



POWERING POSSIBILITY



EXXARO RESOURCES LIMITED

Summarised group annual financial statements
for the year ended 31 December 2018
and notice of the annual general meeting



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This publication only includes statutory information. All other reports are available on the website at www.exxaro.com.

The following reports, which should be read with this report, as well as the audited group and company annual financial statements 2018, will be available on our website on 24 April 2019 on <https://www.exxaro.com/investor/integrated-reports2018/index.php>

- > Integrated report
- > Supplementary report
- > Mineral resources and reserves statement

Acronyms used in this publication are as defined in the audited group and company annual financial statements on pages 2 to 4.

CONTACT

Ongoing feedback from stakeholders helps us contextualise certain issues needed for more informed understanding by readers. We welcome your suggestions, which should be directed to:

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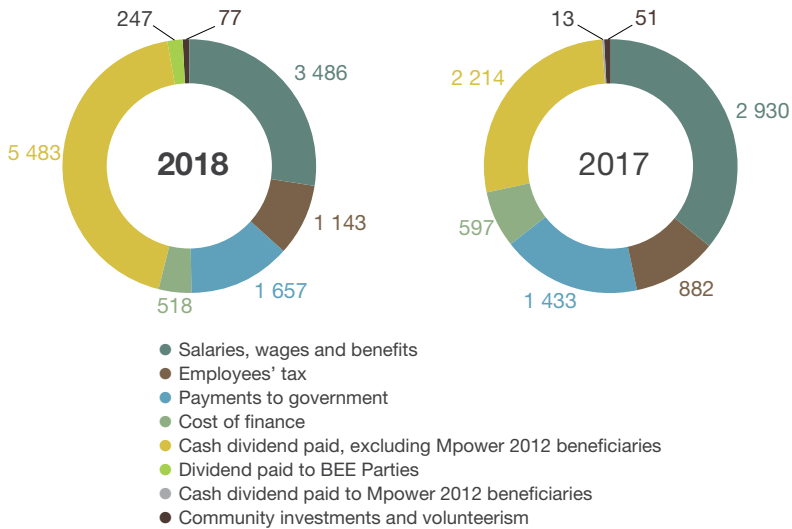


EXXARO 2018 PERFORMANCE AT A GLANCE

Performance overview

- Revenue up 12% at R25.5 billion
- Post-tax equity income of R3.3 billion, up 54%
- Net debt:equity of 9%
- Total dividend increased 55%
- HEPS¹ of R26.72

Value distribution (Rm)



¹ Headline earnings per share



AUDIT COMMITTEE REPORT

The audit committee report is included in the audited group and company annual financial statements (AFS) for the year ended 31 December 2018 as published on www.exxaro.com

INDEPENDENT EXTERNAL AUDIT CONCLUSION

Refer to the independent external audit conclusion on page 62, note 27 to the summarised group annual financial statements.

PREPARER AND SUPERVISION

These summarised group annual financial statements have been prepared under the supervision of the group's finance director, Mr PA Koppeschaar CA(SA), SAICA registration number: 00038621.

The summarised group annual financial statements should be read in conjunction with the audited group and company annual financial statements 2018 which are available on Exxaro's website at www.exxaro.com. These summarised group annual financial statements do not contain sufficient information to allow for a complete understanding of the financial results and state of affairs of the group, which is provided by the detailed audited group and company annual financial statements 2018.

The board of directors has used its discretion in determining the material issues to be reported in this summary.

BOARD RESPONSIBILITY

The board of directors acknowledges its responsibility for the integrity of Exxaro Resources Limited's (Exxaro) summarised group annual financial statements and annual general meeting (AGM) notice.

The board of directors reviewed and approved the issue of this publication.



Mr J van Rooyen
Chairman



Mr MDM Mgojo
Chief executive officer

12 April 2019

CERTIFICATE BY GROUP COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act No 71 of 2008, as amended (Companies Act) I, SE van Loggerenberg, in my capacity as group company secretary and legal, confirm that, to the best of my knowledge and belief, for the year ended 31 December 2018, Exxaro has filed with the Companies and Intellectual Property Commission all such returns and notices as required of a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.



SE van Loggerenberg
Group company secretary and legal

Pretoria
12 April 2019

exxaro

POWERING POSSIBILITY

01: **SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS**

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AUDITED GROUP STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2018

	2018 Rm	2017 Rm
Revenue (note 7)	25 491	22 813
Operating expenses	(19 788)	(17 593)
Operating profit (note 8)	5 703	5 220
BEE credentials		(4 245)
Net operating profit	5 703	975
Finance income (note 9)	283	217
Finance costs (note 9)	(605)	(828)
Income from financial assets	6	2
Share of income of equity-accounted investments (note 10)	3 259	3 952
Profit before tax	8 646	4 318
Income tax expense	(1 653)	(1 542)
Profit for the year from continuing operations	6 993	2 776
Profit for the year from discontinued operations (note 6)	69	3 256
Profit for the year	7 062	6 032
Other comprehensive income/(loss), net of tax	246	(1 352)
<i>Items that will not be reclassified to profit or loss:</i>	66	13
– Remeasurement of post-retirement employee obligations	39	(29)
– Changes in fair value of equity investments at fair value through other comprehensive income	21	
– Share of other comprehensive income of equity-accounted investments	6	42
<i>Items that may subsequently be reclassified to profit or loss:</i>	194	(92)
– Unrealised gains/(losses) on translation of foreign operations	67	(62)
– Revaluation of financial assets available-for-sale		(14)
– Share of other comprehensive income/(loss) of equity-accounted investments	127	(16)
<i>Items that have subsequently been reclassified to profit or loss:</i>	(14)	(1 273)
– Recycling of exchange differences on translation of foreign operations	(14)	58
– Share of recycling of other comprehensive income of equity-accounted investments		(1 331)
Total comprehensive income for the year	7 308	4 680



	2018 Rm	2017 Rm
Profit attributable to:		
Owners of the parent	7 030	5 982
– Continuing operations	6 961	2 726
– Discontinued operations	69	3 256
Non-controlling interests	32	50
– Continuing operations	32	50
Profit for the year	7 062	6 032
Total comprehensive income attributable to:		
Owners of the parent	7 276	4 630
– Continuing operations	7 207	2 487
– Discontinued operations	69	2 143
Non-controlling interests	32	50
– Continuing operations	32	50
Total comprehensive income for the year	7 308	4 680

	2018 Cents	2017 Cents
Attributable earnings per share		
Aggregate		
– Basic	2 801	1 923
– Diluted	2 156	1 724
Continuing operations		
– Basic	2 774	876
– Diluted	2 135	786
Discontinued operations		
– Basic	27	1 047
– Diluted	21	938

AUDITED GROUP STATEMENT OF FINANCIAL POSITION at 31 December 2018

	(Re-presented)	
	2018 Rm	2017 Rm
ASSETS		
Non-current assets	52 226	47 660
Property, plant and equipment	28 825	24 362
Biological assets	30	34
Intangible assets	15	17
Investments in associates (note 13)	15 477	15 810
Investments in joint ventures (note 14)	1 569	1 479
Financial assets (note 20)	2 634	2 351
– Financial assets at fair value through other comprehensive income	185	
– Financial assets at fair value through profit or loss	1 432	
– Loans to associates and joint ventures	250	
– Enterprise and supplier development (ESD) loans	80	
– Other financial assets at amortised cost	687	
Lease receivables	66	72
Deferred tax	523	571
Other non-current assets (note 15)	3 087	2 964
Current assets	7 641	10 844
Inventories	1 604	1 055
Financial assets (note 20)	134	48
– Loans to associates and joint ventures	9	
– Enterprise and supplier development loans	45	
– Other financial assets at amortised cost	80	
Trade and other receivables	3 140	2 613
Lease receivables	5	4
Current tax receivables	23	28
Cash and cash equivalents	2 080	6 657
Other current assets (note 15)	655	439
Non-current assets held-for-sale (note 16)	5 183	3 910
Total assets	65 050	62 414



	(Re-presented)	
	2018 Rm	2017 Rm
EQUITY AND LIABILITIES		
Capital and other components of equity		
Share capital	1 021	1 021
Other components of equity	8 028	8 120
Retained earnings	32 797	30 962
Equity attributable to owners of the parent	41 846	40 103
Non-controlling interests	(701)	(738)
Total equity	41 145	39 365
Non-current liabilities		
Interest-bearing borrowings (note 17)	3 843	6 480
Non-current other payables	152	89
Provisions	3 952	3 864
Post-retirement employee obligations	193	227
Financial liabilities (note 20)	713	414
– Financial liabilities at fair value through profit or loss	488	
– Financial liabilities at amortised cost	225	
Deferred tax	6 874	5 988
Other non-current liabilities (note 19)	18	380
Current liabilities	6 823	3 956
Interest-bearing borrowings (note 17)	573	68
Trade and other payables	2 960	2 245
Provisions	70	95
Financial liabilities (note 20)	757	309
– Financial liabilities at fair value through profit or loss	361	
– Financial liabilities at amortised cost	395	
– Derivative financial instruments	1	
Current tax payable	209	368
Overdraft (note 17)	1 531	54
Other current liabilities (note 19)	723	817
Non-current liabilities held-for-sale (note 16)	1 337	1 651
Total liabilities	23 905	23 049
Total equity and liabilities	65 050	62 414

AUDITED GROUP STATEMENT OF CHANGES IN EQUITY

	Other components of equity			
	Share capital Rm	Foreign currency translation Rm	Financial instruments revaluation Rm	Equity-settled Rm
At 31 December 2016	2 509	4 010	23	1 898
Profit for the year				
Other comprehensive loss for the year		(62)		
Share of other comprehensive (loss)/income of equity-accounted investments		(154)	(65)	203
Issue of share capital ¹	10 705			
Share-based payments movement ²				4 057
Dividends paid				
Share repurchase ³	(1 951)			
Treasury shares ⁴	(10 242)			
Disposal of an associate ⁵		(1 332)	1	(286)
Liquidation of subsidiary ⁶		58		
Reclassification within equity				
At 31 December 2017	1 021	2 520	(41)	5 872
Adjustment on initial application of IFRS 15 (net of tax) ⁷				
Adjustment on initial application of IFRS 9 (net of tax) ⁷				
Adjusted balance at 1 January 2018	1 021	2 520	(41)	5 872
Profit for the year				
Other comprehensive income for the year		67		
Share of other comprehensive income of equity-accounted investments		118	9	
Adjustment to NCI ⁸				
Share-based payments movement ²				(338)
Dividends paid				
Disposal of subsidiaries ⁹				
Liquidation of subsidiary ⁶		(14)		
At 31 December 2018	1 021	2 691	(32)	5 534

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

² For 2018, the share-based payment movements include an amount of R247 million paid to the external shareholders of Eyesizwe (BEE Parties) as a dividend. For 2017, comprises the final vesting of Mpower 2012 shares as well as the potential benefit to be obtained by the BEE Parties amounting to R4 245 million.

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

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

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

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

⁷ Refer note 4 for details of the adjustments on initial application of IFRS 15 and IFRS 9.

⁸ Non-controlling interests (NCI) share of an error which was identified at a subsidiary company level. Interest on the environmental rehabilitation trust fund was erroneously omitted in the subsidiary accounting records. This was considered material for the subsidiary companies which were impacted however this was not considered a material error for group and therefore there was no restatement for the Exxaro group.

⁹ For 2018, derecognised the NCI reserve which relates to Eloff Mining Company Proprietary Limited (Eloff) that was disposed of as part of the Manyeka Coal Mines Proprietary Limited (Manyeka) disposal.



Post-retirement employee obligations Rm	Available-for-sale revaluation Rm	Financial asset FVOCI revaluation Rm	Other Rm	Retained earnings Rm	Attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
(262)	(60)		(3 524)	31 281	35 875	(788)	35 087
(29)	(14)			5 982	5 982	50	6 032
42					(105)		(105)
					26		26
					10 705		10 705
					4 057		4 057
			3 524	(2 227)	(2 227)		(2 227)
				(4 268)	(2 695)		(2 695)
91				195	(10 242)		(10 242)
					(1 331)		(1 331)
			1	(1)	58		58
(158)	(74)		1	30 962	40 103	(738)	39 365
				314	314		314
	74	(74)		(11)	(11)		(11)
(158)		(74)	1	31 265	40 406	(738)	39 668
39		21		7 030	7 030	32	7 062
6					127		127
					133		133
				(15)	(15)	15	
					(338)		(338)
				(5 483)	(5 483)		(5 483)
					(14)	(10)	(10)
(113)		(53)	1	32 797	41 846	(701)	41 145

Dividend distribution

Dividend per share paid in respect of a special dividend declared during 2018

Final dividend per share paid in respect of the 2017 financial year

Dividend per share paid in respect of the 2018 interim period

Final dividend per share payable in respect of the 2018 financial year

Cents

1 255

400

530

555

Foreign currency translation

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

Financial instruments revaluation

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

Equity-settled

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

Post-retirement employee obligations

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

Available-for-sale revaluation

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

Financial asset fair value through other comprehensive income (FVOCI) revaluation

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

AUDITED GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	(Re-presented)	
	2018	2017
	Rm	Rm
Cash flows from operating activities		
Cash generated by operations	(54)	3 326
Settlement of contingent consideration (note 20.2) ¹	7 024	6 826
Interest paid	(299)	(74)
Interest received	(518)	(597)
Tax paid	229	188
Dividends paid	(1 007)	(790)
	(5 483)	(2 227)
Cash flows from investing activities	(3 195)	4 451
Property, plant and equipment acquired to maintain operations (note 12)	(2 847)	(2 977)
Property, plant and equipment acquired to expand operations (note 12)	(2 943)	(944)
Intangible assets acquired	(1)	(1)
Proceeds from disposal of property, plant and equipment	268	11
Decrease in loans to Main Street 333		400
Interest received on loans to Main Street 333		84
Decrease in other financial assets at amortised cost	82	
Increase in ESD loans	(125)	
Decrease in loan to joint venture	186	
Increase in loan to joint venture	(250)	
Decrease in lease receivables	14	
Proceeds from disposal of operation	17	
Proceeds from disposal of subsidiaries ²	75	
Proceeds from disposal of a financial asset	24	
Increase in loan to associate		(1)
Acquisition of associates (note 13)	(263)	(26)
Dividend income from investments in associates and joint ventures	2 627	1 499
Proceeds from disposal of equity-accounted investments		6 525
Decrease in non-current financial assets		14
Increase in non-current financial assets		(4)
Increase in environmental rehabilitation funds	(135)	(130)
Dividend income from financial assets and non-current assets classified as held-for-sale	76	1
Cash flows from financing activities	(2 861)	(6 361)
Interest-bearing borrowings raised	14	2 491
Interest-bearing borrowings repaid	(2 161)	(2 534)
Shares acquired in the market to settle share-based payments	(467)	(99)
Dividends paid to BEE Parties	(247)	
Repurchase of share capital		(6 219)
Net (decrease)/increase in cash and cash equivalents	(6 110)	1 416
Cash and cash equivalents at beginning of the year	6 617	5 183
Reclassifications of cash and cash equivalents		51
Translation difference on movement in cash and cash equivalents	42	(33)
Cash and cash equivalents at end of the year	549	6 617
Cash and cash equivalents	2 080	6 657
Cash and cash equivalents classified as held-for-sale		14
Overdraft	(1 531)	(54)

¹ The settlement of contingent consideration has been reclassified from investing activities to operating activities as this relates to post-acquisition changes in fair value of the contingent consideration that has been paid but is not recognised as an adjustment in the investment value previously acquired.

