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

for the six-month period ended 30 June 2017

exxaro

POWERING POSSIBILITY

SALIENT FEATURES

Group

- Revenue R10,7 billion, up 10%
- Net operating profit R2,9 billion, up 35%
- Net debt: equity of 12%
- Interim dividend of 300 cents per share, up 210 cents per share
- HEPS* of 882 cents, up 185%
- AEPS** of 852 cents, up 135%
- Cash generated by operations at R3,7 billion, up 68%

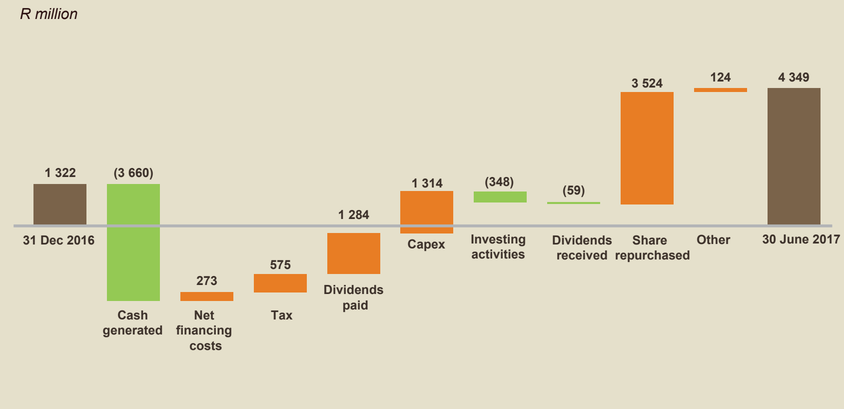
SIOC

- R1,2 billion post-tax equity-accounted income
- R1,4 billion, Exxaro's share of dividend declared for 1H17

Tronox

- R295 million post-tax equity-accounted losses
- Dividend of R59 million received in 1H17

Net debt – 1H17



* Headline earnings per share.
** Attributable earnings per share.

Please refer to the inside back cover for an explanation of the acronyms used throughout this book.

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CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 June 2017 Reviewed Rm	6 months ended 30 June 2016 Reviewed Rm	12 months ended 31 December 2016 Audited Rm
Revenue	10 736	9 762	20 897
Operating expenses	(7 826)	(7 760)	(16 413)
Operating profit (note 6)	2 910	2 002	4 484
Gain on disposal of joint venture		203	203
Impairment charges of non-current assets			(100)
Net operating profit	2 910	2 205	4 587
Finance income (note 7)	71	83	229
Finance costs (note 7)	(522)	(417)	(857)
Share of income/(loss) of equity-accounted investments (note 8)	1 125	(9)	2 373
Profit before tax	3 584	1 862	6 332
Income tax expense	(861)	(490)	(1 179)
Profit for the period from continuing operations	2 723	1 372	5 153
(Loss)/profit for the period from discontinued operations (note 5)		(121)	538
Profit for the period	2 723	1 251	5 691
Other comprehensive (loss)/income, net of tax	(181)	(91)	(549)
Items that will not be reclassified to profit or loss:	(4)	31	(57)
– Remeasurements of post-employment benefit obligation	(29)		
– Share of comprehensive income/(loss) of equity-accounted investments	25	31	(57)
Items that may be subsequently reclassified to profit or loss:	(177)	(122)	(492)
– Unrealised (losses)/gains on translation of foreign operations	(39)	25	(45)
– Revaluation of financial assets available-for-sale	5	(2)	(5)
– Share of comprehensive loss of equity-accounted investments	(143)	(145)	(442)
Total comprehensive income for the period	2 542	1 160	5 142
Profit/(loss) attributable to:			
Owners of the parent	2 692	1 285	5 679
– Continuing operations	2 692	1 406	5 141
– Discontinued operations		(121)	538
Non-controlling interests	31	(34)	12
– Continuing operations	31	(34)	12
Profit for the period	2 723	1 251	5 691
Total comprehensive income/(loss) attributable to:			
Owners of the parent	2 511	1 194	5 130
– Continuing operations	2 511	1 226	4 666
– Discontinued operations		(32)	464
Non-controlling interests	31	(34)	12
– Continuing operations	31	(34)	12
Total comprehensive income for the period	2 542	1 160	5 142
	Cents	Cents	Cents
Attributable earnings/(loss) per share			
Aggregate			
– Basic	852	362	1 600
– Diluted	852	360	1 591
Continuing operations			
– Basic	852	396	1 448
– Diluted	852	394	1 440
Discontinued operations			
– Basic		(34)	152
– Diluted		(34)	151

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	At 30 June 2017 Reviewed Rm	At 30 June 2016 Reviewed Rm	At 31 December 2016 Audited Rm
ASSETS			
Non-current assets	51 556	46 126	49 959
Property, plant and equipment	22 568	21 073	21 972
Biological assets	47	52	45
Intangible assets	23	43	31
Investments in associates (note 11)	22 333	19 687	21 518
Investments in joint ventures (note 12)	1 329	1 195	1 258
Financial assets (note 13)	4 827	3 638	4 720
Deferred tax	429	438	415
Current assets	5 919	6 492	9 842
Inventories	1 287	1 213	1 036
Financial assets (note 13)		452	480
Trade and other receivables	2 440	2 281	3 050
Current tax receivable	119	185	81
Cash and cash equivalents	2 073	2 361	5 195
Non-current assets held-for-sale (note 14)	175	142	130
Total assets	57 650	52 760	59 931
EQUITY AND LIABILITIES			
Capital and other components of equity			
Share capital	1 660	2 460	2 509
Other components of equity	5 007	6 901	2 085
Retained earnings	30 476	26 651	31 281
Equity attributable to owners of the parent	37 143	36 012	35 875
Non-controlling interests	(757)	(834)	(788)
Total equity	36 386	35 178	35 087
Non-current liabilities	15 909	11 940	16 282
Interest-bearing borrowings (note 15)	5 498	3 039	6 002
Provisions	4 149	3 297	4 162
Post-retirement employee obligations	222	228	239
Financial liabilities (note 17)	253	73	479
Deferred tax	5 787	5 303	5 400
Current liabilities	4 221	4 298	7 461
Trade and other payables	2 753	2 515	3 010
Shareholder loans	18	21	18
Interest-bearing borrowings (note 15)	11	1 584	503
Current tax payable	146	35	210
Financial liabilities (note 17)	236		3 599
Provisions	140	127	109
Overdraft (note 15)	917	16	12
Non-current liabilities held-for-sale (note 14)	1 134	1 344	1 101
Total liabilities	21 264	17 582	24 844
Total equity and liabilities	57 650	52 760	59 931

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital Rm	Other components of equity: Foreign currency translation Rm	Financial instruments revaluation Rm	Equity-settled Rm
At 31 December 2015 (Audited)	2 445	4 922	241	2 008
Profit/(loss) for the period				
Other comprehensive income/(loss)		25		
Share of other comprehensive (loss)/income of equity-accounted investments		(80)	(192)	127
Issue of share capital	15			
Share-based payments movement				81
Dividends paid				
At 30 June 2016 (Reviewed)	2 460	4 867	49	2 216
Profit for the period				
Other comprehensive loss		(70)		
Share of associates' reclassification of equity				(557)
Share of other comprehensive (loss)/income of equity-accounted investments		(386)	(26)	115
Issue of share capital	49			
Share-based payments movement				124
Dividends paid				
Share repurchase				
Disposal of foreign subsidiaries		(401)		
At 31 December 2016 (Audited)	2 509	4 010	23	1 898
Profit for the period				
Other comprehensive (loss)/income		(39)		
Share of other comprehensive (loss)/income of equity-accounted investments		(174)	(58)	89
Issue of share capital[1]	463			
Share-based payments movement[2]				(422)
Dividends paid				
Share repurchase[3]	(1 312)			
Reclassification within equity[4]				
At 30 June 2017 (Reviewed)	1 660	3 797	(35)	1 565

[1] *Vesting of Mpower 2012 treasury shares to good leavers and beneficiaries upon final vesting of the share-based payment scheme on 31 May 2017.*
[2] *Includes the final vesting of Mpower 2012 shares.*
[3] *Exxaro repurchased 43 943 744 ordinary shares from Main Street 333 for a purchase consideration of R3 524 million.*
[4] *Relates to a foreign entity which is required to reallocate distributable reserves to a non-distributable reserve.*

Dividend distribution

Final dividend paid per share (cents) in respect of the 2016 financial year	410
Dividend paid per share (cents) in respect of the 2016 interim period	90
Dividend payable per share (cents) in respect of the 2017 interim period	300

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.

Retirement benefit obligation

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

Available-for-sale revaluation

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

Retirement benefit obligation Rm	Available-for-sale revaluation Rm	Other Rm	Retained earnings Rm	Attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
(205)	(55)		25 670	35 026	(800)	34 226
			1 285	1 285	(34)	1 251
	(2)			23		23
31				(114)		(114)
				15		15
				81		81
			(304)	(304)		(304)
(174)	(57)		26 651	36 012	(834)	35 178
			4 394	4 394	46	4 440
	(3)			(73)		(73)
			557			
(88)				(385)		(385)
				49		49
				124		124
			(321)	(321)		(321)
		(3 524)		(3 524)		(3 524)
				(401)		(401)
(262)	(60)	(3 524)	31 281	35 875	(788)	35 087
			2 692	2 692	31	2 723
(29)	5			(63)		(63)
25				(118)		(118)
				463		463
				(422)		(422)
			(1 284)	(1 284)		(1 284)
		3 524	(2 212)			
		1	(1)			
(266)	(55)	1	30 476	37 143	(757)	36 386

