) |
| Derivative financial liabilities | | (1) |
| Contingent consideration | (191) | (361) |

¹ Loan granted to Mafube in 2018. The loan bears interest at JIBAR plus a margin of 4%, is unsecured and repayable within five years (ending 2023), unless otherwise agreed by the parties. The loan was settled in 2019.

² Interest-free loans advanced to successful applicants in terms of the Exaro ESD programme.

³ Relates to a deferred pricing adjustment which arose during 2017. The amount receivable will be settled over seven years (ending 2024) and bears interest at Prime Rate less 2%.

⁴ Relates to deferred consideration payable in relation to the acquisition of the investment in Insect Technology and LightApp.

⁵ Loan granted to Tumelo. The loan is interest free, unsecured and repayable on demand, unless otherwise agreed by the parties.

⁶ Relates to deferred consideration receivable which arose on the disposal of a mining right.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

22. FINANCIAL INSTRUMENTS continued

The group has granted the following loan commitments:

| | At 31 December | |
|--------------------------------|------------------------|-----------------------|
| | 2019 Reviewed Rm | 2018 Audited Rm |
| Total loan commitment | 1 206 | 1 221 |
| Mafube ¹ | 500 | 500 |
| Insect Technology ² | 706 | 721 |
| Undrawn loan commitment | 1 206 | 971 |
| Mafube | 500 | 250 |
| Insect Technology | 706 | 721 |

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

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

22.1 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 in Level 1 that are either directly or indirectly observable.

Level 3 – Inputs that are not based on observable market data (unobservable inputs).

| At 31 December 2019 (Reviewed) | Fair value Rm | Level 1 Rm | Level 2 Rm | Level 3 Rm |
|--|------------------|---------------|---------------|---------------|
| Financial assets at fair value through other comprehensive income | 235 | | | 235 |
| Equity – unlisted: Chifeng | 235 | | | 235 |
| Financial assets at fair value through profit or loss | 2 039 | | 2 039 | |
| Non-current debt – unlisted: environmental rehabilitation funds | 2 039 | | 2 039 | |
| Financial liabilities at fair value through profit or loss | (191) | | | (191) |
| Current contingent consideration | (191) | | | (191) |
| Net financial assets held at fair value | 2 083 | | 2 039 | 44 |

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

22. FINANCIAL INSTRUMENTS *continued*

22.1 Fair value hierarchy *continued*

| | Fair value Rm | Level 1 Rm | Level 2 Rm | Level 3 Rm |
|--|------------------|---------------|---------------|---------------|
| At 31 December 2018 (Audited) | | | | |
| Financial assets at fair value through other comprehensive income | 185 | | | 185 |
| Equity – unlisted: Chifeng | 185 | | | 185 |
| Financial assets at fair value through profit or loss | 1 432 | | 1 432 | |
| Non-current debt – unlisted: environmental rehabilitation funds | 1 432 | | 1 432 | |
| Financial liabilities at fair value through profit or loss | (849) | | | (849) |
| Non-current contingent consideration | (488) | | | (488) |
| Current contingent consideration | (361) | | | (361) |
| Derivative financial liabilities | (1) | | (1) | |
| Net financial assets/(liabilities) held at fair value | 767 | | 1 431 | (664) |

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

| | Contingent consideration Rm | Chifeng Rm | Total Rm |
|--|-----------------------------------|---------------|-------------|
| At 31 December 2017 (Audited) | (723) | 152 | (571) |
| <i>Movement during the year</i> | | | |
| Gains recognised in other comprehensive income (pre-tax effect) ¹ | | 33 | 33 |
| Losses recognised in profit or loss | (357) | | (357) |
| Settlements | 299 | | 299 |
| Exchange losses recognised in profit or loss | (68) | | (68) |
| At 31 December 2018 (Audited) | (849) | 185 | (664) |
| <i>Movement during the year</i> | | | |
| Gains recognised in other comprehensive income (pre-tax effect) ¹ | | 50 | 50 |
| Gains recognised in profit or loss | 296 | | 296 |
| Settlements | 344 | | 344 |
| Exchange gains recognised in profit or loss | 18 | | 18 |
| At 31 December 2019 (Reviewed) | (191) | 235 | 44 |

¹ Tax on Chifeng amounts to nil (31 December 2018: R12 million).

Transfers

The group recognises transfers between levels of the fair value hierarchy 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.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

22. FINANCIAL INSTRUMENTS continued

22.1 Fair value hierarchy continued

Valuation process applied

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. These financial institutions invest in instruments which are listed.

22.2 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

Contingent consideration

The potential undiscounted amount of the remaining future payments that the group could be required to make under the ECC acquisition is between nil and US\$35 million. The amount of future payments is dependent on the API4 coal price.

