Exxaro Resources Limited Group and company annual financial statements for the year ended 31 December

2022

exxaro

POWERING POSSIBILITY

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for the year ended
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ACRONYMS

Adjusted Group Earnings	Group core net profit after tax (excluding SIOC core equity-accounted income) less NCI of Exxaro subsidiaries (excluding NCI of Eyesizwe)
ADX	K2018621183 (South Africa) Proprietary Limited
AGM	Annual general meeting
Amakhala SPV	Amakhala Emoyeni RE Project 1 (RF) Proprietary Limited
API4	All publications index 4 (FOB Richards Bay 6000/kcal/kg)
AU$	Australian dollar
B-BBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
BEE Parties	External shareholders of Eyesizwe
Black Mountain	Black Mountain Proprietary Limited
Capex	Capital expenditure
CDP	Carbon Disclosure Project
Cennergi	Cennergi Proprietary Limited or Cennergi group of companies
CEO	Chief Executive Officer
CFR	Cost and freight
CGU	Cash-generating unit
Chifeng	Chifeng NFC Zinc Co. Limited
Companies Act	Companies Act of South Africa No 71 of 2008, as amended
CPI	Consumer price index
cps	Cents per share
CV	Calorific value
DBP	Deferred bonus plan
DCF	Discounted cash flow
DEA	Department of Environmental Affairs
DMRE	Department of Mineral Resources and Energy
DMTN	Domestic Medium-Term Note
Dorstfontein	Dorstfontein Coal Mines Proprietary Limited
DVA	Debit value adjustment
EBITDA	Net operating profit before interest, tax, depreciation, amortisation, impairment charges or impairment reversals and net losses or gains on the disposal of assets and investments (including translation differences recycled to profit or loss)
ECC	Exxaro Coal Central Proprietary Limited or ECC group of companies
ECL(s)	Expected credit loss(es)
ESD	Enterprise and supplier development
ESG	Environment, social and governance
Exxaro	Exxaro Resources Limited
Exxaro Community NPC	Exxaro Matla Setshabeng Development NPC
Exxaro ESOP SPV	Exxaro ESOP SPV RF Proprietary Limited
Eyesizwe	Eyesizwe (RF) Proprietary Limited, a special purpose private company which has a 30.81% shareholding in Exxaro
FCTR	Foreign currency translation reserve
FEC(s)	Forward exchange contract(s)
FerroAlloys	Exxaro FerroAlloys Proprietary Limited
Ferroland	Ferroland Grondtrust Proprietary Limited
FOB	Free on board
FPR:2015	Financial provisioning regulations, 2015
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss

GAM	Global Asset Management Limited
GDP	Gross domestic product
GIS	Group incentive scheme
GWh	Gigawatt hour
HDSA	The meaning given to it, or any equivalent or replacement term, in the broad-based socio-economic empowerment charter for the South African Mining Industry, developed under section 100 of the MPRDA, as amended or replaced from time to time
HEPS	Headline earnings per share
IAS	International Accounting Standard(s)
IASB	International Accounting Standards Board
IFRIC	IFRS Interpretations Committee
IFRS(s)	International Financial Reporting Standard(s) (as issued by the IASB)
IM	Information management
Insect Technology	Insect Technology Group Holdings UK Limited
IoDSA	The Institute of Directors in South Africa
JIBAR	Johannesburg Interbank Average Rate
JORC	Joint Ore Reserves Committee Code
JSE	JSE Limited
JV	Joint venture
kcal	Kilocalorie
King IV™	King IV Report on Corporate Governance™ for South Africa, 2016[1]
KIO	Kumba Iron Ore Limited
KPMG	KPMG Inc.
kt	Kilo tonnes
$KtCO_2eq$	Kilotonnes of carbon dioxide equivalent
LGD	Loss given default
LightApp	LightApp Technologies Limited
Listings Requirements	JSE Listings Requirements
LME	London Metal Exchange
LoM	Life of mine
LOS	Line of sight incentive
LTIFR	Lost-time injury frequency rate
LTIP	Long-term incentive plan
Mafube	Mafube Coal Proprietary Limited
MoI	Memorandum of Incorporation
MPRDA	Mineral and Petroleum Resources Development Act 28 of 2002
MSR	Minimum shareholding requirement
Mt	Million tonnes
NCI(s)	Non-controlling interest(s)
NCOE	Notional cost of employment
NEMA	National Environmental Management Act, 1998
NPC	Not-for-profit company
OCI	Other comprehensive income
Overlooked Colliery	Overlooked Colliery Proprietary Limited
PD	Probability of default
PIC	Public Investment Corporation
PPI	Producer Price Index
Prime Rate	South African prime bank rate
PwC	PricewaterhouseCoopers Incorporated

ACRONYMS continued

RBCT	Richards Bay Coal Terminal Proprietary Limited
Replacement BEE Transaction	BEE transaction which was implemented in 2017 and resulted in Exxaro being held 30% by HDSAs
Rbn	Rand billion
Rm	Rand million
RMB	Chinese renminbi
ROCE	Return on capital employed
RSA	Republic of South Africa
SAICA	South African Institute of Chartered Accountants
SAMREC Code	The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves
SARS	South African Revenue Service
SIOC	Sishen Iron Ore Company Proprietary Limited
SLP(s)	Social and Labour Plan(s)
SME(s)	Small and medium enterprise(s)
SPA	Sale and purchase agreement
SPPI	Solely payments of principal and interest
SSCC	Semi-soft coking coal
STI	Short-term incentives
TCFD	Task Force on Climate-Related Financial Disclosures
Thungela	Thungela Resources Limited, through its subsidiary South Africa Coal Operations Proprietary Limited
TiO_2	Titanium dioxide
Tronox SA	Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited
Tsitsikamma SPV	Tsitsikamma Community Wind Farm Proprietary Limited
TSR	Total shareholder return
Tumelo	Tumelo Coal Mines Proprietary Limited
TVP(s)	Targeted Voluntary Severance Package(s)
UK	United Kingdom
US$	United States dollar
USA	United States of America
VAT	Value Added Tax
WANOS	Weighted average number of shares

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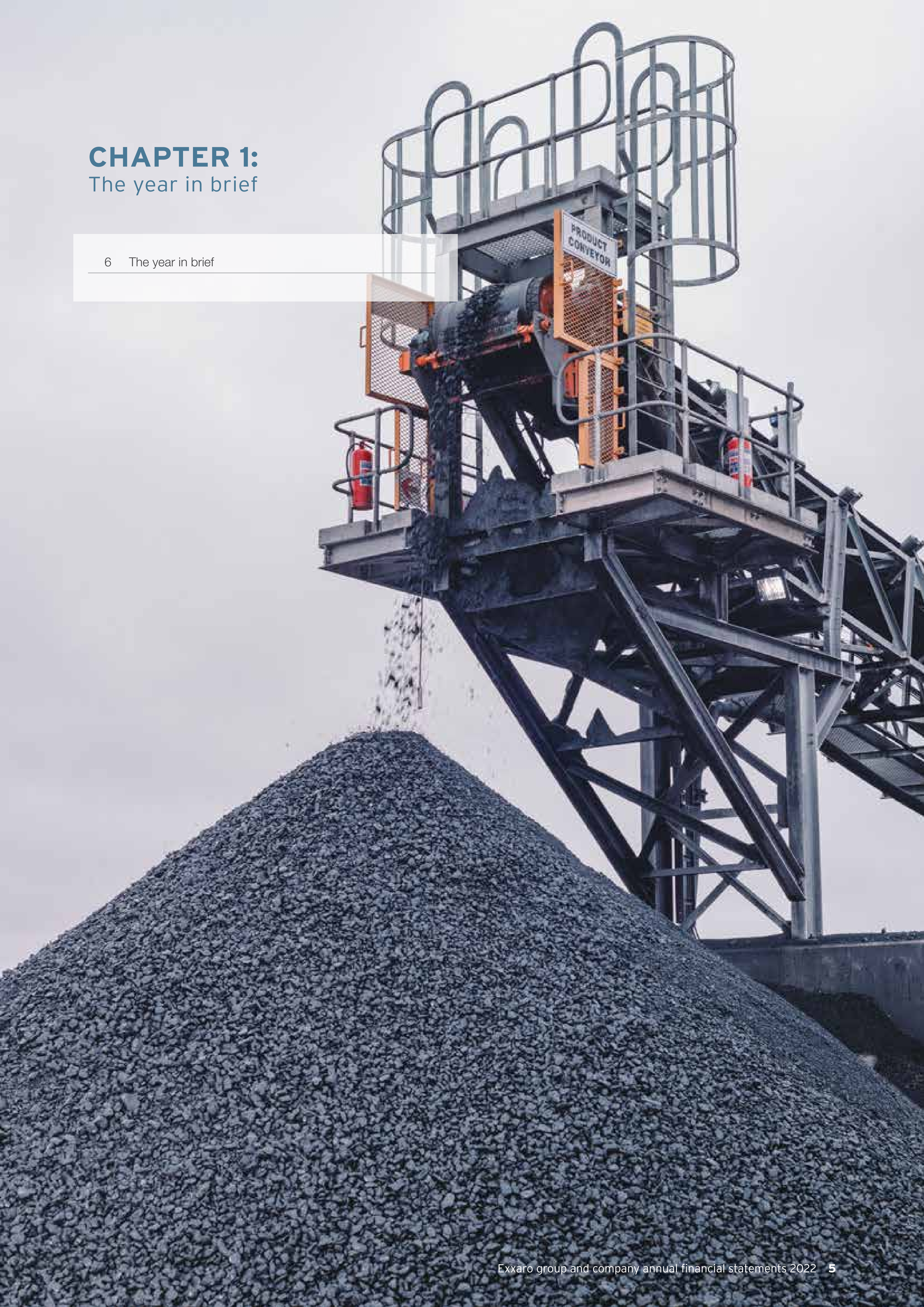
CHAPTER 1:
The year in brief



CHAPTER 1:
The year in brief

HIGHLIGHTS

↑ **R46.4 billion**
Revenue, up 41%

↑ **R18.9 billion**
Cash generated by operations, up 79%

↑ **R19.0 billion**
EBITDA, up 78%

R11.36 per share
Final dividend

↑ **R60.16 per share**
Headline earnings, up 28%

GROUP FINANCIAL RESULTS

Revenue

Group revenue increased 41% to R46 369 million (2021: R32 771 million), mainly due to exceptional performance of the coal business driven by higher export and domestic sales prices, despite the ongoing logistical challenges.

Earnings

Earning increased by 9% to R13 826 million (2021: R12 667 million) or 5 713 cps (2021: 5 128 cps). The increase in earnings was mainly due to higher revenue as result of the higher export and domestic sales prices offset by lower equity-accounted income from associates. SIOC's equity-accounted income was 55% lower as a result of an impairment charge recognised on the Kolomela assets, lower market prices and volumes as well as higher operating expenses which were partially offset by a weaker currency.

Headline earnings increased to R14 558 million (2021: R11 568 million) or 6 016 cps (2021: 4 683 cps). There was a decrease in the WANOS to 242 million (2021: 247 million) as a result of the shares that were bought back in 2021 as part of the share repurchase programme.

Refer note 5.3 for the detailed headline earnings reconciliation.

Cash flow and funding

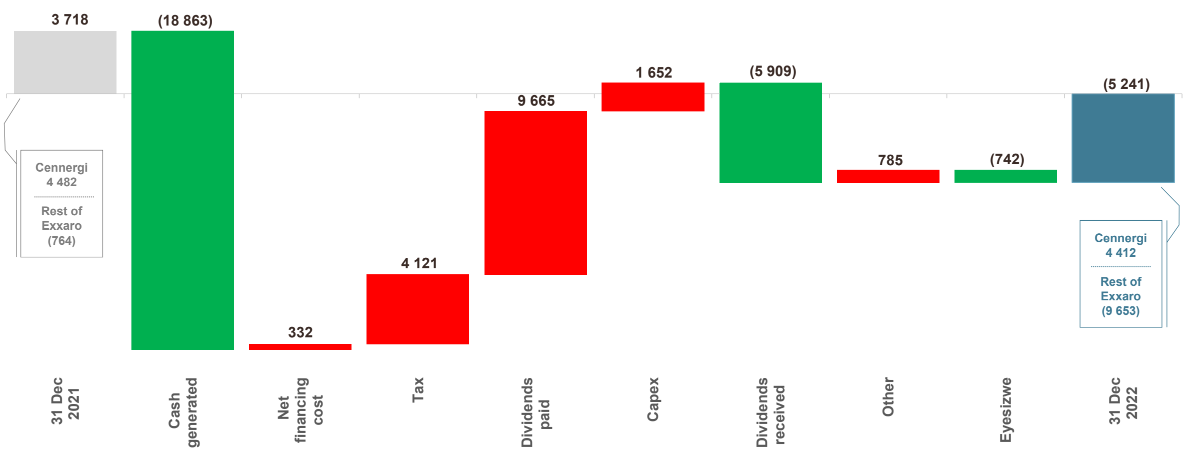
Cash flow generated by operations increased by 79% to R18 863 million (2021: R10 552 million) and, together with the dividends received from our equity-accounted investments of R5 903 million (2021: R9 991 million), were sufficient to fund capital expenditure, taxation paid and ordinary dividends paid.

Total capital expenditure decreased to R1 652 million (2021: R2 471 million), comprising R1 401 million (2021: R1 635 million) sustaining capex and R251 million (2021: R836 million) expansion capex.

Debt exposure

Our strong cash generation resulted in a net cash position of R9 653 million (excluding Cennergi's net debt of R4 412 million), compared to a net cash position of R764 million (excluding Cennergi's net debt of R4 482 million) at 31 December 2021.

Group results | **Net debt/(cash) FY22**



COAL BUSINESS

Revenue

A substantial increase in gas prices, the reduction of gas supply from Russia, coupled with the implementation of a European Union embargo on Russian coal imports, contributed to the tightness of high CV coal supply sustaining the strong pricing of high CV coal through the third quarter of 2022. The low water levels in the Rhine River (Europe), high gas and coal inventories at European power utilities, as well as milder winter temperatures in October and November sent the coal prices on a downward trajectory since the start of the fourth quarter of 2022. Export tonnages continued to be negatively affected by lacklustre rail performance. This resulted in Exxaro exporting 5.2 Mt in 2022 compared to 7.6 Mt in 2021, a decrease of 32%. To mitigate rail performance, Exxaro used road transport and exported coal through alternative ports.

Domestic demand for our high CV coal was stable and we expect this segment to continue to perform well. As a result of ongoing constraints on the rail logistics, we sold export coal in the domestic market to exporters that have access to export capacity.

The average benchmark API4 RBCT export price of US$271 per tonne was 118% higher (2021: US$124 per tonne), resulting in a 161% increase in the average realised export price for Exxaro of US$251 per tonne (2021: US$96 per tonne).

EBITDA

Coal EBITDA of R19 023 million (FY21: R10 671 million) increased 78%, at an EBITDA margin of 42%, due to:

- Higher commercial revenue (+R14 866 million)
- Realised and unrealised exchange rate gains (+R441 million)

The increase was partly offset by:

- Inventory drawdown and higher buy-ins costs from Mafube mainly due to the higher prices (-R2 248 million)
- Inflationary pressures (-R1 952 million), driven by diesel, explosive and electricity tariff increases which were significantly above the PPI inflation rate
- Higher royalties (-R786 million), in line with higher revenue and lower capex
- Higher selling and distribution costs (-R788 million), due to the use of road transport and alternative ports
- ECC divestment in September 2021 (-R261 million)

Capex and projects

The coal business's capex decreased by 33%, driven by 72% lower spend on expansion capital as we completed the construction of the GG6 plant. Sustaining capital decreased by 12% due to less spend at Grootegeluk and Belfast. We are starting to realise the benefit of our Capital Excellence journey, which is a combination of project savings and improved timing on project execution.

Coal capex	2022 Rm	2021 Rm	Change %
Sustaining	1 374	1 564	(12)
Commercial – Waterberg	1 117	1 285	(13)
Commercial – Mpumalanga	252	261	(3)
Other	5	18	(72)
Expansion	231	836	(72)
Commercial – Waterberg	231	705	(67)
Commercial – Mpumalanga		131	(100)
Total coal capex	1 605	2 400	(33)

Equity-accounted investment

Mafube, our 50% joint venture with Thungela, recorded equity-accounted income of R1 902 million (2021: R375 million). This significant increase is mainly due to higher export prices realised on higher sales volumes.

ENERGY BUSINESS

Cennergi generated 671 GWh of electricity in 2022 (2021: 724 GWh). The decrease in generation resulted from persistent low wind conditions in South Africa and regions such as Europe, wind farms have experienced below-normal wind conditions over the past twelve months. Our average equipment availability of 97.9% was better than contracted levels of 97.0%.

Cennergi's EBITDA margin was 80% (2021: 83%), showing the consistency of earnings underpinned by the long-term offtake agreements.

The Cennergi project financing of R4 554 million (2021: R4 700 million) will mature and be fully settled by the end of 2031. It has no recourse to the Exxaro balance sheet and is hedged through interest rate swaps at an effective rate of 12.3% (2021: 11.9%).

FERROUS BUSINESS

Equity-accounted investment

The 55% decrease in equity-accounted income from SIOC to R4 077 million (2021: R9 037 million), was primarily driven by an impairment charge recognised on mining assets, lower market prices and volumes as well as higher operating expenses which were partially offset by a weaker currency.

The impairment charge on mining assets was due to the production volumes being revised down in line with anticipated logistics performance.

An interim dividend of R2 498 million was received from our investment in SIOC in August 2022 (second half 2021: R6 329 million). SIOC declared a final dividend to its shareholders in February 2023. Exxaro's share of the dividend amounts to R1 419 million, which is 43% lower than the interim dividend received. The dividend will be accounted for in the first half of 2023.

PORTFOLIO OPTIMISATION

Exxaro initiated the Leeuwpan divestment process as part of its ongoing portfolio optimisation strategy to ensure the future resilience of our coal business. Progress on the divestment stalled and the process was stopped in the third quarter of 2022 to ensure stability at the mine. Exxaro will continue to review its coal assets and projects in line with its strategic goals.

Exxaro is persuing its options to dispose of its 26% shareholding in Black Mountain.

PERFORMANCE AGAINST NEW B-BBEE CODES

Our current B-BBEE scorecard reflects a recognition Level 3. The 2022 scorecard audit is still in progress and the certificate will be published as soon as this audit is concluded.

SUSTAINABLE DEVELOPMENT

Climate change response strategy implementation

Our transition strategy to a clean energy and low-carbon future was presented in September 2021. We are aiming for carbon neutrality by 2050, and shorter-term goals include reducing our Scope 1 and Scope 2 carbon emissions by 43% in 2025. The strategy for Scope 3 carbon emissions reduction is still under development while we consult key stakeholders to align on objectives, impact, and outcomes. In addition, the decarbonisation plan includes climate adaptation and resilience for our operations and host communities, to minimise the impacts of physical risks associated with climate change.