CONDENSED GROUP STATEMENT OF CASH FLOWS

	6 months ended 30 June 2017 Reviewed Rm	6 months ended 30 June 2016 Reviewed Rm	12 months ended 31 December 2016 Audited Rm
Cash flows from operating activities	1 528	1 380	3 918
Cash generated by operations	3 660	2 183	5 549
Interest paid	(328)	(252)	(595)
Interest received	55	45	136
Tax paid	(575)	(292)	(547)
Dividends paid	(1 284)	(304)	(625)
Cash flows from investing activities	(907)	(607)	(2 198)
Property, plant and equipment acquired to maintain operations (note 10)	(1 105)	(993)	(2 413)
Property, plant and equipment acquired to expand operations (note 10)	(209)	(179)	(367)
Proceeds from disposal of property, plant and equipment	2	3	35
Settlement of contingent consideration (note 18.2)	(74)		
Increase in investments in other non-current assets	(64)	(34)	(160)
Decrease in loans to related parties	400		
Interest received on loans to related parties	84		
Proceeds from disposal of operation			47
Proceeds from disposal of joint venture		200	200
Increase in investment in joint venture		(54)	(55)
Increase in investment in associate		(233)	(233)
Income from investments in associates and joint ventures	59	683	748
Cash flows from financing activities	(4 620)	(443)	1 483
Interest-bearing borrowings raised		1 066	7 565
Interest-bearing borrowings repaid	(999)	(1 509)	(6 066)
Shares acquired in the market to settle share-based payments	(97)		(16)
Repurchase of share capital	(3 524)		
Net (decrease)/increase in cash and cash equivalents	(3 999)	330	3 203
Cash and cash equivalents at beginning of the period	5 183	2 055	2 055
Translation difference on movement in cash and cash equivalents	(24)	(40)	(75)
Cash and cash equivalents at end of the period	1 160	2 345	5 183
– Cash and cash equivalents	2 073	2 361	5 195
– Cash and cash equivalents classified as held-for-sale	4		
– Overdraft	(917)	(16)	(12)

RECONCILIATION OF GROUP HEADLINE EARNINGS

	Gross Rm	Tax Rm	Net Rm
6 months ended 30 June 2017 (Reviewed)			
Profit for the period attributable to owners of the parent			2 692
Adjusted for:	103	(8)	95
– IAS 16 Net losses on disposal of property, plant and equipment	22	(6)	16
– IAS 28 Loss on dilution of investment in associate	75		75
– IAS 28 Share of equity-accounted investments' separate identifiable remeasurements	6	(2)	4
Headline earnings			2 787
6 months ended 30 June 2016 (Reviewed)			
Profit for the period attributable to owners of the parent			1 285
Adjusted for:	(184)	(5)	(189)
– IAS 16 Net losses on disposal of property, plant and equipment	13	(1)	12
– IAS 28 Gain on disposal of joint venture	(203)		(203)
– IAS 28 Loss on dilution of investment in associate	29		29
– IAS 28 Excess of fair value over cost of investment in associate	(35)		(35)
– IAS 28 Share of equity-accounted investments' separate identifiable remeasurements	12	(4)	8
Headline earnings/(loss)			1 096
– Continuing operations			1 218
– Discontinued operations			(122)
12 months ended 31 December 2016 (Audited)			
Profit for the year attributable to owners of the parent			5 679
Adjusted for:	(1 001)	(57)	(1 058)
– IFRS 10 Gain on disposal of subsidiaries	(670)		(670)
– IAS 16 Net losses on disposal of property, plant and equipment	35	(13)	22
– IAS 16 Gain on disposal of an operation	(100)		(100)
– IAS 28 Excess of fair value over cost of investment in associate	(256)		(256)
– IAS 28 Loss on dilution of investment in associate	36		36
– IAS 28 Share of equity-accounted investments' separate identifiable remeasurements	57	(17)	40
– IAS 28 Gain on disposal of joint venture	(203)		(203)
– IAS 36 Impairment of property, plant and equipment	100	(27)	73
Headline earnings/(loss)			4 621
– Continuing operations			4 763
– Discontinued operations			(142)

	6 months ended 30 June 2017 Reviewed Cents	6 months ended 30 June 2016 Reviewed Cents	12 months ended 31 December 2016 Audited Cents
Headline earnings/(loss) per share			
Aggregate			
– Basic	882	309	1 302
– Diluted	882	307	1 294
Continuing operations			
– Basic	882	343	1 342
– Diluted	882	341	1 334
Discontinued operations			
– Basic		(34)	(40)
– Diluted		(34)	(40)

Refer to note 9 for details regarding the number of shares.

1. CORPORATE BACKGROUND

Exxaro, a public company incorporated in South Africa, is a diversified resources group with interests in the coal (controlled and non-controlled), TiO_2 and Alkali chemicals (non-controlled), ferrous (controlled and non-controlled) and energy (non-controlled) markets. These reviewed condensed group interim financial statements as at and for the six-month period ended 30 June 2017 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 reviewed condensed group interim financial statements as at and for the six-month period ended 30 June 2017 have been prepared in accordance with IFRS, IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

The reviewed condensed group interim financial statements as at and for the six-month period ended 30 June 2017 have been prepared under the supervision of PA Koppeschaar CA(SA), SAICA registration number: 00038621.

The reviewed condensed group interim financial statements should be read in conjunction with the group annual financial statements as at and for the year ended 31 December 2016, which have been prepared in accordance with IFRS as issued by the IASB. The reviewed condensed group interim financial statements have been prepared on the historical cost basis, excluding financial instruments and biological assets, which are at fair value.

The reviewed condensed group interim financial statements of Exxaro and its subsidiaries as at and for the six-month period ended 30 June 2017 were authorised for issue by the board of directors on 15 August 2017.

2.2 Judgements and estimates

In preparing these reviewed condensed group interim financial statements, management made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the group's accounting policies and the key source of estimation uncertainty were similar to those applied to the group annual financial statements as at and for the year ended 31 December 2016.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the reviewed condensed group interim financial statements are consistent with those followed in the preparation of the group annual financial statements as at and for the year ended 31 December 2016. A number of new or amended standards became effective for the current reporting period. However, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. Additional disclosures required under the amended IAS 7 *Statement of Cash Flows* have not been provided by the group as it is not required for condensed group interim financial statements. The group will disclose the additional information in the group annual financial statements for the year ended 31 December 2017.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual profit or loss.

New accounting standards and amendments issued to accounting standards and interpretations which are relevant to the group, but not yet effective on 30 June 2017, have not been adopted. The group continuously evaluates the impact of these standards and amendments. In summary the following are the current expectations in relation to IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*.

3. ACCOUNTING POLICIES (continued)

IFRS 9

The group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

The actual impact of adopting IFRS 9 on the group's financial statements in 2018 is not known and cannot be reliably estimated because it is dependent on the financial instruments that the group holds and economic conditions at that time as well as accounting elections and judgements which the group will make in the future. The new standard will require the group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

However, the group has performed a preliminary assessment of the potential impact of the adoption of IFRS 9 based on its position at 30 June 2017.

Based on its preliminary assessment, the group does not believe that the new classification requirements, if they had been applied at 30 June 2017, would have had a material impact on its accounting for trade receivables, loans and investments in equity securities that are managed on a fair value basis. At 30 June 2017, the group had equity investments classified as available-for-sale with a fair value of R177 million. If these investments continue to be held for the same purpose at initial application of IFRS 9, then the group may elect to classify them as at fair value through other comprehensive income or fair value through profit or loss. The group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognised in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognised in profit or loss as they arise, increasing volatility in the group's profits.

The group has embarked on the process of determining the impact that the new impairment model, on the basis of expected credit losses, will have on the impairment provisions. As part of this process the group will finalise the impairment methodologies that it will apply under IFRS 9.

Disclosure requirements and changes in presentation are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The group is in the process of identifying changes to systems and controls which will be necessary to capture the required data.

IFRS 15

The standard is effective for annual periods beginning on or after 1 January 2018. Exxaro assessed significant contracts with customers in line with the IFRS 15 five-step model. While the group is still considering the impact, no material impact is expected on the measurement and timing of revenue recognition.

The group must still take a decision on the transition method to be applied as well as the practical expedients to be used, if elected.

IFRS 16

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted provided that IFRS 15 is adopted at or before the date of initial application of IFRS 16. The group made progress on the initial assessment of the potential impact of this standard on the group's financial statements but has not yet reached a conclusion if this standard will be early adopted with the implementation of IFRS 15. This initial assessment included the identification of material lease transactions within the group. The group must still make a decision on the transition method to be applied as well as the practical expedients to be used, if elected.

4. SEGMENTAL INFORMATION

Operating segments are reported on 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 products and operations.

The corporate transactions during 2016 necessitated a change in the segmental reporting structures and the manner in which operating results are reported to the chief operating decision-maker. Changes to segmental reporting which resulted in the re-presentation of comparative periods' segmental information, included:

– the iron ore operating segment is now included within the other operating segment which forms part of the other reportable segment;
– an energy segment was added as an additional reportable segment.

The re-presentation resulted in five reportable operating segments compared to the four reportable operating segments in prior periods.

Total operating segment revenue, which excludes VAT, represents the gross value of goods invoiced, services rendered and includes operating revenues directly and reasonably allocatable to the segments. Segment net operating profit or loss equals segment revenue less segment expenses, impairment charges, plus impairment reversals. Segment operating expenses, assets and liabilities represent direct or reasonably allocatable operating expenses, assets and liabilities.

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

Coal

The coal operations are mainly situated in the Waterberg and Mpumalanga regions and are split between coal commercial operations and coal tied operations. Coal commercial operations include a 50% (30 June 2016: 50%; 31 December 2016: 50%) investment in Mafube (a joint venture with Anglo), as well as a 10,82% (30 June 2016: 10,82%; 31 December 2016: 10,82%) effective equity interest in RBCT. The coal operations produce thermal coal, metallurgical coal and SSCC.

Ferrous

The ferrous segment comprises a 20,62% (30 June 2016: 19,98%; 31 December 2016: 20,62%) equity interest in SIOC (located in the Northern Cape province) reported within the other ferrous operating segment as well as the FerroAlloys operations (referred to as Alloys).

TiO_2 and Alkali chemicals

Exxaro holds a 42,97% (30 June 2016: 43,71%; 31 December 2016: 43,66%) equity interest in Tronox Limited and a 26% (30 June 2016: 26%; 31 December 2016: 26%) equity interest in Tronox SA (both South African-based operations), as well as a 26% (30 June 2016: 26%; 31 December 2016: 26%) member's interest in Tronox UK.

Energy

The energy segment comprises a 50% (30 June 2016: 50%; 31 December 2016: 50%) investment in Cennergi (a South African joint venture with Tata Power Company Limited) which operates two windfarms.