² Consists of cash received of R90 million and cash disposed of R15 million.



AUDITED RECONCILIATION OF GROUP HEADLINE EARNINGS

	Gross Rm	Tax Rm	Net Rm
For the year ended 31 December 2018			
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 gains on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary	(14)		(14)
– IAS 28 Share of equity-accounted investments' separate identifiable remeasurements	16	(4)	12
Headline earnings			6 707
Continuing operations			6 638
Discontinued operations			69
For the year ended 31 December 2017			
Profit attributable to owners of the parent			5 982
Adjusted for:	(4 674)	252	(4 422)
– IAS 16 Net losses on disposal of property, plant and equipment	61	(18)	43
– IAS 16 Compensation from third parties for items of property, plant and equipment impaired, abandoned or lost	(3)	1	(2)
– IAS 21 Net gains on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary and partial disposal of investment in foreign associate	(1 274)		(1 274)
– IAS 28 Loss on dilution of investment in associate	106		106
– IAS 28 Share of equity-accounted investments' separate identifiable remeasurements	12	(2)	10
– IAS 28 Share of equity-accounted investments' impairment reversal of property, plant and equipment	(987)	271	(716)
– IAS 28 Share of equity-accounted investments' loss on disposal of a subsidiary	1 271		1 271
– IAS 28 Gain on partial disposal of an associate	(3 860)		(3 860)
Headline earnings/(loss)			1 560
Continuing operations			2 120
Discontinued operations			(560)
	2018 Cents		2017 Cents
Headline earnings/(loss) per share			
Aggregate			
– Basic	2 672		502
– Diluted	2 057		450
Continuing operations			
– Basic	2 645		682
– Diluted	2 036		611
Discontinued operations			
– Basic	27		(180)
– Diluted	21		(161)

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



NOTES TO THE SUMMARISED 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), Titanium dioxide (TiO₂) (non-controlled), ferrous (controlled and non-controlled) and energy (non-controlled) markets. These summarised group annual financial statements as at and for the year ended 31 December 2018 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 summarised group annual financial statements as at and for the year ended 31 December 2018 have been derived from the audited group and company annual financial statements 2018 of Exxaro, which are available on Exxaro's website at www.exxaro.com. These summarised group annual financial statements do not contain sufficient information to allow for a complete understanding of the financial results and state of affairs of the group, which is provided by the detailed audited group and company annual financial statements 2018. These summarised group annual financial statements do not include all the disclosure required for a complete set of group and company annual financial statements prepared in accordance with IFRS. Selected summarised notes have been included in this report for a better understanding of the relevant transactions during the year.

These summarised group annual financial statements have been prepared under the supervision of the finance director, PA Koppeschaar, in accordance with the JSE Listings Requirements for abridged reports and the requirements of the Companies Act applicable to summary financial statements.

The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. These summarised group annual financial statements have been prepared on the historical cost basis, excluding financial instruments, share-based payments and biological assets, which are at fair value, and conform, in this regard, to IFRS as issued by the IASB.

The preparation and presentation of the summarised group annual financial statements included in this report is the responsibility of Exxaro's directors. The directors take full responsibility that the financial information has been correctly extracted from the underlying audited group and company annual financial statements.

The summarised group annual financial statements do not include the directors' report, which forms part of the group and company annual financial statements 2018.

2.2 Re-presentation of comparative information

The group statement of financial position and group statement of cash flows as at and for the year ended 31 December 2017 have been re-presented as a result of a detailed analysis which was performed for the implementation of IFRS 9 on the classification of items in the statement of financial position. It was concluded that certain items needed to be reclassified in the prior year financial statements, as these reclassifications provide more relevant information on the nature of these assets and liabilities and results in more appropriate classifications (refer note 4).



3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the summarised annual financial statements are consistent with those followed in the preparation of the group and company annual financial statements as at and for the year ended 31 December 2018.

3.1 New or amended standards adopted by the group

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

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

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

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

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

Certain new accounting standards and interpretations have been published but are not yet effective on 31 December 2018, and have not been early adopted. Of these standards, only IFRS 16 *Leases* (IFRS 16) is anticipated to have an impact on the group as summarised below.

IFRS 16

The standard is effective for annual periods beginning on or after 1 January 2019. The group has assessed all leasing arrangements that have not reached the end of their respective lease terms as at 31 December 2018 and has decided to apply IFRS 16 retrospectively using the cumulative effect method and will make use of the practical expedients available in this standard.

4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION

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

4.1 Impact on the financial statements

As part of the implementation of IFRS 9 a detailed analysis was performed on the classification of items in the statement of financial position. It was concluded that certain items needed to be reclassified in the prior year financial statements, as these reclassifications provide more relevant information on the nature of these assets and liabilities and results in more appropriate classifications. The reclassified items are discussed in detail on page 14 below the table. Although the reclassifications to cash and cash equivalents, lease receivables, trade and other payables as well as interest-bearing borrowings are corrections to the incorrect classification applied previously it was not considered material and therefore the prior year financial statements have not been restated but only represented.

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

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION continued

4.1 Impact on the financial statements continued

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

	31 December 2017	
	Previously presented Rm	Reclassi- fications Rm
Statement of financial position (extract)		
ASSETS		
Non-current assets	47 706	(46)
Property, plant and equipment	24 362	
Biological assets	34	
Intangible assets	17	
Investments in associates	15 810	
Investments in joint ventures	1 479	
Financial assets	5 433	(3 082)
– Financial assets at fair value through other comprehensive income		
– Financial assets at fair value through profit or loss		
– Loans to associates and joint ventures		
– Other financial assets at amortised cost		
Lease receivables ¹		72
Deferred tax	571	
Other non-current assets ²		2 964
Current assets	10 936	(92)
Inventories	1 055	
Financial assets	48	
– Other current financial assets at amortised cost		
– Derivative financial instruments		
Trade and other receivables	3 199	(586)
Lease receivables ³		4
Current tax receivable	28	
Cash and cash equivalents ⁴	6 606	51
Other current assets ⁵		439
Non-current assets held-for-sale	3 910	
Total assets	62 552	(138)

¹ Lease receivables of R118 million were reclassified from non-current financial assets to non-current lease receivables so as to improve the presentation of the item according to the nature of the asset. In addition, unearned finance income of R46 million was reclassified from non-current financial liabilities – finance leases to non-current lease receivables as the finance lease was previously presented on a gross basis instead of a net basis.

² An amount of R2 964 million was reclassified from non-current financial assets to other non-current assets so as to improve the presentation of the items according to the nature of the assets. Included in this amount is R1 268 million for an indemnification asset which arose on the acquisition of Exxaro Coal Central Proprietary Limited (ECC), which is within the scope of IFRS 3 Business Combinations, as well as an amount of R1 692 million for an asset which relates to the reimbursement of the environmental rehabilitation provisions and the post-retirement employee obligations, which is within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The remaining R4 million relates to a non-current prepayment.



31 December 2017			1 January 2018
Re-presented Rm	IFRS 9 Rm	IFRS 15 Rm	Restated Rm
47 660			47 660
24 362			24 362
34			34
17			17
15 810			15 810
1 479			1 479
2 351	(2 351)		
	152		152
	1 391		1 391
	128		128
	678		678
72			72
571	2		573
2 964			2 964
10 844	(11)		10 833
1 055			1 055
48	(48)		
	48		48
	4		4
2 613	(15)		2 598
4			4
28			28
6 657			6 657
439			439
3 910			3 910
62 414	(11)		62 403

³ Lease receivables of R14 million were reclassified from trade and other receivables to current lease receivables so as to improve the presentation of the item according to the nature of the asset. In addition, unearned finance income of R10 million was reclassified from non-current financial liabilities – finance leases to current lease receivables as the finance lease was previously presented on a gross basis instead of a net basis and the current portion was incorrectly included as non-current.

⁴ An amount of R51 million was reclassified from trade and other receivables to cash and cash equivalents as this is the interest accrued on bank balances and bank accounts that were incorrectly classified.

⁵ An amount of R521 million was reclassified from trade and other receivables to other current assets so as to improve the presentation of the items (such as value added tax (VAT) refundable, prepayments, royalties) according to the nature of the assets. In addition, an amount of R82 million was reclassified from trade and other payables to other current assets so as to correctly eliminate the intercompany insurance prepayment, the elimination entry was previously incorrectly classified as part of other payables.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION continued

4.1 Impact on the financial statements continued

	31 December 2017	
	Previously presented Rm	Reclassifications Rm
Statement of financial position (extract) <small>continued</small>		
EQUITY AND LIABILITIES		
Capital and other components of equity		
Share capital	1 021	
Other components of equity	8 120	
Retained earnings	30 962	
Equity attributable to owners of the parent	40 103	
Non-controlling interests	(738)	
Total equity	39 365	
Non-current liabilities	17 409	33
Interest-bearing borrowings	6 480	
Non-current other payables ¹		89
Provisions	3 864	
Post-retirement employee obligations	227	
Financial liabilities	850	(436)
– Financial liabilities at fair value through profit or loss		
Deferred tax	5 988	
Other non-current liabilities ²		380
Current liabilities	4 127	(171)
Interest-bearing borrowings ³	2	66
Trade and other payables	3 237	(992)
Provisions	95	
Financial liabilities	371	(62)
– Financial liabilities at fair value through profit or loss		
– Derivative financial instruments		
Current tax payable	368	
Overdraft	54	
Other current liabilities ⁴		817
Non-current liabilities held-for-sale	1 651	
Total liabilities	23 187	(138)
Total equity and liabilities	62 552	(138)

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

² An amount of R380 million was reclassified from non-current financial liabilities to other non-current liabilities so as to improve the presentation of the item (such as deferred revenue) according to the nature of the liability.

³ An amount of R66 million was reclassified from trade and other payables to current interest-bearing borrowings as the balance relates to the interest accrued on the loans and bonds.

⁴ An amount of R62 million was reclassified from current financial liabilities to other current liabilities and an amount of R755 million was reclassified from trade and other payables to other current liabilities so as to improve the presentation of the items (such as deferred revenue, payroll related accruals and VAT payable) according to the nature of the liabilities.



31 December 2017			1 January 2018
Re-presented	IFRS 9	IFRS 15	Restated
Rm	Rm	Rm	Rm
1 021			1 021
8 120			8 120
30 962	(11)	314	31 265
40 103	(11)	314	40 406
(738)			(738)
39 365	(11)	314	39 668
17 442	(2)	(252)	17 188
6 480			6 480
89			89
3 864			3 864
227			227
414	(414)		414
5 988	414		6 108
380	(2)	122	6
3 956		(374)	3 896
68	2	(62)	68
2 245	(4)		2 241
95			95
309	(309)		309
	309		6
	6		368
368			54
54			54
817		(62)	755
1 651			1 651
23 049		(314)	22 735
62 414	(11)		62 403

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION continued

4.2 Impact of adopting IFRS 9

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

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

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

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

4.2.1 Classification and measurement

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

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

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

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

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



4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION *continued*

4.2 Impact of adopting IFRS 9 *continued*

4.2.1 Classification and measurement *continued*

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

Financial assets ¹	Note	IAS 39 categories				IFRS 9 categories			
		At fair value through profit or loss		Loans and receivables at amortised cost	Available-for-sale financial assets at fair value	FVPL	Amortised cost	FVOCI equity instrument	
		Held-for-trading	Designated						Rm
Closing balance at 31 December 2017 (IAS 39) (Re-presented)²			4	1 391	10 175	152			
Reclassify non-trading equities from available-for-sale to FVOCI	a					(152)		152	
Reclassify held-for-trading FVPL financial assets to FVPL	b	(4)					4		
Reclassify designated FVPL financial assets to FVPL	b		(1 391)				1 391		
Reclassify loans and receivables financial assets to amortised cost	c				(10 175)			10 175	
Reclassify loans and receivables at amortised cost to a financial asset measured at FVPL	d								
Opening balance at 1 January 2018 (IFRS 9)							1 395	10 175	152

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

The opening balances as at 1 January 2018 differ from the amounts disclosed in note 4.1 as this table illustrates the reclassification adjustments only and not the impairment adjustments.

² Includes financial assets classified as non-current assets held-for-sale.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION continued

4.2 Impact of adopting IFRS 9 continued

4.2.1 Classification and measurement continued

Financial liabilities ¹	Note	IAS 39 categories			IFRS 9 categories	
		Held-for-trading Rm	Designated Rm	At fair value through profit or loss	Financial liabilities at amortised cost Rm	Amortised cost Rm
Closing balance at 31 December 2017 (IAS 39) (Re-presented)²		6	723	8 991		
Reclassify held-for-trading FVPL financial liabilities to FVPL	e	(6)			6	
Reclassify designated FVPL financial liabilities to FVPL	e		(723)		723	
Reclassify financial liabilities to amortised cost	f			(8 991)		8 991
Opening balance at 1 January 2018 (IFRS 9)					729	8 991

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

² Includes financial liabilities classified as non-current liabilities held-for-sale.

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

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

¹ Reserves which were impacted by IFRS 9.



4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION *continued*

4.2 Impact of adopting IFRS 9 *continued*

4.2.1 Classification and measurement *continued*

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

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

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

These reclassifications have no impact on the measurement categories.