Exxaro received a B score for the 2022 Climate Change (in the management band) Carbon Disclosure Project (CDP), as well as the Water Security CDP. Exxaro's climate change CDP score is higher than the average performance for the coal mining sector (C), the Africa average (B-) and the global average (C). Exxaro's water security CDP score is higher than the Africa regional average (B-) and the coal mining sector average of (B-). There were no A list companies in the Coal Mining Activity Group for the water security and climate change CDPs.

Community investment and development

The current year was characterised by some challenges, and several pleasing results and milestones. A major challenge was experienced with implementing our SLPs, due to poor capacity of local service providers. This resulted in iterations to obtain replacement contractors, resulting in delays to execute projects. Representative Stakeholder Fora are critical for efficient and effective community engagement. However, the challenge remains in achieving an acceptable structure that will fulfil all stakeholder expectations. Despite this challenge, we established a stakeholder forum at our Grootegeluk operations, and our other operations are pursuing the same.

A major milestone was the board approval of the Social Impact Strategy, which provides a "direction of travel" in terms of areas of investment (aligned to the remaining life of coal and energy generation operations in education, land use and management, and SMME development) for community upliftment and transition. The strategy is a major shift from compliance to a market-based approach and will also address skills shortages within communities, targeting women, youth, and people with disabilities.

SHAREHOLDER RETURN

In terms of our capital allocation framework, we will remain prudent in returning cash to shareholders, managing debt, and selectively reinvesting for the growth of our business.

The dividend policy is based on the following two components:

- A targeted cover ratio of 2.5 times to 3.5 times Adjusted Group Earnings; and
- Pass through of the SIOC dividend.

Exxaro continues to target a gearing ratio of below 1.5 times net debt (excluding ring-fenced project financing) to EBITDA.

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

- 2.5 times Adjusted Group Earnings; and
- Pass through of SIOC dividend of R1 419 million.

Notice is hereby given that a gross final cash dividend, number 40 of 1 136 cents per share, for the year ended 31 December 2022 was declared, and is payable to shareholders of ordinary shares.

CHAPTER 2:
Reports

CHAPTER 2:
Reports

2.1 RESPONSIBILITY STATEMENT ON INTERNAL FINANCIAL CONTROLS

Each of the directors, whose names are stated below, hereby confirm that:

(a) The annual financial statements, set out on pages 24 to 168, fairly present in all material respects the financial position, financial performance and cash flows of the company and its consolidated subsidiaries in terms of IFRS

(b) To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading

(c) Internal financial controls have been put in place to ensure that material information relating to the company and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the company and its consolidated subsidiaries

(d) The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls

(e) Where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and

(f) We are not aware of any fraud involving directors.

Dr N Tsengwa
Chief executive officer

PA Koppeschaar
Finance director

Centurion
14 April 2023

2.2 DIRECTORS' APPROVAL

In terms of section 30(3) of the Companies Act, the group and company annual financial statements for the year ended 31 December 2022 were approved by the board of directors on 14 April 2023 and are signed on its behalf by:

MG Qhena
Chairperson

Centurion
14 April 2023

2.3 CERTIFICATE BY THE GROUP COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I, AT Ndoni, in my capacity as group company secretary, confirm that, to the best of my knowledge and belief, Exxaro has filed with the Companies and Intellectual Property Commission all such returns and notices for the year ended 31 December 2022, as required of a public company in terms of the Companies Act, and that all such returns and notices appear to be true, correct and up to date.

AT Ndoni
Group company secretary

Centurion
14 April 2023

2.4 REPORT OF THE DIRECTORS

The directors have pleasure in presenting the group and company annual financial statements of Exxaro Resources Limited for the year ended 31 December 2022 (group and company annual financial statements 2022).

Nature of business

Exxaro is a large South African-based diversified resources group with interests in the coal, energy and ferrous markets. Exxaro's diversified asset portfolio include controlled and operated assets, a joint operation as well as equity-accounted investments. The major controlled assets are the coal operations, with Exxaro being one of the top coal producers in South Africa and, in turn, Grootegeluk is acknowledged as one of the most efficient mining operations globally and runs the world's largest coal beneficiation complex.

While coal is the core of our business now, Exxaro understands the finite nature of the fossil-fuel sector and changing global imperatives. Exxaro is therefore in the process of transitioning to a sustainable minerals and energy business in a low carbon economy. As part of this transition, Exxaro aims to build a leading global renewable energy solutions business, branded Cennergi, and which portfolio currently houses two utility scale wind farms.

Exxaro's investments in associates and joint ventures primarily include its 20.62% (2021: 20.62%) equity interest in SIOC, which extracts and processes iron ore, a 26% (2021: 26%) equity interest in Black Mountain which produces zinc, lead, copper and silver in the Northern Cape, a 10.26% (2021: 10.26%) effective equity interest in RBCT which is an export terminal as well as a 50% (2021: 50%) joint venture in Mafube with Thungela, which produces coal.

Exxaro is a public company incorporated in South Africa and is listed on the JSE and has a secondary listing on the A2X. It is also a constituent of the JSE's Top 40 index, as well as the top 30 in the FTSE/JSE Responsible Investment Index with headquarters in Centurion, South Africa.

Portfolio optimisation

Leeuwpan

Exxaro initiated the Leeuwpan divestment process as part of its ongoing portfolio optimisation strategy to ensure the future resilience of the coal business. The progress on the divestment stalled and the process was stopped in the third quarter of 2022 to ensure stability at the mine.

Black Mountain

Exxaro continues to evaluate its options to dispose of its 26% shareholding in Black Mountain.

Integrated report and supplementary information

The integrated report and supplementary information contain material information on the activities and performance of the group and its various divisions. These reports are unaudited. The board of directors acknowledge its responsibility to ensure the integrity of the integrated report and supplemental information. We have accordingly applied our minds to the integrated report and believe the report addresses all material issues, and fairly presents the integrated performance, impact and sustainability of the organisation.

Corporate governance

The board of directors drives the Exxaro strategy and budget and sets performance and culture expectations as well as the governance framework for the group. The board of directors is therefore the focal point and custodian of corporate governance for the group. At the core of Exxaro's corporate governance are principles that guide the board of directors in meeting its responsibilities to the company and its stakeholders, to enable the company to achieve the King IV™ governance outcomes and fulfil its purpose to power better lives in Africa and beyond. The board of directors therefore regards good corporate governance as fundamentally important to create value and achieve the recommended governance outcomes in its own ethical and effective leadership. The board of directors assumes ultimate accountability and responsibility for the group and company's performance and affairs. In so doing, it effectively represents and promotes its legitimate interests. As a responsible corporate citizen, it also considers its material stakeholders' legitimate interests and expectations to make a positive contribution to society at large. Full details on how these principles have been applied in Exxaro are set out in the 2022 integrated report.

2.4 REPORT OF THE DIRECTORS continued

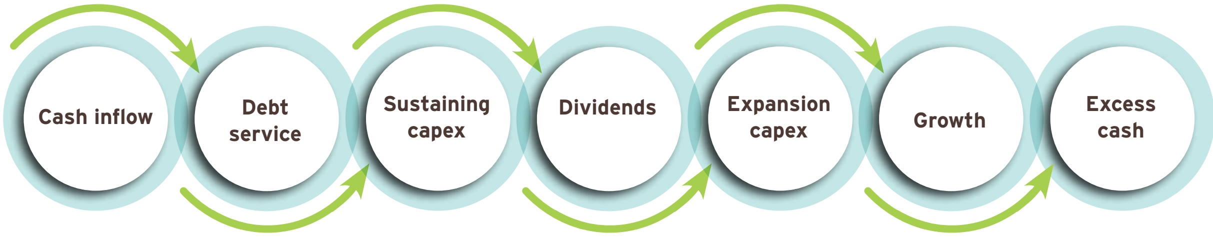
Comparability of results

The results for the years ended 31 December 2022 and 2021 are not comparable due to the key items as noted in the reconciliation of headline earnings (refer note 5.3).

Accounting policies

The accounting policies applied during the year ended 31 December 2022 are consistent, in all material respects, with those applied in the group and company annual financial statements for the year ended 31 December 2021.

Capital management



The diagram above represents the order of our capital allocation framework. In applying our capital allocation framework, we aim for a gearing ratio of below 1.5 times net debt (excluding ring-fenced project financing) to EBITDA. The capital allocation framework is in line with our commitment to sustainably return cash to shareholders through the cycle while retaining a strong financial position.

During 2022, we received cash of R20.6 billion (2021: R25 billion), comprising R14.7 billion from our operations (net of tax paid) (2021: R9.2 billion) and dividend income received from our equity-accounted investments of R5.9 billion (2021: R10.0 billion).

In terms of our capital allocation framework, we utilised this cash to mainly:

- Service our debt (net of interest received) of R0.4 billion (2021: R0.8 billion)
- Sustain our operations with capital expenditure of R1.4 billion (2021: R1.6 billion)
- Pay dividends of R10.0 billion (2021: R12.7 billion)
- Expand our operations with further capital expenditure of R0.3 billion (2021: R0.8 billion)

Share capital

Exxaro issued no new shares nor entered into any share repurchase transactions during 2022.

During 2021, Exxaro embarked on and concluded a share repurchase programme of R1.5 billion. The total number of ordinary shares repurchased was 9 401 662 ordinary shares, representing 2.62% of Exxaro's issued ordinary shares prior to the share repurchase programme. The ordinary shares were repurchased at an average price of R159.55 per share.

The share capital of the company remained unchanged and is summarised as follows:

	Number of shares	
At 31 December	**2022**	**2021**
Authorised ordinary shares of R0.01 each	500 000 000	500 000 000
Issued ordinary shares of R0.01 each	349 305 092	349 305 092
Treasury shares held by Kumba Resources Management Share Trust	158 218	158 218
Treasury shares held by Eyesizwe	107 612 026	107 612 026

2.4 REPORT OF THE DIRECTORS continued

Shareholders

An analysis of shareholders and the respective percentage shareholdings appears in chapter 19: annexure 1.

Investments in subsidiaries

Our investments in subsidiaries are fully disclosed in note 17.6.

Dividend payments

The dividend policy is to consider an interim and final dividend for each financial year. At its discretion, the board of directors may consider a special dividend where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board of directors may approve the declaration and payment of dividends.

Exxaro's dividend policy comprises the following two components:
- 2.5 times to 3.5 times Adjusted Group Earnings; and
- Pass through of the SIOC dividend.

Exxaro declared the following dividends relating to 2022:

Dividend number 39

Interim dividend number 39 of 1 593 cents per share was approved by the board of directors on 16 August 2022 and declared in South African rand in respect of the six-month period ended 30 June 2022. The dividend payment date was Monday, 3 October 2022, to shareholders recorded on the register of the company at close of business on Friday, 30 September 2022.

Dividend number 40

Final dividend number 40 of 1 136 cents per share was approved on 14 March 2023 and declared in South African rand in respect of the year ended 31 December 2022. The final dividend payment date is Monday, 8 May 2023 to shareholders recorded on the register of the company at close of business on Friday, 5 May 2023 (record date). To comply with the requirements of Strate, the last date to trade cum dividend is Tuesday, 2 May 2023. The shares will commence trading ex-dividend on Wednesday, 3 May 2023.

The final dividend declared from income reserves will be subject to 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 908.80 cents per share.

The number of ordinary shares in issue at the date of this declaration is 349 305 092. Exxaro company's tax reference number is 9218/098/14/4.

Events after the reporting period

The events after the reporting period are disclosed in note 18.3.

2.4 REPORT OF THE DIRECTORS continued

Directorate and shareholdings of directors

During 2022, the company welcomed to the board of directors:

- Ms Nondumiso Medupe as an independent non-executive director, appointed on 1 December 2022 effective 3 January 2023. (Shareholders to confirm this appointment at the upcoming AGM on 18 May 2023).
- Mr Billy Mawasha as an independent non-executive director, appointed on 7 February 2022 which appointment was confirmed by shareholders at the AGM of 25 May 2022.
- Mr Ben Magara as an independent non-executive director, appointed on 7 February 2022 which appointment was confirmed by shareholders at the AGM of 25 May 2022.
- Dr Phumla Mnganga as an independent non-executive director, appointed on 7 February 2022 which appointment was confirmed by shareholders at the AGM of 25 May 2022.
- Ms Karin Ireton as an independent non-executive director, appointed on 7 February 2022 which appointment was confirmed by shareholders at the AGM of 25 May 2022.

With thanks for his years of service to the company, Mr Ras Myburgh, who has been an independent non-executive director since September 2016 and also served as chairman of the remuneration committee, member of the nomination committee, risk and business resilience committee, and a member of the audit committee, retired at the AGM on 25 May 2022.

The board welcomed Dr Nombasa Tsengwa as CEO of Exxaro from 1 August 2022, and expressed confidence in her expertise and leadership as Exxaro's first female CEO, taking the company further on its journey to achieving its Sustainable Growth and Impact strategy. She succeeds Mr Mxolisi Mgojo who retired on 31 July 2022. The board thanked Mr Mgojo, who received a Business Leader of the Year award in 2022, for his invaluable contribution and wished him well in his retirement.

Ms Medupe's appointment as an independent non-executive director and audit committee member, effective 3 January 2023, follows Mr Nkonyeni's decision to stand down as a member and chairperson of the audit committee, due to long tenure, at the upcoming AGM. Ms Medupe's appointment will be submitted for shareholder approval at the AGM on 18 May 2023.

As announced on 15 March 2023, Mr Vuyisa Nkonyeni and Mr Isaac Mophatlane will retire by rotation, as independent non-executive directors of Exxaro, with effect from the AGM to be held 18 May 2023. Mr Nkonyeni will also on such date retire as chairman of the audit and member of the investment committee. The board of directors extended its gratitude to Mr Nkonyeni for his valuable and outstanding contribution to Exxaro over the years. In addition, Mr Mophatlane will retire as chairman of the investment committee and member of the audit and social, ethics and responsibility committees. Similarly, the board of directors extended its gratitude to Mr Mophatlane for his valued contribution to Exxaro.

At the date of compilation of this report, the following individuals were directors of the company:

Mr Mvuleni Qhena (chairman)	Independent non-executive
Dr Geraldine Fraser-Moleketi (lead independent director)	Independent non-executive
Ms Karin Ireton	Independent non-executive
Mr Ben Magara	Independent non-executive
Mr Isaac Malevu	Non-executive
Mr Billy Mawasha	Independent non-executive
Ms Likhapha Mbatha	Non-executive
Ms Nondumiso Medupe	Independent non-executive
Dr Phumla Mnganga	Independent non-executive
Mr Zwelibanzi Mntambo	Non-executive
Mr Isaac Mophatlane	Independent non-executive
Ms Mandlesilo Msimang	Non-executive
Mr Vuyisa Nkonyeni	Independent non-executive
Ms Chanda Nxumalo	Independent non-executive
Mr Peet Snyders	Independent non-executive
Dr Nombasa Tsengwa (CEO)	Executive
Mr Riaan Koppeschaar (finance director)	Executive

Details of the directors in office at the date of this report are set out in the integrated report 2022.

Details of directors' shareholdings, remuneration and service fees are contained in note 14.5.3.

Independent external auditor
KPMG Inc., with designated audit partner Ms Safeera Loonat, was approved for appointment as independent external auditor for the financial year ending 31 December 2022 at the AGM held on 27 May 2021. The appointment was further confirmed at the AGM held 25 May 2022, as the new independent external auditor of the group for the financial year starting from 1 January 2022.

Audit committee
The audit committee report appears on pages 16 to 20, as well as in the 2022 integrated report.

Borrowing powers and financial assistance

	Group	
	2022 Rm	2021 Rm
Amount approved	58 524	49 438
Total interest-bearing borrowings	(9 093)	(10 255)
Unutilised borrowing capacity	49 431	39 183

The borrowing powers were set at 125% of shareholders' funds (equity attributable to owners of the parent) for both the 2022 and 2021 financial years.

Pursuant to the authorisation granted at the AGM held on 25 May 2022, shareholders approved, in accordance with section 45 of the Companies Act, with provisions the granting of financial assistance to related and inter-related companies of Exxaro.

The directors resolved that the company would satisfy the solvency and liquidity test, as contemplated in section 45 of the Companies Act and detailed in section 4 of the Companies Act, post such assistance. The terms under which such assistance were provided are fair and reasonable to the company.

Employee incentive schemes
Details of the employee incentive schemes are set out in note 14.3, as well as in the remuneration report of the 2022 integrated report and the supplementary information.

Related-party transactions
Details of related-party transactions are set out in note 15.1.

Going concern
The directors believe that the group and company have adequate financial resources to continue in operation for the foreseeable future. Accordingly, the group and company annual financial statements 2022 have been prepared on a going concern basis.

The directors are not aware of any new material changes, or any material non-compliance with statutory or regulatory requirements that may adversely impact the group or company.

Registration details
The company registration number is 2000/011076/06. The registered office is The conneXXion, 263B West Avenue, Die Hoewes, Centurion. Refer chapter 19: annexure 3 for further details.

Lead equity sponsor and debt sponsor
Absa Bank Limited acted as lead equity sponsor and debt sponsor to the company for the financial year ended 31 December 2022.

Joint equity sponsor
Tamela Holding Proprietary Limited acted as joint equity sponsor to the company for the financial year ended 31 December 2022.

Transfer secretaries
JSE Investor Services Proprietary Limited has been appointed to serve as the South African registrar of the company with effect from 15 September 2022, (formerly Computershare Investor Services Proprietary Limited).

AGM
The 22nd (twenty second) AGM of shareholders of Exxaro will be held via electronic communication and/or in person (subject to any adjournment or postponement, health and safety protocols) at the conneXXion, 263B West Avenue, Die Hoewes, Centurion, South Africa, at 10:00 on Thursday, 18 May 2023 to consider and, if deemed fit, pass with or without modification, the resolutions presented thereat.

2.5 AUDIT COMMITTEE REPORT

The audit committee (the committee) is pleased to present the audit committee report, which is reflective of the committee's independent role with accountability to the board and shareholders, for the year ended 31 December 2022.

Role and purpose

The committee is an independent, statutory committee whose members are appointed annually by Exxaro's shareholders in compliance with section 94 of the Companies Act and the principles of good governance. In terms of the Companies Act, this committee has an independent role with accountability to the board of directors and shareholders of the company. The committee does not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers and other members of senior management, nor does it assume accountability for the functions performed by other committees of the board of directors. In addition to the Companies Act, the committee's duties are guided by the Listings Requirements and King IV™.