Other

This reportable segment comprises the 26% (30 June 2016: 26%; 31 December 2016: 26%) equity interest in Black Mountain (located in the Northern Cape province), an effective investment of 11,7% (30 June 2016: 11,7%; 31 December 2016: 11,7%) in Chifeng (located in the PRC), the Mayoko iron ore project (and related subsidiaries) which was classified as a discontinued operation in 2016 and sold on 23 September 2016, as well as the corporate office which renders services to operations and other customers.

4. SEGMENTAL INFORMATION (continued)

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

	Coal		Ferrous		TiO_2 and Alkali chemicals	Energy	Other		Total
	Tied operations Rm	Commercial operations Rm	Alloys Rm	Other ferrous Rm	Rm	Rm	Base metals Rm	Other Rm	Rm
For the 6 months ended 30 June 2017 (Reviewed)									
External revenue	1 591	9 079	56					10	10 736
Segment net operating profit/(loss)	149	2 865						(104)	2 910
External finance income (note 7)		21						50	71
External finance costs (note 7)	(83)	(121)						(318)	(522)
Income tax (expense)/benefit	(26)	(777)	8					(66)	(861)
Depreciation and amortisation (note 6)	(6)	(623)						(46)	(675)
Cash generated by/(utilised in) operations	120	3 523	24					(7)	3 660
Share of income/(loss) of equity-accounted investments (note 8)		104		1 228	(295)	(11)	99		1 125
Capital expenditure (note 10)		(1 305)	(2)					(7)	(1 314)
At 30 June 2017 (Reviewed)									
Segment assets and liabilities									
Deferred tax	67	17	28					317	429
Investments in associates (note 11)		2 203		8 771	10 740		619		22 333
Investments in joint ventures (note 12)		961				368			1 329
External assets[1]	2 907	27 911	163	25		126	177	2 075	33 384
Assets	2 974	31 092	191	8 796	10 740	494	796	2 392	57 475
Non-current assets held-for-sale (note 14)		46						129	175
Total assets as per statement of financial position	2 974	31 138	191	8 796	10 740	494	796	2 521	57 650
External liabilities	2 650	4 464	23	4				7 056	14 197
Deferred tax[2]	4	5 842						(59)	5 787
Current tax payable[2]	(4)	150							146
Liabilities	2 650	10 456	23	4				6 997	20 130
Non-current liabilities held-for-sale (note 14)		1 134							1 134
Total liabilities as per statement of financial position	2 650	11 590	23	4				6 997	21 264

[1] *Excluding deferred tax, investments in associates and joint ventures and non-current assets held-for-sale.*
[2] *Offset per legal entity and tax authority.*

4. SEGMENTAL INFORMATION (continued)

	Coal		Ferrous		TiO_2 and Alkali chemicals	Energy	Other		Total
	Tied operations Rm	Commercial operations Rm	Alloys Rm	Other ferrous Rm	Rm	Rm	Base metals Rm	Other Rm	Rm
For the 6 months ended 30 June 2016 (Reviewed) (Re-presented)									
External revenue (continuing operations)	1 659	8 059	13					31	9 762
Segment net operating profit/(loss)	122	2 110	(7)					(66)	2 159
– *Net operating profit/(loss) from continuing operations*	122	2 110	(7)					(20)	2 205
– *Net operating loss from discontinued operations*								(46)	(46)
External finance income (note 7)	1	14	1					67	83
External finance costs (note 7)	(52)	(121)						(244)	(417)
Income tax (expense)/benefit	(19)	(421)	2					(127)	(565)
Depreciation and amortisation (note 6)	(6)	(511)	(4)					(43)	(564)
Cash generated by/(utilised in) operations	167	2 422	(34)	(9)				(363)	2 183
Share of income/(loss) of equity-accounted investments (note 8)		109		736	(930)	37	39		(9)
Capital expenditure (note 10)		(1 158)	(10)					(4)	(1 172)
At 30 June 2016 (Reviewed) (Re-presented)									
Segment assets and liabilities									
Deferred tax	37	31	124	109				137	438
Investments in associates (note 11)		2 242		5 874	11 111		460		19 687
Investments in joint ventures (note 12)		683				512			1 195
External assets[1]	1 953	26 109	225	28			199	2 784	31 298
Assets	1 990	29 065	349	6 011	11 111	512	659	2 921	52 618
Non-current assets held-for-sale (note 14)								142	142
Total assets as per statement of financial position	1 990	29 065	349	6 011	11 111	512	659	3 063	52 760
External liabilities	1 735	5 833	33	47				3 252	10 900
Deferred tax[2]	(28)	5 392	3					(64)	5 303
Current tax payable[2]		35							35
Liabilities	1 707	11 260	36	47				3 188	16 238
Non-current liabilities held-for-sale (note 14)		1 072						272	1 344
Total liabilities as per statement of financial position	1 707	12 332	36	47				3 460	17 582

[1] *Excluding deferred tax, investments in associates and joint ventures and non-current assets held-for-sale.*
[2] *Offset per legal entity and tax authority.*

4. SEGMENTAL INFORMATION (continued)

	Coal		Ferrous		TiO_2 and Alkali chemicals	Energy	Other		Total
	Tied operations Rm	Commercial operations Rm	Alloys Rm	Other ferrous Rm	Rm	Rm	Base metals Rm	Other Rm	Rm
For the 12 months ended 31 December 2016 (Audited) (Re-presented)									
External revenue (continuing operations)	3 483	17 190	170					54	20 897
Segment net operating profit/(loss)	226	4 940	(75)	28				81	5 200
– Net operating profit/(loss) from continuing operations	226	4 940	(75)	28				(532)	4 587
– Net operating profit from discontinued operations								613	613
External finance income (note 7)	2	61	1					165	229
External finance costs (note 7)	(105)	(245)						(507)	(857)
Income tax benefit/(expense)	13	(1 110)	21	2				(180)	(1 254)
Depreciation and amortisation (note 6)	(12)	(1 072)	(7)					(107)	(1 198)
Impairment charges – non-current assets (excluding financial assets and goodwill)			(100)						(100)
Gain on disposal of operation		100							100
Cash generated by/(utilised in) operations	260	5 426	(53)	(22)				(62)	5 549
Share of income/(loss) of equity-accounted investments (note 8)		238		2 416	(384)	3	100		2 373
Capital expenditure (note 10)		(2 747)	(14)					(19)	(2 780)
At 31 December 2016 (Audited) (Re-presented)									
Segment assets and liabilities									
Deferred tax		49	22	1				343	415
Investments in associates (note 11)		2 217		7 549	11 232		520		21 518
Investments in joint ventures (note 12)		839				419			1 258
External assets[1]	2 952	27 481	201	25		126	178	5 647	36 610
Assets	2 952	30 586	223	7 575	11 232	545	698	5 990	59 801
Non-current assets held-for-sale (note 14)		1						129	130
Total assets as per statement of financial position	2 952	30 587	223	7 575	11 232	545	698	6 119	59 931
External liabilities	2 631	4 939	39	4				10 520	18 133
Deferred tax[2]	(54)	5 515						(61)	5 400
Current tax payable[2]	(14)	224							210
Liabilities	2 563	10 678	39	4				10 459	23 743
Non-current liabilities held-for-sale (note 14)		1 101							1 101
Total liabilities as per statement of financial position	2 563	11 779	39	4				10 459	24 844

[1] *Excluding deferred tax, investments in associates and joint ventures and non-current assets held-for-sale.*

[2] *Offset per legal entity and tax authority.*

5. DISCONTINUED OPERATIONS

During 2016 Exxaro entered into a sale of shares agreement for the sale of the Mayoko iron ore project and related subsidiaries for a purchase consideration of US$2 million which became effective on 23 September 2016. The disposal group represented a major geographical area of operation and was disclosed as part of the iron ore operating segment which has now been re-presented to form part of the other operating segment within the other reportable segment. Financial information relating to discontinued operations for the period to the date of disposal is set out below:

	6 months ended 30 June 2017 Reviewed Rm	6 months ended 30 June 2016 Reviewed Rm	12 months ended 31 December 2016 Audited Rm
The financial performance and cash flow information			
Operating expenses		(46)	(57)
Operating loss		(46)	(57)
Gain on disposal of subsidiaries			670
Net operating (loss)/profit		(46)	613
Income tax expense		(75)	(75)
(Loss)/profit for the period from discontinued operations		(121)	538
Cash flow attributable to operating activities		(16)	(29)
Cash flow attributable to investing activities		1	9
Cash flow attributable to discontinued operations		(15)	(20)
6. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT			
Raw materials and consumables	(1 412)	(1 124)	(2 443)
Staff costs	(2 011)	(2 084)	(4 365)
Royalties	(70)	(53)	(82)
Gain on disposal of operation[1]			100
Depreciation and amortisation	(675)	(564)	(1 198)
Fair value adjustments on contingent consideration[2]	(37)	38	(445)
Net realised foreign currency exchange losses	(78)	(74)	(116)
Fair value adjustments on financial assets designated at fair value through profit or loss	43	35	48
Provisions income/(expense)	192	(70)	(896)
Net losses on disposal or scrapping of property, plant and equipment	(22)	(13)	(44)
Loss on dilution of investment in associate	(75)	(29)	(36)

[1] *Sale of the Inyanda operation in 2016.*
[2] *Relating to the ECC acquisition.*

	6 months ended 30 June 2017 Reviewed Rm	6 months ended 30 June 2016 Reviewed Rm	12 months ended 31 December 2016 Audited Rm
7. NET FINANCING COSTS			
Total finance income	71	83	229
– Interest income	66	78	218
– Finance lease interest income	5	5	11
Total finance costs	(522)	(417)	(857)
– Interest expense	(325)	(245)	(496)
– Unwinding of discount rate on rehabilitation cost	(202)	(173)	(347)
– Finance lease interest expense	(2)	(2)	(5)
– Amortisation of transaction costs	(3)	(4)	(25)
– Borrowing costs capitalised[1]	10	7	16
Total net financing costs	(451)	(334)	(628)
[1] *Borrowing costs capitalisation rate:*	*9,05%*	*9,02%*	*9,55%*
8. SHARE OF INCOME/(LOSS) OF EQUITY-ACCOUNTED INVESTMENTS			
Associates	1 018	(130)	2 132
Listed investments	(363)	(947)	(391)
– Tronox Limited	(363)	(947)	(391)
Unlisted investments	1 381	817	2 523
– SIOC[1]	1 228	736	2 416
– Tronox SA	9	(41)	(111)
– Tronox UK	59	58	118
– RBCT[2]	(14)	25	
– Black Mountain	99	39	100
Joint ventures	107	121	241
– Mafube	118	84	238
– Cennergi	(11)	37	3
Share of income/(loss) of equity-accounted investments	1 125	(9)	2 373

[1] *December 2016 includes R221 million excess of fair value over the cost of the investment which arose on the increase of 0,64% in the shareholding of SIOC.*

[2] *2016 includes R35 million excess of fair value over the cost of the investment which arose on the increase in the RBCT shareholding.*

9. DIVIDEND DISTRIBUTION

Total dividends paid in 2016 amounted to R625 million, made up of a final dividend of R304 million which related to the year ended 31 December 2015, paid in April 2016, as well as an interim dividend of R321 million, paid in September 2016. A final dividend relating to the 2016 year of 410 cents per share (amounting to R1 284 million) was paid to shareholders in April 2017.