At 31 December 2019, there was a decrease of US\$20.4 million (R296 million) (31 December 2018: an increase of US\$25.4 million (R357 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 |

The amount to be paid in each of the five years is determined as follows:

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

An additional payment to Total S.A. amounting to R344 million was required for the 2018 reference year, 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 S.A. 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 the rand/US\$ exchange rate, API4 export price and the discount rate.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

23. CONTINGENT LIABILITIES

| | At 31 December | |
|--|------------------------|-----------------------|
| | 2019 Reviewed Rm | 2018 Audited Rm |
| Pending litigation and other claims ¹ | 1 103 | 1 155 |
| Operational guarantees ² | 4 506 | 3 062 |
| – Financial guarantees ceded to the DMR | 3 994 | 2 971 |
| – Other financial guarantees | 512 | 91 |
| Total contingent liabilities | 5 609 | 4 217 |

¹ Consists of legal cases with Exxaro as defendant. Tax disputes with SARS have been settled.

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.

SARS

As previously reported, on 30 March 2016, SARS had issued additional assessments to the amount of R442 million (R199 million tax payable, R91 million interest and R152 million penalties) to which Exxaro formally objected. The matter was settled outside of the Tax Court. A settlement agreement was concluded and signed on 30 September 2019 in terms of which SARS must refund Exxaro an amount of R24 million.

Share of equity-accounted investments' contingent liabilities

| | At 31 December | |
|--|------------------------|-----------------------|
| | 2019 Reviewed Rm | 2018 Audited Rm |
| Share of contingent liabilities of equity-accounted investments ¹ | 1 060 | 726 |

¹ Mainly operational guarantees issued by financial institutions relating to environmental rehabilitation and closure costs.

24. 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.

25. GOING CONCERN

Based on the latest results for the year ended 31 December 2019, the latest board approved budget for 2020, as well as the available banking facilities and cash generating capability, Exxaro satisfies the criteria of a going concern.

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS continued

26. EVENTS AFTER THE REPORTING PERIOD

Details of the final dividend are provided in note 11.

Subsequent to 31 December 2019, the following notable events occurred:

- On 17 January 2020, the outstanding conditions for the sale of the EMJV business to Scinta Energy Proprietary Limited were met (refer note 16).
- On 31 January 2020, the Arnot operation was transferred to Arnot OpCo Proprietary Limited Consortium.
- On 20 February 2020, Exxaro announced its intention to divest from the ECC group as well as the Leeuwanpan operation.
- As announced on 17 September 2019, Exxaro has concluded an agreement with Khopoli, a wholly owned subsidiary of Tata Power, to acquire Khopoli's 50% shareholding in Cennergi for an amount of R1 550 million, subject to normal working capital adjustments. Post the conclusion of the agreement, Exxaro will have 100% ownership of Cennergi. The last condition precedent was met in March 2020.

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

27. EXTERNAL AUDITOR'S REVIEW CONCLUSION

These reviewed condensed group annual financial statements for the year ended 31 December 2019, as set out on pages 12 to 54, have been reviewed by the company's external auditor, PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report on the condensed group annual financial statements is available for inspection at Exxaro's registered office, together with the financial statements identified in the external auditor's report.

28. KEY MEASURES¹

| | At 31 December | |
|--|----------------|--------|
| | 2019 | 2018 |
| Closing share price (rand per share) | 131.14 | 137.87 |
| Market capitalisation (Rbn) | 47.04 | 49.45 |
| Average rand/US\$ exchange rate (for the year ended) | 14.44 | 13.24 |
| Closing rand/US\$ spot exchange rate | 14.13 | 14.43 |

¹ Non-IFRS numbers.

CORPORATE INFORMATION

REGISTERED OFFICE

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The ConneXXion
263B West Avenue
Die Hoewes, Centurion
0163
Tel: +27 12 307 5000
Fax: +27 12 323 3400

This report is available at: www.exxaro.com

DIRECTORS

Executive: MDM Mgojo (chief executive officer), PA Koppeschaar (finance director)
Non-executive: L Mbatha, VZ Mntambo
Independent non-executive: J van Rooyen (chairman), GJ Fraser-Moleketi (lead independent director), MJ Moffett, LI Mophatlane, EJ Myburgh, V Nkonyeni, A Sing, PCCH Snyders

PREPARED UNDER THE SUPERVISION OF:

PA Koppeschaar CA(SA)
SAICA registration number: 00038621

GROUP COMPANY SECRETARY

SE van Loggerenberg

TRANSFER SECRETARIES

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Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
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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.