The committee is governed by its terms of reference that codify its role and responsibilities. To assist the board of directors, the committee plays an essential role in providing independent oversight of:

- Quality and integrity of the financial statements and related public announcements
- Integrity and content of the integrated reporting process
- Qualification and independence of the external auditor
- Scope and effectiveness of the external audit function
- Scope and effectiveness of the overall combined/integrated assurance process
- Effectiveness of internal controls and the internal audit function
- Assessing the adequacy of the company's insurance arrangements with regard to the nature of its business and insurable risks
- Integrity and efficacy of the risk management process relating specifically to internal controls and financial reporting risks through assurance over system controls and policies in place

Composition

The committee members are elected annually at the AGM by shareholders on recommendation by the board of directors (through the nomination committee). The board of directors ensures, through its recommendations, a balance of skills and experience with specific focus on financial literacy, to enable the committee to discharge its function. Members of this committee consist only of independent non-executive directors.

For the year under review, the committee consistently had four independent non-executive directors. The board of directors is satisfied that the committee members have the necessary academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs and/or human resource management.

In this regard, Mr Billy Mawasha was appointed as a new member of the committee at the 2022 AGM following the retirement of Mr Ras Myburgh. Ms Nondumiso Medupe's appointment as an independent non-executive director and audit committee member, effective 3 January 2023, follows Mr Vuyisa Nkonyeni's decision to stand down as a member and chairperson of the audit committee, due to his long tenure, at the upcoming AGM. Ms Nondumiso Medupe's appointment will be submitted for shareholder approval at the AGM on 18 May 2023.

The CEO and finance director, together with members of the executive team and senior management representing areas relevant to discussions of the audit committee, as well as the independent external auditor, the chief audit officer and chief risk officer, attend meetings either by standing invitation or as and when required.

The internal and external auditors also have unrestricted access to the audit committee.

Meetings

During 2022 the committee held four scheduled meetings, as determined by its terms of reference and two special meetings. The committee's attendance of almost 100% illustrates high levels of engagement and commitment by our audit committee members.

The following table provides an overview of designations and members' attendance at meetings held during the period under review.

Member	Designation	Attendance at four quarterly meetings	Attendance at two special meetings
Mr Vuyisa Nkonyeni	Independent non-executive director and chairperson	4/4	2/2
Mr Billy Mawasha*	Independent non-executive director	3/3*	2/2
Mr Isaac Mophatlane	Independent non-executive director	3/4	2/2
Mr Ras Myburgh**	Independent non-executive director	2/2**	0/1**
Ms Chanda Nxumalo	Independent non-executive director	3/4	2/2

** Mr Billy Mawasha was appointed member on 25 May 2022.*
*** Mr Ras Myburgh retired as member on 25 May 2022.*

Two additional sessions are held annually with the independent external auditor and independent internal auditor, respectively, where management are not present, to facilitate an exchange of views and concerns to further strengthen independent oversight by the committee.

Terms of reference

The terms of reference were reviewed and enhanced in accordance with the 2022 IoDSA guidance for audit committees and approved by the board of directors. The terms of reference continue to be aligned with legislation, regulations and King IV™.

2.5 AUDIT COMMITTEE REPORT continued

Statements

Finance director and finance function

The committee has considered and reviewed an internal assessment of the expertise and experience of Mr Riaan Koppeschaar, the finance director, and is satisfied that he has the appropriate experience and expertise to execute his responsibilities. The evaluation also considered the appropriateness of the expertise and adequacy of resources in the finance function.

Independent external auditor

The independent external auditor for the 2022 financial year was KPMG, with its delivery partner, AM PhakaMalele, the appointment being approved by shareholders at the AGM held 25 May 2022. The committee, having assessed the suitability of the appointment of the external auditor and designated audit partner, is satisfied that KPMG is independent of the group as per section 94(8) of the Companies Act.

The committee executed its responsibility in assessing the suitability of the external auditor and designated individual auditor as required by paragraph 3.84(g)(iii) of the Listings Requirements by considering the relevant information pursuant to paragraph 22.15(h) of the Listings Requirements, and has been provided with all decision letters and/or explanations issued by IRBA as well as summaries regarding monitoring procedures and deficiencies issued by the external auditor.

Fees paid to KPMG for 2022 and PwC for 2021 are disclosed in note 6.1.3. Exxaro has an approved policy to regulate the use of non-audit services by the independent external auditor, which differentiates between permitted and prohibited non- audit services, and specifies a monetary threshold against which approvals are considered.

During the review period, PwC, the former independent external auditor, was paid R0.2 million (2021: R30 million) for statutory audit services and R1.67 million (2021: R8 million) for non-audit services.

KPMG was paid R3.75 million as an interim audit fee and R23.43 million for the statutory audit services. The committee is satisfied with the level and extent of non-audit services rendered by PwC. KPMG, in terms of its policy, is not allowed to perform non-audit services.

The audit committee is satisfied that Ms Safeera Loonat, as designated individual auditor, is accredited and appears on the JSE List of Auditors in compliance with section 22 of the Listings Requirements.

During 2022, KPMG partnered with AM PhakaMalele, a Level 1 B-BBEE company, to honour Exxaro's commitment to transformation.

Internal auditor

To allow for audit firm rotation and, notwithstanding the fact that the board of directors was satisfied with the independence, conduct and quality of internal audit services rendered by EY, the committee recommended the appointment of a new independent internal auditor through a formal process. Following an open tender process, the board of directors, on recommendation of the audit committee, appointed PwC as the group's new internal auditor from 1 July 2022. To continue strengthening the internal audit function, to be fit for purpose, adding value and given Exxaro's evolving business model, the internal audit approach was refreshed with key features. In line with Exxaro's commitment to transformation, PwC has partnered with a Level 1 B-BBEE company, Ngubane & Co, to fulfil the internal audit function.

The internal audit function is partially co-sourced to PwC under the management control of Exxaro's chief audit officer. Their responsibilities are detailed in an internal audit charter approved by this committee, which is reviewed and approved annually.

The main function of internal audit remains to express an opinion on the effectiveness of governance, risk management and systems of internal controls as well as the internal control environment within the group. Furthermore, the internal audit function provides an independent, objective assurance and consulting service designed to add value and improve the organisation's operations. The committee is pleased with the overall performance of the internal audit function services provided by PwC.

2.5 AUDIT COMMITTEE REPORT continued

Statements continued

Annual financial statements

The group and company annual financial statements 2022 were prepared by management, reviewed by the committee and the board of directors, and audited by the independent external auditor. The committee is satisfied that the group and company annual financial statements 2022 comply with the relevant provisions of the Companies Act, IFRS, interpretations issued by IFRIC, the Listings Requirements as well as applicable accounting policies and practices. The committee is also satisfied that the group and company annual financial statements 2022 fairly present a balanced view of the group and company's financial position, financial performance and cash flows for the year.

Statement on effectiveness of internal financial controls

The committee, with input and reports from the independent internal and external auditor, reviewed the system of internal financial reporting procedures, as underpinned by the enterprise risk management framework, during the year. This review included consideration of all Exxaro entities within the consolidated group to ensure that the committee had access to all financial information to allow for effective preparation and reporting on the group and company annual financial statements 2022. Informed by these reviews, the committee confirmed that there were no material findings that came to the attention of the committee to indicate ineffectiveness of internal financial reporting controls during 2022.

Combined assurance

As required by King IV™, assurance was broadened to cover all sources of assurance, including external assurance, internal audit, management oversight and regulatory inspections. In addition, the combined assurance model was expanded to incorporate and optimise all assurance services and functions so that, taken as a whole, these enable an effective control environment and also support the integrity of information used for internal decision making by management, the governing body and its committees and of the organisation's external reports.

An annual audit plan is submitted for approval to this committee, detailing all proposed assurance activities within the group, including the level of assurance to be provided. This committee ensures alignment of the combined assurance plan, internal audit plans and external audit plans. Risk acceptance, level 1 finding disclosure process and risk extension requests are adopted as protocols.

It is the committee's role to review the effective establishment and operation of combined assurance within the group. To this end, the company established the combined assurance framework. The committee is satisfied that the combined assurance framework, constituted as a working group, serves as a platform to coordinate Exxaro's assurance functions, specifically the internal assurance functions, including internal audit, and externally sourced independent assurance functions. In addition, the combined assurance framework coordinates assurance coverage for Exxaro's risk exposure as identified and ranked by Exxaro's risk management functions, including optimisation of assurance functions aligned with King IV™ recommended assurance practices. The combined assurance framework is an internal management structure and forms part of the internal governance structure of the entity and, along with the rest of the internal governance structure, falls under executive oversight.

The committee is satisfied with the arrangement in place for ensuring an effective and efficient combined assurance model within the group.

Technology and information governance

In terms of King IV™, the committee exercises oversight of technology and information governance. In addition, the committee governs technology and information in a way that supports the organisation in setting and achieving its strategic objectives.

During the period under review, major IM initiatives included enhancing cybersecurity controls and awareness, drafting a ransomware policy and response plan, and upgrading end-user device security. Control measures to close the gap between residual and desired cybersecurity risk increased. The committee monitored progress and management provided comprehensive quarterly updates.

2022 in overview

The committee exercised oversight over the following matters in 2022:

- **Tax compliance status and reporting:** Reporting to the committee includes reporting on all tax matters, including tax audits, tax disputes with tax authorities, and status of tax returns and payments. The committee is satisfied that the group is tax-compliant
- **Headline earnings:** The committee considered guidance issued by SAICA regarding the calculation of headline earnings during the year under review
- **Macros and commodity price forecast review:** During the year under review, the committee reviewed and was satisfied with the key macro-economic indicators and assumptions used to compile the 2023 budget
- **JSE guidance letters:** As recommended by the JSE, the committee reviewed the JSE guidance letters in respect of the responsibilities of committee members as set out in paragraph 3.84(g) of the Listings Requirements
- **Group hedge and loan covenant compliance:** The committee is satisfied with the group's hedge effectiveness and loan covenant position applicable to each facility within the group
- **Counterparty and dealer limits:** The committee approved the revised dealer and counterparty limits for the group's treasury operations in the financial markets
- **Group governance framework:** As the committee was intimately involved in finalising the revised group governance framework and energy delegation of authority, the committee oversaw its implementation to ensure the energy business is effectively and appropriately governed
- **Significant internal audit findings and forensic investigations:** The committee ensured corrective measures were in place where internal audit or forensic investigations identified internal control deficiencies and will continue to monitor the efficacy of these measures
- **Management representation letter:** The committee authorised the CEO and finance director to sign the management representation letter for the interim and final period

Other key issues

Other key issues that received attention during the year included, among others, the following:

- The going concern statement and solvency and liquidity assessment in terms of sections 46 and 48 of the Companies Act as at 30 June 2022 and 31 December 2022
- Financial results and dividend declarations for the six-month period ended 30 June 2022 and for the year ended 31 December 2022
- Trading statement for the six-month period ended 30 June 2022 and for the year ended 31 December 2022
- Valuation of group carrying amounts in respect of various investments at 30 June 2022 and 31 December 2022
- Noting annual financial statements of major subsidiaries (as defined by the Listings Requirements) within the Exxaro group of companies
- New and revised accounting standards and pronouncements brought to the committee's attention for consideration
- Report on the JSE proactive monitoring of financial statements and the JSE limited scope process brought to the attention of the committee
- CEO and finance director responsibility statement as required by the JSE Listings Requirements
- Revised tax risk management framework
- Revised group treasury risk management and hedging policy

2.5 AUDIT COMMITTEE REPORT continued

Key focus areas

The table below shows the key focus areas for the committee.

2022/2023	Status
Review the strategy in relation to deployment of new post-modern ERP solutions to ensure acceptable cost, risk and alignment with the Exxaro strategy.	Ongoing
Ensure alignment of the combined assurance process, internal audit plan and external audit plan in terms of a risk-based approach.	Achieved
Review Exxaro's future strategy relations to insurance cover and self-insurance, taking into account global resistance to thermal coal and insurance market.	Ongoing
Continued to oversee the project plan for financial and risk-based disclosures in terms of Exxaro's aim to comply with TCFD.	Ongoing
Approve the levels of materiality to be used for internal audit (including audit protocols and classification of findings) and consider levels of materiality for the independent external auditor.	Achieved
Oversee transition plans for internal and external audit functions.	Achieved

Performance evaluation

During the period under review, in accordance with King IV™ recommendations, an independent evaluation of the performance and effectiveness of the committee was performed. The aim of the evaluation was to identify and record areas in need of strengthening and/or refinement while considering internal and external dynamics and factors that may positively or negatively impact the committee's ability to enhance its performance and effectiveness in these areas. An area of ongoing focus which was identified during the evaluation process is the digitalisation of insourced internal audit services. It concluded that the committee functions effectively.

Conclusion

The committee, in carrying out its duties, has due regard to its terms of reference, the Companies Act, the Listings Requirements, as well as the principles and recommended practices of King IV™. The committee is satisfied that it has considered and discharged its responsibilities in accordance with its terms of reference and confirms that it fulfilled its mandate and responsibilities in terms of the Companies Act, the Listings Requirements and King IV™.

On behalf of the audit committee

Mr Vuyisa Nkonyeni
Audit committee chairperson

14 April 2023

2.6 INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Exxaro Resources Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the group and company financial statements of Exxaro Resources Limited (the Group and Company) set out on pages 25 to 168, which comprise the group and company statement of financial position at 31 December 2022, and the group and company statement of comprehensive income, the group and company statement of changes in equity and the group and company statement of cash flows for the year then ended, and notes to the group and company financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Exxaro Resources Limited and its subsidiaries as at 31 December 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There is no key audit matter to report on the separate financial statements.

Environmental Rehabilitation Provisions

Refer to notes 13.1, 13.2 and 13.3 of the consolidated financial statements.

Key audit matter

In determining the present value of the total environmental rehabilitation provisions, management apply significant judgement and make assumptions relating to:

- interpretation and understanding of the laws, regulations and associated legal obligations
- undiscounted environmental rehabilitation costs which includes quantity of disturbance and cost rate to rehabilitate
- expected date of closure of mining activities.

The group's estimates of the undiscounted environmental rehabilitation costs are based on significant judgements and assumptions (complex laws, regulations and legal obligations) made by management, which may not be reasonable or appropriate, resulting in an inaccurate or inappropriately valued (overstated/understated) provision.

Based on the above factors we have determined the environmental rehabilitation provisions to be a key audit matter.

How the matter was addressed in our audit

How the matter was addressed in our audit :

Our team included senior, experienced audit team members and the internal environmental rehabilitation provision specialist team.

The following procedures were performed during our audit:

- We updated our understanding of management's processes, systems and controls implemented.
- We identified and tested the design and implementation of relevant controls.
- We gained an understanding of the models, the data and the assumptions used by management (and management's environmental experts) to determine both the undiscounted environmental rehabilitation costs, as well as the present value of the obligation.
- We evaluated the appropriateness of the accounting policies based on International Financial Reporting Standards requirements, our understanding of the business and industry practice.
- We evaluated the mathematical accuracy of management's models.
- We evaluated the reasonableness of and challenged management's key assumptions and judgements, including:
  - the interpretation and understanding of the laws, regulations and associated legal obligations.
  - quantity of disturbance and cost rate to rehabilitate to determine the undiscounted environmental rehabilitation costs; and
  - expected date of closure of mining activities.
- We evaluated the completeness, accuracy, relevance and reliability of the data used in managements models.
- We evaluated the objectivity, knowledge, skills and ability of management's environmental expert by obtaining an understanding of their professional qualifications, experience and affiliations and scope of work.
- We recomputed the present value of the obligation using independently sourced discount and inflation rates, in order to assess the reasonability of the present value of the total environmental rehabilitation provisions.
- We evaluated the appropriateness of accounting for the change in estimates recognised in profit or loss or allocated to the related decommissioning asset; and
- We assessed the appropriateness of the disclosures made as set out in note 13.1, 13.2, 13.3 against the requirements of IFRS.

2.6 INDEPENDENT AUDITOR'S REPORT continued

Other matter

The consolidated and separate financial statements of the group and company at and for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those consolidated and separate financial statements on 8 April 2022.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Exxaro Resources Limited Group and company annual financial statements for the year ended 31 December 2022", which includes the Report of the directors, the Audit committee report and the Certificate by the group company secretary required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

2.6 INDEPENDENT AUDITOR'S REPORT continued

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Exxaro Resources Limited for one year.

KPMG Inc.
Registered Auditor

Per
Chartered Accountant (SA)
Registered Auditor
Director

18 April 2023

KPMG Crescent
85 Empire Road
Parktown
2196

CHAPTER 3:
Segmental reporting

CHAPTER 3:
Segmental reporting

3.1 ACCOUNTING POLICY RELATING TO SEGMENTAL REPORTING

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

3.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICY

In applying IFRS 8 *Operating Segments*, judgements have been made by management with regards to the identification of reportable segments of the group. The basis on which management identify the reportable segments is described further in note 3.3 and represents management's view of the operations.

3.3 REPORTABLE SEGMENTS

In line with reporting trends, emphasis is placed on controllable costs. Indirect corporate costs are reported on a gross level in the other reportable segment.

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

The comparative segmental information has been re-presented for the equity interest in LightApp, which has been reclassified from the energy segment to the other segment, in line with the revised strategic focus of the group.

Coal

The coal operations produce thermal coal, metallurgical coal and SSCC and are made up of the following reportable segments:

Commercial Waterberg: Comprising mainly of the Grootegeluk operation.

Commercial Mpumalanga: Comprising the Belfast and Leeuwpan operations, as well as the 50% (2021: 50%) joint venture in Mafube with Thungela. The ECC operation, including the 49% equity interest in Tumelo, formed part of this reportable segment until its effective date of disposal on 3 September 2021.

Tied: Comprising of the Matla mine supplying its entire coal supply to Eskom.

Other: Comprising of the other coal affiliated operations, including mines in closure and a 10.26% (2021: 10.26%) equity interest in RBCT.

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

Energy

The energy operations generate energy (electricity) from renewable energy technology. The energy reportable segment comprises mainly of the Cennergi controlled operation.

Ferrous

The ferrous operations are made up of the following reportable segments:

Alloys: Comprising of the FerroAlloys operation which manufactures ferrosilicon.

Other: Comprising mainly of the 20.62% (2021: 20.62%) equity interest in SIOC.

TiO_2

Following the disposal of Tronox Holdings plc and Tronox SA during 2021, the TiO_2 reportable segment has been discontinued (refer note 6.1.4).

Other

The other operations of the group are made up of the following reportable segments:

Base metals: Comprising of the 26% (2021: 26%) equity interest in Black Mountain.

Other: Comprising mainly of the corporate office (rendering corporate management services), the Ferroland agricultural operation, the 25.85% (2021: 25.85%) equity interest in Insect Technology and the 28.01% (2021: 28.59%) equity interest in LightApp.