An interim cash dividend, number 29, for 2017 of 300 cents per share (2016: 90 cents per share) was approved by the board of directors on 15 August 2017. The dividend is payable on 18 September 2017 to shareholders who will be on the register at 15 September 2017. This interim dividend, amounting to approximately R943 million (2016: R321 million), has not been recognised as a liability in these reviewed condensed group interim financial statements. It will be recognised in shareholders' equity in the year ending 31 December 2017.

The 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 240 cents per share. The dividend withholding tax amounts to 60,00000 cents per share (30 June 2016: 13,50000 cents per share; 31 December 2016: 82,00000 cents per share). The number of ordinary shares in issue at the date of this declaration is 314 171 761 (2016: 358 115 505). Exxaro company's tax reference number is 9218/098/14/4.

	At 30 June 2017 Reviewed	At 30 June 2016 Reviewed	At 31 December 2016 Audited
Issued share capital (number)[1]	314 171 761	358 115 505	358 115 505
Ordinary shares (million)			
– Weighted average number of shares	316	355	355
– Diluted weighted average number of shares	316	357	357

[1] 43 943 744 shares were repurchased and cancelled on 20 January 2017.

	At 30 June 2017 Reviewed Rm	At 30 June 2016 Reviewed Rm	At 31 December 2016 Audited Rm
10. CAPITAL EXPENDITURE			
Incurred	1 314	1 172	2 780
– To maintain operations	1 105	993	2 413
– To expand operations	209	179	367
Contracted	3 881	1 506	2 333
– Contracted for the group (owner-controlled)	2 581	1 203	1 382
– Share of capital commitments of equity-accounted investments	1 300	303	951
Authorised, but not contracted	1 148	760	3 500
11. INVESTMENTS IN ASSOCIATES			
Listed investments	7 383	7 818	7 946
– Tronox Limited[1]	7 383	7 818	7 946
Unlisted investments	14 950	11 869	13 572
– SIOC	8 771	5 874	7 549
– Tronox SA	1 740	1 795	1 728
– Tronox UK	1 617	1 498	1 558
– RBCT	2 203	2 242	2 217
– Black Mountain	619	460	520
Total carrying value of investments in associates	22 333	19 687	21 518
[1] Fair value based on a listed price (Level 1 within the IFRS 13 Fair Value Measurement fair value hierarchy) (Rm):	*10 060*	*3 349*	*7 186*
Listed share price (US$ per share):	*15,12*	*4,41*	*10,31*

Subsequent to 30 June 2017, the Tronox Limited share price improved to US$19,91 per share on 15 August 2017, an increase of 32%. An impairment charge was not recognised for 2016 as the recoverable amount (value in use) of the Tronox Limited investment was determined to be in excess of the carrying value.

	At 30 June 2017 Reviewed Rm	At 30 June 2016 Reviewed Rm	At 31 December 2016 Audited Rm
12. INVESTMENTS IN JOINT VENTURES			
Unlisted investments	1 329	1 195	1 258
– Mafube	961	683	839
– Cennergi[1]	368	512	419
Total carrying value of investments in joint ventures	1 329	1 195	1 258
[1] *Included in financial assets is a loan to Cennergi (refer note 13):*	*126*		*126*
13. FINANCIAL ASSETS			
Non-current financial assets			
Environmental rehabilitation funds	1 510	1 370	1 401
Loan to joint venture[1]	126		126
Non-current receivables	1 744	848	1 768
Indemnification asset[2]	1 130	1 072	1 100
Investments	192	209	193
– Available-for-sale	177	199	178
– Fair value through profit or loss	15	10	15
Lease receivables	125	139	132
Total non-current financial assets	4 827	3 638	4 720
Current financial assets			
Loan to BEE shareholder[3]		452	480
Total current financial assets		452	480
Total financial assets	4 827	4 090	5 200

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

[2] *The indemnification asset arose on the ECC business combination transaction.*

[3] *During January 2017 Main Street 333 settled its interest-bearing loan with Exxaro.*

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

Moranbah coal project

Exxaro holds a 50% interest in the Moranbah coal project joint operation with Anglo American Metallurgical Coal Proprietary Limited reported within the coal commercial operating segment which forms part of the coal reportable segment. The project is based in Queensland, Australia.

As part of Exxaro's strategic decision to focus on its current pipeline of South African coal projects and due to the size of the project, the group's executive committee approved a divestment plan for this asset. The sale will be managed through a controlled market tender process, envisaged to be concluded towards the end of 2017.

The Moranbah coal project 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.

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

EMJV

Exxaro concluded the purchase of ECC in 2015, and as part of this acquisition Exxaro acquired non-current liabilities held-for-sale relating to the EMJV. The sale of the EMJV is conditional on section 11 approval required in terms of the MPRDA for transfer of the new-order mining right to the new owners, Scinta Energy Proprietary Limited, as well as section 43(2) approval for the transfer of environmental liabilities and responsibilities. The EMJV remains a non-current liability held-for-sale for the Exxaro group on 30 June 2017 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.

Corporate centre building

The land and buildings situated at corporate centre were classified as a non-current asset held-for-sale on 31 December 2015. The sale was subject to the fulfilment of suspensive conditions which were not met and the sales agreement subsequently lapsed.

A new agreement was entered into with a property consortium in June 2016. These agreements have been amended and finalised during May 2017. All conditions precedent to this sale agreement have not yet been met. The land and buildings situated at corporate centre remains classified as a non-current asset held-for-sale on 30 June 2017.

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

	At 30 June 2017 Reviewed Rm	At 30 June 2016 Reviewed Rm	At 31 December 2016 Audited Rm
Assets			
Property, plant and equipment	166	128	129
Deferred tax	1		1
Trade and other receivables	4	14	
– Other receivables	4	6	
– Non-financial instrument receivables		8	
Cash and cash equivalents	4		
Non-current assets held-for-sale	175	142	130
Liabilities			
Non-current provisions	(1 113)	(1 069)	(1 083)
Post-retirement employee obligations	(18)	(18)	(18)
Deferred tax		(1)	
Trade and other payables	(3)	(163)	
– Trade payables	(3)	(41)	
– Other payables		(122)	
Current tax payable		(73)	
Current provisions		(20)	
Non-current liabilities held-for-sale	(1 134)	(1 344)	(1 101)
Net non-current liabilities held-for-sale	(959)	(1 202)	(971)

15. INTEREST-BEARING BORROWINGS

Loans

Refinanced loan facility

Exxaro refinanced the previous senior loan facility by entering into a new facility agreement during July 2016.

The refinanced loan facility comprises a:
– R3 250 million bullet term loan facility with a term of five years (term loans)
– R2 000 million amortised term loan facility with a term of seven years (term loans)
– 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% for the bullet term loan facility (R3 250 million), JIBAR plus a margin of 3,60% for the amortised term loan facility (R2 000 million) and JIBAR plus a margin of 3,25% for the revolving credit facility (R2 750 million). The effective interest rate for the transaction costs on the term loans is 0,24%. 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. The undrawn portion of the revolving credit facility amounts to R1 250 million.

Bond issue

In terms of Exxaro's R5 000 million DMTN programme, a senior unsecured floating rate note (bond) of R1 000 million was raised during May 2014. The bond comprises a:
– R480 million senior unsecured floating rate note, repaid on 19 May 2017
– R520 million senior unsecured floating rate note due 19 May 2019.

Interest on the R480 million bond was based on JIBAR plus a margin of 1,70% while interest on the R520 million bond is based on JIBAR plus a margin of 1,95%. The effective interest rate for the transaction costs was 0,13% for the R480 million bond and 0,08% for the R520 million bond. Interest is paid on a quarterly basis for both bonds.

Finance leases

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

	At 30 June 2017 Reviewed Rm	At 30 June 2016 Reviewed Rm	At 31 December 2016 Audited Rm
15. INTEREST-BEARING BORROWINGS (continued)			
Summary of loans and finance leases by period of redemption[1]			
Less than six months	6	549	496
Six to 12 months	5	1 035	7
Between one and two years	521	1 012	5
Between two and three years	(9)	1 529	514
Between three and four years	(9)	498	(9)
Between four and five years	4 809		5 244
Over five years	186		248
Total interest-bearing borrowings	5 509	4 623	6 505
– Current[2]	11	1 584	503
– Non-current[3]	5 498	3 039	6 002
[1] *In July 2016 the R8 000 million loan facility, as disclosed on 30 June 2016, was refinanced which resulted in a new redemption profile.*			
[2] *The current portion represents*	*11*	*1 584*	*503*
– Capital repayments of loans		*1 480*	*480*
– Interest capitalised		*85*	
– Capital repayments of finance leases	*21*	*27*	*32*
– Reduced by the amortised transaction costs	*(10)*	*(8)*	*(9)*
[3] *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.*	*30*	*12*	*35*
Minimum finance lease payments:			
– Not later than one year	21	31	35
– Later than one year but not later than five years	11	33	18
Total	32	64	53
Less: future finance charges	(2)	(7)	(4)
Present value of finance lease liabilities	30	57	49
– Current	21	27	32
– Non-current	9	30	17
Overdraft			
Bank overdraft	917	16	12

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

There were no defaults or breaches in terms of interest-bearing borrowings during the reporting periods.