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

These reclassifications have no impact on the measurement categories.

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

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

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

These reclassifications have no impact on the measurement categories.

(f) Reclassify financial liabilities to amortised cost

These reclassifications have no impact on the measurement categories.

4.2.2 Impairment of financial assets

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

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

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

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

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

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

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

(a) Trade receivables

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

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION continued

4.2 Impact of adopting IFRS 9 continued

4.2.2 Impairment of financial assets continued

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

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

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

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

The expected credit loss allowances increased by a further R13 million to R81 million for trade receivables during the year ended 31 December 2018. The increase would have been R1 million lower under the incurred loss model of IAS 39.

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

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

The group's other receivables and other financial assets at amortised cost are considered to have low credit risk, and the expected credit loss allowance recognised during the period was therefore limited to 12 months' expected losses. These instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Applying the expected credit risk model resulted in the recognition of an expected credit loss allowance of R8 million on 1 January 2018 (previous impairment allowance was R70 million which was reclassified on 1 January 2018). The expected credit loss allowances increased by a further R51 million to R59 million for other receivables and other financial assets at amortised cost during the year ended 31 December 2018.

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



4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION *continued*

4.2 Impact of adopting IFRS 9 *continued*

4.2.3 Accounting policies applied from 1 January 2018

(a) Financial assets

(a.i) Classification

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

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

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

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

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

(a.ii) Measurement

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

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

Debt instruments

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

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION continued

4.2 Impact of adopting IFRS 9 continued

4.2.3 Accounting policies applied from 1 January 2018 continued

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



4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION *continued*

4.2 Impact of adopting IFRS 9 *continued*

4.2.3 Accounting policies applied from 1 January 2018 *continued*

Equity instruments

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

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

(a.iii) Impairment

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

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

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

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

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

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



NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION continued

4.2 Impact of adopting IFRS 9 continued

4.2.3 Accounting policies applied from 1 January 2018 continued

(b) Loan commitments issued by the group

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

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

4.2.4 Transition

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

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



4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION *continued*

4.3 Impact of adopting IFRS 15

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

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

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

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

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

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

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

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

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION continued

4.3 Impact of adopting IFRS 15 continued

4.3.1 Financial results for the year ended 31 December 2018 had IAS 18 been applied

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

Impact on the group statement of comprehensive income

For the year ended 31 December 2018	Note	As reported	Adjustments ¹	IAS 18 ²
		Rm	Rm	Rm
Revenue	4.3.2	25 491	(162)	25 329
Operating expenses	4.3.2	(19 788)	224	(19 564)
Net operating profit		5 703	62	5 765
Finance income		283		283
Finance costs		(605)		(605)
Income from financial assets		6		6
Share of income of equity-accounted investments		3 259		3 259
Profit before tax		8 646	62	8 708
Income tax expense		(1 653)	(17)	(1 670)
Profit for the year from continuing operations		6 993	45	7 038
Profit for the year from discontinued operations		69		69
Profit for the year		7 062	45	7 107
Other comprehensive income, net of tax		246		246
Total comprehensive income for the year		7 308	45	7 353
Profit attributable to:				
Owners of the parent		7 030	45	7 075
Non-controlling interests		32		32
Profit for the year		7 062	45	7 107
Total comprehensive income attributable to:				
Owners of the parent		7 276	45	7 321
Non-controlling interests		32		32
Total comprehensive income for the year		7 308	45	7 353

¹ Adjustments comprise of:

– a contract modification consideration that would be recognised as revenue over seven years under the previous revenue standards and interpretations (R62 million and tax of R17 million)

– a reclassification of stock yard management service fee that would be recognised as a cost recovery in operating expenses under the previous revenue standards and interpretations (R224 million).

Refer 4.3.2 for details of the assessment.

² Amounts without the adoption of IFRS 15.



4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION continued

4.3 Impact of adopting IFRS 15 continued

4.3.1 Financial results for the year ended 31 December 2018 had IAS 18 been applied continued

Impact on the group statement of comprehensive income continued

For the year ended 31 December 2018	As reported	Adjustments ¹	IAS 18 ²
	Cents	Cents	Cents
Attributable earnings per share			
Aggregate			
– Basic	2 801	18	2 819
– Diluted	2 156	14	2 170

¹ Adjustments comprise of:

– a contract modification consideration that would be recognised as revenue over seven years under the previous revenue standards and interpretations (R62 million and tax of R17 million)

– a reclassification of stock yard management service fee that would be recognised as a cost recovery in operating expenses under the previous revenue standards and interpretations (R224 million).

Refer 4.3.2 for details of the assessment.

² Amounts without the adoption of IFRS 15.

Impact on the group statement of financial position

At 31 December 2018	Note	As reported	Adjustments ¹	IAS 18 ²
		Rm	Rm	Rm
ASSETS				
Non-current assets		52 226		52 226
Current assets		7 641		7 641
Non-current assets held-for-sale		5 183		5 183
Total assets		65 050		65 050
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	4.3.2 (a)	32 797	(269)	32 528
Equity attributable to owners of the parent	4.3.2 (a)	41 846	(269)	41 577
Non-controlling interests		(701)		(701)
Total equity	4.3.2 (a)	41 145	(269)	40 876
Non-current liabilities	4.3.2 (a)	15 745	207	15 952
Interest-bearing borrowings		3 843		3 843
Other payables		152		152
Provisions		3 952		3 952
Post-retirement employee obligations		193		193
Financial liabilities		713		713
Deferred tax	4.3.2 (a)	6 874	(105)	6 769
Other non-current liabilities	4.3.2 (a)	18	312	330

¹ Relates to the reversal of the IFRS 15 initial application adjustment amounting to R314 million, net of tax, (refer to table in note 4.3) and the impact for the year ended 31 December 2018 arising from the contract modification consideration assessment of R45 million, net of tax, (refer note 4.3.2 (a)).

² Financial results without the adoption of IFRS 15.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION continued

4.3 Impact of adopting IFRS 15 continued

4.3.1 Financial results for the year ended 31 December 2018 had IAS 18 been applied continued

Impact on the group statement of financial position continued

At 31 December 2018	Note	As reported Rm	Adjustments ¹ Rm	IAS 18 ² Rm
Current liabilities	4.3.2 (a)	6 823	62	6 885
Interest-bearing borrowings		573		573
Trade and other payables		2 960		2 960
Provisions		70		70
Financial liabilities		757		757
Current tax payable		209		209
Overdraft		1 531		1 531
Other current liabilities	4.3.2 (a)	723	62	785
Non-current liabilities held-for-sale		1 337		1 337
Total liabilities	4.3.2 (a)	23 905	269	24 174
Total equity and liabilities		65 050		65 050

¹ Relates to the reversal of the IFRS 15 initial application adjustment amounting to R314 million, net of tax, (refer to table in note 4.3) and the impact for the year ended 31 December 2018 arising from the contract modification consideration assessment of R45 million, net of tax, (refer note 4.3.2 (a)).

² Financial results without the adoption of IFRS 15.

4.3.2 Impact assessment of customer contract terms and conditions

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

(a) Contract modification consideration

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

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



4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION *continued*

4.3 Impact of adopting IFRS 15 *continued*

4.3.2 Impact assessment of customer contract terms and conditions *continued*

(b) Stock yard management services

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

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

4.3.3 Accounting policies applied from 1 January 2018

The group derives revenue from contracts with customers for the supply of goods and rendering of services.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected where the group acts as an agent. If the group is an agent, then revenue is recognised on a net basis — corresponding to any fee or commission to which the group expects to be entitled. The group recognises revenue when it transfers control of the goods or services to a customer.

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

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

4. CHANGES IN ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE INFORMATION continued

4.3 Impact of adopting IFRS 15 continued

4.3.3 Accounting policies applied from 1 January 2018 continued

Nature of goods and services

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

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

5. SEGMENTAL INFORMATION

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

During the current financial year, the chief operating decision maker revised the manner in which the coal operations are reported on. The coal operations have been disaggregated based on the nature of the operations (commercial, tied and other) as well as geographical location, between the Waterberg and Mpumalanga regions.

The key changes to the coal reportable operating segment are:

- The commercial coal operations have been split by region into Waterberg and Mpumalanga
- The tied coal operation includes the Matla mine
- Coal other operations have been added which include the remaining coal operations not reported on under the commercial or tied coal operations as well as Arnot and Tshikondeni (tied mines in closure).



5. SEGMENTAL INFORMATION *continued*

The export revenue and related export cost items have been allocated between the coal operating segments based on the origin of the initial coal production. The comparative segmental information has been represented to reflect these changes.

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 coal operations. Mpumalanga commercial operations include a 50% (2017: 50%) investment in Mafube Coal Proprietary Limited (Mafube) (a joint venture with Anglo South Africa Capital Proprietary Limited). The 10.82% (2017: 10.82%) effective equity interest in Richards Bay Coal Terminal Proprietary Limited (RBCT) is included in the other coal operations. The coal operations produce thermal coal, metallurgical coal and semi-soft coking coal.

Ferrous

The ferrous segment mainly comprises the 20.62% (2017: 20.62%) equity interest in Sishen Iron Ore Company Proprietary Limited (SIOC) (located in the Northern Cape province) reported within the other ferrous operating segment as well as the FerroAlloys operation (referred to as Alloys).

TiO₂

This segment has been renamed to TiO₂ as the Alkali chemicals business was disposed of in 2017. Exxaro holds a 23.35% (2017: 23.66%) equity interest in Tronox Limited. The investment in Tronox Limited was classified as a non-current asset held-for-sale on 30 September 2017 (refer note 16). Exxaro holds a 26% (2017: 26%) equity interest in Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited (Tronox SA) (both South African-based operations), as well as a 26% (2017: 26%) member's interest in Tronox Sands Limited Liability Partnership in the UK (Tronox UK). The member's interest in Tronox UK has been classified as a non-current asset held-for-sale on 30 November 2018 (refer note 16).

Energy

The energy segment comprises a 50% (2017: 50%) investment in Cennergi Proprietary Limited (Cennergi) (a South African joint venture with Tata Power Limited), which operates two wind-farms, as well as an equity interest of 28.98% in LightApp Technologies Limited (LightApp).

Other

This reportable segment comprises the 26% (2017: 26%) equity interest in Black Mountain Proprietary Limited (Black Mountain) (located in the Northern Cape province), an effective investment of 11.7% (2017: 11.7%) in Chifeng (located in the Peoples Republic of China), an equity interests in Curapipe Systems Limited (Curapipe) of 13.7% (2017: 13.7%), a 26.37% equity interest in AgriProtein Holdings UK Limited (AgriProtein) as well as the corporate office which renders services to operations and other customers. The Ferroland agricultural operation is also included in this segment.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

5. SEGMENTAL INFORMATION continued

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

	Coal			
	Commercial		Tied Rm	Other Rm
	Waterberg Rm	Mpumalanga Rm		
For the year ended 31 December 2018				
External revenue	13 289	7 984	3 665	364
Segment 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
Depreciation and amortisation (note 8)	(1 204)	(299)	(13)	
Gain on disposal of subsidiaries		69		
Gain on disposal of operation		102		
Cash generated by/(utilised in) operations	6 955	1 490	99	(1 366)
Share of income/(loss) of equity-accounted investments (note 10)		114		(36)
– <i>Continuing operations</i>		114		(36)
Capital expenditure (note 12)	(3 890)	(1 832)		
At 31 December 2018				
Segment assets and liabilities				
Deferred tax ¹		6	(53)	164
Investments in associates (note 13)				2 157
Investments in joint ventures (note 14)		1 237		
Loans to joint ventures				259
External assets ²	26 514	8 059	1 062	4 192
Assets	26 514	9 302	1 009	6 772
Non-current assets held-for-sale (note 16)				
Total assets as per statement of financial position	26 514	9 302	1 009	6 772
External liabilities	2 463	2 631	757	2 348
Deferred tax ¹	6 009	866		39
Current tax payable ¹	104	5	(32)	99
Liabilities	8 576	3 502	725	2 486
Non-current liabilities held-for-sale (note 16)		1 337		
Total liabilities as per statement of financial position	8 576	4 839	725	2 486

¹ Offset per legal entity and tax authority.

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



Ferrous		Other					Total Rm
Alloys Rm	Other ferrous Rm	TiO ₂ Rm	Energy Rm	Base metals Rm	Other Rm		
	169				20	25 491	
	17	(3)			(762)	5 703	
	17	(3)			(762)	5 703	
					183	283	
					(347)	(605)	
	(4)				(105)	(1 653)	
					(66)	(1 582)	
						69	
						102	
	60	(2)			(212)	7 024	
		2 592	492	61	70	(34)	3 259
		2 592	492	61	70	(34)	3 259
					(68)	(5 790)	
	8	1			397	523	
		9 511	2 185	141	665	15 477	
				332		1 569	
						259	
	265	25			1 922	42 039	
	273	9 537	2 185	473	818	2 984	59 867
			5 183				5 183
	273	9 537	7 368	473	818	2 984	65 050
	23	5			7 258	15 485	
					(40)	6 874	
					33	209	
	23	5			7 251	22 568	
						1 337	
	23	5			7 251	23 905	

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

5. SEGMENTAL INFORMATION continued

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

	Coal			
	Commercial		Tied Rm	Other Rm
	Waterberg Rm	Mpumalanga Rm		
For the year ended 31 December 2017(Re-presented)				
External revenue	11 328	7 970	2 837	418
Segment net operating profit/(loss)	5 438	1 046	128	(603)
– Continuing operations	5 438	1 046	128	(603)
– Discontinued operations				
External finance income (note 9)	12	28		6
External finance costs (note 9)	(50)	(168)		(36)
Income tax (expense)/benefit	(1 401)	(155)	(40)	246
Depreciation and amortisation (note 8)	(970)	(326)	(12)	
Gain on partial disposal of associate				
Cash generated by/(utilised in) operations	6 389	1 138	182	(804)
Share of income/(loss) of equity-accounted investments (note 10)		259		(24)
– Continuing operations		259		(24)
– Discontinued operations				
Capital expenditure (note 12)	(3 127)	(677)		
At 31 December 2017(Re-presented)				
Segment assets and liabilities				
Deferred tax ¹		39	6	91
Investments in associates (note 13)				2 193
Investments in joint ventures (note 14)		1 105		
Loans to joint ventures				
External assets ²	23 202	6 068	971	3 364
Assets	23 202	7 212	977	5 648
Non-current assets held-for-sale (note 16)		385		
Total assets as per statement of financial position	23 202	7 597	977	5 648
External liabilities	2 394	1 838	649	2 468
Deferred tax ¹	5 225	757		49
Current tax payable ¹	217	25		50
Liabilities	7 836	2 620	649	2 567
Non-current liabilities held-for-sale (note 16)		1 651		
Total liabilities as per statement of financial position	7 836	4 271	649	2 567

¹ Offset per legal entity and tax authority.