CHAPTER 3:
Segmental reporting continued

3.3 REPORTABLE SEGMENTS continued

The following tables present a summary of the segmental information:

		Coal			
		Commercial			
	Note	Waterberg Rm	Mpumalanga Rm	Tied Rm	Other Rm
For the year ended 31 December 2022					
External revenue	6.1.2	23 613	15 797	5 561	
Segmental net operating profit/(loss)		11 731	5 323	151	(389)
External finance income	12.1.2	24	4		5
External finance costs	12.1.2	(58)	(91)		(62)
Income tax (expense)/benefit	7.3	(3 178)	(1 307)	(61)	473
Depreciation and amortisation	6.1.3	(1 490)	(609)	(14)	(6)
Net losses on disposal of property, plant and equipment	6.1.3	(9)	(72)		(7)
Impairment charges of equity-accounted investments	8.4				
Loss on disposal of subsidiary	8.3				
Loss on dilution of investment in associate	9.5				
Share of income/(loss) of equity-accounted investments	9.3		1 902		(10)
Cash generated by/(utilised in) operations	6.3.1	12 874	6 539	267	(1 459)
Capital spend on property, plant and equipment		(1 348)	(252)		(5)
At 31 December 2022					
Segmental assets and liabilities					
Deferred tax[1]	7.5				
Equity-accounted investments	9.4		2 999		2 024
External assets		30 897	6 068	1 213	3 258
Total assets		30 897	9 067	1 213	5 282
External liabilities		1 857	2 577	1 301	1 143
Deferred tax[1]	7.5	6 997	978	(56)	(108)
Total liabilities		8 854	3 555	1 245	1 035

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

	Energy Rm	Ferrous Alloys Rm	Ferrous Other ferrous Rm	Other Base metals Rm	Other Other Rm	Total Rm
For the year ended 31 December 2022						
External revenue	1 159	224			15	46 369
Segmental net operating profit/(loss)	437	49	(1)		(1 081)	16 220
External finance income	20				641	694
External finance costs	(503)	(1)			(337)	(1 052)
Income tax (expense)/benefit	60	(5)			(269)	(4 287)
Depreciation and amortisation	(391)	(7)			(164)	(2 681)
Net losses on disposal of property, plant and equipment					(9)	(97)
Impairment charges of equity-accounted investments					(53)	(53)
Loss on disposal of subsidiary					(1)	(1)
Loss on dilution of investment in associate					(2)	(2)
Share of income/(loss) of equity-accounted investments			4 077	578	(70)	6 477
Cash generated by/(utilised in) operations	837	(22)	(1)		(172)	18 863
Capital spend on property, plant and equipment	(20)	(1)			(26)	(1 652)
At 31 December 2022						
Segmental assets and liabilities						
Deferred tax[1]	1	11	1		241	254
Equity-accounted investments			11 104	1 933		18 060
External assets	8 614	421	25		16 335	66 831
Total assets	8 615	432	11 130	1 933	16 576	85 145
External liabilities	4 804	26	1		5 389	17 098
Deferred tax[1]	884				(27)	8 668
Total liabilities	5 688	26	1		5 362	25 766

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

3.3 REPORTABLE SEGMENTS continued

	Note	Coal			
		Commercial			
		Waterberg Rm	Mpumalanga Rm	Tied Rm	Other Rm
For the year ended 31 December 2021 (Re-presented)[1]					
External revenue	6.1.2	16 852	9 439	5 089	15
Segmental net operating profit/(loss)[1]		7 137	534	147	(235)
– Continuing operations		7 137	534	147	(235)
– Discontinued operations	6.1.4				
External finance income	12.1.2	23	2		11
External finance costs	12.1.2	(50)	(116)		(51)
Income tax (expense)/benefit	7.3	(2 160)	(208)	(45)	272
– Continuing operations		(2 160)	(208)	(45)	272
– Discontinued operations	6.1.4				
Depreciation and amortisation	6.1.3	(1 447)	(636)	(14)	(4)
Net losses on disposal of property, plant and equipment	6.1.3	(22)	(3)	4	
Impairment charges of non-current operating assets	8.4	(21)			
Net gains on disposal of associates					
– Discontinued operations	6.1.4				
Loss on disposal of subsidiaries	8.3		(946)		
Share of income/(loss) of equity-accounted investments[1]			404		(19)
– Continuing operations	9.3		404		(19)
– Discontinued operations	6.1.4				
Cash generated by/(utilised in) operations	6.3.1	8 533	1 481	127	(297)
Capital spend on property, plant and equipment		(1 990)	(392)	(1)	(17)
At 31 December 2021 (Re-presented)[1]					
Segmental assets and liabilities					
Deferred tax[2]	7.5		51	33	118
Equity-accounted investments[1]	9.4		1 780		2 034
External assets		30 880	6 391	1 216	2 167
Total assets[1]		30 880	8 222	1 249	4 319
External liabilities		2 122	1 744	1 212	547
Deferred tax[2]	7.5	7 220	180		1
Total liabilities		9 342	1 924	1 212	548

[1] *LightApp has been reclassified from the energy segment to the other segment.*
[2] *Offset per legal entity and tax authority.*

	Energy Rm	Ferrous: Alloys Rm	Ferrous: Other ferrous Rm	TiO$_2$ Rm	Other: Base metals Rm	Other: Other Rm	Total Rm
For the year ended 31 December 2021 (Re-presented)[1]							
External revenue	1 193	168				15	32 771
Segmental net operating profit/(loss)[1]	525	14		2 217		(662)	9 677
– Continuing operations	525	14				(662)	7 460
– Discontinued operations				2 217			2 217
External finance income	12		2			189	239
External finance costs	(503)	(1)				(139)	(860)
Income tax (expense)/benefit	(26)			(379)		(36)	(2 582)
– Continuing operations	(26)					(36)	(2 203)
– Discontinued operations				(379)			(379)
Depreciation and amortisation	(388)	(10)				(178)	(2 677)
Net losses on disposal of property, plant and equipment						(25)	(46)
Impairment charges of non-current operating assets							(21)
Net gains on disposal of associates				1 339			1 339
– Discontinued operations				1 339			1 339
Loss on disposal of subsidiaries						(1)	(947)
Share of income/(loss) of equity-accounted investments[1]			9 037	54	352	16	9 844
– Continuing operations			9 037		352	16	9 790
– Discontinued operations				54			54
Cash generated by/(utilised in) operations	904	(41)	(3)			(152)	10 552
Capital spend on property, plant and equipment	(1)	(1)				(69)	(2 471)
At 31 December 2021 (Re-presented)[1]							
Segmental assets and liabilities							
Deferred tax[2]	38	18				111	369
Equity-accounted investments[1]			12 037		1 350	121	17 322
External assets	8 516	358	26			8 472	58 026
Total assets[1]	8 554	376	12 063		1 350	8 704	75 717
External liabilities	5 239	28	1			6 455	17 348
Deferred tax[2]	920					(50)	8 271
Total liabilities	6 159	28	1			6 405	25 619

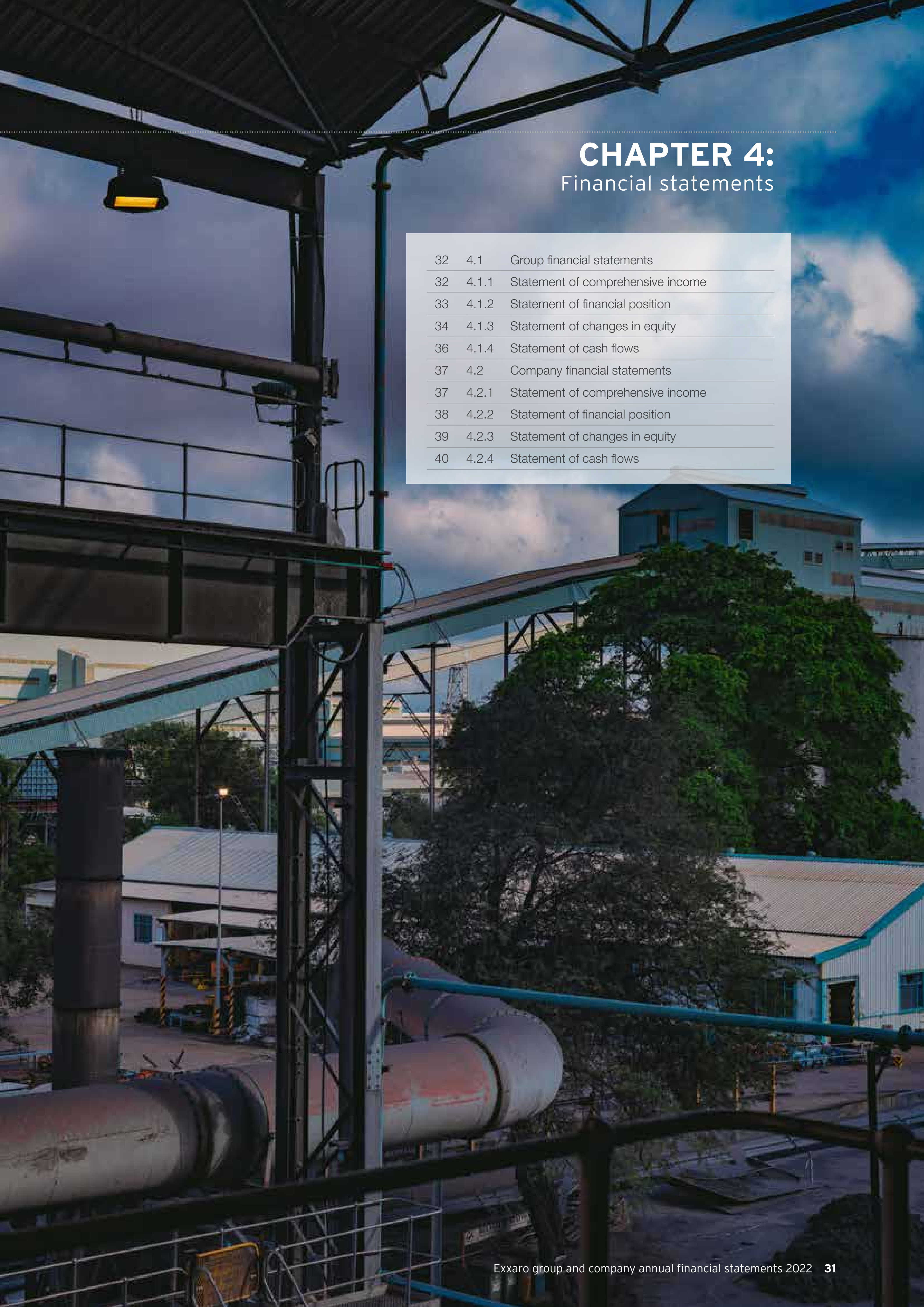
[1] *LightApp has been reclassified from the energy segment to the other segment.*
[2] *Offset per legal entity and tax authority.*

3.4 GEOGRAPHIC LOCATION OF SEGMENT ASSETS

Geographical areas	At 31 December 2022 Rm	2021 Rm
Country of domicile		
– RSA	59 437	59 442
Foreign countries		
– Rest of Africa	2	2
– Europe	1	2
– Asia		121
– Australia	124	125
Total carrying amount of non-current assets[1]	59 564	59 692

[1] *Excluding financial assets and deferred tax.*

The information per geographical area is not regularly provided to the chief operating decision maker, but included on an annual basis for purposes of additional disclosure.



CHAPTER 4:
Financial statements

CHAPTER 4:
Financial statements

4.1 GROUP FINANCIAL STATEMENTS

4.1.1 Statement of comprehensive income

For the year ended 31 December	Note	2022 Rm	2021 Rm
Revenue	6.1.2	46 369	32 771
Operating expenses	6.1.3	(30 148)	(24 343)
Operating profit		16 221	8 428
Loss on disposal of subsidiaries	8.3	(1)	(947)
Impairment charges of non-current operating assets	8.4		(21)
Net operating profit		16 220	7 460
Finance income	12.1.2	694	239
Finance costs	12.1.2	(1 052)	(860)
Income from financial assets		6	55
Share of income of equity-accounted investments	9.3	6 477	9 790
Impairment charges of equity-accounted investments	8.4	(53)	
Profit before tax		22 292	16 684
Income tax expense	7.3	(4 287)	(2 203)
Profit for the year from continuing operations		18 005	14 481
Profit for the year from discontinued operations	6.1.4		1 892
Profit for the year		18 005	16 373
Other comprehensive income/(loss), net of tax		384	(913)
Items that will not be reclassified to profit or loss:		14	40
– Remeasurement of retirement employee obligations		3	
– Changes in fair value of equity investments at FVOCI		10	49
– Share of OCI of equity-accounted investments		1	(9)
Items that may subsequently be reclassified to profit or loss:		300	302
– Unrealised exchange differences on translation of foreign operations		34	39
– Changes in fair value on cash flow hedges		113	84
– Share of OCI of equity-accounted investments		153	179
Items that have subsequently been reclassified to profit or loss:		70	(1 255)
– Recycling of unrealised exchange differences on translation of foreign operations			(482)
– Recycling of changes in fair value on cash flow hedges		70	105
– Recycling of share of OCI of equity-accounted investments			(878)
Total comprehensive income for the year		18 389	15 460
Profit attributable to:			
Owners of the parent		13 826	12 667
– Continuing operations		13 826	11 202
– Discontinued operations			1 465
Non-controlling interests		4 179	3 706
– Continuing operations		4 179	3 279
– Discontinued operations			427
Profit for the year		18 005	16 373
Total comprehensive income attributable to:			
Owners of the parent		14 113	11 954
– Continuing operations		14 113	11 169
– Discontinued operations			785
Non-controlling interests		4 276	3 506
– Continuing operations		4 276	3 277
– Discontinued operations			229
Total comprehensive income for the year		18 389	15 460

	Note	cents	cents
Attributable earnings per share	5.2		
Aggregate			
– Basic		5 713	5 128
– Diluted		5 713	5 128
Continuing operations			
– Basic		5 713	4 535
– Diluted		5 713	4 535
Discontinued operations			
– Basic			593
– Diluted			593

4.1.2 Statement of financial position

At 31 December	Note	2022 Rm	(Re-presented)[1] 2021 Rm
ASSETS			
Non-current assets		63 357	63 298
Property, plant and equipment	10.1.3	37 446	38 351
Intangible assets	10.2.3	2 760	2 927
Right-of-use assets	11.3	352	401
Inventories	6.2.2	176	145
Equity-accounted investments	9.4	18 060	17 322
Financial assets	10.3.2	3 539	3 237
Deferred tax	7.5	254	369
Other assets	10.4.1	770	546
Current assets		21 788	12 419
Inventories	6.2.2	1 728	1 606
Financial assets	10.3.2	376	311
Trade and other receivables	6.2.3	4 199	2 701
Cash and cash equivalents	6.2.5	14 812	7 042
Current tax receivables[1]		101	24
Other assets[1]	10.4	572	735
Total assets		85 145	75 717
EQUITY AND LIABILITIES			
Capital and other components of equity			
Share capital	12.2.2	983	983
Other components of equity		1 700	1 560
Retained earnings		44 136	37 007
Equity attributable to owners of the parent		46 819	39 550
Non-controlling interests	17.7	12 560	10 548
Total equity		59 379	50 098
Non-current liabilities		20 574	20 841
Interest-bearing borrowings	12.1.3	8 378	9 255
Lease liabilities	11.4	438	470
Other payables	6.2.4	25	53
Provisions	13.3	2 762	2 201
Retirement employee obligations	14.4	165	159
Financial liabilities	12.1.7	112	406
Deferred tax	7.5	8 668	8 271
Other liabilities	12.1.8	26	26
Current liabilities		5 192	4 778
Interest-bearing borrowings	12.1.3	715	1 000
Lease liabilities	11.4	40	34
Trade and other payables	6.2.4	3 340	2 230
Provisions	13.3	179	101
Financial liabilities	12.1.7	5	
Overdraft	6.2.5		1
Current tax payables[1]		143	418
Other liabilities[1]	12.1.8	770	994
Total liabilities		25 766	25 619
Total equity and liabilities		85 145	75 717

[1] *Current tax receivables have been reclassified as a separate line item from other assets. Similarly, current tax payables have been reclassified as a separate line item from other liabilities. These reclassifications have been made to disaggregate these items on the face of the statement of financial position to provide a better presentation of assets and liabilities for users.*

4.1 GROUP FINANCIAL STATEMENTS continued

4.1.3 Statement of changes in equity

	Note	Share capital Rm	Other components of equity: Foreign currency translation Rm	Financial instruments revaluation Rm	Equity-settled Rm
At 31 December 2020		1 021	1 869	(255)	903
Total comprehensive (loss)/income			(882)	138	
– Profit for the year					
– Other comprehensive (loss)/income for the year	7.7		(882)	138	
Transactions with owners		(38)			(307)
Contributions and distributions		(38)			(122)
– Dividends paid	5.6				
– Distributions to NCI share option holders					
– Share– based payments movement					(122)
– Shares repurchased and cancelled[1]		(38)			
– Share repurchase expenses					
– Transfer of fair value adjustments on disposal of equity investment at FVOCI to retained earnings					
Changes in ownership interest					(185)
– Disposal of associates[2]					(185)
– Disposal of subsidiaries[3]	17.7				
At 31 December 2021		983	987	(117)	596
Total comprehensive income			139	136	1
– Profit for the year					
– Other comprehensive income for the year	7.7		139	136	1
Transactions with owners					(147)
Contributions and distributions					(147)
– Dividends paid	5.6				
– Distributions to NCI share option holders					
– Share– based payments movement					(147)
Changes in ownership interest					
– Recognition of NCI[4]	17.7				
At 31 December 2022		983	1 126	19	450

[1] *2021: Relates to the repurchase and cancellation of 9 401 662 ordinary shares to the value of R1.5 billion in terms of the share repurchase programme announced and implemented during 2021.*
[2] *2021: Relates to the net reclassifications within equity from the retirement employee obligations reserve and equity-settled reserve to retained earnings upon the divestment from Tronox SA and Tronox Holdings plc.*
[3] *2021: Relates to the net reclassifications within equity from the financial asset FVOCI revaluation reserve to retained earnings as well as the derecognition of the NCI previously recognised for the Dorstfontein operations upon the disposal of the ECC operation.*
[4] *2022: Relates to the recognition of the 9% NCI share option holder in Tsitsikamma SPV as true NCI upon the exercise of the share option.*

Retirement employee obligations Rm	Financial asset FVOCI revaluation Rm	Other Rm	Retained earnings Rm	Attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
(21)	(5)	4	35 265	38 781	9 340	48 121
1	30		12 667	11 954	3 506	15 460
			12 667	12 667	3 706	16 373
1	30			(713)	(200)	(913)
55	30		(10 925)	(11 185)	(2 298)	(13 483)
	20		(11 045)	(11 185)	(3 131)	(14 316)
			(9 557)	(9 557)	(3 124)	(12 681)
					(7)	(7)
				(122)		(122)
			(1 462)	(1 500)		(1 500)
			(6)	(6)		(6)
	20		(20)			
55	10		120		833	833
55			130			
	10		(10)		833	833
35	55	4	37 007	39 550	10 548	50 098
3	8		13 826	14 113	4 276	18 389
			13 826	13 826	4 179	18 005
3	8			287	97	384
			(6 697)	(6 844)	(2 264)	(9 108)
			(6 686)	(6 833)	(2 275)	(9 108)
			(6 686)	(6 686)	(2 274)	(8 960)
					(1)	(1)
				(147)		(147)
			(11)	(11)	11	
			(11)	(11)	11	
38	63	4	44 136	46 819	12 560	59 379

Foreign currency translation
Arises from the translation of financial statements of foreign operations within the group as well as the share of equity-accounted investments' foreign currency translation reserves.

