SUMMARISED FINANCIAL RESULTS for the six-month period ended 30 June 2018

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")

Sustainable operations
> **LTIFR** of **0.10**

Group

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

SIOC

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

Tronox

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

GROUP SEGMENT RESULTS (Rm)

	Revenue			Net operating profit/(loss)		
	1H18	1H17	2H17	1H18	1H17	2H17
Coal	12 240	10 670	11 883	3 387	3 014	2 995
– Tied[1]	1 827	1 591	1 665	192	149	(16)
– Commercial	10 413	9 079	10 218	3 195	2 865	3 011
Ferrous	12	56	187	7		53
TiO_2					(75)	5 160
Other	8	10	7	(268)	(29)	(5 058)
Total	12 260	10 736	12 077	3 126	2 910	3 150

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

INCOME/(LOSS) FROM INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Rm)

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

[1] *Exxaro has a 26% interest in Tronox SA and Tronox UK.*
[2] *Application of the equity method ceased when the investment was classified as a non-current asset held-for-sale on 30 September 2017.*

FURTHER INFORMATION
This short form announcement is the responsibility of the directors. It is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement published on SENS on Thursday, 16 August 2018, and also available on Exxaro's website at www.exxaro.com. Copies of the full announcement may be requested by contacting Exxaro Investor Relations.

SUMMARISED GROUP STATEMENT OF COMPREHENSIVE INCOME (Rm)

	6 months ended 30 June 2018	6 months ended 30 June 2017	12 months ended 31 December 2017
Revenue	12 260	10 736	22 813
Operating expenses	(9 134)	(7 751)	(17 593)
Operating profit	3 126	2 985	5 220
BEE credentials			(4 245)
Net operating profit	3 126	2 985	975
Net financing cost	(177)	(451)	(611)
Income from financial assets	1		2
Share of income of equity-accounted investments	1 046	1 488	3 952
Profit before tax	3 996	4 022	4 318
Income tax expense	(809)	(861)	(1 542)
Profit for the period from continuing operations	3 187	3 161	2 776
Profit/(loss) for the period from discontinued operations	31	(438)	3 256
Profit for the period	3 218	2 723	6 032
Other comprehensive income/(loss), net of tax	223	(181)	(1 352)
Total comprehensive income for the period	3 441	2 542	4 680
Attributable earnings per share (cents)			
– Basic	1 268	852	1 923
– Diluted	988	852	1 724
Headline earnings per share (cents)			
– Basic	1 222	882	502
– Diluted	953	882	450

SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION (Rm)

As at	30 June 2018	30 June 2017	31 December 2017
Non-current assets	49 691	51 556	47 706
Current assets	7 333	5 919	10 936
Non-current assets held-for-sale	3 740	175	3 910
Total assets	60 764	57 650	62 552
Total equity	38 676	36 386	39 365
Non-current liabilities	15 770	15 909	17 409
Current liabilities	4 633	4 221	4 127
Non-current liabilities held-for-sale	1 685	1 134	1 651
Total equity and liabilities	60 764	57 650	62 552
Market capitalisation (Rb)	45	29	58

SUMMARISED GROUP STATEMENT OF CASH FLOWS (Rm)

	6 months ended June 2018	6 months ended June 2017	12 months ended December 2017
Cash flows from operating activities	(926)	1 528	3 400
Cash generated by operations	3 941	3 660	6 826
Net interest paid	(126)	(273)	(409)
Tax paid	(588)	(575)	(790)
Dividends paid	(4 153)	(1 284)	(2 227)
Cash flows from investing activities	(1 109)	(907)	4 377
Capital expenditure to maintain operations	(1 177)	(1 105)	(2 977)
Capital expenditure to expand operations	(860)	(209)	(944)
Income from investments in associates	1 306	59	1 499
Proceeds from disposal of equity-accounted investments			6 525
Other investing activities	(378)	348	274
Cash flows from financing activities	(2 065)	(4 620)	(6 361)
Interest-bearing borrowings raised			2 491
Interest-bearing borrowings repaid	(1 496)	(999)	(2 534)
Shares acquired in the market to settle share-based payments	(422)	(97)	(99)
Dividends paid to BEE Parties	(147)		
Repurchase of share capital		(3 524)	(6 219)
Net (decrease)/increase in cash and cash equivalents	(4 100)	(3 999)	1 416