	At 30 June 2017 Reviewed Rm	At 30 June 2016 Reviewed Rm	At 31 December 2016 Audited Rm
16. NET DEBT[1]			
Net debt is presented by the following items on the statement of financial position (excluding assets and liabilities classified as held-for-sale):	(4 353)	(2 278)	(1 322)
– Cash and cash equivalents	2 073	2 361	5 195
– Non-current interest-bearing borrowings	(5 498)	(3 039)	(6 002)
– Current interest-bearing borrowings	(11)	(1 584)	(503)
– Overdraft	(917)	(16)	(12)
Calculation of movement in net debt:			
Cash inflow from operating and investing activities:	621	773	1 720
Add:			
– Shares acquired in market to settle share-based payments	(97)		(16)
– Movement in external shareholder loans			(3)
– Movement for interest capitalised/interest accrued		5	89
– Amortisation of transaction costs	(3)	(4)	(25)
– Translation differences of movements in cash and cash equivalents	(24)	(40)	(75)
– Shares repurchased	(3 524)		
– Movement in cash and cash equivalents held-for-sale	(4)		
(Increase)/decrease in net debt	(3 031)	734	1 690

[1] *Non-IFRS measure.*

	At 30 June 2017 Reviewed Rm	At 30 June 2016 Reviewed Rm	At 31 December 2016 Audited Rm
17. FINANCIAL LIABILITIES			
Non-current financial liabilities			
Finance lease	61	72	66
Contingent consideration[1]	191		408
Other	1	1	5
Total non-current financial liabilities	253	73	479
Current financial liabilities			
Contingent consideration[1]	236		75
Share repurchase[2]			3 524
Total current financial liabilities	236		3 599
Total financial liabilities	489	73	4 078

[1] *Relating to the ECC acquisition.*

[2] *During January 2017 Exxaro repurchased 43 943 744 ordinary shares from Main Street 333 for a purchase consideration of R3 524 million.*

18. FINANCIAL INSTRUMENTS

18.1 Carrying amounts and fair values

Due to the short-term nature of the current financial assets and current financial liabilities, the carrying amount is assumed to be the same as the fair value. For the non-current financial assets and non-current financial liabilities, the fair value is also equivalent to the carrying amounts.

18.2 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.

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
At 30 June 2017 (Reviewed)				
Financial assets held-for-trading at fair value through profit or loss		1		1
– Current derivative financial assets		1		1
Financial assets designated at fair value through profit or loss	1 263			1 263
– Environmental rehabilitation funds	1 248			1 248
– KIO	15			15
Available-for-sale financial assets			177	177
– Chifeng			177	177
Financial liabilities designated at fair value through profit or loss			(427)	(427)
– Non-current contingent consideration			(191)	(191)
– Current contingent consideration			(236)	(236)
Net financial assets/(liabilities) held at fair value	1 263	1	(250)	1 014
At 30 June 2016 (Reviewed)				
Financial assets held-for-trading at fair value through profit or loss		9		9
– Current derivative financial assets		9		9
Financial assets designated at fair value through profit or loss	1 160			1 160
– Environmental rehabilitation funds	1 150			1 150
– KIO	10			10
Available-for-sale financial assets			199	199
– Chifeng			199	199
Financial liabilities held-for-trading at fair value through profit or loss		(1)		(1)
– Current derivative financial liabilities		(1)		(1)
Net financial assets held at fair value	1 160	8	199	1 367

18. FINANCIAL INSTRUMENTS (continued)

18.2 Fair value hierarchy (continued)

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
At 31 December 2016 (Audited)				
Financial assets designated at fair value through profit or loss	1 183			1 183
– Environmental rehabilitation funds	1 168			1 168
– New Age Exploration Limited	1			1
– KIO	14			14
Available-for-sale financial assets			178	178
– Chifeng			178	178
Financial liabilities held-for-trading at fair value through profit or loss		(25)		(25)
– Current derivative financial liabilities		(25)		(25)
Financial liabilities designated at fair value through profit or loss			(483)	(483)
– Non-current contingent consideration			(408)	(408)
– Current contingent consideration			(75)	(75)
Net financial assets/(liabilities) held at fair value	1 183	(25)	(305)	853

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

	Contingent consideration Rm	Chifeng Rm	Total Rm
At 31 December 2015 (Audited)	(39)	210	171
Movement during the period			
Losses recognised for the period in other comprehensive income (pre-tax effect)		(1)	(1)
Gains recognised for the period in profit or loss	38		38
Exchange losses for the period recognised in other comprehensive income		(10)	(10)
Exchange gains for the period recognised in profit or loss	1		1
At 30 June 2016 (Reviewed)		199	199
Movement during the period			
Losses recognised for the period in other comprehensive income (pre-tax effect)		(4)	(4)
Losses recognised for the period in profit or loss	(483)		(483)
Exchange losses for the period recognised in other comprehensive income		(17)	(17)
At 31 December 2016 (Audited)	(483)	178	(305)
Movement during the period			
Gains recognised for the period in other comprehensive income (pre-tax effect)		5	5
Losses recognised for the period in profit or loss	(37)		(37)
Settlements	74		74
Exchange losses for the period recognised in other comprehensive income		(6)	(6)
Exchange gains for the period recognised in profit or loss	19		19
At 30 June 2017 (Reviewed)	(427)	177	(250)

18. FINANCIAL INSTRUMENTS (continued)

18.2 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 30 June 2017, 30 June 2016 and 31 December 2016, as shown in the reconciliation above.

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.

18.3 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.

	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
At 30 June 2017 (Reviewed)			
Observable inputs			
Rand/RMB exchange rate	R1,92/RMB1	Strengthening of the rand to the RMB	18
RMB/US$ exchange rate	RMB6,52 to RMB7,42/US$1	Strengthening of the RMB to the US$	96
Zinc LME price (US$ per tonne in real terms)	US$2 100 to US$2 719	Increase in price of zinc concentrate	96
Unobservable inputs			
Production volumes (tonnes)	85 000 tonnes	Increase in production volumes	29
Operational costs (US$ million per annum in real terms)	US$59,14 to US$71,31	Decrease in operations costs	(70)
Discount rate (%)	11,23%	Decrease in the discount rate	(12)

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

18. FINANCIAL INSTRUMENTS (continued)

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

Chifeng (continued)

	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
At 30 June 2016 (Reviewed)			
Observable inputs			
Rand/RMB exchange rate	R2,23/RMB1	Strengthening of the rand to the RMB	20
RMB/US$ exchange rate	RMB6,28 to RMB6,99/US$1	Strengthening of the RMB to the US$	196
Zinc LME price (US$ per tonne in real terms)	US$1 740 to US$2 100	Increase in price of zinc concentrate	196
Unobservable inputs			
Production volumes (tonnes)	85 000 tonnes	Increase in production volumes	25
Operational costs (US$ million per annum in real terms)	US$60,39 to US$74,76	Decrease in operations costs	(171)
Discount rate (%)	10,17%	Decrease in the discount rate	(14)
At 31 December 2016 (Audited)			
Observable inputs			
Rand/RMB exchange rate	R1,96/RMB1	Strengthening of the rand to the RMB	18
RMB/US$ exchange rate	RMB6,52 to RMB7,13/US$1	Strengthening of the RMB to the US$	158
Zinc LME price (US$ per tonne in real terms)	US$2 026 to US$2 113	Increase in price of zinc concentrate	158
Unobservable inputs			
Production volumes (tonnes)	85 000 tonnes	Increase in production volumes	33
Operational costs (US$ million per annum in real terms)	US$58,97 to US$74,38	Decrease in operations costs	(129)
Discount rate (%)	11,23%	Decrease in the discount rate	(15)

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

Inter-relationships

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

18. FINANCIAL INSTRUMENTS (continued)

18.3 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

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

At 30 June 2017, there was an increase of US$2,9 million (R37 million) (30 June 2016: decrease of US$2,55 million (R38 million), 31 December 2016: increase of US$35,45 million (R483 million)) recognised in profit or loss for the contingent consideration arrangement.

	API4 coal price range (US$/tonne)		Future payment
Reference year	Minimum	Maximum	US$ 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 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.

	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
At 30 June 2017 (Reviewed)			
Observable inputs			
Rand/US$ exchange rate	R13,01/US$1	Strengthening of the rand to the US$	43
API4 export price (price per tonne)	US$68,52 to US$75,00	Increase in API4 export price per tonne	241
Unobservable inputs			
Discount rate (%)	3,44%	Decrease in the discount rate	(23)

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

18. FINANCIAL INSTRUMENTS (continued)

18.3 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 30 June 2016 (Reviewed)			
Observable inputs			
Rand/US$ exchange rate	R14,85/US$1	Strengthening of the rand to the US$	
API4 export price (price per tonne)	US$50,00 to US$51,62	Increase in API4 export price per tonne	
Unobservable inputs			
Discount rate (%)	3,44%	Decrease in the discount rate	
At 31 December 2016 (Audited)			
Observable inputs			
Rand/US$ exchange rate	R13,63/US$1	Strengthening of the rand to the US$	48
API4 export price (price per tonne)	US$57,19 to US$75,00	Increase in API4 export price per tonne	248
Unobservable inputs			
Discount rate (%)	3,44%	Decrease in the discount rate	(21)

[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. A 10% increase or decrease in the respective inputs had no impact on the fair value as at 30 June 2016.*

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.

		At 30 June 2017 Reviewed Rm	At 30 June 2016 Reviewed Rm	At 31 December 2016 Audited Rm
19.	**CONTINGENT LIABILITIES**			
	Total contingent liabilities	5 686	8 037	6 907
	– Operational guarantees[1]	3 549	4 197	4 331
	– Pending litigation and other claims[2]	948	1 129	1 136
	– Share of contingent liabilities of equity-accounted investments[3]	1 189	2 711	1 440

[1] *Operational guarantees include guarantees to banks and other institutions in the normal course of business from which it is anticipated that no material liabilities will arise.*

[2] *Pending litigation and other claims consist of legal cases as well as tax disputes with Exxaro as defendant. The outcome of these claims is uncertain and the amount of possible legal obligations that may be incurred can only be estimated at date of reporting.*

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

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

SARS

On 18 January 2016, Exxaro received a letter of intent from SARS following an international income tax audit for the 2009 to 2013 years of assessment. 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 were issued on 30 March 2016 and Exxaro formally objected against these assessments. SARS partially allowed Exxaro's objection but R234 million remained due. Exxaro appealed against the portion not allowed and an alternative dispute resolution hearing with SARS is scheduled for 22 August 2017.