Webcast link: <http://www.corpcam.com/Exxaro12032020>

Conference call details:

| | |
|--------------------------|-----------------|
| Johannesburg (Telkom) | 010 201 6800 |
| Johannesburg (Neotel) | 011 535 3600 |
| USA and Canada | 1 508 924 4326 |
| UK | 0 333 300 1418 |
| Other countries (Telkom) | +27 10 201 6800 |
| Other countries (Neotel) | +27 11 535 3600 |

ANNEXURE: ACRONYMS

| | |
|----------------|---|
| AMSA | ArcelorMittal SA Limited |
| Anglo | Anglo South Africa Capital Proprietary Limited |
| Anglo Coal | Anglo Coal (Grosvenor) Proprietary Limited |
| API4 | All publications index 4 (FOB Richards Bay 6000/kcal/kg) |
| BBBEE | Broad-based black economic empowerment |
| BEE | Black economic empowerment |
| BEE Parties | External shareholders of Eyesizwe |
| Black Mountain | Black Mountain Proprietary Limited |
| Cennergi | Cennergi Proprietary Limited |
| CFR | Cost and freight |
| Chifeng | Chifeng Kumba Hongye Corporation Limited |
| Companies Act | Companies Act No 71 of 2008, as amended |
| CPI | Consumer price index |
| Curapipe | Curapipe Systems Limited |
| DCME | Dorstfontein East |
| DCMW | Dorstfontein West |
| DMR | Department of Mineral Resources |
| DMTN | Domestic Medium-Term Note |
| DTI | Department of Trade and Industry |
| EBITDA | Net operating profit before interest, tax, depreciation, amortisation, impairment charges/reversals and net loss or gain on the disposal of assets and investments (including translation differences recycled to profit or loss) |
| ECC | Exxaro Coal Central Proprietary Limited |
| ECL(s) | Expected credit loss(es) |
| EMJV | Ermelo joint venture |
| ESD | Enterprise and supplier development |
| Exxaro | Exxaro Resources Limited |
| Eyesizwe | Eyesizwe (RF) Proprietary Limited, special purpose private company which has a 30% shareholding in Exxaro |
| Ferroland | Ferroland Grondtrust Proprietary Limited |
| FOB | Free on board |
| FSB | Financial Stability Board |
| FVOCI | Fair value through other comprehensive income |
| FZON | Forzando North |

| | |
|-----------------------|---|
| GAM | Global Asset Management Limited |
| 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(s) |
| IASB | International Accounting Standards Board |
| IFRIC | IFRS Interpretations Committee |
| IFRS | International Financial Reporting Standard(s) |
| IFRS 9 | IFRS 9 <i>Financial Instruments</i> |
| IFRS 15 | IFRS 15 <i>Revenue from Contracts with Customers</i> |
| IFRS 16 | IFRS 16 <i>Leases</i> |
| Incoterm | International Commercial Terms |
| Insect Technology | Insect Technology Group Holdings UK Limited (previously named AgriProtein Holdings UK Limited) |
| JIBAR | Johannesburg Interbank Agreed Rate |
| JSE | JSE Limited |
| Khopoli | Khopoli Investments Limited |
| kt | Kilo tonnes |
| Lebonix | Lebonix Proprietary Limited |
| LightApp | LightApp Technologies Limited |
| Listings Requirements | JSE Listings Requirements |
| LOM | Life of mine |
| LTIFR | Lost-time injury frequency rate |
| Mafube | Mafube Coal Proprietary Limited |
| Manyeka | Manyeka Coal Mines Proprietary Limited |
| MPRDA | Mineral and Petroleum Resources Development Act 28 of 2002 |
| Mt | Million tonnes |
| NBC | North Block Complex |
| NCI | Non-controlling interests |
| NEMA | National Environmental Management Act, 1998 |

ANNEXURE: ACRONYMS continued

| | |
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| Prime Rate | South African prime bank rate |
| PwC | PricewaterhouseCoopers Incorporated |
| RB1 | Richards Bay export product 1 |
| RBCT | Richards Bay Coal Terminal Proprietary Limited |
| Rbn | Rand billion |
| Replacement BEE Transaction | BEE transaction implemented in 2017 which resulted in Exxaro being held 30% by HDSAs |
| Rm | Rand million |
| SAICA | South African Institute of Chartered Accountants |
| SARS | South African Revenue Service |
| SIC | Standard Interpretations Committee |
| SIOC | Sishen Iron Ore Company Proprietary Limited |
| SSCC | Semi-soft coking coal |
| Tata Power | Tata Power Company Limited |
| TCFD | Task Force on Climate-related Financial Disclosures |
| 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 |
| Tumelo | Tumelo Coal Mines Proprietary Limited |
| TVP(s) | Targeted voluntary severance package(s) |
| TFR | Transnet Freight Rail |
| UK | United Kingdom |
| US\$ | United States dollar |
| VAT | Value Added Tax |
| WANOS | Weighted average number of shares |