CORPORATE INFORMATION
Registered office: Exxaro Resources Limited, Roger Dyason Road, Pretoria West, 0183
Tel: +27 12 307 5000, Fax: +27 12 323 3400
Directors: J van Rooyen*** (chairman), MDM Mgojo* (chief executive officer), PA Koppeschaar* (finance director), GJ Fraser-Moleketi (lead independent director)***, MW Hlahla**, D Mashile-Nkosi**, L Mbatha**, VZ Mntambo**, MJ Moffett***, LI Mophatlane***, EJ Myburgh***, V Nkonyeni***, A Sing***, PCCH Snyders***
**Executive **Non-executive ***Independent non-executive*
Prepared under supervision of: PA Koppeschaar, CA(SA)
SAICA registration number: 00038621
Group company secretary SE van Loggerenberg
Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa. PO Box 61051, Marshalltown, 2107
Investor relations: MI Mthenjane (+27 12 307 7393)
Sponsor: Absa Bank Limited (acting through its Corporate and Investment Bank Division) Tel: +27 11 895 6000

COMMENTARY

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

ROBUST FINANCIAL PERFORMANCE

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

FINANCIAL AND OPERATIONAL RESULTS

Group financial results

Revenue and net operating profit

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

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

Earnings

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

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

Cash flow and funding

Cash flow generated by operations increased by R281 million to R3 941 million (1H17: R3 660 million) and was sufficient to cover operating activities and capital expenditure.

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

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

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

Debt exposure

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

Coal business performance

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

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

Production and sales volumes

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

Metallurgical coal

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

Thermal coal

Tied mines

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

Commercial mines

Power station coal production from the commercial mines was 2 122kt higher mainly due to:
- Increased production at the Grootegeluk plants (GG7 and GG8) of 2 329kt
- Increased production at Leeuwpan of 155kt as a result of higher plant availability.

This increase was partly offset by:
- Lower production at NBC of 362kt due to community actions as well as discontinuing production at Eerstelingsfontein due to the pending divestment to Universal.

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

Steam coal production decreased by 723kt mainly as a result of:
- Lower buy-ins from Mafube JV of 616kt due to the ramping down of Springboklaagte and the ramping up of Nooitgedacht reserve.

Domestic steam sales decreased by 225kt mainly as a result of:
- Lower sales at Leeuwpan of 407kt due to coal being diverted to the export market
- Lower sales at Grootegeluk of 67kt due to lower product availability
- Lower sales at ECC of 44kt.

The negative variance was partly offset by:
- Higher sales at NBC was 293kt due to alternative markets found for the lower Eskom off-take.

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

Revenue and net operating profit

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

Net operating profit of R3 387 million (1H17: R3 014 million) at an operating margin of 28% represents an increase of 12%, mainly due to:
- Higher sales prices (+R1 195 million)
- Volume variances (+R605 million)
- Lower distribution cost (+R257 million).

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

Equity-accounted investment

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

Ferrous business

Equity-accounted investment

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

Titanium dioxide

Equity-accounted investment

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

The Tronox Limited investment was classified as a non-current asset held-for-sale on 30 September 2017, upon which date equity accounting ceased.

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

Energy business

Equity-accounted investment

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

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

PERFORMANCE AGAINST NEW B-BBEE CODES AND MINING CHARTER

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

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

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

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

Implementation of Employee and Community Empowerment Schemes

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

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

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

Other undertakings

Exxaro is in discussions with stakeholders in respect of the undertakings relating to the restructuring of the BEE shareholding and the potential listing of Eyesizwe (RF) (Pty) Ltd on a BEE exchange.

OUTLOOK

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

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

Exxaro expects a stable outlook for the coal business in 2H18 based on:
- Favourable trading conditions in domestic markets
- Strong international coal prices
- Our business optimisation strategy driving operational and innovation excellence throughout the business with a strong focus on eliminating systemic waste
- Good progress being made on building key technology enabling infrastructure and the visualisation of business constraints, aimed at accelerating our innovation and technology implementation strategy.

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

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

REVISED DIVIDEND POLICY AND INTERIM DIVIDEND

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

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

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

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

The board of directors has therefore declared a cash dividend comprising:
- 3.3 times core attributable coal earnings
- Pass through of SIOC dividend of R1 263 million.

Salient dates for payment of the interim dividend are:
- Last day to trade cum dividend on the JSE Tuesday — 18 September 2018
- First trading day ex dividend on the JSE Wednesday — 19 September 2018
- Record date Friday — 21 September 2018
- Payment date Tuesday — 25 September 2018

On behalf of the board of directors

Jeffrey van Rooyen
Chairman

Mxolisi Mgojo
Chief executive officer

Riaan Koppeschaar
Finance director

16 August 2018

exxaro
POWERING POSSIBILITY

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