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.

Financial provision for prospecting, exploration, mining and production operations

On 20 November 2015 the FPR were promulgated by the Minister of Environmental Affairs for South Africa as replacement of financial provisioning and rehabilitation legislation contained in the MPRDA and the NEMA. The FPR will change the requirements for making financial provision for the management, rehabilitation and remediation of environmental impacts arising from mining operations. The FPR are currently valid and in force after interaction between the DEA, stakeholders and industry on 26 October 2016. The submission of the first financial provision reporting to the DMR according to the FPR has been extended to February 2019.

Following promulgation of the FPR, the DEA met with various stakeholders who sought clarification on a number of issues. A final stakeholder meeting was held on 10 February 2017 after which an amended version of the regulations would have been gazetted for public comment. This amended version was expected in March 2017 but has not yet been issued at reporting date.

Although the FPR are currently valid and in force, Exxaro is not yet able to determine a reliable estimate of the impact that the new regulations will have on Exxaro's environmental rehabilitation liability until the clarification awaited from the DEA is issued. Therefore the environmental rehabilitation liability, operational guarantees and the rehabilitation trust fund have been accounted for in accordance with the requirements of the MPRDA and the NEMA.

	At 30 June 2017 Reviewed Rm	At 30 June 2016 Reviewed Rm	At 31 December 2016 Audited Rm
20. CONTINGENT ASSETS			
Total contingent assets	150	145	150
– Share of contingent assets of equity-accounted investments[1]	150	145	150

[1] *Bank guarantee issued in favour of SIOC relating to environmental rehabilitation and closure cost.*

21. 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.

Exxaro's majority BEE shareholder, Main Street 333, settled its loan with Exxaro and accrued interest thereon in January 2017.

22. GOING CONCERN

Based on the latest results for the six-month period ended 30 June 2017, the latest board approved budget for 2017, as well as the available bank facilities and cash generating capability, Exxaro satisfies the criteria of a going concern.

23. JSE LISTINGS REQUIREMENTS

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

24. EVENTS AFTER THE REPORTING PERIOD

Details of the interim dividend are provided in note 9.

Exxaro is still exploring alternatives for the monetisation of its shareholding in Tronox through an efficient staged sales approach.

On 2 August 2017, Tronox Limited announced the signing of a definitive agreement with Genesis Energy L.P. for the sale of its Alkali chemicals business for US$1,325 billion in cash. When the sale is concluded, Tronox is expected to realise a loss of approximately US$200 million during 2H17. Based on the shareholding and exchange rate as at 30 June 2017, Exxaro's share of the expected loss is approximately R1,118 billion.

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.

25. REVIEW CONCLUSION

These reviewed condensed group interim financial statements for the six-month period ended 30 June 2017, on pages 2 to 30, have been reviewed by the company's external auditors, PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report on the condensed group interim financial statements is available for inspection at the company's registered office together, with the financial statements identified in the auditor's report.

26. CORPORATE GOVERNANCE

Detailed disclosure of the company's application of the principles contained in the King Report on Governance for South Africa 2009 (King III) were made in the 2016 integrated report and is, in accordance with the JSE Listings Requirements, available on the company's website. The company has completed a gap analysis against the principles, detailed practices and general philosophies contained in the King Report on Corporate Governance for South Africa 2016 (King IV) and more detailed information on the status and action plans will be published in the 2017 integrated report or earlier on the company's website. As previously communicated, Mrs Carina Wessels, group company secretary and legal since June 2011 will be leaving the company's employment at the end of September 2017. Please contact the corporate secretariat and legal office for any additional information in this regard.

27. MINERAL RESOURCES AND MINERAL RESERVES

Other than the normal life of mine depletion, there have been no material changes to the mineral resources and mineral reserves as disclosed in the 2016 integrated report.

28. KEY MEASURES[1]

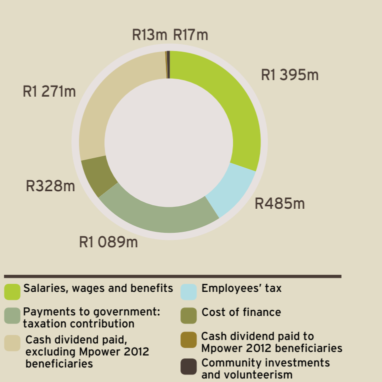
	At 30 June 2017	At 30 June 2016	At 31 December 2016
Closing share price (rand/share)	93,00	67,46	89,50
Market capitalisation (Rbn)	29,22	24,16	32,05
Average rand/US$ exchange rate (for the period ended)	13,20	15,39	14,69
Closing rand/US$ spot exchange rate	13,01	14,85	13,63

[1] *Non-IFRS numbers.*

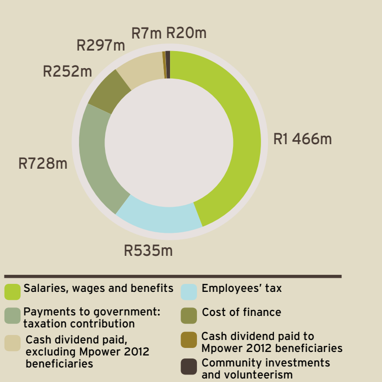
EXXARO 1H17 PERFORMANCE AT A GLANCE

Sustainable operations	> LTIFR of 0,16
Strong profit margins and resilient balance sheet	> Net operating profit margin of 27%, up 5% > Income from equity-accounted investments increased by R1,1 billion from 1H16 > R3,0 billion coal net operating profit, up 35% > Exports volume at 3,4Mt, down 17%
Returning cash to shareholders	> Interim dividend of 300 cps at a 1H17 core attributable earnings cover of 3 times
Mpower 2012	> Vesting of employee share scheme in May 2017

Value distribution in 1H17



Value distribution in 1H16



Comments below are based on a comparison between the six-month periods ended 30 June 2017 and 2016 (1H17 and 1H16), respectively.

1. SAFETY

During the first half of 2017 Exxaro recorded an LTIFR of 0,16 (1H16: 0,08) against a target of 0,11.

Regrettably, an employee at Matla Mine 2 in Mpumalanga, Mr Sibongiseni Sihle Majozi, was fatally injured on 1 March 2017 following an underground accident. Exxaro continues to strive for a consistent, fatality-free environment and continuously improves all aspects of safety for all employees. Exxaro remains committed to the Zero Harm Vision. Efforts to reduce incidents through the safety improvement plans are under way.

2. ROBUST FINANCIAL PERFORMANCE

Exxaro delivered a strong performance for 1H17, achieving a net operating profit of R2 910 million, up 35% from R2 159 million recorded in 1H16. This was mainly driven by increased revenue coupled with only a 1% increase in operating expenses. The income from equity-accounted investments increased to R1 125 million (1H16: R9 million equity-accounted loss), primarily due to R492 million improvement from SIOC as a result of a recovery in iron ore export selling prices, as well as a decrease of R635 million in losses recorded from our investments in Tronox.

3. COMPARABILITY OF RESULTS

The corporate transactions during 2016 necessitated a change in the segmental reporting structures and the manner in which operating results are reported. Changes to segmental reporting, which resulted in the re-presentation of comparative periods' segmental information. Refer note 4 to the reviewed condensed group interim financial statements.

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

Table 1: Key transactions impacting on comparability

Reporting segment	Description	1H17 Rm	1H16 Re-presented Rm	2H16 Re-presented Rm
Coal	– Termination and voluntary severance packages			(10)
	– Gain on disposal of Inyanda operation[1]			100
	– Gain on disposal of SDCT[1]		203	
	– Loss on disposal of property, plant and equipment[1]	(22)	(15)	(30)
Ferrous	– Impairment of property, plant and equipment (FerroAlloys)[1]			(100)
Other	– Termination and voluntary severance packages and other		(26)	(62)
	– Gain on disposal of property, plant and equipment[1]		1	9
	– Gain on disposal of the Mayoko iron ore project[1] and related receivable written off	(27)		670
	– Loss on dilution of shareholding in Tronox Limited[1]	(75)	(29)	(7)
	– Fair value adjustment on contingent consideration relating to the acquisition of ECC	(37)	38	(483)
Group	**Total net operating profit impact**	(161)	172	87

Reporting segment	Description	1H17 Rm	1H16 Re-presented Rm	2H16 Re-presented Rm
Coal	– Tax on disposal of property, plant and equipment[1]	6	1	12
	– Excess of fair value over cost of investment in RBCT[1]		35	
	– Post-tax share of Mafube impairment of property, plant and equipment[1]			(16)
	– Post-tax share of Mafube gain on disposal of property, plant and equipment[1]			1
Ferrous	– Tax on impairment of property, plant and equipment[1]			27
	– Excess of fair value over cost of investment in SIOC[1]			221
	– Post-tax share of SIOC loss on disposal of property, plant and equipment[1]	(4)	(9)	(19)
	– Post-tax share of SIOC impairment of property, plant and equipment[1]			(1)
TiO_2 and Alkali chemicals	– Post-tax share of Tronox restructuring costs		(9)	
	– Post-tax share of Tronox gain on disposal of property, plant and equipment[1]			4
Group	**Total attributable earnings impact**	(159)	190	316

[1] *Excluded from headline earnings.*

4. COMMODITY PRICE PERFORMANCE AND GROUP SEGMENT RESULTS

The movement in the main commodity prices impacting on Exxaro's performance are summarised in table 2 below:

Table 2: Change in commodity prices

Commodity price	Average US$ per tonne 1H17	Average US$ per tonne 1H16	Change %
API4 coal	79	53	49
Iron ore fines 62% Fe (cost and freight (CFR) China)	74	52	42
TiO_2 pigment (cost, insurance and freight (CIF), US)[1]	2 376	2 201	8

[1] *Includes forecast for June 2017.*

Table 3: Group segment results (Rm)

	Revenue 1H17 Reviewed	Revenue 1H16 Reviewed	Revenue 2H16	Net operating profit/(loss) 1H17 Reviewed	Net operating profit/(loss) 1H16 Re-presented	Net operating profit/(loss) 2H16 Re-presented
Coal	10 670	9 718	10 955	3 014	2 232	2 934
– Tied[1]	1 591	1 659	1 824	149	122	104
– Commercial	9 079	8 059	9 131	2 865	2 110	2 830
Ferrous	56	13	157		(7)	(40)
– Alloys	56	13	157		(7)	(68)
– Other						28
Other	10	31	23	(104)	(66)	147
Total	10 736	9 762	11 135	2 910	2 159	3 041

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

5. FINANCIAL AND OPERATIONAL RESULTS

5.1. Group financial results

5.1.1. *Revenue and net operating profit*

Group revenue increased by 10% to R10 736 million (1H16: R9 762 million), while group net operating profit increased by 35% to R2 910 million (1H16: R2 159 million), mainly due to a higher contribution from the coal operations driven by improved coal sales prices as well as higher Eskom commercial volumes at Grootegeluk (GG) based on demand from the Medupi Power Station. The average price per tonne achieved on exports was US$65 (1H16: US$42). This was offset by a stronger average spot exchange rate of R13,20 to the US dollar recorded for the period ended 30 June 2017 (1H16: R15,39) and lower export and domestic volumes.