Financial instruments revaluation
Comprises the group's cash flow hedge reserves as well as the share of equity-accounted investments' hedging reserves.

Equity-settled
Represents the fair value, net of tax, of services received from employees and settled by equity instruments granted.

Retirement employee obligations
Comprises remeasurements, net of tax, on the retirement employee obligations as well as the share of equity-accounted investments' retirement employee obligations reserves.

Financial asset FVOCI revaluation
Comprises the fair value adjustments, net of tax, on the financial assets classified at FVOCI as well as the share of equity-accounted investments' financial asset FVOCI revaluation reserves.

4.1 GROUP FINANCIAL STATEMENTS continued

4.1.4 Statement of cash flows

For the year ended 31 December	Note	2022 Rm	2021 Rm
Cash flows from operating activities		14 410	8 432
Cash generated by operations	6.3.1	18 863	10 552
Interest paid	12.1.6	(982)	(1 017)
Interest received	12.1.6	650	217
Tax paid	7.6	(4 121)	(1 320)
Cash flows from investing activities		3 990	13 419
Property, plant and equipment acquired		(1 652)	(2 471)
Proceeds from disposal of property, plant and equipment		4	11
Cash received from financial assets at amortised cost		90	72
ESD loans granted		(112)	(101)
ESD loans settled		50	61
Settlement of deferred consideration		94	
Portfolio investments acquired		(400)	
Loan to associate settled			3
Lease receivables settled		15	15
Increase in environmental rehabilitation funds		(8)	(79)
Proceeds from disposal of subsidiaries			99
Proceeds from disposal of associate	6.1.4		5 763
Dividend income received from equity-accounted investments	9.5	5 903	9 991
Dividend income received from financial assets		6	55
Cash flows from financing activities		(10 617)	(18 032)
Interest-bearing borrowings raised	12.1.5		4 725
Interest-bearing borrowings repaid	12.1.5	(1 181)	(8 076)
Lease liabilities paid	12.1.5	(34)	(36)
Loan from NCI repaid			(69)
Dividends paid to owners of the parent	5.6	(6 686)	(9 557)
Dividends paid to NCI BEE Parties	17.7	(2 237)	(3 119)
Dividends paid to NCI of Tsitsikamma SPV	17.7	(37)	(5)
Distributions to NCI share option holders	17.7	(1)	(7)
Shares acquired in the market to settle share-based payments		(441)	(382)
Shares repurchased including transaction expenses			(1 506)
Net increase in cash and cash equivalents		7 783	3 819
Cash and cash equivalents at beginning of the year		7 041	3 187
Translation difference on movement in cash and cash equivalents		(12)	35
Cash and cash equivalents at end of the year		14 812	7 041
Cash and cash equivalents		14 812	7 042
Overdraft			(1)

4.2 COMPANY FINANCIAL STATEMENTS

4.2.1 Statement of comprehensive income

For the year ended 31 December	Note	2022 Rm	2021 Rm
Revenue	6.1.2	16 661	23 614
- Revenue from contracts with customers		1 753	1 669
- Dividend revenue		11 476	19 556
- Interest revenue		3 432	2 389
Operating expenses	6.1.3	(1 761)	(1 901)
Finance income	12.1.2	566	157
Finance costs	12.1.2	(3 517)	(2 198)
Income from financial assets		1	2
Impairment charges of investments in associates	8.4	(143)	
Profit before tax		11 807	19 674
Income tax (expense)/benefit	7.3	(155)	33
Profit for the year from continuing operations		11 652	19 707
Profit for the year from discontinued operations	6.1.4		1 070
Profit for the year		11 652	20 777
Total comprehensive income for the year		11 652	20 777

There were no components of OCI for the years ended 31 December 2022 and 31 December 2021.

4.2 COMPANY FINANCIAL STATEMENTS continued

4.2.2 Statement of financial position

At 31 December	Note	2022 Rm	(Re-presented)[1] 2021 Rm
ASSETS			
Non-current assets		13 726	14 830
Property, plant and equipment	10.1.3	396	508
Intangible assets	10.2.3	2	4
Right-of-use assets	11.3	296	342
Investments in associates	9.4		143
Investments in subsidiaries	17.4	8 367	8 378
Financial assets	10.3.2	4 430	5 259
Deferred tax	7.5	234	195
Other assets	10.4.1	1	1
Current assets		15 680	11 478
Inventories	6.2.2	6	5
Financial assets	10.3.2	1 997	6 260
Trade and other receivables	6.2.3	283	325
Cash and cash equivalents	6.2.5	13 366	4 868
Current tax receivable		5	
Other assets	10.4	23	20
Total assets		29 406	26 308
EQUITY AND LIABILITIES			
Capital and other components of equity			
Share capital	12.2.2	11 227	11 227
Other components of equity		743	924
Accumulated deficit		(40)	(2 023)
Total equity		11 930	10 128
Non-current liabilities		4 459	5 151
Interest-bearing borrowings	12.1.3	4 034	4 704
Lease liabilities	11.4	376	408
Provisions	13.3	49	39
Current liabilities		13 017	11 029
Interest-bearing borrowings	12.1.3	505	851
Lease liabilities	11.4	37	30
Trade and other payables	6.2.4	196	159
Financial liabilities	12.1.7	12 059	9 746
Overdraft	12.1.3		1
Current tax payable[1]			7
Other liabilities[1]	12.1.8	220	235
Total liabilities		17 476	16 180
Total equity and liabilities		29 406	26 308

[1] *Current tax payables have been reclassified as a separate line item from other liabilities. The reclassification has been made to disaggregate current tax payable on the face of the statement of financial position to provide a better presentation of assets and liabilities for users.*

4.2 COMPANY FINANCIAL STATEMENTS continued

4.2.3 Statement of changes in equity

	Note	Share capital Rm	Other components of equity Equity-settled Rm	Accumulated deficit Rm	Total equity Rm
At 31 December 2020		11 265	1 053	(7 611)	4 707
Total comprehensive income				20 777	20 777
– Profit for the year				20 777	20 777
Transactions with owners		(38)	(129)	(15 189)	(15 356)
Contributions and distributions		(38)	(129)	(15 189)	(15 356)
– Share–based payments movement			(129)		(129)
– Shares repurchased and cancelled[1]		(38)		(1 462)	(1 500)
– Share repurchase expenses				(6)	(6)
– Dividends paid	5.6			(13 721)	(13 721)
At 31 December 2021		11 227	924	(2 023)	10 128
Total comprehensive income				11 652	11 652
– Profit for the year				11 652	11 652
Transactions with owners			(181)	(9 669)	(9 850)
Contributions and distributions			(181)	(9 669)	(9 850)
– Share-based payments movement			(181)		(181)
– Dividends paid	5.6			(9 669)	(9 669)
At 31 December 2022		11 227	743	(40)	11 930

[1] *2021: Relates to the repurchase and cancellation of 9 401 662 ordinary shares to the value of R1.5 billion in terms of the share repurchase programme announced and implemented during 2021.*

Chapter 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20

4.2 COMPANY FINANCIAL STATEMENTS continued

4.2.4 Statement of cash flows

For the year ended 31 December	Note	2022 Rm	2021 Rm
Cash flows from operating activities		18 671	14 417
Cash generated by operations	6.3.1	21 755	16 517
– Dividend revenue received		5 857	10 792
– Interest revenue received		3 432	2 389
– Other cash generated by operations		12 466	3 336
Interest paid	12.1.6	(3 498)	(2 191)
Interest received	12.1.6	566	150
Tax paid	7.6	(152)	(59)
Cash flows from investing activities		861	7 342
Property, plant and equipment acquired		(22)	(68)
Decrease in other financial assets at amortised cost		11	
ESD loans granted		(112)	(101)
ESD loans settled		50	61
Proceeds from disposal of subsidiaries			101
Settlement of deferred consideration		94	
Increase in investment in subsidiaries		(59)	(41)
Non-interest-bearing loans to subsidiaries granted		(170)	(14)
Interest-bearing loans to subsidiaries granted			(3 544)
Interest-bearing loans to subsidiaries settled		1 068	5 183
Proceeds from disposal of associate	6.1.4		5 763
Dividend income received from financial assets		1	2
Cash flows from financing activities		(11 021)	(18 739)
Interest-bearing borrowings raised	12.1.5		4 725
Interest-bearing borrowings repaid	12.1.5	(1 032)	(7 975)
Lease liabilities paid	12.1.5	(29)	(24)
Dividends paid	5.6	(9 669)	(13 721)
Shares acquired in the market to settle share-based payments		(291)	(238)
Shares repurchased including transaction expenses			(1 506)
Net increase in cash and cash equivalents		8 511	3 020
Cash and cash equivalents at beginning of the year		4 867	1 847
Translation difference on movement in cash and cash equivalents		(12)	
Cash and cash equivalents at end of the year		13 366	4 867
Cash and cash equivalents		13 366	4 868
Overdraft			(1)

CHAPTER 5:
Earnings

CHAPTER 5:
Earnings

5.1 ACCOUNTING POLICY RELATING TO EARNINGS

5.1.1 Dividend distributions

Dividends are recognised in the period in which the dividends are declared. These dividends are recorded and disclosed as dividends paid in the statement of changes in equity. Dividends proposed or declared subsequent to the year end are not recognised at the financial year end, but are disclosed in the notes to the annual financial statements as an event after reporting period.

All unclaimed dividends are held in trust until claimed by the relevant shareholder or the relevant shareholder's claim to such dividends prescribes. In total, 75% of the unclaimed dividends, which are prescribed are allocated to be utilised by the Exxaro Chairman's Fund, while 25% of the unclaimed dividends are retained in the company to allow funding for any future dividend claims that the company might want to settle despite the prescription period having lapsed.

5.2 ATTRIBUTABLE EARNINGS PER SHARE

	Group	
For the year ended 31 December	**2022**	**2021**
Profit attributable to owners of the parent (Rm)	13 826	12 667
– Continuing operations (Rm)	13 826	11 202
– Discontinued operations (Rm)		1 465
Weighted average number of ordinary shares (million)	242	247
Basic earnings per share (cents)	5 713	5 128
– Continuing operations (cents)	5 713	4 535
– Discontinued operations (cents)		593
Diluted weighted average number of ordinary shares (million)	242	247
Diluted earnings per share (cents)	5 713	5 128
– Continuing operations (cents)	5 713	4 535
– Discontinued operations (cents)		593

Exxaro did not issue any ordinary shares during 2022 and 2021. Refer note 12.2.3 for details regarding the share repurchase during 2021.

5.3 RECONCILIATION OF HEADLINE EARNINGS

	Group			
For the year ended 31 December 2022	**Gross Rm**	**Tax Rm**	**NCI Rm**	**Net Rm**
Profit attributable to owners of the parent				13 826
Adjusted for:	1 285	(333)	(220)	732
– IFRS 10 Loss on disposal of subsidiary	1			1
– IAS 16 Net losses on disposal of property, plant and equipment	97	(27)	(17)	53
– IAS 28 Loss on dilution of investment in associate	2			2
– IAS 28 Share of equity-accounted investments' separately identifiable remeasurements[1]	1 132	(306)	(191)	635
– IAS 36 Impairment charges of non-current assets	53		(12)	41
Headline earnings				14 558
Continuing operations				14 558

[1] *Includes Exxaro's share of SIOC's impairment charge recognised on mining assets, amounting to R626 million (net of tax and NCI). The impairment charge on mining assets was due to the production volumes being revised down in line with anticipated logistics performance.*

5.3 RECONCILIATION OF HEADLINE EARNINGS continued

For the year ended 31 December 2021	Group Gross Rm	Tax Rm	NCI Rm	Net Rm
Profit attributable to owners of the parent				12 667
Adjusted for:	(1 684)	266	319	(1 099)
– IFRS 10 Loss on disposal of subsidiaries	947	(93)	(196)	658
– IAS 16 Net losses on disposal of property, plant and equipment	46	(14)	(7)	25
– IAS 21 Net gains on translation differences recycled to profit or loss on disposal of investment in foreign associate	(876)		197	(679)
– IAS 21 Net gains on translation differences recycled to profit or loss on deregistration of foreign subsidiaries	(482)		111	(371)
– IAS 28 Net gains on disposal of associates	(1 339)	379	217	(743)
– IAS 28 Share of equity-accounted investments' separately identifiable remeasurements	(1)			(1)
– IAS 36 Impairment charges of non-current assets	21	(6)	(3)	12
Headline earnings				11 568
Continuing operations				11 512
Discontinued operations				56

5.4 HEADLINE EARNINGS PER SHARE

For the year ended 31 December	Note	Group 2022	2021
Headline earnings (Rm)	5.3	14 558	11 568
– Continuing operations (Rm)		14 558	11 512
– Discontinued operations (Rm)			56
Weighted average number of ordinary shares (million)		242	247
HEPS (cents)		6 016	4 683
– Continuing operations (cents)		6 016	4 660
– Discontinued operations (cents)			23
Diluted weighted average number of ordinary shares (million)		242	247
Diluted HEPS (cents)		6 016	4 683
– Continuing operations (cents)		6 016	4 660
– Discontinued operations (cents)			23

5.5 DIVIDEND DISTRIBUTIONS

For the year ended 31 December	2022 cents	2021 cents
Dividends paid per share		
Final dividend (relating to prior year)	1 175	1 243
Special dividend		543
Interim dividend (relating to current year)	1 593	2 077
Total dividends paid per share	2 768	3 863

Total dividends paid in 2022 amounted to R6 686 million. This amount was made up of:
- A final dividend relating to the 2021 financial year of 1 175 cps (amounting to R2 838 million to external shareholders) paid in May 2022
- An interim dividend relating to the 2022 financial year of 1 593 cps (amounting to R3 848 million to external shareholders) paid in October 2022.

A final cash dividend, number 40, for 2022 of 1 136 cps, was approved by the board of directors on 14 March 2023. The dividend is payable on 8 May 2023 to shareholders who will be on the register on 5 May 2023. This final dividend, amounting to approximately R2 744 million (to external shareholders), has not been recognised as a liability in 2022. It will be recognised in shareholders' equity in the first half of the year ending 31 December 2023.

The final dividend declared from income reserves 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 908.80000 cps. The number of ordinary shares in issue at the date of this declaration is 349 305 092 (including treasury shares of 107 770 244).

Exxaro company's tax reference number is 9218/098/14/4.

Salient dates relating to payment of the final dividend

Last day to trade cum dividend on the JSE	Tuesday, 2 May 2023
First trading day ex dividend on the JSE	Wednesday, 3 May 2023
Record date	Friday, 5 May 2023
Payment date	Monday, 8 May 2023

No share certificate may be dematerialised or re-materialised between Wednesday, 3 May 2023 and Friday, 5 May 2023, 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, 8 May 2023.

5.6 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO EARNINGS

	Group		Company	
For the year ended 31 December	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Dividends paid				
Final dividend (relating to prior year)	(2 838)	(3 119)	(4 104)	(4 459)
Special dividend		(1 363)		(1 948)
Interim dividend (relating to current year)	(3 848)	(5 075)	(5 565)	(7 314)
Total dividends paid for the financial year	(6 686)	(9 557)	(9 669)	(13 721)

The group dividends paid is different from the company dividends paid due to the dividends on treasury shares, which are eliminated on consolidation.

CHAPTER 6:
Operational performance and working capital

CHAPTER 6:
Operational performance and working capital

6.1 OPERATIONAL PERFORMANCE

6.1.1 Accounting policies relating to operational performance

6.1.1.1 Revenue

For group, revenue is derived from contracts with customers for the supply of goods and rendering of services.

For company, as an investment holding and services company, revenue is derived from dividend income and interest income received from subsidiaries, associates and JVs (investment holdings), as well as from its revenue from contracts with customers for the rendering of services. In applying IAS 1, management concluded that the ordinary activities of the company do not include income from financial assets that do not relate to subsidiaries, joint ventures and associates, which are the company's primary investment holding activities. Instead, any income earned on other financial assets is considered incidental in nature.

Revenue from contracts with customers

Timing of recognition

Revenue is recognised when (or as) a performance obligation is satisfied by transferring a promised good or service to a customer. A promised good or service is transferred when (or as) the customer obtains control of that promised good or service.

Measurement on recognition

The amount of revenue recognised is the amount of the transaction price that is allocated to a satisfied performance obligation. The amount is determined on a gross basis, when acting as a principal, or on a net basis when acting as an agent.

The total transaction price in a customer contract is allocated to the performance obligations identified in the contract based on their standalone selling prices. The standalone selling prices are determined based on listed prices at which those goods or services are sold in separate transactions. The customer contracts generally contain only one performance obligation and therefore the contract consideration generally reflects the standalone selling price of the performance obligation.

As a permitted practical expedient, no adjustment is made to the transaction price for the effects of the time value of money as the period of time between the delivery of goods or rendering of services and contract payment terms generally do not exceed 60 days, which is considered not to result in a significant financing component.

Nature of goods and services

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

Revenue type	Performance obligation	Timing of when performance obligation is satisfied	Payment terms
Coal (domestic supply)	Delivery of coal at a contractually agreed-upon delivery point	On delivery (point in time)	Range: 0 to 60 days
Coal (FOB export supply)	Delivery of coal at a contractually agreed-upon delivery point	On delivery (point in time)	Range: 15 to 60 days
Renewable energy (electricity sale)	Delivery of electricity over time at a contractually agreed-upon metering point (output method)	As consumed and measured at the metering point (over time)	Within 60 days
Ferrosilicon	Delivery of ferrosilicon at a contractually agreed-upon delivery point	On delivery (point in time)	Range: 15 to 60 days
Biological goods	Delivery of biological goods at a contractually-agreed-upon delivery point	On delivery (point in time)	Range: 15 to 60 days
Stock yard management services	Rendering of stock yard management services over time	As services are performed (over time)	Within 30 days
Project engineering services	Rendering of project engineering services over time	As services are performed (over time)	Within 30 days
Other mine management services	Rendering of other mine management services over time	As services are performed (over time)	Within 30 days
Transportation services	Rendering of freight or other transportation services over time (Including CFR basis for exports, if any, and special transportation arrangements for customers)	As services are performed (over time)	Range: 0 to 60 days
Corporate management services (company)	Rendering of corporate services over time	As services are performed (over time)	Within 30 days
Other services	Mainly rendering of storage services over time	As services are performed (over time)	Within 30 days

Dividend revenue

For company, dividend revenue from subsidiaries, associates and JVs is recognised when the right to receive payment is established.