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



Ferrous				Other			Total Rm
Alloys Rm	Other ferrous Rm	TiO ₂ Rm	Energy Rm	Base metals Rm	Other Rm		
243					17	22 813	
54	(1)	5 085			(5 087)	6 060	
54	(1)	5 085			(5 087)	975	
						5 085	
1					170	217	
(13)					(574)	(828)	
		3 860			(179)	(1 542)	
					(85)	(1 393)	
(54)	(2)					3 860	
					(23)	6 826	
	3 303	(1 643)	2	226		2 123	
	3 303	186	2	226		3 952	
		(1 829)				(1 829)	
(6)					(111)	(3 921)	
11	1				423	571	
	9 367	3 477		747	26	15 810	
			374			1 479	
			126			126	
309	25				6 579	40 518	
320	9 393	3 477	500	747	7 028	58 504	
		3 396				3 910	
					129		
320	9 393	6 873	500	747	7 157	62 414	
27	4				7 662	15 042	
					(43)	5 988	
					76	368	
27	4				7 695	21 398	
						1 651	
27	4				7 695	23 049	

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

6. DISCONTINUED OPERATIONS

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

Financial information relating to discontinued operations is set out below:

	For the year ended 31 December	
	2018 Rm	2017 Rm
Financial performance		
Losses on financial instruments revaluations recycled to profit or loss		(1)
Gains on translation differences recycled to profit or loss on partial disposal of investment in foreign associate		1 332
Loss on dilution of investment in associate		(106)
Operating profit		1 225
Gain on partial disposal of associate		3 860
Net operating profit		5 085
Dividend income	69	
Share of loss of equity-accounted investment		(1 829)
Profit for the year from discontinued operations	69	3 256
Cash flow information		
Cash flow attributable to investing activities	69	6 634
Cash flow attributable to discontinued operation	69	6 634



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 2018	Coal			Ferrous		Other	Total Rm
	Commercial			Other Rm	Alloys Rm	Other Rm	
	Waterberg Rm	Mpumalanga Rm	Tied Rm				
Segment revenue reconciliation							
Segment 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 services							
Sale of goods at a point in time	11 493	1 730	3 441	8 050	163	16	24 893
Coal	11 493	1 730	3 441	8 050			24 714
Ferrosilicon					163		163
Biological goods						16	16
Rendering of services over time			224	364	6	4	598
Stock yard management services			224				224
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 customer¹							
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
Cement	156	202					358
Other	159	151		371	3	20	704
Total revenue from contracts with customers	11 493	1 730	3 665	8 414	169	20	25 491

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

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

7. REVENUE continued

	Coal		Tied Rm	Other Rm	Ferrous	Other	Total Rm
	Commercial				Alloys Rm	Other Rm	
	Waterberg Rm	Mpumalanga Rm					
For the year ended 31 December 2017							
Segment revenue reconciliation							
Segment revenue based on origin of coal production	11 328	7 970	2 837	418	243	17	22 813
Export sales allocated to selling entity	(1 330)	(5 688)		7 018			
Total revenue from contracts with customers	9 998	2 282	2 837	7 436	243	17	22 813
By timing and major type of goods and services							
Sale of goods at a point in time	9 998	2 282	2 837	7 018	243	10	22 388
Coal	9 998	2 282	2 837	7 018			22 135
Ferrosilicon					243		243
Biological goods						10	10
Rendering of services over time				418		7	425
Other mine management services ¹				418			418
Other services						7	7
Total revenue from contracts with customers	9 998	2 282	2 837	7 436	243	17	22 813
By major geographic area of customer²							
Domestic	9 998	2 282	2 837	418	243	17	15 795
Export				7 018			7 018
Europe				3 670			3 670
Asia				2 629			2 629
Other				719			719
Total revenue from contracts with customers	9 998	2 282	2 837	7 436	243	17	22 813
By major customer industries							
Public utilities	8 086	950	2 837	1 209			13 082
Merchants	74	652		4 911			5 637
Steel	1 135	143		44			1 322
Mining	137	31		685	243		1 096
Manufacturing	325	46		97			468
Cement	153	187					340
Other	88	273		490		17	868
Total revenue from contracts with customers	9 998	2 282	2 837	7 436	243	17	22 813

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

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



8. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT

	For the year ended 31 December	
	2018 Rm	2017 Rm
Raw materials and consumables	(3 175)	(3 058)
Staff costs	(4 622)	(4 086)
Royalties	(427)	(143)
Contract mining	(1 818)	(1 451)
Repairs and maintenance	(2 213)	(1 749)
Railage and transport	(1 787)	(2 065)
Depreciation and amortisation	(1 582)	(1 393)
Fair value adjustments on contingent consideration	(357)	(354)
Legal and professional fees	(776)	(510)
Net gains/(losses) on disposal or scrapping of property, plant and equipment	122	(61)
Expected credit losses	(64)	
Gain on disposal of subsidiaries ¹	69	
Gain on disposal of operation ²	102	

¹ During 2018 Exxaro concluded a sale of share agreement with Universal Coal Development IV Proprietary Limited for ECC's 100% shareholding in Manyeka, which includes a 51% interest in Elof. The transaction became effective on 31 July 2018. Exxaro received net cash of R75 million resulting in a gain on the disposal of subsidiaries of R69 million.

² On 2 March 2018, Exxaro concluded a sale of asset agreement with North Block Complex Proprietary Limited (a subsidiary of Universal Coal plc) for certain assets and liabilities of the North Block Complex (NBC) operation. Though the Section 11 for the Paardeplaats right has not been granted yet, it was agreed with the buyer to conclude and close the transaction on 31 October 2018, on which date the proceeds of R17 million, relating to the Glisa and Eerstelingsfontein reserves, were received.

9. NET FINANCING COSTS

	For the year ended 31 December	
	2018 Rm	2017 Rm
Finance income	283	217
Interest income	256	207
Finance lease interest income	10	10
Commitment fee income	1	
Interest income from loan to joint venture	16	
Finance costs	(605)	(828)
Interest expense	(514)	(600)
Unwinding of discount rate on rehabilitation cost	(408)	(410)
Recovery of unwinding of discount rate on rehabilitation cost	158	163
Finance lease interest expense	(1)	(3)
Amortisation of transaction costs	(27)	(9)
Borrowing costs capitalised ¹	187	31
Total net financing costs	(322)	(611)
¹ Borrowing costs capitalisation rate:	10.13%	8.98%

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

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

	For the year ended 31 December	
	2018 Rm	2017 Rm
Associates		
Unlisted investments	3 079	3 691
SIOC	2 592	3 303
Tronox SA	382	67
Tronox UK ¹	110	119
RBCT	(36)	(24)
Black Mountain	70	226
AgriProtein	(31)	
LightApp	(5)	
Curapipe	(3)	
Joint ventures		
Unlisted investments	180	261
Mafube	114	259
Cennergi	66	2
Share of income of equity-accounted investments	3 259	3 952

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

11. DIVIDEND DISTRIBUTION

Total dividends paid in 2017 amounted to R2 227 million, made up of a final dividend of R1 284 million which related to the year ended 31 December 2016, paid in April 2017, as well as an interim dividend of R943 million, paid in September 2017.

A special dividend of 1 255 cents per share (R3 149 million to external shareholders) was paid in March 2018, following the partial disposal of the shareholding in Tronox Limited. A final dividend relating to the 2017 financial year of 400 cents per share (R1 004 million to external shareholders) was paid in April 2018. An interim dividend of 530 cents per share (R1 330 million to external shareholders) was paid in September 2018.

A final cash dividend, number 32, for 2018 of 555 cents per share, was approved by the board of directors on 12 March 2019. The dividend is payable on 13 May 2019 to shareholders who will be on the register on 10 May 2019. This final dividend, amounting to approximately R1 393 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 2019.



11. DIVIDEND DISTRIBUTION *continued*

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 444 cents per share. The number of ordinary shares in issue at the date of this declaration is 358 706 754. Exxaro company's tax reference number is 9218/098/14/4.

	At 31 December	
	2018	2017
Issued share capital (number of shares)	358 706 754	358 706 754
Ordinary shares (million)		
– Weighted average number of shares	251	311
– Diluted weighted average number of shares	326	347

12. CAPITAL COMMITMENTS

	At 31 December	
	2018 Rm	2017 Rm
Contracted	4 508	5 409
Contracted for the group (owner-controlled)	3 533	4 313
Share of capital commitments of equity-accounted investments	975	1 096
Authorised, but not contracted	2 914	2 838

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

13. INVESTMENTS IN ASSOCIATES

	At 31 December	
	2018 Rm	2017 Rm
Unlisted investments		
SIOC	9 511	9 367
Tronox SA	2 185	1 800
Tronox UK ¹		1 677
RBCT	2 157	2 193
Black Mountain	818	747
AgriProtein ²	643	
LightApp ³	141	
Curapipe	22	26
Total carrying value of investments in associates	15 477	15 810

¹ The investment in Tronox UK was classified as a non-current asset held-for-sale on 30 November 2018 (refer note 16).

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

³ On 18 September 2018 Exxaro entered into a share purchase agreement to obtain an equity interest in the shareholding of LightApp. The purchase price amounted to US\$10 million, comprising an initial cash consideration of US\$5 million (R71.9 million) paid on 27 September 2018 and deferred consideration amounting to US\$5 million (R70.7 million) which will be paid over the next two years. Transaction costs of R0.6 million were capitalised to the cost of the investment. LightApp is one of the leading start-ups in the industrial energy analytic space.

14. INVESTMENTS IN JOINT VENTURES

	At 31 December	
	2018 Rm	2017 Rm
Unlisted investments		
Mafube ¹	1 237	1 105
Cennergi ²	332	374
Total carrying value of investments in joint ventures	1 569	1 479
¹ Included in financial assets is a loan to Mafube (refer note 20):	259	
² Included in financial assets is a loan to Cennergi (refer note 20):		126



15. OTHER ASSETS

	At 31 December	
	2018 Rm	2017 Rm
Non-current		
Reimbursements ¹	1 723	1 692
Indemnification asset ²	1 337	1 268
Other non-current assets	27	4
Total non-current other assets	3 087	2 964
Current		
VAT	480	293
Royalties	46	39
Prepayments	110	88
Other current assets	19	19
Total current other assets	655	439
Total other assets	3 742	3 403

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

² Upon the acquisition of ECC in 2015, Total SA indemnified Exxaro from any obligations relating to the Ermelo Joint Venture (EMJV).

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

Tronox Limited

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

Subsequent to the classification as a non-current asset held-for-sale, Exxaro sold 22 425 000 Class A Tronox Limited ordinary shares during October 2017. On 24 May 2018, Exxaro obtained shareholder approval to sell the remainder of its shares in Tronox Limited. On 31 December 2018, management concluded that the investment 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 28 729 280 Class B Tronox Limited ordinary shares.

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

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

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

Tronox UK

During November 2018, Exxaro and Tronox Limited reached an agreement in relation to the disposal of Exxaro's 26% member's interest in Tronox UK. It was concluded that Exxaro's investment in Tronox UK should be classified as a non-current asset held-for-sale as all the requirements in terms of IFRS 5 have been met. As of 30 November 2018, Exxaro's 26% investment in Tronox UK was classified a non-current asset held-for-sale and the application of the equity method ceased.

The Tronox UK investment is presented within the total assets of the TiO₂ reportable operating segment.

EMJV

As part of the ECC acquisition in 2015, Exxaro acquired non-current liabilities held-for-sale relating to the EMJV. The sale of the EMJV is conditional on section 11 approval required in terms of the Mineral and Petroleum Resources Development Act, 2002 for transfer of the new-order mining right to the new owners, Scinta Energy Proprietary Limited, as well as section 43(2) approval for the transfer of environmental liabilities and responsibilities. The EMJV remains a non-current liability held-for-sale for the Exxaro group on 31 December 2018, as the required approvals are still pending. The EMJV does not meet the criteria to be classified as a discontinued operation since it does not represent a separate major line of business, nor does it represent a major geographical area of operation.

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

	At 31 December	
	2018 Rm	2017 Rm
Assets		
Property, plant and equipment		282
Investments in associates	5 183	3 396
Deferred tax		9
Inventories		133
Trade receivables		39
Current tax receivable		27
Cash and cash equivalents		14
Other current assets		10
Non-current assets held-for-sale	5 183	3 910
Liabilities		
Non-current provisions	(1 320)	(1 494)
Post-retirement employee obligations	(17)	(22)
Trade and other payables		(62)
– Trade payables		(54)
– Other payables		(8)
Shareholder loans		(18)
Current provisions		(18)
Other current liabilities		(37)
Non-current liabilities held-for-sale	(1 337)	(1 651)
Net non-current assets held-for-sale	3 846	2 259



17. INTEREST-BEARING BORROWINGS

	At 31 December	
	2018 Rm	(Re-presented) 2017 Rm
Non-current¹	3 843	6 480
Loan facility	3 233	3 474
Bonds issue		520
Preference share liability ²	610	2 483
Finance leases		3
Current³	573	68
Loan facility	47	52
Bonds issue	525	5
Preference share liability	(1)	(5)
Finance leases	2	16
Total interest-bearing borrowings	4 416	6 548
<i>Summary of loans and finance leases by period of redemption:</i>		
– Less than six months	578	67
– Six to 12 months	(5)	1
– Between one and two years	(10)	509
– Between two and three years	3 242	(13)
– Between three and four years	611	3 239
– Between four and five years		2 620
– Over five years		125
Total interest-bearing borrowings	4 416	6 548
¹ The non-current portion includes the following amounts in respect of transaction costs that will be amortised using the effective interest rate method, over the term of the facilities.	20	44
² Capital redemption on preference share liability	1 889	
³ The current portion represents:	573	68
– Capital repayments	522	16
– Interest capitalised	61	66
– Reduced by the amortisation of transaction costs	(10)	(14)
Overdraft		
Bank overdraft	1 531	54

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

There were no defaults or breaches in terms of interest-bearing borrowings during 2018 or 2017.



NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

17. **INTEREST-BEARING BORROWINGS** continued

Loan facility

The loan facility comprises a:

- R3 250 million bullet term loan facility with a term of five years (term loans)
- R1 750 million amortised term loan facility with a term of seven years (term loans) and
- R2 750 million revolving credit facility with a term of five years (revolving facility).

Interest is based on JIBAR plus a margin of 3.25% (31 December 2017: 3.25%) for the bullet term loan facility (R3 250 million), JIBAR plus a margin of 3.60% (31 December 2017: 3.60%) for the amortised term loan facility (R1 750 million) and JIBAR plus a margin of 3.25% (31 December 2017: 3.25%) for the revolving credit facility (R2 750 million). The effective interest rate for the transaction costs on the term loans is 0.17% and 1.17% respectively (31 December 2017: 0.17% and 1.17%). Interest is paid on a quarterly basis for the term loans, and on a monthly basis for the revolving credit facility.

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

Bond issue

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

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

Preference share liability

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

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

Finance leases

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



18. NET (DEBT)/CASH

	At 31 December	
	2018 Rm	(Re-presented) 2017 Rm
Net (debt)/cash is presented by the following items on the statement of financial position:		
Total net (debt)/cash	(3 867)	69
Non-current interest-bearing borrowings	(3 843)	(6 480)
Current interest-bearing borrowings	(573)	(68)
Net cash	549	6 617
– Cash and cash equivalents	2 080	6 657
– Cash and cash equivalents classified as held-for-sale		14
– Overdraft	(1 531)	(54)

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

18. NET (DEBT)/CASH continued

Analysis of movement in net (debt)/cash:

	Liabilities from financing activities			Total Rm
	Cash and cash equivalents/ overdraft Rm	Non-current interest-bearing borrowings Rm	Current interest-bearing borrowings Rm	
Net debt at 31 December 2016	5 183	(6 002)	(503)	(1 322)
Cash flows	1 416	(472)	515	1 459
Operating activities	3 326			3 326
Investing activities	4 451			4 451
Financing activities	(6 361)	(472)	515	(6 318)
– Interest-bearing borrowings raised	2 491	(2 491)		
– Interest-bearing borrowings repaid	(2 534)	2 019	515	
– Shares acquired in the market to settle share-based payments	(99)			(99)
– Repurchase of share capital	(6 219)			(6 219)
Non-cash movements	(47)	(6)	(14)	(67)
Amortisation of transaction costs			(9)	(9)
Preference dividend accrued		(11)		(11)
Transfers between non-current and current liabilities		5	(5)	
Reclassifications to non-current assets held-for-sale	(14)			(14)
Translation difference on movement in cash and cash equivalents	(33)			(33)
Net cash at 31 December 2017 (previously presented)	6 552	(6 480)	(2)	70
Reclassifications ¹	65		(66)	(1)
Net cash at 31 December 2017 (Re-presented)	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 payable cancelled		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	549	(3 843)	(573)	(3 867)

¹ The reclassification to cash and cash equivalents and overdrafts consists of a R51 million reclassification adjustment for interest accrued on bank accounts and bank accounts that were incorrectly classified as well as a R14 million adjustment for the bank balance which was classified as a non-current asset held-for-sale. The reclassification to current interest-bearing borrowings relates to the R66 million reclassification adjustment for interest accrued on the loans and bonds.



19. OTHER LIABILITIES

	At 31 December	
	2018 Rm	(Re-presented) 2017 Rm
Non-current		
Income received in advance	18	6
Deferred revenue ¹		374
Total non-current other liabilities	18	380
Current		
Deferred revenue ¹		62
Leave pay	171	157
VAT	86	101
Royalties	50	29
Bonuses	305	373
Other current liabilities	111	95
Total current other liabilities	723	817
Total other liabilities	741	1 197

¹ During 2017, a deferred pricing adjustment was recognised in relation to a coal supply agreement which would be released to profit or loss over seven years. However, under IFRS 15 this was accelerated and recognised as part of the 1 January 2018 opening balances transition impact (refer note 4.3).

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

20. FINANCIAL INSTRUMENTS

The group holds the following financial instruments:

	At 31 December	
	2018 Rm	(Re-presented) 2017 Rm
Non-current		
Financial assets	2 634	2 351
<i>Financial assets at fair value through other comprehensive income</i>	185	152
Equity: unlisted	185	152
– Chifeng (previously classified as available-for-sale financial asset at fair value)	185	152
<i>Financial assets at fair value through profit or loss</i>	1 432	1 391
Equity: listed		34
– Kumba Iron Ore Limited (KIO) (previously classified as designated at fair value through profit or loss) ¹		34
Debt: unlisted	1 432	1 357
– Environmental rehabilitation funds (previously classified as designated at fair value through profit or loss)	1 432	1 357
<i>Loans to associates and joint ventures</i>	250	128
Associates		2
– Curapipe (previously classified as loans and receivables at amortised cost)		2
Joint ventures	250	126
– Cennergi (previously classified as loans and receivables at amortised cost)		126
– Mafube ²	250	
<i>ESD loans</i> ³	80	
<i>Other financial assets at amortised cost</i>	687	680
Environmental rehabilitation funds (previously classified as loans and receivables at amortised cost)	351	291
Deferred pricing receivable (previously classified as loans and receivables at amortised cost) ⁴	336	389
Interest-bearing borrowings (excluding finance leases)	(3 843)	(6 477)
Non-current other payables	(152)	(89)
Financial liabilities	(713)	(414)
<i>Financial liabilities at fair value through profit or loss</i>	(488)	(414)
Contingent consideration (previously classified as designated at fair value through profit or loss) ⁵	(488)	(414)
<i>Financial liabilities at amortised cost</i>	(225)	
Deferred consideration payable ⁶	(225)	



20. FINANCIAL INSTRUMENTS continued

	At 31 December	
	2018 Rm	(Re-presented) 2017 Rm
Current		
Derivative financial assets (previously classified as held-for-trading at fair value through profit or loss. Included under trade and other receivables in 2017)		4
Financial assets	134	48
<i>Loans to joint ventures</i>	9	
– Mafube ²	9	
<i>ESD loans</i> ³	45	
<i>Other current financial assets at amortised cost</i>	80	48
Deferred pricing receivable (previously classified as loans and receivables at amortised cost) ⁴	52	48
Deferred consideration receivable ⁷	29	
Employee receivables	4	
Impairment allowances of other current financial assets at amortised cost	(5)	
Trade and other receivables	3 140	2 609
<i>Trade receivables</i>	2 971	2 506
– Trade receivables – gross	3 052	2 567
– Impairment allowances of trade receivables	(81)	(61)
<i>Other receivables</i>	169	103
– Other receivables – gross	223	173
– Impairment allowances of other receivables	(54)	(70)
Cash and cash equivalents	2 080	6 657
Interest-bearing borrowings (excluding finance leases)	(571)	(52)
Trade and other payables	(2 960)	(2 239)
<i>Trade payables</i>	(1 456)	(1 085)
<i>Other payables</i>	(1 504)	(1 154)
Financial liabilities	(757)	(315)
<i>Derivative financial liabilities (previously classified as held-for-trading at fair value through profit or loss. Included under trade and other payables in 2017)</i>	(1)	(6)
<i>Financial liabilities at fair value through profit or loss</i>	(361)	(309)
Contingent consideration (previously classified as designated at fair value through profit or loss) ⁵	(361)	(309)
<i>Financial liabilities at amortised cost</i>	(395)	
Deferred consideration payable ⁶	(395)	
Overdraft	(1 531)	(54)

¹ During 2018, the KIO shares were sold.

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

³ Interest-free loans advanced to applicants in terms of the Exxaro ESD programme.

⁴ An amount receivable in relation to a deferred pricing adjustment which arose during 2017. The amount receivable will be settled over seven years and bears interest at Prime Rate less 2%.

⁵ Relates to the ECC acquisition.

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

⁷ Relates to deferred consideration receivable which arose on the disposal of a mining right.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

20. FINANCIAL INSTRUMENTS continued

The group has granted the following loan commitments:

	At 31 December	
	2018 Rm	2017 Rm
Total loan commitment	1 221	
Mafube ¹	500	
AgriProtein ²	721	
Undrawn loan commitment	971	
Mafube	250	
AgriProtein	721	

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

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

20.1 Fair value hierarchy

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

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

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

Level 3 – unobservable inputs for the asset and liability.

At 31 December 2018	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets at fair value through other comprehensive income	185			185
Equity: unlisted	185			185
– Chifeng	185			185
Financial assets at fair value through profit or loss	1 432		1 432	
Debt: unlisted	1 432		1 432	
– 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)



20. FINANCIAL INSTRUMENTS *continued*

20.1 Fair value hierarchy *continued*

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

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

	Contingent consideration Rm	Chifeng ¹ Rm	Total Rm
At 31 December 2016	(483)	178	(305)
<i>Movement during the year</i>			
Losses recognised in other comprehensive income (pre-tax effect) ²		(26)	(26)
Losses recognised in profit or loss	(354)		(354)
Settlements	74		74
Exchange gains recognised in profit or loss	40		40
At 31 December 2017	(723)	152	(571)
<i>Movement during the year</i>			
Gains recognised in other comprehensive income (pre-tax effect) ²		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	(849)	185	(664)

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

² Tax on Chifeng amounts to R12 million (31 December 2017: R12 million).



NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

20. FINANCIAL INSTRUMENTS continued

20.1 Fair value hierarchy continued

Transfers

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

Valuation process applied by the group

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

Current derivative financial instruments

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

Environmental rehabilitation funds

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

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

Chifeng

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

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



20. FINANCIAL INSTRUMENTS *continued*

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

Chifeng continued

At 31 December 2018	Inputs	Sensitivity of inputs and fair value measurement ¹	Sensitivity analysis of a 10% increase in the inputs is demonstrated below ² Rm
Observable inputs			
Rand/RMB exchange rate	R2.10/RMB1	Strengthening of the rand to the RMB	19
RMB/US\$ exchange rate	RMB6.56 to RMB7.01/US\$1	Strengthening of the RMB to the US\$	110
Zinc LME price (US\$ per tonne in real terms)	US\$2 200.00 to US\$2 474.72	Increase in price of zinc concentrate	110
Unobservable inputs			
Production volumes	85 000 tonnes	Increase in production volumes	31
Operational costs (US\$ million per annum in real terms)	US\$60.59 to US\$70.92	Decrease in operational costs	(83)
Discount rate	11.11%	Decrease in the discount rate	(16)

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

20. FINANCIAL INSTRUMENTS continued

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

Chifeng continued

At 31 December 2017	Inputs	Sensitivity of inputs and fair value measurement ¹	Sensitivity analysis of a 10% increase in the inputs is demonstrated below ² Rm
Observable inputs			
Rand/RMB exchange rate	R1.90/RMB1	Strengthening of the rand to the RMB	15
RMB/US\$ exchange rate	RMB6.52 to RMB7.28/US\$1	Strengthening of the RMB to the US\$	100
Zinc LME price (US\$ per tonne in real terms)	US\$2 100 to US\$3 000	Increase in price of zinc concentrate	100
Unobservable inputs			
Production volumes	85 000 tonnes	Increase in production volumes	29
Operational costs (US\$ million per annum in real terms)	US\$58.46 to US\$70.20	Decrease in operational costs	(75)
Discount rate	11.05%	Decrease in the discount rate	(12)

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

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



20. FINANCIAL INSTRUMENTS *continued*

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

Chifeng continued

Inter-relationships

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

Contingent consideration

The potential undiscounted amount of the remaining future payments that the group could be required to make under the ECC acquisition is between nil and US\$60 million. The amount of future payments is dependent on the API4 coal price.

At 31 December 2018, there was an increase of US\$25.4 million (R357 million) (31 December 2017: US\$28.5 million (R354 million)) recognised in profit or loss for the contingent consideration arrangement.

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

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

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

An additional payment to Total S.A. amounting to R299 million was required for the 2017 reference year and R74 million was required for the 2016 reference year as the API4 price was within the agreed range. No additional payment to Total 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 rand/US\$ exchange rate, API4 export price and the discount rate.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

20. FINANCIAL INSTRUMENTS continued

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

Contingent consideration continued

	Inputs	Sensitivity of inputs and fair value measurement ¹	Sensitivity analysis of a 10% increase in the inputs is demonstrated below ² Rm
At 31 December 2018			
Observable inputs			
Rand/US\$ exchange rate	R14.43/US\$1	Strengthening of the rand to the US\$	85
API4 export price (price per tonne) ³	US\$90.00 to US\$98.10	Increase in API4 export price per tonne	
Unobservable inputs			
Discount rate	3.44%	Decrease in the discount rate	(16)
At 31 December 2017			
Observable inputs			
Rand/US\$ exchange rate	R12.37/US\$1	Strengthening of the rand to the US\$	72
API4 export price (price per tonne)	US\$74.41 to US\$84.35	Increase in API4 export price per tonne	180
Unobservable inputs			
Discount rate	3.44%	Decrease in the discount rate	(19)

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

² A 10% decrease in the respective inputs would have an equal but opposite effect on the above, except for the API4 export price which would result in a decrease of R167 million (31 December 2017: R245 million), on the basis that all other variables remain constant.

³ A 10% increase in the API4 export price would not have an impact on the fair value of the contingent consideration as the API4 export price is in excess of the maximum API4 coal price range.

Inter-relationships

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



21. CONTINGENT LIABILITIES

	At 31 December	
	2018 Rm	2017 Rm
Pending litigation and other claims ¹	1 155	876
Operational guarantees ²	3 062	3 346
– Guarantees ceded to the DMR	2 971	2 918
– Other operational guarantees	91	428
Share of contingent liabilities of equity-accounted investments ³	726	1 084
Total contingent liabilities	4 943	5 306

¹ Consists of legal cases as well as tax disputes with Exxaro as defendant.

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

³ Mainly operational guarantees issued by financial institutions relating to environmental rehabilitation and closure costs. The decrease mainly relates to Cennergi guarantees cancelled after construction was finalised and the liabilities settled.

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

SARS

On 18 January 2016, Exxaro received a letter of audit findings from SARS following an international income tax audit for the years of assessment 2009 to 2013. According to the letter, SARS proposed that certain international Exxaro companies would be subject to South African income tax under section 9D of the Income Tax Act.