Group operating expenses of R7 826 million for 1H17 remained almost flat compared to 1H16 as a result of the ongoing Exxaro improvement project (EIP) to reduce costs and improve efficiencies.

However, the 1H17 group's net operating profit was negatively impacted by:
- R37 million loss on the fair value adjustment (1H16: R38 million gain) relating to the contingent consideration which arose on the acquisition of ECC
- R75 million loss (1H16: R29 million loss) on dilution of our shareholding in Tronox Limited
- R27 million write-off of the receivables associated with the Mayoko iron ore project.

5.1.2. *Earnings*

Earnings, which include Exxaro's equity-accounted investments in associates and joint ventures, were R2 692 million (1H16: R1 285 million) or 852 cents per share (1H16: 362 cents per share).

Headline earnings were 154% higher at R2 787 million (1H16: R1 096 million) or 882 cents per share (1H16: 309 cents per share).

Table 4: Equity-accounted investments (Rm)

	Equity-accounted income/(loss)			Dividends received		
	1H17 Reviewed	1H16 Reviewed	2H16	1H17 Reviewed	1H16 Reviewed	2H16
SIOC[1]	1 228	736	1 680			
Tronox	(295)	(930)	546	59	233	65
Mafube	118	84	154		450	
Black Mountain	99	39	61			
Cennergi	(11)	37	(34)			
RBCT[2]	(14)	25	(25)			
Total	1 125	(9)	2 382	59	683	65

[1] 2H16 includes R221 million excess of fair value over the cost of the investment which arose on the 0,64% increase in Exxaro's shareholding in SIOC.

[2] 1H16 includes R35 million excess of fair value over the cost of the investment which arose on the increase in Exxaro's shareholding in RBCT.

5.1.3. *Cash flow and funding*

Cash flow generated by operations increased by R1 477 million to R3 660 million (1H16: R2 183 million) and was sufficient to cover capital expenditure of R1 314 million, dividends paid of R1 284 million, net financing charges of R273 million and tax of R575 million.

In January 2017, Exxaro repurchased 43 943 744 ordinary shares from Main Street 333 for a consideration of R3 524 million. Main Street 333 used a portion of the proceeds to settle a loan and accrued interest of R484 million with Exxaro, which was advanced to Main Street 333 in July 2015.

Total capital expenditure for 1H17 increased by 12% or R142 million when compared to the corresponding period last year, consisting of a R112 million increase in expenditure on sustaining and environmental capital (stay-in-business capital) and R30 million on new capacity (expansion capital).

Dividends of R59 million were received from our investment in Tronox Limited (1H16: R233 million). SIOC has declared a dividend to its shareholders in July 2017, Exxaro's share amounting to R1 390 million. The dividend will be accounted for in 2H17.

5.1.4. *Debt exposure*

Net debt at 30 June 2017 was R4 349 million compared to R2 278 million at 30 June 2016. This equates to a net debt to equity ratio of 12% (1H16: 6,5%), well below Exxaro's internal target of 40%.

In January 2017, the specific repurchase by Exxaro of Exxaro ordinary shares to the value of R3 524 million from Main Street 333, was effected using cash generated from Exxaro's own operations. The repurchase consideration was funded with available contributed tax capital and the remaining portion from reserves.

Exxaro's balance sheet structure remains strong despite the increase in the net debt.

5.2. Coal business performance

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

	Production			Sales		
	1H17	**1H16**	**2H16**	**1H17**	**1H16**	**2H16**
Thermal	20 823	20 431	20 380	20 911	21 161	21 328
– Tied	3 542	3 966	3 934	3 542	3 961	3 932
– Commercial: domestic	17 281	16 465	16 446	13 973	13 116	13 622
– Commercial: export				3 396	4 084	3 774
Metallurgical	1 069	970	1 015	566	738	560
– Commercial: domestic	1 069	970	1 015	566	738	560
Total coal	21 892	21 401	21 395	21 477	21 899	21 888
Semi-coke	46	1	53	47	12	53
Total coal (excluding buy-ins)	21 938	21 402	21 448	21 524	21 911	21 941
Thermal coal buy-ins	105	577	29			
Total coal (including buy-ins)	22 043	21 979	21 477	21 524	21 911	21 941

Domestic trading conditions were favourable in 1H17 as producers experienced strong demand for higher quality product. The metals and reductants markets also recovered well, amidst increasing international commodity prices, specifically ferrochrome.

Despite an oversupplied coal export market, Exxaro experienced consistent demand. Export volumes in 1H17 dropped by 17% to 3,4Mt compared to 1H16 mainly due to congestion at RBCT, which experienced adverse weather conditions.

The average API4 price for 1H17 was US$79, up from the US$53 for the corresponding period in 2016.

5.2.1. Production and sales volumes

Overall coal production volumes (excluding buy-ins and semi-coke) increased by 2% or 491kt compared to 1H16. This increase can be attributed mainly to the higher production volumes at GG in line with Addendum 9 to the Medupi Coal Supply Agreement. Sales were 2% lower (422kt) as a result of lower exports.

5.2.1.1. Metallurgical coal

GG's metallurgical coal production was 99kt (10%) higher mainly due to the ramp-up of GG plant 10 (GG10) in 1H17. Sales decreased by 172kt (23%), mainly due to reduced offtake by ArcelorMittal as certain coke batteries are not yet operational.

5.2.1.2. Thermal coal

Tied mines

Power station coal production from the tied mines was 424kt (11%) lower compared to 1H16, due to the shortwall stop at Matla Mine 3 from December 2016 to May 2017 and unfavourable geological conditions.

Commercial mines

The commercial mines' power station coal production increased by 932kt (8%) compared to 1H16 mainly due to:
- Increased production at the GG plants (GG7 and GG8) of 1 068kt (11%)
- Increased production at Leeuwpan of 76kt (6%) as a result of higher production in the crush and screen plant.

This increase was offset by:
- Lower production at NBC's Blesbok pit of 212kt (15%) due to lower coal exposure, longer hauling distances and high rainfall.

Domestic power station coal sales for the commercial mines were 176kt (2%) higher mainly as a result of:
- An increase of 909kt (10%) in line with Addendum 9 to the Medupi Coal Supply Agreement.

This increase was partly offset by:
- Lower sales at Leeuwpan of 416kt (100%) where the Eskom supply was terminated at the end of March 2016 and is now sold in the local and export markets
- Lower NBC sales of 317kt (21%) due to lower production. The extension of the NBC Eskom Coal Supply Agreement was completed mid-June 2017.

Steam coal production decreased by 116kt (3%) mainly as a result of:
- Lower production at ECC 165kt (8%) at Dorstfontein East due to community unrest and excessive rainfall and Forzando South due to lower yields and geological conditions
- Lower production at Leeuwpan of 44kt as a result of lower production through the Dense Medium Separation (DMS) plant.

The lower production was partly offset by:
- Higher production at NBC's Eerstelingsfontein pit of 54kt (68%) due to good coal and equipment availability
- Slightly higher buy-ins from Mafube JV of 20kt (2%) due to the inclusion of product previously sold to Eskom and briquettes
- Higher production at GG of 19kt (2%) as a result of production through the new GG10 beneficiation plant.

Domestic steam sales increased by 682kt (37%) mainly as a result of:
- Higher sales at Leeuwpan of 627kt (83%) due to higher demand and stock availability arising from Eskom product placed in the local market after the termination of the contract
- Higher sales at ECC of 158kt (84%)
- Higher sales at NBC of 61kt (94%).

The increase in sales was partly offset by:

- Lower sales at GG of 152kt (18%) due to lower stock available from the GG4 and GG5 plants
- Lower steam coal export sales of 421kt (13%) mainly due to congestion experienced at RBCT as a result of adverse weather conditions.

The semi-coke production increased by 45kt mainly due to the plant shutdown in 1H16 as a result of depressed market conditions in the ferrochrome industry. Sales were 35kt higher due to higher demand and more stable market conditions.

5.2.2. Revenue and net operating profit

Coal revenue of R10 670 million was 10% higher than 1H16 (R9 718 million). Higher revenue from the commercial mines was attributable to the higher selling prices as well as an increase in Eskom volumes. This was partially offset by exports and domestic sales.

Increased net operating profit of R3 014 million compared to R2 232 million in 1H16, mainly due to:

- Higher sales prices (+R1 543 million)
- Scope changes of environmental provisions (+R171 million)
- Volume variances (+R162 million)
- Capitalisation of project related costs (+R102 million).

Partly offset by:

- Exchange rate variance due to stronger local currency against the US dollar (-R293 million)
- Inflation (-R277 million)
- Disposal of SDCT shareholding in 1H16 (-R203 million)
- Higher depreciation (-R112 million)
- Mafube coal buy-ins from Mafube JV (-R111 million).

5.3. Titanium dioxide and Alkali chemicals

Equity-accounted investment

Equity-accounted losses from the Tronox investments decreased from R930 million in 1H16 to R295 million for 1H17, mainly due to increased pigment selling volumes and prices, as well as a more favourable product mix.

As previously communicated to the market, Exxaro is exploring alternatives for the monetisation of its shareholding in Tronox Limited through an efficient and staged sales process. This process is likely to commence in 2H17.