Interest revenue

For company, interest revenue from subsidiaries is recognised as it accrues in profit or loss, using the effective interest rate method.

6.1 OPERATIONAL PERFORMANCE continued

6.1.1 Accounting policies relating to operational performance continued

6.1.1.2 Discontinued operations

Discontinued operations are significant, distinguishable components of an operation that have been sold, abandoned or are the subject of formal plans for disposal or discontinuance. The profit or loss on the sale or abandonment of a discontinued operation is determined from the formalised discontinuance date and accounted for in profit or loss.

Management applies judgement on a case-by-case basis to determine whether an operation meets the criteria to be classified as a discontinued operation (disposal group). Refer note 6.1.4.

6.1.2 Revenue

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

	Group							
	Coal					Ferrous	Other	
	Commercial							
For the year ended 31 December 2022	Waterberg Rm	Mpumalanga Rm	Tied Rm	Other Rm	Energy Rm	Alloys Rm	Other Rm	Total Rm
Segmental revenue reconciliation								
Segmental revenue[1]	23 613	15 797	5 561		1 159	224	15	46 369
Export sales allocated to selling entity[2]	(7 621)	(13 769)		21 390				
Total revenue	15 992	2 028	5 561	21 390	1 159	224	15	46 369
By timing and major type of goods and services								
Revenue recognised at a point in time	15 992	2 028	4 311	21 390		220	13	43 954
Coal	15 992	2 028	4 311	21 390				43 721
Ferrosilicon						220		220
Biological goods							13	13
Revenue recognised over time			1 250		1 159	4	2	2 415
Renewable energy					1 159			1 159
Stock yard management services			125					125
Project engineering services			1 125					1 125
Transportation services						2		2
Other services						2	2	4
Total revenue	15 992	2 028	5 561	21 390	1 159	224	15	46 369
By major geographic area of customer[3]								
Domestic	15 992	2 028	5 561		1 159	224	14	24 978
Export				21 390			1	21 391
Europe[4]				16 984				16 984
Asia[5]				3 899			1	3 900
Other				507				507
Total revenue	15 992	2 028	5 561	21 390	1 159	224	15	46 369
By major customer industries								
Public utilities	13 287		5 561	940	1 159			20 947
Merchants	315	1 363		19 840				21 518
Steel	1 317	125						1 442
Mining	242	44				180		466
Manufacturing	407	6		213		44		670
Food and beverage	145						1	146
Cement	223			158				381
Chemicals		481						481
Other	56	9		239			14	318
Total revenue	15 992	2 028	5 561	21 390	1 159	224	15	46 369

[1] Coal segmental revenue is based on the origin of coal production.
[2] Relates to revenue sold by export distribution entity.
[3] Determined based on the customer supplied by Exxaro.
[4] Relates mainly to Switzerland and the UK.
[5] Relates mainly to Singapore and Japan.

6.1 OPERATIONAL PERFORMANCE continued

6.1.2 Revenue continued

	Group							
	Coal					Ferrous	Other	
	Commercial							
For the year ended 31 December 2021	Waterberg Rm	Mpumalanga Rm	Tied Rm	Other Rm	Energy Rm	Alloys Rm	Other Rm	Total Rm
Segmental revenue reconciliation								
Segmental revenue[1]	16 852	9 439	5 089	15	1 193	168	15	32 771
Export sales allocated to selling entity[2]	(2 495)	(8 328)		10 823				
Total revenue	14 357	1 111	5 089	10 838	1 193	168	15	32 771
By timing and major type of goods and services								
Revenue recognised at a point in time	14 357	1 111	3 953	10 823		162	14	30 420
Coal	14 357	1 111	3 953	10 823				30 244
Ferrosilicon						162		162
Biological goods							14	14
Revenue recognised over time			1 136	15	1 193	6	1	2 351
Renewable energy					1 193			1 193
Stock yard management services			177					177
Project engineering services			959					959
Other mine management services				15				15
Transportation services						2		2
Other services						4	1	5
Total revenue	14 357	1 111	5 089	10 838	1 193	168	15	32 771
By major geographic area of customer[3]								
Domestic	14 357	1 111	5 089	15	1 193	168	14	21 947
Export				10 823			1	10 824
Europe[4]				7 092			1	7 093
Asia[5]				2 955				2 955
Other				776				776
Total revenue	14 357	1 111	5 089	10 838	1 193	168	15	32 771
By major customer industries								
Public utilities	12 031		5 089		1 193			18 313
Merchants	235	752		10 449				11 436
Steel	1 147	119		15				1 281
Mining	165	153		52		134		504
Manufacturing	364					34		398
Food and beverage	197						5	202
Cement	175	3						178
Chemicals		80						80
Other	43	4		322			10	379
Total revenue	14 357	1 111	5 089	10 838	1 193	168	15	32 771

[1] *Coal segmental revenue is based on the origin of coal production.*
[2] *Relates to revenue sold by export distribution entity.*
[3] *Determined based on the customer supplied by Exxaro.*
[4] *Relates mainly to Switzerland and the UK.*
[5] *Relates mainly to Singapore and Japan.*

The group derives revenue from an external customer which accounts for at least 10% or more of the group's revenues, being 43% or R20 006 million (2021: 56% or R18 312 million).

6.1 OPERATIONAL PERFORMANCE continued

6.1.2 Revenue continued

The company derives the following revenue from its ordinary activities as an investment holding company and services company:

		Company	
For the year ended 31 December	Note	2022 Rm	2021 Rm
Revenue from contracts with customers		1 753	1 669
Rendering of services over time: Corporate management services rendered to subsidiaries	17.3.1	1 753	1 669
Dividend revenues		11 476	19 556
Associates and JVs	9.3	5 153	9 991
Subsidiaries	17.3.1	6 323	9 565
Interest revenues		3 432	2 389
Subsidiaries	17.3.1	3 432	2 389
– Interest-bearing back-to-back loans receivable	17.3.1	370	360
– Interest-bearing acquisition loans receivable	17.3.1	6	8
– Interest-bearing treasury facilities receivable	17.3.1	3 056	2 021
Total revenue		16 661	23 614

6.1 OPERATIONAL PERFORMANCE continued

6.1.3 Operating expenses

		Group		Company	
For the year ended 31 December	Note	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Cost by nature					
Operational expense items					
Raw materials and consumables		7 620	4 339	10	14
Depreciation and amortisation		2 681	2 677	179	192
Movement in inventories		124	311		
Staff costs		5 862	5 583	945	900
Other employee-related costs		244	204	50	29
Contract mining		812	1 675		
Repairs and maintenance		2 785	2 628	8	10
Railage and transport		3 019	2 175	1	1
Insurance		465	352	1	2
Exploration expenditure		15	22		
Royalties		1 821	970		
Water		79	146		
Energy		841	787	5	4
Information management costs		653	608	203	198
Legal and professional fees		387	491	130	242
Movement in provisions	13.3	474	4	7	(1)
Movement in retirement employee obligations	14.4	9	12		
Travel and subsistence		86	66	19	9
Security and office cleaning services		85	106	4	3
Licences		6	6	1	
Stock yard management services		125	177		
Project engineering services		1 125	959		
Financial gains and losses					
Currency exchange differences		(777)	(546)	(113)	128
Write-off of trade and other receivables	6.2.3	2	80	3	79
Write-off of ESD loans		2	12	2	12
ECLs on financial assets at amortised cost		79	(57)	29	(18)
Fair value losses/(gains) recognised on financial assets at FVPL		223	(186)	(1)	(71)
Fair value losses recognised on financial liabilities at FVPL		5	43		
Hedge ineffectiveness on cash flow hedges		13	10		
General items and expenses					
Gain on derecognition of financial asset at FVOCI[1]			(175)		
Loss on disposal of subsidiaries	8.3			42	(2)
Loss on dilution of investment in associate	9.5	2			
Net losses on disposal of property, plant and equipment		97	46	9	25
Movement in indemnification asset		(5)			
Expenses relating to short-term leases		342	166	1	1
Expenses relating to leases of low value assets			9		2
Expenses relating to variable lease expenses of right-of-use assets		5	6		
Operating lease income		(36)	(36)	(7)	(7)
Gain on termination of lease		(3)			
Loss on termination of right-of-use asset		1			
Research and development costs		1	2		
Own work capitalised[2]		(396)	(524)		
General charges		1 275	1 207	233	149
Total operating expenses		30 148	24 343	1 761	1 901

[1] *2021: The four Chifeng refinery companies embarked on a process to consolidate the separate companies into one consolidated entity. The investments in the separate companies for certain of the phases were derecognised and the investment in the consolidated entity, which includes all phases of the Chifeng refinery, was recognised on the consolidation date. Exxaro holds an 8.81% shareholding in Chifeng.*

[2] *Relates to operating expenses incurred that are capitalised to projects where qualifying criteria are met.*

6.1 OPERATIONAL PERFORMANCE continued

6.1.3 Operating expenses continued

For the year ended 31 December	Note	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Further disaggregation of certain operating expense items:					
Staff costs		5 862	5 583	945	900
– Salaries and wages		5 104	4 851	744	699
– Share-based payment expense		207	246	129	155
– Termination benefits[1]		46	18	30	5
– Pension and medical costs		505	468	42	41
Consultancy fees[2]		265	365	80	176
Auditor's remuneration[2]		29	38	11	17
– Audit fees		27	30	11	12
– Other services		2	8		5
Depreciation and amortisation		2 681	2 677	179	192
– Depreciation of property, plant and equipment	10.1.3	2 457	2 445	125	134
– Depreciation of right-of-use assets	11.3	58	65	52	56
– Amortisation of intangible assets	10.2.3	166	167	2	2
ECLs on financial assets at amortised cost (impairment losses/(reversal of impairment losses)):		79	(57)	29	(18)
Non-current					
Other financial assets at amortised cost		(2)			
– Performing		(2)			
ESD Loans		(2)	8	(2)	8
– Performing		1		1	
– Non-performing		(3)	8	(3)	8
Lease receivables		(1)			
– Performing		(1)			
Vendor finance loan		(7)	7	(7)	7
– Performing		(7)	7	(7)	7
Current					
Trade and other receivables		26	(72)	(1)	(82)
Trade receivables		5	(74)		
– Performing		5	6		
– Non-performing			(80)		
Other receivables		21	2		(3)
– Non-performing		21	2		(3)
Indebtedness by subsidiaries				(1)	(79)
– Performing				(1)	(79)
Non-interest-bearing loans to subsidiaries				5	(12)
– Performing				5	4
– Non-performing					(16)
Other financial assets at amortised cost		(3)	6	(3)	5
– Performing		(3)	6	(3)	5
Loans to associates			(29)		
– Under-performing			(29)		
ESD loans		66	23	66	23
– Performing			1		1
– Non-performing		66	22	66	22
Vendor finance loan		2		2	
– Performing		2		2	
Treasury facilities with subsidiaries at amortised cost				(31)	33
– Performing				(31)	33
Fair value losses/(gains) recognised on financial assets at FVPL		223	(186)	(1)	(71)
– Derivative financial assets		224	(4)		(67)
– Debt investments: environmental rehabilitation funds		(6)	(182)	(1)	(4)
– Debt investments: portfolio investments		5			
Fair value losses recognised on financial liabilities at FVPL		5	43		
– Derivative financial liabilities		5	43		
Currency exchange differences		(777)	(546)	(113)	128
– Net realised (gains)/losses		(809)	(37)	(125)	156
– Net gains on translation differences recycled to profit or loss[3]			(482)		
– Net unrealised losses/(gains)		32	(27)	12	(28)
[1] *Includes the following amounts for the TVPs:*			*7*		*3*

[2] *Disclosed as part of legal and professional fees.*

[3] *2021: Relates to the recycling of FCTR on deregistration of Exxaro International BV (Gain of R518 million) and the deregistration of Exxaro Base Metals International BV (Loss of R36 million).*

6.1 OPERATIONAL PERFORMANCE continued

6.1.4 Discontinued operations

The discontinued operations related to Tronox SA and Tronox Holdings plc.

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

For the year ended 31 December 2021	Group Rm
Financial performance	
Net gains on translation differences recycled to profit or loss on disposal of investment in foreign associate	876
Gains on financial instruments revaluations recycled to profit or loss	2
Operating profit	878
Net gains on disposal of associates	1 339
– Total disposal consideration	7 781
– Carrying value of investments sold	(6 442)
Net operating profit	2 217
Share of income of equity-accounted investment	54
Profit before tax	2 271
Income tax expense	(379)
Profit for the year from discontinued operations	1 892
Other comprehensive loss, net of tax	(878)
Items that have subsequently been reclassified to profit or loss:	(878)
– Recycling of share of OCI of equity-accounted investments	(878)
Total comprehensive income for the year	1 014
Cash flow information	
Cash flow attributable to investing activities	
– Proceeds from disposal of associate	5 763
Cash flow attributable to discontinued operations	5 763

	Group		
For the year ended 31 December 2021	Tronox SA Rm	Tronox Holdings plc Rm	Total Rm
Consideration:			
– Cash		5 763	5 763
– Tronox Holdings plc Ordinary Shares	2 018		2 018
Total disposal consideration	2 018	5 763	7 781
Carrying amount of net assets sold	(2 682)	(3 760)	(6 442)
– Investments in associates	(2 682)	(3 760)	(6 442)
(Loss)/gain on disposal of associates	(664)	2 003	1 339
Tax effect	(379)		(379)

6.1 OPERATIONAL PERFORMANCE continued

6.1.4 Discontinued operations continued

For the year ended 31 December 2021	Company Rm
Financial performance	
Net gains on disposal of associates	1 449
– Total disposal consideration	7 781
– Carrying value of investments sold	(6 332)
Profit before tax	1 449
Income tax expense	(379)
Profit for the year from discontinued operations	1 070
Cash flow information	
Cash flow attributable to investing activities	
– Proceeds from disposal of associate	5 763
Cash flow attributable to discontinued operations	5 763

	Company		
For the year ended 31 December 2021	Tronox SA Rm	Tronox Holdings plc Rm	Total Rm
Consideration:			
– Cash received		5 763	5 763
– Tronox Holdings plc Ordinary Shares	2 018		2 018
Total disposal consideration	2 018	5 763	7 781
Carrying amount of net assets sold	(1 181)	(5 151)	(6 332)
– Investments in associates	(1 181)	(5 151)	(6 332)
Gain on disposal of associates	837	612	1 449
Tax effect	(379)		(379)

6.2 WORKING CAPITAL

6.2.1 Accounting policies relating to working capital

Inventories

Inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value.

The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and fixed production overheads, but excludes interest charges. Fixed production overheads are allocated on the basis of normal capacity.

Net realisable value represents the estimated selling price in the ordinary course of business less applicable selling expenses. Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

Inventory is presented as non-current when it is not expected to be sold or used within the normal business operating cycle.

Trade receivables

Trade receivables are amounts due from customers for the sale of goods and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Refer note 16.1 for further accounting policies relating to financial assets at amortised cost.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and bank balances (current, cash management and call accounts) as well as cash equivalents, being short-term highly liquid notice or fixed deposits and money market funds, with a maturity of three months or less, that are readily convertible to a known amount of cash and which are subject to an insignificant risk of change in value.

For purposes of presentation in the statement of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and are used for cash management purposes.

6.2.2 Inventories

	Group		Company	
At 31 December	**2022 Rm**	**2021 Rm**	**2022 Rm**	**2021 Rm**
Non-current				
Finished products	176	145		
Total non-current inventories	176	145		
Current				
Finished products[1]	1 041	887		
Work-in-progress	12	12		
Raw materials	3	4		
Spares and stores	667	696	6	5
Merchandise[2]	5	7		
Total current inventories	1 728	1 606	6	5
Total inventories	1 904	1 751	6	5

[1] *Includes inventory carried at net realisable value amounting to nil (2021: nil).*
[2] *Included in merchandise are biological assets classified as inventories.*

No inventories were pledged as security for liabilities in 2022 nor 2021.

6.2.3 Trade and other receivables

	Group		Company	
At 31 December	**2022 Rm**	**2021 Rm**	**2022 Rm**	**2021 Rm**
Trade receivables	4 124	2 626		
– Gross	4 150	2 647		
– Impairment allowances	(26)	(21)		
Other receivables	75	75	7	1
– Gross	122	101	8	2
– Impairment allowances	(47)	(26)	(1)	(1)
Indebtedness by subsidiaries			276	324
– Gross			277	326
– Impairment allowances			(1)	(2)
Total trade and other receivables	4 199	2 701	283	325

6.2 WORKING CAPITAL continued

6.2.3 Trade and other receivables continued

6.2.3.1 Impairment allowances and write-offs

Trade and other receivables are stated after the following allowances for impairment:

	Group		Company	
At 31 December	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Trade receivables				
Opening balance	(21)	(95)		
– Performing	(21)	(15)		
– Non-performing		(80)		
Movement in impairment allowances	(5)	74		
– Performing	(5)	(6)		
– Non-performing		80		
At end of the year	(26)	(21)		
– Performing	(26)	(21)		
– Non-performing				
Other receivables				
Opening balance	(26)	(24)	(1)	(4)
– Non-performing	(26)	(24)	(1)	(4)
Movement in impairment allowances	(21)	(2)		3
– Non-performing	(21)	(2)		3
At end of the year	(47)	(26)	(1)	(1)
– Non-performing	(47)	(26)	(1)	(1)
Indebtedness by subsidiaries				
Opening balance			(2)	(81)
– Performing			(2)	(81)
Movement in impairment allowances			1	79
– Performing			1	79
At end of the year			(1)	(2)
– Performing			(1)	(2)

Trade and other receivables are stated after the following write-offs recognised in profit or loss:

	Group		Company	
For the year ended 31 December	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Trade receivables	(1)	(79)		
Other receivables	(1)	(1)	(1)	
Indebtedness by subsidiaries			(2)	(79)
Total write-off of trade and other receivables	(2)	(80)	(3)	(79)

For a detailed age analysis of the trade and other receivables refer to note 16.3.3.4.2.