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

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

22. RELATED PARTY TRANSACTIONS

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

23. GOING CONCERN

Based on the latest results for the year ended 31 December 2018, the latest board approved budget for 2019, as well as the available banking facilities and cash generating capability, Exxaro satisfies the criteria of a going concern.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS

CONTINUED

24. JSE LISTINGS REQUIREMENTS

The summarised group annual financial statements have been prepared in accordance with the Listings Requirements of the JSE.

25. EVENTS AFTER THE REPORTING PERIOD

Details of the final dividend are provided in note 11.

The group entered into the following transactions subsequent to 31 December 2018:

- On 15 February 2019, Exxaro received a cash dividend of R460 million from Tronox UK and Exxaro's 26% membership interest was redeemed for an amount of R1 597 million.
- On 22 February 2019, Exxaro signed a transfer agreement with the Arnot OpCo Proprietary Limited consortium (whose shareholders are former employees of Arnot) and Wescoal, for the transfer of the Arnot mine. This transfer is subject to regulatory and the three parties' approvals.

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

26. KEY MEASURES¹

	At 31 December	
	2018	2017
Closing share price (rand per share)	137.87	162.50
Market capitalisation (R billion)	49.45	58.29
Average rand/US\$ exchange rate (for the year ended)	13.24	13.30
Closing rand/US\$ spot exchange rate	14.43	12.37

¹ Non-IFRS numbers.

27. INDEPENDENT EXTERNAL AUDITOR'S REPORT ON THE SUMMARISED GROUP FINANCIAL STATEMENTS

To the shareholders of Exxaro Resources Limited

Opinion

The summarised group financial statements of Exxaro Resources Limited, set out on pages 4 to 62 of the summarised group annual financial statements for the year ended 31 December 2018 and the notice of the annual general meeting, which comprise the summarised group statement of financial position as at 31 December 2018, the summarised group statement of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited group and company financial statements of Exxaro Resources Limited for the year ended 31 December 2018.

In our opinion, the accompanying summarised group annual financial statements are consistent, in all material respects, with the audited group and company annual financial statements 2018, in accordance with the JSE Limited's (JSE) Listings Requirements for summarised financial statements, as set out in note 2 to the summarised group annual financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.



27. **INDEPENDENT AUDITOR'S REPORT ON THE SUMMARISED GROUP FINANCIAL STATEMENTS** *continued*

Summarised group annual financial statements

The summarised group annual financial statements do not contain all the disclosures required by IFRS and the requirements of the Companies Act of South Africa as applicable to annual financial statements 2018. Reading the summarised group annual financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited group and company annual financial statements and the auditor's report thereon.

The audited group financial statements and our report thereon

We expressed an unmodified audit opinion on the audited group and company annual financial statements 2018 in our report dated 12 April 2019. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and company annual financial statements of the current period.

Directors' responsibility for the summarised group financial statements

The directors are responsible for the preparation of the summarised group annual financial statements in accordance with the JSE's Listings Requirements for summarised financial statements, set out in note 2 to the summarised group annual financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements 2018.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summarised group annual financial statements are consistent, in all material respects, with the audited group and company annual financial statements 2018 based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.

Director: TD Shango

Registered Auditor
Waterfall City
12 April 2019

02:

ANNUAL GENERAL MEETING NOTICE AND PROXY

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BRIEF CURRICULA VITAE OF DIRECTORS STANDING FOR ELECTION OR RE-ELECTION

GJ Fraser-Moleketi – Geraldine (58)

Lead independent non-executive director; member of the remuneration and nominations committee (nominations committee chair) and permanent invitee and consultant to the social and ethics committee

Director since 23 May 2018

Qualifications:

DPhil, Masters in administration, leadership programme (Wharton), fellow of the Institute of Politics (Harvard)

Experience:

Geraldine was a member of the South African parliament for three consecutive parliaments (1994 through September 2008 when she resigned). She was previously director of the United Nations Development Programme's (UNDP) democratic governance group; she served in the South African government as Minister of Public Service and Administration for two consecutive terms and chaired the pan-African ministers of public service for three consecutive terms. The State Information Technology Agency (SITA) fell in the public service portfolio and reported to the minister. As minister, she served on the UN committee of experts on public administration, established by the UN Economic and Social Council.

Geraldine serves on various boards across academia: she is chancellor of Nelson Mandela University, a member of the Institute for the Study of International Development (McGill University, Montreal, Canada) and chairman of the advisory council of Mapungubwe Institute for Strategic Reflection; chair of the committee of experts on public administration (CEPA), an expert body of the UN Economic and Social Council.

She currently serves on the Africa advisory committee of Womens' World Banking. She was reappointed to CEPA for the period 2018 to 2021.

She is also a non-executive director of Standard Bank Group and Standard Bank South Africa.



BRIEF CURRICULA VITAE OF DIRECTORS STANDING FOR ELECTION OR RE-ELECTION CONTINUED

L Mbatha – Likhapha (65)

Non-executive director; member of the social and ethics committee

Director since 6 March 2018

Qualifications:

LLB, BA, LLM

Experience:

Likhapha currently coaches National Movement of Rural Women coordinators in development methods and systems, project preparation, finance and management. She also supervises, monitors and evaluates small and medium development projects. Likhapha understands that poverty, inadequate education, nutrition, poor health, government policies and/or the exploitative nature of humans are uncontrollable variables that can lead to poverty. She therefore focuses on development as an opportunity for affected individuals to lead equal and satisfactory lives within their community, despite their circumstances.

LI Mophatlane – Isaac (45)

Independent non-executive director and chairman of the investment committee and permanent invitee and consultant to the audit committee and social and ethics committee

Director since 23 May 2018

Experience:

He is the co-founder, shareholder and a director of Randvest Group, focused on leveraged acquisitions and strategic investments in mainly technology companies. Isaac is chairman of Bothomed which is currently a shareholder together with the PIC in the listed Dis-Chem Pharmacies Limited. He is a member of the Black Management Forum, Electronics Industries Federation of South Africa, Black Information Technology Forum and non-executive deputy chairman of the Catholic Education Investment Company.

D Mashile-Nkosi – Daphne (60)

Non-executive director

Director since 6 March 2018

Experience:

Daphne is executive chairperson of Kalagadi Manganese, a trustee and chairperson of the Women's Development Bank Trust, and chairperson of Women's Development Bank Investments Holdings Proprietary Limited. She has a strong development background as an activist on gender issues, and encourages business to improve the quality of life of poor communities and nurture women entrepreneurs and business leaders. She is the founder and a director of Temoso Telecommunication Proprietary Limited. She represents shareholder interests as a director of various companies, including: Exxaro Resources Limited, Eyesizwe Mining Proprietary Limited, Interfile, Kalahari Resources, Temoso Holdings, Traxys Africa Proprietary Limited and Kalagadi Manganese.

She is the chairperson of Bakhazi-Banalima Proprietary Limited, and a trustee of FirstRand Empowerment Trust.

**MJ Moffett – Mark (59)**

Independent non-executive director and member of the audit, investment and sustainability, risk and compliance committees

Director since 23 May 2018

Qualifications:

BCom, CTA, CA(SA)

Experience:

Mark has over five years of public company board exposure and over 25 years' financial and commercial experience in the mining industry with leading global mining companies. He has gained wide exposure to commodities including diamonds, thermal coal, ferrochrome and platinum group metals and has a deep understanding of the South African mining landscape and strategic imperatives. He has held senior financial positions, both operational and corporate, in a number of countries, with Anglo American plc/De Beers and as CFO of Xstrata Alloys and subsequently as group controller of Xstrata plc.

He is currently an independent non-executive director of Royal Bafokeng Platinum and member of its audit committee. He was chairman of Fraser Alexander until his resignation from that board in March 2018.

V Nkonyeni – Vuyisa (49)

Independent non-executive director; chairman of the audit committee and member of the investment committee

Director since 3 June 2014

Qualifications:

BSc, BSc (hons), postgraduate diploma in accounting, CA(SA)

Experience:

Vuyisa has over 20 years' experience in investment banking and private equity. He served his training contract as a chartered accountant with PricewaterhouseCoopers and then joined Deutsche Bank in 1997, where he gained investment banking experience primarily in corporate and project finance advisory work over four years. He serves on the boards of Emira Property Fund, and MMI Holdings Limited. He has served as financial director of Worldwide African Investment Holdings Proprietary Limited and director at Actis Ilp in its black economic empowerment funding unit. He was appointed chief executive officer of Kagiso Tiso Holdings in January 2012 and resigned in December 2017.

PCCH Snyders – (58)

Independent non-executive director; chairman of the sustainability, risk and compliance committee and member of the investment committee and social and ethics committee

Director since 1 July 2016

Qualifications:

BEng (mining), diploma in marketing management, MCom (business management), mine manager's certificate of competence (coal & metalliferous)

Experience:

Peet has 40 years' experience in the mining industry, including at Sasol Coal, Amcoal, Iscor Mining, Kumba Coal, Anglo Platinum, Riversdale Holdings, Continental Coal, Keaton Energy, Sable Mining Africa, Mmakau Mining and most recently Submex Investment. He also has over 10 years of board experience in the industry.



BRIEF CURRICULA VITAE OF DIRECTORS STANDING FOR ELECTION OR RE-ELECTION CONTINUED

EJ Myburgh – Ras (59)

Independent non-executive director, chairman of the remuneration and nominations committee and member of the audit committee and investment committee

Director since 1 September 2016

Qualifications:

BEng (electrical), BSc (hons) (energy studies), MBL, executive programme (Virginia)

Experience:

Between 1982 and 1996, Ras held various operational and executive positions in operating, maintenance, engineering and power station management in Eskom. In 1997, he joined Iscor Mining, where he led company-wide cost improvement, business re-engineering and transformation and empowerment projects. He was appointed managing director of Kumba Resources' coal business in 2000 and headed the transformation unit from 2003 that managed the empowerment and mineral rights conversion of the company, including project managing the empowerment transaction and unbundling of the company into Exxaro and Kumba Iron Ore. He was appointed the first CEO of Kumba Iron Ore in 2006. Following the 2008 electricity crisis, Ras was seconded to Eskom to develop and implement a long-term coal supply strategy. In 2011, he co-founded Hindsight Financial and Commercial Solutions Proprietary Limited, a boutique corporate professional advisory firm providing investment banking, business development, specialist commercial solutions, and strategy and business improvement advisory services to the resources, energy and industrial sectors. He is a member of the Institute of Directors of Southern Africa, independent non-executive director of The Heartlines Centre NPC and serves on the international advisory board of Unashamedly Ethical NPO.



ANNUAL GENERAL MEETING NOTICE

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)

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 18th (eighteenth) annual general meeting of shareholders of Exxaro will be held (subject to any adjournment or postponement) at the JSE Building, 9th Floor Dining Room, One Exchange Square, Gwen Lane, Sandown, South Africa, at 11:00 on Thursday, 23 May 2019 to consider, and if deemed fit, pass with or without modification, the resolutions as set out in this notice.

PURPOSE OF THE ANNUAL GENERAL MEETING

The purpose of this meeting is to:

- ▶ Present the audited annual financial statements (AFS) of the company and the group for the year ended 31 December 2018 (including the directors' report, the report of the audit committee and the report of the independent auditors) to shareholders
- ▶ Present the social and ethics committee report to shareholders
- ▶ Consider any matters raised by shareholders
- ▶ Consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions which form part of this meeting notice.

ELECTRONIC PARTICIPATION BY SHAREHOLDERS

Should any shareholder (or representative or proxy for a shareholder) wish to participate in the annual general meeting electronically, that shareholder should apply in writing (including details on how the shareholder or representative (including proxy) can be contacted) to the transfer secretaries, at the address below, to be received by the transfer secretaries at least 7 (seven) business days prior to the annual general meeting (Tuesday, 14 May 2019) for the transfer secretaries to arrange for the shareholder (or representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act No 71 of 2008, as amended (Companies Act) and for the transfer secretaries to provide the shareholder (or representative or proxy) with details on how to access the annual general meeting by means of electronic participation. The company reserves the right not to provide for electronic participation at the annual general meeting if it determines that it is not practical to do so, or an insufficient number of shareholders (or their representatives or proxies) request to participate in this manner.

IMPORTANT DATES

The board of directors of the company has determined, in accordance with section 59(1)(a) and (b) of the Companies Act, the following important dates:

Record date for receipt of notice purposes	Friday, 12 April 2019
Notice of meeting posted to shareholders	Thursday, 25 April 2019
Last date to trade to be eligible to vote	Tuesday, 14 May 2019
Record date for voting purposes	Friday, 17 May 2019
For administration purposes, forms of proxy to be lodged by 11:00 on	Tuesday, 21 May 2019 Proxies will also be accepted by the chairman on 23 May 2019 prior to commencement of meeting
Meeting to be held at 11:00 on	Thursday, 23 May 2019
Results of meeting released on SENS	Thursday, 23 May 2019



ANNUAL GENERAL MEETING NOTICE CONTINUED

IDENTIFICATION, VOTING AND PROXIES

In terms of section 63(1) of the Companies Act, any person attending or participating in the annual general meeting must present reasonably satisfactory identification and the person presiding at the annual general meeting must be reasonably satisfied that the right of any person to participate in and vote (as shareholder or as proxy for a shareholder) has been reasonably verified. Suitable forms of identification will include valid identity documentation, driver's licences or passports.

The votes of shares held by share trusts classified as schedule 14 trusts in the JSE Limited (JSE) Listings Requirements will not be taken into account at the annual general meeting for approval of any resolution proposed in terms of the JSE Listings Requirements.

A form of proxy is attached for the convenience of any certificated or dematerialised Exxaro shareholders with own-name registrations who cannot attend the annual general meeting, but wish to be represented.

For effective administrative purposes, completed forms of proxy must be received by the company, The Meeting Specialist Proprietary Limited, JSE Building, One Exchange Square, Gwen Lane, Sandown, 2196 (PO Box 62043, Marshalltown, 2107) by no later than 21 May 2019. Any forms of proxy not lodged by this time must be handed to the chairman prior to the start of the meeting.

All beneficial owners of Exxaro shares who have dematerialised their shares through a central securities depository participant (CSDP) or broker, other than those with own-name registration, and all beneficial owners of shares who hold certificated shares through a nominee, must provide their CSDP, broker or nominee with their voting instructions, in accordance with the agreement between the beneficial owner and the CSDP, broker or nominee. Should such beneficial owners wish to attend the meeting in person, they must request their CSDP, broker or nominee to issue them with the appropriate letter of representation.