5.4. Energy business

Equity-accounted investment

Cennergi, a 50% joint venture with Tata Power, recorded an equity-accounted loss of R11 million for 1H17 (1H16: profit of R37 million). The variance of R48 million is mainly due to the cessation of the capitalisation of interest in 2H16 and the inclusion of deemed revenue of R32 million in 1H16, which was reversed in 2H16 as a result of delays with the grid connection. The two windfarm projects were brought into commercial operation during the 3Q16.

6. PERFORMANCE AGAINST NEW BBBEE CODES AND MINING CHARTER

Exxaro has been audited against the amended codes. The primary focus area to raise the BBBEE level is Enterprise and Supplier Development (ESD). Exxaro has constituted an ESD forum to specifically lift the company's performance in this area. We anticipate significant positive socio-economic impacts from the impending ESD initiatives.

Exxaro, through the Chamber of Mines, participated with the mining industry to provide inputs to the DMR to revise the mining charter elements and targets. Exxaro supports the strategic intention of transforming the mining industry. The Mining Charter III was gazetted on 15 June 2017 and subsequently suspended by the DMR Minister pending an urgent court interdict submitted by the Chamber of Mines.

Exxaro is analysing the impact of the Mining Charter III on the organisation and will continue to engage through the Chamber of Mines and through other appropriate channels with the DMR to address its concerns and submit new transformation targets and content proposals for the Mining Charter III.

7. BROAD BASED BLACK ECONOMIC EMPOWERMENT

On 17 January 2017, Exxaro concluded the repurchase of shares transaction pursuant to the unwinding of the existing BEE transaction (refer paragraph 5.1.4). On 25 June 2017 Exxaro, Main Street 333 and the Industrial Development Corporation (IDC) agreed on the formation of a special purpose vehicle, incorporated for the purpose of holding ordinary shares in Exxaro pursuant to the replacement BEE transaction, entered into the following agreements:

- A framework agreement setting out the framework within which the Main Street 333 unwind and the consequential implementation of the replacement BEE transaction will take place
- A relationship agreement detailing the terms and restrictions of the replacement BEE transaction over the transaction term.

The implementation of the replacement BEE transaction remains subject to various conditions precedent, which include the finalisation and agreement of the remaining suite of agreements required to implement the replacement BEE transaction and the Main Street 333 unwind.

It is expected that Exxaro will seek shareholder approval in 2H17 for the replacement BEE transaction.

8. MPOWER 2012

Exxaro implemented Mpower 2012, an employee share ownership plan, in July 2012 which held a shareholding of 0,8% in Exxaro. The shares held by Mpower 2012 vested on 31 May 2017 and were sold, upon the instructions of the participants, during June 2017 and paid to employees in July 2017. The distribution to participants varied depending on their years of service. Employees that participated for the full term received a pre-tax benefit of R43 384, consisting of R8 399 of dividends over the five-year period and R34 985 of proceeds when the shares were sold.

9. MINERAL RESOURCES AND MINERAL RESERVES

Other than the normal life of mine depletion, there have been no material changes to the mineral resources and reserves as disclosed in the 2016 integrated report.

10. MINING AND PROSPECTING RIGHTS

The Waterberg area remains an exciting mining prospect for Exxaro as the Thabametsi project has now started early works, and the Thabametsi Coal IPP, operated by Marubeni Middle-East & Africa Power Limited, has embarked on its licensing processes with financial close envisaged in 2Q18. Exxaro also holds a 100% ownership in the Waterberg North and South prospecting rights areas. The project areas consist of four prospecting rights for which applications for renewals were submitted and the first two were granted last year and executed in March 2017. For the last two rights, granting is still pending. Exxaro has a reasonable expectation that the remaining renewals will be granted in 2017.

The Leeuwpan mining right consolidation (to include Leeuwpan extension) and mining right registration were finalised in March 2017. The mining right registrations of Matla, Arnot, Forzando South and Glisa (at the NBC operation) are pending. Exxaro has a reasonable expectation that registrations will be concluded during 2017.

11. OUTLOOK

Exxaro expects that 2H17 domestic thermal volumes will remain at current levels. Volumes in the metals markets will reduce based on expected lower off take from ArcelorMittal. This is expected to persist until 2Q18.

Export markets are still reliant on demand from India for lower quality coal. However, Exxaro is actively diversifying its markets for lower quality coal in order not to be overly dependent on the Indian market. Pricing is expected to remain relatively flat. Growth is expected from the South-East Asian markets for RB1 and RB3 material.

Exxaro has a positive outlook for the coal business in 2H17 based on:
- Stable trading conditions in domestic markets
- Stable international coal prices
- Our operational excellence process delivering further results
- Technology and innovation improvements.

The rand exchange rate against the US dollar is expected to remain volatile during 2H17 due to the combination of significant event risks and volatility in the US dollar.

The performance of the investment portfolio (SIOC and Tronox) is expected to be positively influenced by the current favourable market conditions, anticipated to continue into 2H17.

12. INTERIM DIVIDEND

Exxaro's dividend policy is based on a cover ratio of between 2,5 and 3,5 times core attributable earnings.

Notice is hereby given that a gross interim cash dividend, number 29 of 300 cents (1H16: 90 cents) per share, for the six-month period ended 30 June 2017 was declared, payable to shareholders of ordinary shares. For details of the dividend, please refer note 9 of the reviewed condensed group interim financial statements.

Salient dates for payment of the interim dividend are:

• Last day to trade cum dividend on the JSE	Tuesday, 12 September 2017
• First trading day ex dividend on the JSE	Wednesday, 13 September 2017
• Record date	Friday, 15 September 2017
• Payment date	Monday, 18 September 2017

No share certificates may be dematerialised or re-materialised between Wednesday, 13 September 2017 and Friday, 15 September 2017, both days inclusive. Dividends for certificated shareholders will be transferred electronically to their bank accounts on payment date. Shareholders who hold dematerialised shares will have their accounts at their central securities depository participant or broker credited on Monday, 18 September 2017.

13. GENERAL

Additional information on financial and operational results for the six-month period ended 30 June 2017, and the accompanying presentation can be accessed on our website on www.exxaro.com.

On behalf of the board

Len Konar	**Mxolisi Mgojo**	**Riaan Koppeschaar**
Chairman	Chief executive officer	Finance director

17 August 2017

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

THIS REPORT IS AVAILABLE AT:
www.exxaro.com

DIRECTORS
MW Hlahla**, Dr D Konar*** (chairman), S Mayet***, MDM Mgojo* (chief executive officer), PA Koppeschaar (finance director)*, S Dakile-Hlongwane***, Dr CJ Fauconnier***, V Nkonyeni***, VZ Mntambo**, EJ Mybrugh***, Dr MF Randera**, J van Rooyen***, PCCH Snyders***, D Zihlangu**

* *Executive*
** *Non-executive*
*** *Independent non-executive*

PREPARED UNDER SUPERVISION OF:
PA Koppeschaar, CA(SA)

GROUP COMPANY SECRETARY
CH Wessels

TRANSFER SECRETARIES
Computershare Investor
Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196, South Africa
PO Box 61051, Marshalltown, 2107

INVESTOR RELATIONS
MI Mthenjane (+27 12 307 7393)

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

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

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

ANNEXURE: ACRONYMS

ACRONYMS

Anglo	Anglo South Africa Capital Proprietary Limited
API4	All publications index 4 (for Richards Bay 6 000kcal/kg)
ArcelorMittal	ArcelorMittal South Africa Limited
BBBEE	Broad-based black economic empowerment
BEE	Black Economic Empowerment
Black Mountain	Black Mountain Proprietary Limited
BUs	Business units
Cennergi	Cennergi Proprietary Limited
CFR	Cost and freight
CIF	Cost, insurance and freight
Chifeng	Chifeng Kumba Hongye Corporation Limited
Cps	cents per share
DEA	Department of Environmental Affairs
DMR	Department of Mineral Resources
DMTN	Domestic Medium Term Note
EBITDA	Earnings before interest, tax, depreciation, impairment charges and net loss/gain on disposal of investments and assets
ECC	Exxaro Coal Central Proprietary Limited
EIP	Exxaro improvement project
EMJV	Ermelo joint venture
FPR	Financial Provisioning Regulations
GDP	Gross domestic product
GG	Grootegeluk
HEPS	Headline earnings per share
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standard
IOT	Internet of things
IPP	Independent power producer
JIBAR	Johannesburg Interbank Average Rate
JSE	JSE Limited
kcal	kilocalorie
KIO	Kumba Iron Ore Limited
kt	kilo tonnes
LME	London Metal Exchange
LoM	Life of Mine
LP	Leeuwpan
LTIFR	Lost-time injury frequency rate
M&A	Mergers and acquisitions
Mafube	Mafube Coal Proprietary Limited
Main Street 333	Main Street 333 Proprietary Limited
Mpower 2012	Exxaro Employee Empowerment Trust
MPRDA	Mineral and Petroleum Resources Development Act, 2002
Mt	Million tonnes
Mtpa	Million tonnes per annum
NBC	North Block Complex
NCC	New Clydesdale Colliery
NEMA	National Environmental Management Act, 1998
NOP	Net operating profit
OE	Operational excellence
OHIFR	Occupational health injury frequency rate – YTD
Rbn	Rand billion
RB1	Richards Bay export product 1
RB3	Richards Bay export product 3
RBCT	Richards Bay Coal Terminal Proprietary Limited
PPI	Producer Price Index
PRC	People's Republic of China
Rm	Rand million
RMB	Chinese Renminbi
RSA	Republic of South Africa
SAICA	South African Institute of Chartered Accountants
SARS	South African Revenue Service
SDCT	South Dunes Coal Terminal SOC Limited
SIOC	Sishen Iron Ore Company Proprietary Limited
SLP	Social and labour plan
SOC	State-owned company
SSCC	Semi-soft coking coal
Tata Power	Tata Power Company Limited
TFR	Transnet Freight Rail
TiO_2	Titanium dioxide
Tronox	Exxaro's investment in Tronox entities
Tronox SA	Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited
Tronox UK	Tronox Sands Limited Liability Partnership in the United Kingdom
US$	United States dollar
VAT	Value added tax
VSP	Voluntary serverance packages
WACC	Weighted average cost of capital

DISCLAIMER

POWERING POSSIBILITY

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

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