6.2 WORKING CAPITAL continued

6.2.4 Trade and other payables

At 31 December	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Non-current				
Other payables[1]	25	53		
Total non-current other payables	25	53		
Current				
Trade payables	1 559	999	77	55
Other payables	1 781	1 231	119	104
Total current trade and other payables	3 340	2 230	196	159
Total trade and other payables	3 365	2 283	196	159

[1] *Relates to retention creditors.*

6.2.5 Cash and cash equivalents

At 31 December	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Cash on hand and bank balances	5 540	2 019	5 241	867
Deposits	5 448	4 209	4 301	3 188
Money market funds	3 824	814	3 824	813
Cash and cash equivalents per statement of financial position	14 812	7 042	13 366	4 868
Less: Overdraft per statement of financial position		(1)		(1)
Cash and cash equivalents per statement of cash flows	14 812	7 041	13 366	4 867

6.3 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO OPERATIONAL PERFORMANCE AND WORKING CAPITAL

6.3.1 Cash generated by operations

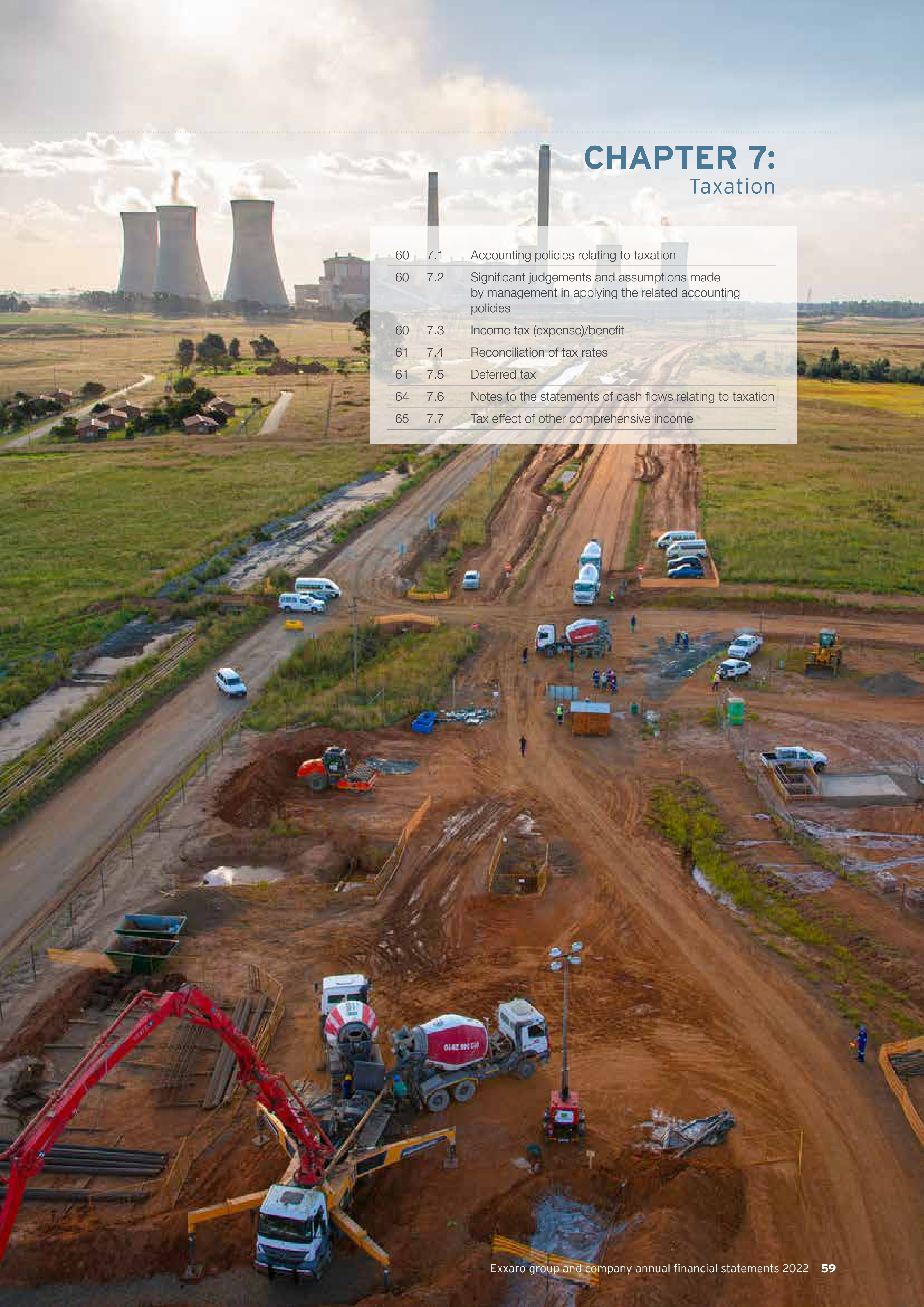
		Group	
For the year ended 31 December	Note	2022 Rm	(Re-presented)[1] 2021 Rm
Profit before tax		22 292	18 955
– Continuing operations		22 292	16 684
– Discontinued operations	6.1.4		2 271
Adjusted for:			
– Finance income		(694)	(239)
– Finance costs		1 052	860
– Dividend income from financial assets		(6)	(55)
– Share of income of equity-accounted investments		(6 477)	(9 844)
– Impairment charges of equity-accounted investments		53	
Net operating profit		16 220	9 677
– Continuing operations		16 220	7 460
– Discontinued operations			2 217
Non-cash movements:			
– Depreciation and amortisation	6.1.3	2 681	2 677
– Impairment charges of non-current operating assets	8,4		21
– ECLs on financial assets at amortised costs	6.1.3	79	(57)
– Write-off of trade and other receivables and ESD loans	6.1.3	4	92
– Movement in provisions	6.1.3	474	4
– Movement in retirement employee obligations	6.1.3	9	12
– Net currency exchange differences		32	(27)
– Fair value adjustments on financial instruments		(51)	(232)
– Gain on termination of lease		(3)	
– Loss on termination of right-of-use asset		1	
– Net losses on disposal of property, plant and equipment		97	46
– Loss on disposal of subsidiaries		1	947
– Gain on derecognition of financial asset at FVOCI			(175)
– Net gains on disposal of associates	6.1.4		(1 339)
– Loss on dilution of investment in associate	6.1.3	2	
– Indemnification asset movement		(5)	
– Share-based payment expense		207	246
– Hedge ineffectiveness on cash flow hedges		13	10
– Translation of net investment in foreign operations		(8)	(3)
– Translation of foreign currency items		(351)	(147)
– Amortisation of transaction costs prepaid		4	5
– Non-cash recoveries		(194)	8
– Net gains on translation differences recycled to profit or loss on deregistration of foreign subsidiaries	6.1.3		(482)
– Net gains on translation differences recycled to profit or loss on disposal of investment in foreign associate	6.1.4		(876)
– Gain on financial instruments revaluations recycled to profit or loss on disposal of associate	6.1.4		(2)
– Other non-cash movements		5	2
Cash generated by operations before working capital movements		19 217	10 407
Working capital movements			
– Decrease/(increase) in inventories		1	(113)
– (Increase)/decrease in trade and other receivables		(1 312)	266
– Increase in trade and other payables		999	40
– Utilisation of provisions	13.3	(42)	(48)
Cash generated by operations		18 863	10 552

[1] *Cash generated from operations before working capital movements for 2021 was re-presented to reconcile to profit before tax instead of net operating profit as previously disclosed.*

6.3 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO OPERATIONAL PERFORMANCE AND WORKING CAPITAL continued

6.3.1 Cash generated by operations continued

		Company	
For the year ended 31 December	Note	2022 Rm	2021 Rm
Profit before tax		11 807	21 123
– Continuing operations		11 807	19 674
– Discontinued operations			1 449
Adjusted for:			
Items separately disclosed:			
– Finance income	12.1.2	(566)	(157)
– Finance costs	12.1.2	3 517	2 198
– Dividend income from financial assets		(1)	(2)
Non-cash movements:			
– Dividend revenue from subsidiaries		(5 619)	(8 764)
– Depreciation and amortisation	6.1.3	179	192
– Impairment charges of investments in associates	8,4	143	
– ECLs on financial assets at amortised costs		29	(18)
– Write-off of trade and other receivables and ESD loans	6.1.3	5	91
– Movement in provisions	6.1.3	7	(1)
– Net currency exchange differences		12	
– Fair value adjustments on financial instruments		(1)	(4)
– Net losses on disposal of property, plant and equipment		9	25
– Net loss/(gain) on disposal of subsidiaries		42	(2)
– Net gains on disposal of associates	6.1.4		(1 449)
– Share-based payment expense		129	155
– Amortisation of transaction costs prepaid		4	5
Cash generated by operations before working capital movements		9 696	13 392
Working capital movements			
– (Increase)/decrease in inventories		(1)	2
– Decrease in trade and other receivables		31	382
– Decrease in treasury facilities with subsidiaries at amortised cost (receivable)		4 275	771
– Increase/(decrease) in trade and other payables		21	(13)
– Increase in non-interest-bearing loans from subsidiaries		9	168
– Increase in treasury facilities with subsidiaries at amortised cost (payable)		7 724	1 815
Cash generated by operations		21 755	16 517



CHAPTER 7:
Taxation

CHAPTER 7:
Taxation

7.1 ACCOUNTING POLICIES RELATING TO TAXATION

7.1.1 Income tax expense

Income tax expense or benefit comprises the sum of current and deferred tax.

The current tax payable or receivable is based on taxable profit for the year. Taxable profit or loss differs from profit or loss as reported in the statement of comprehensive income as it excludes items of income or expense that are taxable or deductible in other years in the determination of taxable profit or loss (temporary differences). It further excludes items that are never taxable nor deductible (non-temporary differences). The group's liability for tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

7.1.2 Deferred tax

Deferred tax is provided using the balance sheet method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for tax purposes.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated using tax rates that have been substantively enacted at the reporting date. The effect on deferred tax of any changes in taxation rates is charged to the statement of comprehensive income, except to the extent that it relates to items previously charged directly to equity.

Deferred tax assets and liabilities are set off when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends and has the ability to settle its current tax assets and liabilities on a net basis.

7.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

Deferred tax assets are recognised only to the extent that it is probable that the deductible temporary differences can be realised from the utilisation of future taxable profit or to the extent of expected probable future transactions which may result in capital gains. This requires management to make assumptions, on a subsidiary-by-subsidiary level, of future taxable profits or expected capital gains in determining the deferred tax asset to be raised.

7.3 INCOME TAX (EXPENSE)/BENEFIT

		Group		Company	
For the year ended 31 December	**Note**	**2022 Rm**	**2021 Rm**	**2022 Rm**	**2021 Rm**
South African normal tax					
Current		(3 710)	(1 863)	(140)	(74)
– Current year		(3 716)	(1 886)	(139)	(75)
– Prior year		6	23	(1)	1
Deferred		(512)	(683)	(15)	(272)
– Current year		(856)	(673)	(5)	(270)
– Prior year		28	(10)	(5)	(2)
– Reduction in tax rate[1]		316		(5)	
Foreign normal tax					
Current		(54)	(24)		
– Current year		(54)	(24)		
Dividend withholding tax		(11)	(12)		
– Non-resident		(10)	(11)		
– Resident		(1)	(1)		
Total income tax (expense)/benefit through profit or loss		(4 287)	(2 582)	(155)	(346)
– Continuing operations		(4 287)	(2 203)	(155)	33
– Discontinued operations	6.1.4		(379)		(379)

[1] *The reduction of the statutory income tax rate from 28% to 27% was substantively enacted on 23 February 2022 and is effective for years of assessment beginning on or after 1 April 2022. As a result, the relevant deferred tax balances have been remeasured. The impact of the change in the statutory income tax rate has been recognised in the income tax expense line item, except to the extent that it relates to items previously recognised directly in equity or other comprehensive income. For the group, such items include the equity-settled share-based payment reserves, financial assets FVOCI revaluation reserves and cash flow hedge reserves.*

7.4 RECONCILIATION OF TAX RATES

For the year ended 31 December	Group 2022 %	Group 2021 %	Company 2022 %	Company 2021 %
Tax as a percentage of profit before tax from continuing operations	19.2	13.2	1.3	(0.2)
Tax effect of:				
– Net capital losses[1]		(1.0)		(0.2)
– Impairments charges[2]	(0.1)		(0.3)	
– ECLs on financial assets at amortised cost[3]	(0.1)		(0.1)	
– Expenses not deductible for tax purposes[4]	(0.2)	(0.7)	0.1	
– Exempt income[5]	0.1	0.1	27.2	27.9
– Reduction in tax rate	1.4		(0.1)	
– Post-tax equity-accounted income[6]	8.1	16.4		
– Remeasurements of foreign normal tax	0.2	0.1		
– Dividend withholding tax	0.1	0.1		
– Prior year tax adjustments	0.2	0.1	(0.1)	
– Deferred tax assets (not recognised)/recognised	(0.3)			0.5
– Imputed income from controlled foreign companies and investments	(0.6)	(0.3)		
Standard tax rate	28.0	28.0	28.0	28.0
Effective tax rate for continuing operations, excluding income from equity-accounted investments	27.1	31.9		

[1] *Company: Relates to the sale of Aquicure.*
[2] *Relates to the impairment of LightApp.*
[3] *Relates to ECLs on loans which do not qualify for section 11(j).*

	Group 2022 %	Group 2021 %	Company 2022 %	Company 2021 %
[4] *Expenses not deductible for tax purposes:*	*(0.2)*	*(0.7)*	*0.1*	
– Consulting, legal and other professional fees	*(0.1)*	*(0.1)*		*(0.1)*
– ESD grants	*(0.1)*		*(0.2)*	
– Share-based payments	*0.2*	*0.3*	*0.3*	*0.1*
– Penalties and interest on taxes		*(0.1)*		
– Distribution to beneficiaries of Exxaro ESOP Trust	*(0.4)*	*(0.3)*		
– Other	*0.2*	*(0.5)*		

[5] *Group: Mainly relates to dividends received by Exxaro ESOP Trust and Exxaro Community NPC (tax exempt institutions). Company: Mainly relates to dividend income received.*
[6] *Relates mainly to equity-accounted income of SIOC (refer note 9.3).*

7.5 DEFERRED TAX

At 31 December	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
The movements on deferred tax are as follows:				
At beginning of the year	(7 902)	(7 160)	195	459
Items charged to profit or loss	(512)	(683)	(15)	(272)
– Current year	(856)	(673)	(5)	(270)
– Prior year	28	(10)	(5)	(2)
– Reduction in tax rate	316		(5)	
Items charged directly to equity	88	15	54	8
– Share-based payments movement	88	15	54	8
Items charged directly to other comprehensive income	(88)	(74)		
– Cash flow hedges	(70)	(74)		
– Financial assets at FVOCI	(18)			
At end of the year	(8 414)	(7 902)	234	195
– Deferred tax asset	254	369	234	195
– Deferred tax liability	(8 668)	(8 271)		

7.5 DEFERRED TAX continued

	At 31 December 2021		
	Assets Rm	Liabilities Rm	Total net liability Rm
Property, plant and equipment	(579)	(8 151)	(8 730)
Customer contracts		(671)	(671)
Right-of-use assets	(122)	(2)	(124)
Share-based payments	134	65	199
Other accruals and provisions	58	161	219
Bad debt reassessment	3	7	10
Restoration provisions	209	204	413
Decommissioning provisions	39	59	98
Leave pay accrual	31	37	68
Retention payables	2	67	69
Prepayments	(15)	(42)	(57)
Environmental rehabilitation funds	(242)	(383)	(625)
Income received in advance	7		7
Inventories		19	19
Lease receivables		(15)	(15)
Local tax losses carried forward	766	456	1 222
Revaluation of financial assets at FVOCI		(82)	(82)
Retirement employee obligations	44		44
Deferred tax assets not recognised or derecognised	(228)	(86)	(314)
Unclaimed donations	47	1	48
Lease liabilities	139	2	141
Cash flow hedge reserve	35	12	47
Contributions to Exxaro ESOP Trust	41	71	112
Total	369	(8 271)	(7 902)

	Group					
	Movement during the year			At 31 December 2022		
	Recognised in profit or loss Rm	**Recognised in OCI Rm**	**Recognised directly in equity Rm**	**Assets Rm**	**Liabilities Rm**	**Total net liability Rm**
Property, plant and equipment	(586)			(9)	(9 307)	(9 316)
Customer contracts	68				(603)	(603)
Right-of-use assets	30			(80)	(14)	(94)
Share-based payments	(30)		88	157	100	257
Other accruals and provisions	(170)			83	(34)	49
Bad debt reassessment	3			1	12	13
Restoration provisions	266			138	541	679
Decommissioning provisions	(16)				82	82
Leave pay accrual	(5)			8	55	63
Retention payables	(20)				49	49
Prepayments	(23)			(2)	(78)	(80)
Environmental rehabilitation funds	17			(11)	(597)	(608)
Income received in advance	1				8	8
Inventories	77			1	95	96
Lease receivables	2				(13)	(13)
Local tax losses carried forward	(89)			117	1 016	1 133
Revaluation of financial assets at FVOCI	(13)	(18)			(113)	(113)
Retirement employee obligations					44	44
Deferred tax assets not recognised or derecognised	(43)			(268)	(89)	(357)
Unclaimed donations	(2)			1	45	46
Lease liabilities	(12)			113	16	129
Cash flow hedge reserve	50	(70)			27	27
Contributions to Exxaro ESOP Trust	(17)			5	90	95
Total	(512)	(88)	88	254	(8 668)	(8 414)

7.5 DEFERRED TAX continued

	Company			
	At 31 December 2021	Movement during the year		At 31 December 2022
	Total asset Rm	Recognised in profit or loss Rm	Recognised directly in equity Rm	Total asset[1] Rm
Property, plant and equipment	(3)	(9)		(12)
Right-of-use assets	(107)	27		(80)
Share-based payments	119	(17)	54	156
Other accruals and provisions	42	3		45
Bad debt reassessment		1		1
Restoration provisions	11	2		13
Leave pay accrual	10	(3)		7
Environmental rehabilitation funds	(10)	1		(9)
Prepayments		(2)		(2)
Lease liabilities	123	(11)		112
Unclaimed donations	6	(6)		
Contributions to Exxaro ESOP Trust	4	(1)		3
Total	195	(15)	54	234

[1] *The deferred tax asset recognised for the company is supported by sufficient forecast profits to be utilised. The forecast profits are based on agreements in place with commodity businesses within Exxaro.*

Tax on calculated assessable losses

	Group	
At 31 December	2022 Rm	2021 Rm
Deferred tax assets not recognised, relating to:		
– Local accumulated tax losses	(206)	(181)
– Current year tax losses calculated	(38)	(27)