Exxaro does not accept responsibility and will not be held liable for any failure on the part of a CSDP or broker to notify such Exxaro shareholder of the annual general meeting.

QUORUM

A quorum for the purposes of considering the resolutions to be proposed at the meeting shall consist of three shareholders of the company, personally present or represented by proxy (and if the shareholder is a body corporate, the representative of the body corporate) and entitled to vote at the meeting. In addition, a quorum shall comprise 25% of all voting rights entitled to be exercised by shareholders in respect of the resolutions to be proposed at the meeting.

PRESENTATION OF AUDITED GROUP AND COMPANY ANNUAL FINANCIAL STATEMENTS

The group and company annual financial statements, including the reports of the directors, audit committee and the independent external auditor, for the year ended 31 December 2018 will be presented to shareholders as required in terms of section 30(3)(d) of the Companies Act (abbreviated versions have been included in this publication).

The group and company annual financial statements <https://www.exxaro.com/investor/integrated-reports2018/broad-based-economic-value-creation.php> of the company and group, are available on the company's website, www.exxaro.com or can be requested from the group company secretary at information.officer@exxaro.com or telephonically on +27 12 307 4384.



PRESENTATION OF THE SOCIAL AND ETHICS COMMITTEE REPORT

A report of the members of the group social and ethics committee for the year ended 31 December 2018, as included in the integrated report 2018, will be presented to shareholders as required in terms of regulation 43 of the Companies Regulations 2011 (Regulations).

The group social and ethics report is included in the integrated report <https://www.exxaro.com/investor/integrated-reports2018/home.php> and available on the company's website, www.exxaro.com or can be requested from the group company secretary at information.officer@exxaro.com or telephonically on +27 12 307 4384.

RESOLUTIONS FOR CONSIDERATION AND ADOPTION

1 Ordinary resolution number 1: election and re-election of directors

In accordance with the company's memorandum of incorporation (MoI), one-third of the non-executive directors are subject to retirement by rotation and re-election by shareholders at least once every three years. In terms of the board charter those non-executive directors who have reached the age of 70 years or older retire at every annual general meeting and are submitted for re-election if eligible.

At this meeting and in accordance with these requirements, Messrs EJ Myburgh and PCCH Snyders are obliged to retire by rotation.

Messrs EJ Myburgh and PCCH Snyders have indicated that they are available for re-election.

The board has considered the proposals of the nomination committee and is recommending the re-election of Messrs EJ Myburgh and PCCH Snyders.

The board has appointed Dr GJ Fraser-Moleketi and Messrs M Moffett and LI Mophatlane as new directors in casual vacancies during the year to hold office until the annual general meeting at which they are obliged to retire by rotation and are available for election by shareholders.

Dr GJ Fraser-Moleketi and Messrs M Moffett and LI Mophatlane have indicated that they are available for election by shareholders.

The board has considered the proposals of the nomination committee and is recommending the election of Dr GJ Fraser-Moleketi and Messrs M Moffett and LI Mophatlane.

Brief curricula vitae in respect of the abovementioned directors are set out on page 65 of this booklet.

Ordinary resolution number 1.1

"RESOLVED that Dr GJ Fraser-Moleketi, be and is hereby elected as a non-executive director of the company with effect from 23 May 2019."

Ordinary resolution number 1.2

"RESOLVED that Mr MJ Moffett, be and is hereby elected as a non-executive director of the company with effect from 23 May 2019."

Ordinary resolution number 1.3

"RESOLVED that Mr LI Mophatlane, be and is hereby elected as a non-executive director of the company with effect from 23 May 2019."

Ordinary resolution number 1.4

"RESOLVED that Mr EJ Myburgh, be and is hereby re-elected as a non-executive director of the company with effect from 23 May 2019."

Ordinary resolution number 1.5

"RESOLVED that Mr PCCH Snyders, be and is hereby re-elected as an independent non-executive director of the company with effect from 23 May 2019."

For each of these resolutions to be passed, votes in favour must represent at least 50% +1 (fifty percent plus one) of all votes cast and/or exercised at the meeting for each of these resolutions.



ANNUAL GENERAL MEETING NOTICE CONTINUED

2 Ordinary resolution number 2: election of audit committee members

To elect by separate resolutions an audit committee comprising independent non-executive directors, as provided for in section 94(4) of the Companies Act and appointed in terms of section 94(2) of that act to hold office until the next annual general meeting to perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and the King Reports on Corporate Governance for South Africa (King Reports), and to perform such other duties and responsibilities as may be delegated by the board of directors for the company, all subsidiary companies and controlled trusts.

The board of directors has assessed the performance of the current audit committee members standing for election and found them suitable for appointment.

Brief curricula vitae in respect of the abovementioned directors are set out on page 65 of this booklet.

Ordinary resolution number 2.1

"RESOLVED that Mr MJ Moffett, be and is hereby elected as a member of the audit committee with effect from 23 May 2019."

The election of Mr MJ Moffett is subject to his election as director.

Ordinary resolution number 2.2

"RESOLVED that Mr LI Mophatlane, be and is hereby elected as a member of the audit committee with effect from 23 May 2019."

The election of Mr LI Mophatlane is subject to his election as director.

Ordinary resolution number 2.3

"RESOLVED that Mr EJ Myburgh, be and is hereby elected as a member of the audit committee with effect from 23 May 2019."

The election of Mr EJ Myburgh is subject to his re-election as director.

Ordinary resolution number 2.4

"RESOLVED that Mr V Nkonyeni, be and is hereby elected as a member of the audit committee with effect from 23 May 2019."

For each of these resolutions to be passed, votes in favour must represent at least 50% +1 (fifty percent plus one) of all votes cast and/or exercised at the meeting for each of these resolutions.

The election of Mr V Nkonyeni is subject to his re-election as director.



3 Ordinary resolution number 3: election of the social and ethics committee members

To elect by separate resolutions a group social and ethics committee, as provided for in section 72(4) of the Companies Act and regulation 43 of the Regulations, appointed in terms of regulation 43(2) of the Regulations to hold office until the next annual general meeting and to perform the duties and responsibilities stipulated in regulation 43(5) of the Regulations and to perform such other duties and responsibilities as may be delegated by the board of directors for the company and all subsidiary companies.

The board of directors has assessed the performance of the current group social and ethics committee members standing for election and found them suitable for appointment.

Brief curricula vitae in respect of the abovementioned directors are set out on page 65 of this booklet.

Ordinary resolution number 3.1

"RESOLVED that Dr GJ Fraser-Moleketi, be and is hereby elected as a member of the social and ethics committee with effect from 23 May 2019."

The election of Dr GJ Fraser-Moleketi is subject to her re-election as director.

Ordinary resolution number 3.2

"RESOLVED that Ms D Mashile-Nkosi, be and is hereby elected as a member of the group social and ethics committee with effect from 23 May 2019."

Ordinary resolution number 3.3

"RESOLVED that Ms L Mbatha, be and is hereby elected as a member of the social and ethics committee with effect from 23 May 2019."

Ordinary resolution number 3.4

"RESOLVED that Mr LI Mophatlane, be and is hereby elected as a member of the group social and ethics committee with effect from 23 May 2019."

The election of Mr LI Mophatlane is subject to his re-election as director.

Ordinary resolution number 3.5

"RESOLVED that Mr PCCH Snyders, be and is hereby elected as a member of the social and ethics committee with effect from 23 May 2019."

The election of Mr PCCH Snyders is subject to his re-election as director.

For each of these resolutions to be passed, votes in favour must represent at least 50% +1 (fifty percent plus one) of all votes cast and/or exercised at the meeting for each of these resolutions.

4 Ordinary resolution number 4: reappointment of independent external auditors

As set out in the group audit committee report of the integrated report 2018, the group audit committee has assessed PricewaterhouseCoopers Incorporated's performance, independence and suitability and has nominated them for reappointment as independent external auditors of the group, to hold office until the next annual general meeting.

"RESOLVED that PricewaterhouseCoopers Incorporated, with the designated audit partner being Mr TD Shango, be and is hereby reappointed as independent external auditors of the group for the ensuing year."

For this resolution to be passed, votes in favour must represent at least 50% +1 (fifty percent plus one) of all votes cast and/or exercised at the meeting for this resolution.



ANNUAL GENERAL MEETING NOTICE CONTINUED

5 Ordinary resolution number 5: general authority to issue shares for cash

At present, the directors have no specific intention to use this authority, and the authority will thus only be used if circumstances are appropriate.

"RESOLVED that the directors of the company be and are hereby authorised, by way of a general authority, to issue the authorised but unissued ordinary shares in the capital of the company (and/or any options/convertible securities that are convertible into ordinary shares) for cash, as and when they in their discretion deem fit, subject to clause 3.1(3) of the Mol of the company, the Companies Act, and the JSE Listings Requirements, when applicable and with the following limitations, namely that:

- (a) This authority is valid until the company's next annual general meeting, provided that it will not extend beyond 15 (fifteen) months from the date that this authority is given
- (b) The equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into or represent options in respect of a class already in issue
- (c) Any such issue will only be made to 'public shareholders' as defined in the JSE Listings Requirements and not to related parties, unless the JSE otherwise agrees
- (d) The number of shares issued for cash will not in aggregate exceed 5% (five percent) of the company's listed equity securities (excluding treasury shares) as at the date of the notice of annual general meeting, such number being 250 936 510 ordinary shares in the company's issued share capital
- (e) Any equity securities issued under the authority during the period contemplated in (a) above must be deducted from the number in (d)
- (f) In the event of a subdivision or consolidation of issued equity securities during the period contemplated in (a) above, the existing authority must be adjusted accordingly to represent the same allocation ratio
- (g) A paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of shares in issue prior to the issue
- (h) The maximum discount permitted at which equity securities may be issued is 10% (ten percent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities."

For this ordinary resolution to be passed, under the JSE Listings Requirements, votes in favour of the resolution must represent at least 75% (seventy five percent) of all votes cast and/or exercised at the meeting in respect of this resolution.

6 Ordinary resolution number 6: placing the unissued ordinary shares under the control of the directors

At present, the directors have no specific intention to use this authority, and the authority will thus only be used if circumstances are appropriate.

"RESOLVED that the authorised but unissued shares in the capital of the company be and are hereby placed under the control and authority of the directors and that they be and are hereby authorised to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as they may from time to time and at their discretion deem fit, subject to the provisions of the Companies Act, clause 3.1(3) of the Mol of the company and the JSE Listings Requirements. The number of shares issued in terms of this authority will not, in the aggregate in the current financial year, exceed 5% (five per cent) of the company's issued share capital of ordinary shares as at 31 December 2018. The issuing of shares granted under this authority will be at the discretion of the directors until the next annual general meeting of the company."

For this resolution to be passed, votes in favour must represent at least 50% +1 (fifty percent plus one) of all votes cast and/or exercised at the meeting in respect of this resolution.



7 Ordinary resolution number 7: authorise director and/or group company secretary

"RESOLVED that any one director and/or group company secretary of the company or equivalent be and are hereby authorised to do all such tasks and sign all such documents deemed necessary to implement the resolutions set out in the notice convening the annual general meeting at which these resolutions will be considered."

For this resolution to be passed, votes in favour must represent at least 50% +1 (fifty percent plus one) of all votes cast and/or exercised at the meeting for this resolution.

8 Special resolution number 1: non-executive directors' fees

Approval in terms of section 66 of the Companies Act is required to authorise the company to remunerate non-executive directors for services as directors. Furthermore, in terms of the King Reports and as read with the JSE Listings Requirements, remuneration payable to non-executive directors should be approved by shareholders in advance or within the previous two years.

"RESOLVED as a special resolution in terms of the Companies Act, that the remuneration of non-executive directors for the period 1 June 2019 until the end of the month in which the next annual general meeting is held, be and is hereby approved on the basis set out below:

	Current R	June 2019 and 2020 AGM Proposed R
Chairman of the board	1 698 445	1 817 336
Members of the board	390 356	417 681
Audit committee chairman	333 146	356 466
Audit committee members	175 961	188 278
Investment committee chairman	248 522	265 919
Investment committee members	120 822	129 280
Remuneration committee chairman	255 692	273 590
Remuneration committee member	122 009	130 550
Sustainability, risk and compliance committee chairman	248 522	265 919
Sustainability, risk and compliance committee member	120 868	129 329
Social and ethics committee chairman	124 254	132 952
Social and ethics committee member	60 441	64 672
Ad hoc meeting fees		
Board meeting	16 501	17 656
Committee meeting	12 380	13 247

The proposed fees equate to a 7% increase, and is aligned with the 2019 increases for the management and specialist category employees."

For this resolution to be passed, votes in favour must represent at least 75% (seventy-five percent) of all votes cast and/or exercised at the meeting for this resolution.



ANNUAL GENERAL MEETING NOTICE CONTINUED

9 Special resolution number 2: financial assistance for subscription of securities

"RESOLVED as a special resolution in terms of the Companies Act, that the provision by the company of any direct or indirect financial assistance as contemplated in section 44 of the Companies Act to any 1 (one) or more related or inter-related persons of the company for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, be and is hereby approved, provided that:

- 1 (i) The specific recipient/s of such financial assistance
- (ii) The form, nature and extent of such financial assistance
- (iii) The terms and conditions under which such financial assistance is provided are determined by the board of directors of the company from time to time.
- 2 The board of directors has satisfied the requirements of section 44 of the Companies Act on the provision of any financial assistance
- 3 Such financial assistance to a recipient is, in the opinion of the board of directors of the company, required for a purpose, which in the opinion of the board of directors, is directly or indirectly in the interests of the company
- 4 The authority granted in terms of this special resolution will remain valid until a new similar resolution is passed at the next annual general meeting or after the expiry of a period of 24 (twenty-four) months, whichever is the latter."

For this resolution to be passed, votes in favour must represent at least 75% (seventy-five percent) of all votes cast and/or exercised at the meeting in respect of this resolution.

10 Special resolution number 3: financial assistance to related or inter-related companies

"RESOLVED as a special resolution in terms of the Companies Act, that the provision by the company of any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any 1 (one) or more related or inter-related companies of the company and/or to any 1 (one) or more juristic persons who are members of, or are related to, any such related or inter-related company, be and is hereby approved, provided that:

- 1 (i) The specific recipient/s of such financial assistance
- (ii) The form, nature and extent of such financial assistance
- (iii) The terms and conditions under which such financial assistance is provided are determined by the board of directors of the company from time to time
- 2 The board of directors has satisfied the requirements of section 45 of the Companies Act in relation to the provision of any financial assistance
- 3 Such financial assistance to a recipient is, in the opinion of the board of directors of the company, required for a purpose which, in the opinion of the board of directors, is directly or indirectly in the interests of the company
- 4 The authority granted in terms of this special resolution will remain valid until a new similar resolution is passed at the next annual general meeting or after the expiry of a period of 24 (twenty-four) months, whichever is the latter."

For this resolution to be passed, votes in favour must represent at least 75% (seventy-five percent) of all votes cast and/or exercised at the meeting in respect of this resolution.



11 Special resolution number 3: general authority to repurchase shares

"RESOLVED as a special resolution in terms of the Companies Act, that, subject to compliance with the JSE Listings Requirements, the Companies Act, and clause 3.1(12) of the Mol of the company, the directors be and are hereby authorised, at their discretion, to instruct that the company or subsidiaries of the company acquire or repurchase ordinary shares issued by the company, provided that:

- › The number of ordinary shares acquired in any one financial year will not exceed 20% (twenty percent) of the ordinary shares in issue at the date on which this resolution is passed
- › This must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty
- › This authority will lapse on the earlier of the date of the next annual general meeting of the company or 15 (fifteen) months after the date on which this resolution is passed
- › The price paid per ordinary share may not be greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which a purchase is made."

The reason for and effect of this special resolution is to authorise the directors, if they deem it appropriate in the interests of the company, to instruct that the company or its subsidiaries acquire or repurchase ordinary shares issued by the company subject to the restrictions contained in the above resolution.

At present, the directors have no specific intention to use this authority which will only be used if circumstances are appropriate.

The directors undertake that they will not implement the repurchase as contemplated in this special resolution while this general authority is valid, unless:

- › After such repurchases, the company passes the solvency and liquidity test as contained in section 4 of the Companies Act and that, from the time the solvency and liquidity test is done, there will be no material changes to the financial position of the group
- › The consolidated assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards and in accordance with accounting policies used in the company and group AFS for the year ended 31 December 2018, will exceed the consolidated liabilities of the company and the group immediately following such purchase or 12 (twelve) months after the date of the notice of annual general meeting, whichever is the later
- › The company and group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 (twelve) months after the date of the notice of the annual general meeting or a period of 12 (twelve) months after the date on which the board considers that the purchase will satisfy the immediately preceding requirement and this requirement, whichever is the later
- › The issued share capital and reserves of the company and group will be adequate for the purposes of the business of the company and group for a period of 12 (twelve) months after the date of the notice of the annual general meeting of the company
- › The company and group will have adequate working capital for ordinary business purposes for a period of 12 (twelve) months after the date of this notice
- › A resolution is passed by the board of directors that it has authorised the repurchase, that the company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the group
- › The company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless the company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant prohibited period are fixed (not subject to any variation) and has been submitted to the JSE in writing. The company will instruct an independent third party, which makes its investment decisions on the company's securities independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE
- › When the company or its subsidiaries have cumulatively repurchased 3% (three percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made
- › The company at any time only appoints one agent to effect any repurchase(s) on its behalf.

For this resolution to be passed, votes in favour must represent at least 75% (seventy-five percent) of all votes cast and/or exercised at the meeting in respect of this resolution.

ANNUAL GENERAL MEETING NOTICE CONTINUED

NON-BINDING ADVISORY VOTES

12 Non-binding advisory vote number 1: the remuneration policy

"RESOLVED, through a non-binding advisory vote that the company's remuneration policy, as set out in the remuneration and nomination committee report of the integrated report 2018, be and is hereby approved."

The remuneration and nomination committee report is included in the integrated report <https://www.exxaro.com/investor/integrated-reports2018/home.php>, and available on the company's website, www.exxaro.com or can be requested from the company secretary at information.officer@exxaro.com telephonically on +27 12 3074384.

This ordinary resolution is of an advisory nature only and although the board of directors will consider the outcome of the vote when determining the remuneration policy, failure to pass this resolution will not legally preclude the company from implementing the remuneration policy as contained in the integrated report.

13 Non-binding advisory vote number 2: non-binding advisory vote on the implementation of the remuneration policy

"RESOLVED THAT, in accordance with King IV™* and the JSE Listings Requirements, the shareholders endorse the implementation of the remuneration policy of the company as set out in the remuneration report."

An explanation of the implementation of the company's remuneration policy is included in the integrated report <https://www.exxaro.com/investor/integrated-reports2018/home.php>, and available on the company's website, www.exxaro.com or can be requested from the group company secretary at information.officer@exxaro.com or telephonically on +27 12 3074384.

This ordinary resolution is of an advisory nature only and although the board of directors will consider the outcome of the vote when determining the remuneration policy, failure to pass this resolution will not legally preclude the company from implementing the remuneration policy as contained in the integrated report.

DIRECTORS RESPONSIBILITY STATEMENT

The directors collectively and individually accept full responsibility for the accuracy of the information pertaining to these resolutions and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that these resolutions contain all information required by law and the JSE Listings Requirements.

NO MATERIAL CHANGES TO REPORT

Other than the facts and developments reported on in the annual financial statements, which are available on the company's website www.exxaro.com, there have been no material changes in the financial or trading position of the company and its subsidiaries since the date of signature of the audit report for the financial year ended 31 December 2018.

By order of the board of directors



SE van Loggerenberg
Group company secretary

Pretoria
2019

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FORM OF PROXY

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)

To be completed by certificated shareholders and dematerialised shareholders with 'own-name' registration only

For completion by registered shareholders of Exxaro unable to attend the 18th (eighteenth) annual general meeting of shareholders of the company to be held at 11:00 on Thursday, 23 May 2019, at the JSE Building, 9th Floor Dining Room, One Exchange Square, Gwen Lane, Sandown, South Africa or at any adjournment or postponement of that meeting.

A shareholder is entitled to appoint one or more proxies (none of whom need to be a shareholder of the company) to attend, participate in, speak and vote or abstain from voting in the place of that shareholder at the annual general meeting.

I/We (please print names in full)

of (address)

being the holder/s of _____ shares in the company, do hereby appoint:

1 _____ or, failing him/her

2 _____ or, failing him/her

3 the chairman of the annual general meeting

as my/our proxy to attend, participate in, speak and, on a poll, vote on my/our behalf at the annual general meeting of shareholders to be held at 11:00 on Thursday, 23 May 2019 at the JSE Building, 9th Floor Dining Room, One Exchange Square, Gwen Lane, Sandown, South Africa or at any adjournment or postponement of that meeting, and to vote or abstain from voting as follows on the ordinary and special resolutions to be proposed at such meeting:

	For	Against	Abstain
Ordinary resolutions			
1 Resolution to elect non-executive directors			
1.1 Election of GJ Fraser-Moleketi as a director			
1.2 Election of M Moffett as a director			
1.3 Election of LI Mophatlane as a director			
1.4 Election of EJ Myburgh as a director			
1.5 Election of PCCH Snyders as a director			
2 Resolution to elect group audit committee members			
2.1 Election of MJ Moffett as a member of the group audit committee			
2.2 Election of LI Mophatlane as a member of the group audit committee			
2.3 Election of EJ Myburgh as a member of the group audit committee			
2.4 Election of V Nkonyeni as a member of the group audit committee			
3 Resolution to elect group social and ethics committee members			
3.1 Election of GJ Fraser-Moleketi as a member of the group social and ethics committee			
3.2 Election of D Mashile-Nkosi as a member of the group social and ethics committee			
3.3 Election of L Mbatha as a member of the group social and ethics committee			
3.4 Election of LI Mophatlane as a member of the group social and ethics committee			
3.5 Election of PCCH Snyders as a member of the group social and ethics committee			
4 Resolution to reappoint PricewaterhouseCoopers Incorporated as independent external auditors			
5 Resolution of general authority to issue shares for cash			
6 Resolution to place unissued shares under the control of the directors			
7 Resolution to authorise directors and/or group company secretary to implement the resolutions set out in the notice convening the annual general meeting			
Special resolutions			
1 Special resolution to approve non-executive directors' fees for the period 1 June 2019 to the next annual general meeting			
2 Special resolution to authorise financial assistance for the subscription of securities			
3 Special resolution to authorise financial assistance to related or inter-related companies			
4 Special resolution to authorise general authority to repurchase shares			
Non-binding advisory votes			
1 Non-binding advisory vote to approve the remuneration policy			
2 Non-binding advisory vote to approve the implementation report to the remuneration policy			

Please indicate with an 'X' in the appropriate spaces above how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain as he/she sees fit.

Signed at this _____ day of _____ 2019

Signature _____

Assisted by me, where applicable (name and signature) _____

Please read the notes that follow.



NOTES TO THE FORM OF PROXY

(Which include a summary of the rights established by section 58 of the Companies Act No 71 of 2008, as amended (Companies Act))

- 1 A form of proxy is only to be completed by those ordinary shareholders who are:
 - ▶ Holding ordinary shares in certificated form or
 - ▶ Recorded on sub-register electronic form in 'own-name'.
- 2 If you have already dematerialised your ordinary shares through a central securities depository participant (CSDP) or broker and wish to attend the annual general meeting, you must request your CSDP or broker to provide you with a letter of representation or instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement between yourself and your CSDP or broker.
- 3 A shareholder may insert the name of a proxy or the names of two or more persons as alternative or concurrent proxies in the space. The person whose name appears first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act to the exclusion of those whose names follow. A proxy may not delegate his/her authority to act on behalf of the shareholder to another person.
- 4 A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the instrument appointing the proxy provides otherwise.
- 5 On a show of hands, a shareholder of the company present in person or by proxy will have one vote, irrespective of the number of shares he/she holds or represents, provided that a proxy will, irrespective of the number of shareholders he/she represents, have only one vote. On a poll, a shareholder who is present in person or represented by proxy will be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of shares held by him/her bears to the aggregate amount of the nominal value of all shares issued by the company.
- 6 A shareholder's instructions to the proxy must be indicated by inserting the relevant numbers of votes exercisable by the shareholder in the box provided. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's exercisable votes. A shareholder or proxy is not obliged to use all the votes exercisable by the shareholder or proxy, but the total of votes cast and for which abstention is recorded may not exceed the total of votes exercisable by the shareholder or proxy.
- 7 The proxy appointment is:
 - ▶ Suspended at any time and to the extent that the shareholder chooses to act directly and in person in exercising any rights as a shareholder
 - ▶ Revocable unless the proxy appointment expressly states otherwise. If the appointment is revocable, a shareholder may revoke the proxy appointment by:
 - Cancelling it in writing, or making a later inconsistent appointment of a proxy
 - Delivering a copy of the revocation instrument to the proxy, and to the transfer secretaries of the company.
- 8 The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:
 - ▶ The date stated in the revocation instrument, if any, or
 - ▶ The date on which the revocation instrument was delivered.

- 9 If the instrument appointing a proxy or proxies has been delivered, as long as that appointment remains in effect, any notice required by the Companies Act or the company's memorandum of incorporation to be delivered by the company to the shareholder must be delivered to:
 - ▶ The shareholder or
 - ▶ The proxy or proxies, if the shareholder has directed the company to do so, in writing, and paid any reasonable fee charged by the company for doing so.
- 10 The proxy appointment remains valid only until the end of the annual general meeting or any adjournment or postponement, unless it is revoked in accordance with paragraph 7 prior to the meeting.
- 11 In the interest of administrative purposes it is advisable that forms of proxy be lodged at or posted to The Meeting Specialist Proprietary Limited, to be received not later than 48 hours before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays), thus by 11:00 on Tuesday, 21 May 2018. This does not preclude proxies to be handed in at the meeting.

For shareholders on the South African register

The Meeting Specialist Proprietary Limited
JSE Building
One Exchange Square
Gwen Lane
Sandown, 2196
PO Box 62043
Marshalltown, 2107
proxy@tmsmeetings.co.za
Tel: +27 11 520 7951/0/2

Over-the-counter American depository receipt (ADR) holders

Exxaro has an ADR facility with The Bank of New York Mellon (BNY Mellon) under a deposit agreement. ADR holders may instruct BNY Mellon how the shares represented by their ADRs should be voted. American Depository Receipt Facility (ADR)
Bank of New York Mellon
101 Barclay Street
New York, NY, 10286
www.adrbny.com
shareowners@bankofny.com
Tel: +(00-1) 888 815 5133

- 12 Completing and lodging this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any appointed proxy.
- 13 Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached, unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
- 14 Any alteration or correction made to this form of proxy must be initiated by the signatory(ies).
- 15 Despite these requirements, the chairman of the annual general meeting may, if deemed reasonable, waive any formalities that would otherwise be a prerequisite for a valid proxy.
- 16 If any shares are jointly held, all joint shareholders must sign this form of proxy. If more than one of those shareholders is present at the annual general meeting, either in person or by proxy, the person whose name first appears in the register will be entitled to vote.



ADMINISTRATION

Group company secretary and registered office

SE van Loggerenberg
Exxaro Resources Limited
Roger Dyason Road
Pretoria West, 0183
(PO Box 9229, Pretoria, 0001)
South Africa
Telephone +27 12 307 5000

Sponsor

Absa Bank Limited (acting through its corporate and investment bank division)
Barclays Sandton North
15 Alice Lane
Sandton, 2196

Company registration number: 2000/011076/06

JSE share code: EXX

ISIN: ZAE000084992

ADR code: EXXAY

Auditors

PricewaterhouseCoopers Incorporated
4 Lisbon Lane
Waterfall City
Jukskei View, 2090

Commercial Bankers

Absa Bank Limited

Corporate law advisers

Inlexso Proprietary Limited
Roger Dyason Road
Pretoria West, 0183

United States ADR Depository

The Bank of New York Mellon
101 Barclay Street
New York, NY, 10286
United States of America

Registrars

Computershare Investor
Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

(PO Box 61051, Marshalltown, 2107)

SHAREHOLDER DIARY

Financial year-end

31 December

Annual general meeting

May

Reports and accounts published

Announcement of annual results
Integrated report
Interim report for the half-year ended 30 June

March
April
August

Distributions

Final dividend declaration
Payment
Interim dividend declaration
Payment

March
May
August
September/October