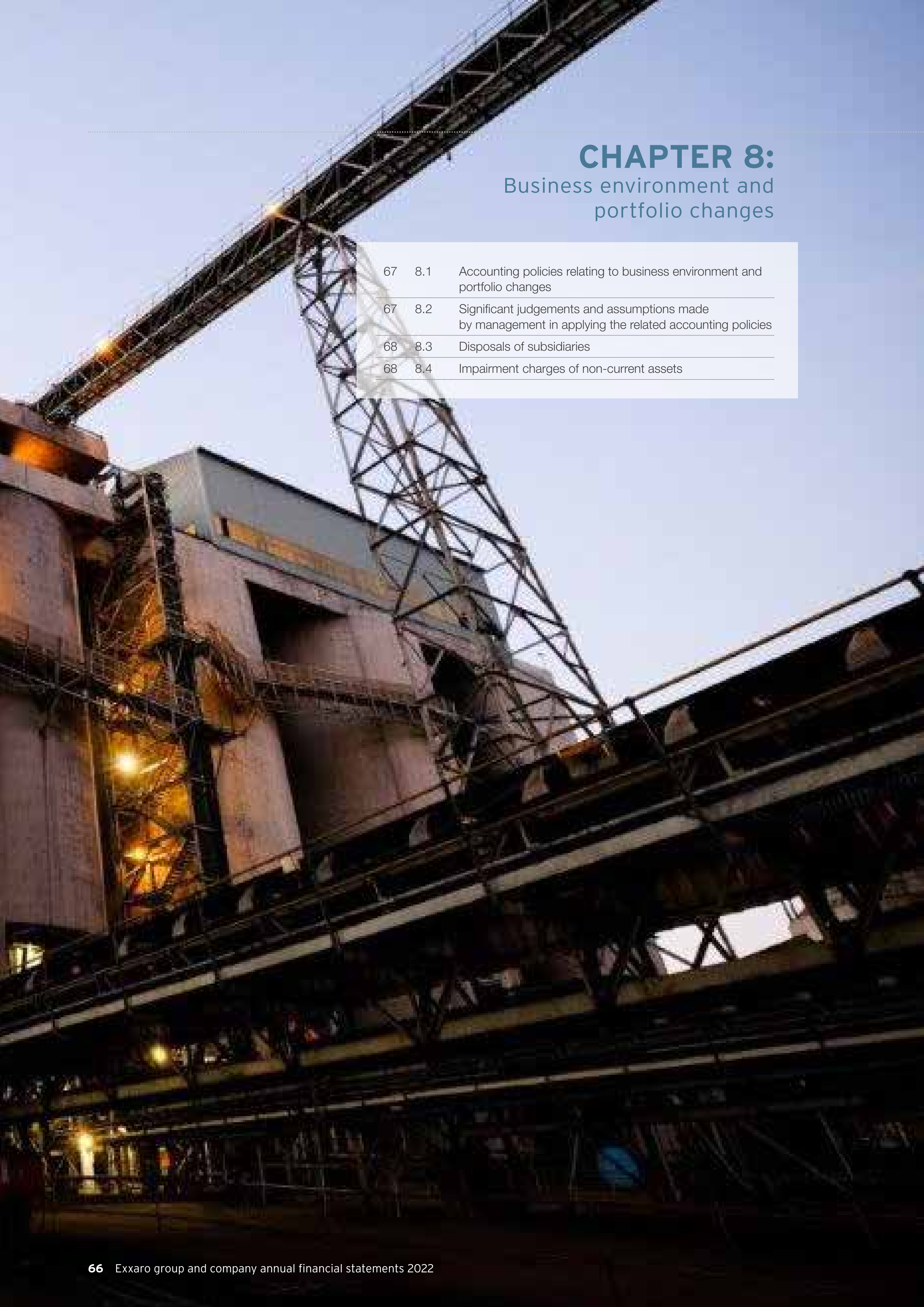
7.6 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO TAXATION

7.6.1 Tax paid

	Group		Company	
For the year ended 31 December	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Amounts (payable)/receivable at beginning of the year	(394)	164	(7)	8
Amounts charged to the statement of comprehensive income	(3 775)	(1 899)	(140)	(74)
Amounts arising on translation of foreign operations	(6)	(1)		
Re-allocation of income tax liability to the royalty liability	12			
Reclassification to non-current assets held-for-sale		22		
Amounts payable/(receivable) at end of the year	42	394	(5)	7
Tax paid	(4 121)	(1 320)	(152)	(59)

7.7 TAX EFFECT OF OTHER COMPREHENSIVE INCOME

	Group							
	2022				2021			
For the year ended 31 December	Gross Rm	Tax Rm	NCI Rm	Net Rm	Gross Rm	Tax Rm	NCI Rm	Net Rm
Unrealised exchange differences on translation of foreign operations	34		(8)	26	39		(9)	30
Changes in fair value of equity investments at FVOCI	28	(18)	(2)	8	49		(10)	39
Remeasurement of retirement employee obligations	3		(1)	2				
Changes in fair value on cash flow hedges	156	(43)	(32)	81	117	(33)	(21)	63
Recycling of FCTR on deregistration of subsidiaries					(482)		111	(371)
Recycling of FCTR on disposal of foreign associate					(876)		197	(679)
Recycling of financial instruments revaluations reserve on disposal of associate					(2)			(2)
Recycling of changes in fair value adjustments on cash flow hedges	97	(27)	(19)	51	146	(41)	(28)	77
Share of OCI of equity-accounted investments relating to:	156	(2)	(35)	119	167	3	(40)	130
– Unrealised exchange differences on translation of foreign operations	147		(34)	113	179		(41)	138
– Revaluation of financial instruments	7	(2)	(1)	4				
– Equity-settled reserve movement	1			1				
– Changes in fair value of equity investments at FVOCI					(14)	3	2	(9)
– Remeasurement of retirement employee obligations	1			1	2		(1)	1
Total	474	(90)	(97)	287	(842)	(71)	200	(713)



CHAPTER 8:
Business environment and portfolio changes

CHAPTER 8:
Business environment and portfolio changes

8.1 ACCOUNTING POLICIES RELATING TO BUSINESS ENVIRONMENT AND PORTFOLIO CHANGES

8.1.1 Impairment of non-current assets

The carrying amounts of non-current assets (or CGUs) are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indicator of impairment exists, the recoverable amount of the asset is estimated as the higher of the fair value less costs of disposal and the value in use.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the CGU exceeds its recoverable amount.

A previously recognised impairment loss is reversed (or partially reversed) if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised in prior years. Assets previously impaired are reviewed for possible reversal of impairment at each reporting date.

Goodwill is tested annually for impairment (refer note 10.2.1).

Impairment charges are presented on the face of the statement of comprehensive income:
(i) within net operating profit when the impairment relates to non-current operating assets of the group;
(ii) alongside share of income of equity-accounted investments when the impairment relates to associates and joint ventures.

8.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

IAS 36 *Impairment of Assets* (IAS 36)

In applying IAS 36, impairment assessments are performed whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable. Management, in particular, have identified and track indicators such as the movement in group market capitalisation, volatility in exchange rates, commodity prices and the economic environment in which the businesses operate, to assess whether there is an indication of impairment.

Estimates are made in determining the recoverable amount of assets which includes the estimation of cash flows and discount rates used. In estimating the cash flows, management bases its cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the assets. The discount rates used reflect the current market assessment of the time value of money and the risks specific to the assets for which the future cash flow estimates have not been adjusted.

Judgements were required in the determination of key variables and future market conditions, particularly in relation to the parameters included in the following table:

Coal operations	2022	2021
Discount rate (%)[1]	14.30%	14.30%
Rand/US$ exchange rate	R15.90 to R16.39	R15.25 to R15.74
Coal API4 long-term price (per tonne)	US$82.00	US$78.00
Coal domestic selling price range (per tonne)	R900 to R1 300	R800 to R1 200

[1] *2021: The discount rate was revised from 13.80% to 14.30% to take into account a material shift in strategy, changes in sovereign country risk and due to the revised targeted capital structure.*

Management considered and assessed reasonably possible changes to the key assumptions and have not identified any instances that could cause the carrying amount of the coal operations to exceed its recoverable amount.

Refer note 10.2.2 for details of the impairment testing performed on the Cennergi CGU.

8.3 DISPOSALS OF SUBSIDIARIES

The group divested from the following subsidiaries:

	Group		Company	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Loss on disposal of subsidiaries per statement of comprehensive income:	(1)	(947)		
– Aquicure[1]	(1)			
– ECC operation		(946)		
– ADX		(1)		
Included in operating expenses[2]:			(42)	2
– ECC operation: Gain on disposal of subsidiary				2
– Aquicure: Loss on disposal of subsidiary			(42)	

[1] *Sold on 31 July 2022 for cash proceeds amounting to R450 000.*
[2] *Items presented in operating expenses as the impact is considered not to be material.*

8.4 IMPAIRMENT CHARGES OF NON-CURENT ASSETS

	Group	
For the year ended 31 December	**2022 Rm**	**2021 Rm**
Thabametsi		
Impairment charges		(21)
– Property, plant and equipment		(21)
Total impairment charges of non-current operating assets		(21)
Investments in associates		
Impairment charges	(53)	
– LightApp	(53)	
Total impairment charges of equity-accounted investments	(53)	
Net impairment charges of non-current assets	(53)	(21)
Net tax effect		6
Net effect on attributable earnings	(53)	(15)

	Company	
For the year ended 31 December	**2022 Rm**	**2021 Rm**
Investments in associates		
Impairment charges	(143)	
– LightApp	(143)	
Total impairment charges of investments in associates	(143)	
Net impairment charges of non-current assets[1]	(143)	

[1] *Tax effect of nil.*

LightApp

Exxaro's investment in LightApp was identified not to be a strategic fit for Exxaro. As such, Exxaro did not participate in LightApp's request for bridge funding and decided to dispose of its interest in LightApp at an appropriate time. Despite LightApp receiving some financing from other shareholders and a grant to alleviate some cashflow constraints, the sustainability of the business remains under pressure.

On 31 December 2022, the equity interest in LightApp was impaired to nil.

CHAPTER 9:
Associates and joint arrangements

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CHAPTER 9:
Associates and joint arrangements

9.1 ACCOUNTING POLICIES RELATING TO INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

9.1.1 Investments in associates and joint arrangements

Associates are those entities in which the group has significant influence, but not control nor joint control, over the financial and operating policies. Significant influence is presumed to exist when Exxaro holds between 20% and 50% of the voting rights of another entity, however, the determination of whether significant influence exists is also subject to the consideration of other facts and circumstances which are a matter of judgement.

Joint arrangements are arrangements in which the group has joint control, established by contracts requiring unanimous consent for decisions on the activities that significantly affect the arrangements' returns. Joint arrangements are classified and accounted for as follows:

- Joint operation: when the group has rights to the assets and obligations for the liabilities relating to an arrangement, each of its assets and liabilities, including its share of those held or incurred jointly, are proportionately accounted for in relation to the joint operation
- JV: when the group has rights only to the net assets of the arrangements, its interest is accounted for using the equity method, similar to the accounting treatment for associates

The company carries its investments in associates and JVs at cost less accumulated impairment losses.

For group, the cost of investments in associates and JVs is the fair value at the date of acquisition or the fair value at the date of loss of control of a former subsidiary where it retains an associate or JV interest in the former subsidiary.

For group, investments in associates and JVs are accounted for using the equity method and are recognised initially at cost less accumulated impairment losses. The cost of the investments includes transaction costs.

The group financial statements include Exxaro's share of the profit or loss and OCI of equity-accounted investees, after adjustments to align the accounting policies with those of Exxaro, from the date that significant influence commences until the date that it ceases.

The cumulative post-acquisition movements in profit or loss and OCI are adjusted against the carrying amount of the investment in the group financial statements.

The group's interest in associates and joint ventures is carried in the statement of financial position at an amount that reflects its share of the net assets and the goodwill on acquisition.

Dilution gains and losses arising on investments in associates are recognised in profit or loss.

Unrealised gains from downstream transactions with equity-accounted investees are eliminated against the investment to the extent of Exxaro's interest in the investee. Unrealised gains from upstream transactions with equity-accounted investees are eliminated against related assets to the extent of Exxaro's interest in the investee.

9.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

In applying IAS 28 *Investments in Associates*, management has assessed the level of influence that the group has and in particular have concluded that significant influence exists on its 10.26% (2021: 10.26%) effective interest in RBCT as a result of Exxaro's representation on the board of directors of RBCT.

In applying IFRS 11 *Joint Arrangements*, management assessed the level of influence that the group has on its investments in joint arrangements and consequently classified the investment in Mafube as a JV due to the fact that unanimous consent is required for board decisions.

9.3 INCOME FROM INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Group		Company	
	Share of income/(loss) of equity-accounted investments		Dividend revenue from investments in associates and JVs	
For the year ended 31 December	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Associates	4 575	9 415	5 153	9 991
SIOC	4 077	9 037	5 153	9 991
RBCT	(10)	(19)		
Black Mountain	578	352		
Tumelo		29		
LightApp	(70)	16		
Joint ventures	1 902	375		
Mafube	1 902	375		
Income from investments in associates and JVs	6 477	9 790	5 153	9 991

9.4 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

At 31 December	Note	Nature of business[1]	Country of incorporation	Percentage holding 2022 %	Percentage holding 2021 %
Unlisted					
Associates					
SIOC[3]		M	RSA	20.62	20.62
RBCT		T	RSA	10.26	10.26
Black Mountain[4]		M	RSA	26.00	26.00
Insect Technology[5]	8.4	WC	UK	25.85	25.85
LightApp[6]		EN	Israel	28.01	28.59
GAM[7]		EN	RSA	22.00	22.00
Joint ventures					
Mafube		M	RSA	50.00	50.00
Total investments in associates and JVs	9.5				
Unincorporated joint operations					
Moranbah coal project		M	AUS	50.00	50.00

[1] *M — Mining, T — Export terminal, WC — Waste conversion, EN — Energy.*
[2] *Fair value represents the directors' valuation at the reporting date.*
[3] *The fair value of SIOC is determined by applying an adjusted equity valuation technique, based on the share price of KIO on 31 December 2022 of R492.30 per share (31 December 2021: R460.09 per share), adjusted for a liquidity discount rate of 20% (2021: 20%). The fair value of SIOC represents a Level 2 valuation, in terms of the fair value hierarchy.*
[4] *Black Mountain's financial year end is 31 March and therefore not co-terminous with that of Exxaro. Financial information has been obtained from published information or management accounts as appropriate.*
[5] *The investment in Insect Technology was fully impaired in 2020.*
[6] *The investment in LightApp was fully impaired in 2022.*
[7] *The investment in GAM was fully impaired in 2019.*

Restrictions
There are no significant restrictions on the ability of associates or joint ventures to transfer funds to Exxaro in the form of cash dividends.

Risks
Refer note 10.1.4 for details with regard to capital commitments relating to associates and JVs.
Refer note 16.3.4 for details with regard to loan commitments relating to associates and JVs.
Refer note 13.4 for details with regard to contingent liabilities relating to associates and JVs.

At 31 December	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm	Fair value[2] 2022 Rm	Fair value[2] 2021 Rm
Unlisted						
Associates	15 061	15 542		143		
SIOC[3]	11 104	12 037			34 272	32 030
RBCT	2 024	2 034				
Black Mountain[4]	1 933	1 350				
Insect Technology[5]		121		143		
LightApp[6]						
GAM[7]						
Joint ventures	2 999	1 780				
Mafube	2 999	1 780				
Total investments in associates and JVs	18 060	17 322		143		
Unincorporated joint operation						
Moranbah coal project						

9.5 MOVEMENT ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

		Group					
		Associates		Joint ventures		Total equity-accounted investments	
At 31 December	Note	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Gross carrying amount							
At beginning of the year		16 104	19 156	1 780	1 412	17 884	20 568
Interests disposed of[1]			(2 682)				(2 682)
Interests diluted[2]	6.1.4	(2)				(2)	
Reclassification to non-current assets held-for-sale[3]			(19)				(19)
Net share of results		4 573	9 470	1 969	368	6 542	9 838
– Share of income	9.3	4 575	9 415	1 902	375	6 477	9 790
– Share of income (discontinued operations)	6.1.4		54				54
– Elimination of intergroup profits		(2)	1	67	(7)	65	(6)
Dividends received		(5 153)	(9 991)	(750)		(5 903)	(9 991)
Share of movement in reserves		154	170			154	170
At end of the year		15 676	16 104	2 999	1 780	18 675	17 884
Accumulated impairment							
At beginning of the year		(562)	(562)			(562)	(562)
Impairment charge[2]	8.4	(53)				(53)	
At end of the year[4]		(615)	(562)			(615)	(562)
Net carrying amount at end of the year		15 061	15 542	2 999	1 780	18 060	17 322

[1] *Relates to Tronox SA.*
[2] *Relates to LightApp.*
[3] *Relates to Tumelo.*
[4] *Accumulated impairments relate to GAM R58 million, Insect Technology R504 million and LightApp R53 million.*

9.6 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES AND JOINT VENTURES

The summarised financial information set out below relates to the associates and JVs that are material to the group, and represents 100% of the entity's financial performance and position, as adjusted to reflect adjustments made by Exxaro when using the equity method.

	Associates			Joint venture
	SIOC Rm	RBCT Rm	Black Mountain Rm	Mafube Rm
Statements of comprehensive income				
For the year ended 31 December 2022				
Revenue	74 032	1 636	11 006	8 473
Operating expenses	(41 521)	(1 521)	(7 878)	(3 115)
Impairment charges	(5 411)			
Net operating profit	27 100	115	3 128	5 358
Finance income	356		22	130
Finance costs	(574)	(264)	(161)	(58)
Profit/(loss) before tax	26 882	(149)	2 989	5 430
Income tax (expense)/benefit	(7 108)	49	(764)	(1 491)
Profit/(loss) for the year	19 774	(100)	2 225	3 939
Other comprehensive income/(loss)	712	(4)	18	
Total comprehensive income/(loss) for the year	20 486	(104)	2 243	3 939
Dividends paid to Exxaro	5 153			750
Statements of financial position				
At 31 December 2022				
Non-current assets	52 405	22 568	10 183	3 859
Current assets	30 458	553	2 975	4 092
Total assets	82 863	23 121	13 158	7 951
Equity and liabilities				
Total equity	53 865	19 724	7 435	5 998
Non-current liabilities	13 517	2 274	4 066	1 213
Current liabilities	15 481	1 123	1 657	740
Total equity and liabilities	82 863	23 121	13 158	7 951
Included above in JVs:				
Cash and cash equivalents				2 497
Depreciation and amortisation				385

9.6 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES AND JOINT VENTURES continued

	Associates			Joint venture
	SIOC Rm	RBCT Rm	Black Mountain Rm	Mafube Rm
Statements of comprehensive income				
For the year ended 31 December 2021				
Revenue	102 092	1 573	8 329	3 296
Operating expenses	(42 298)	(1 575)	(6 167)	(2 145)
Net operating profit/(loss)	59 794	(2)	2 162	1 151
Finance income	763		12	5
Finance costs	(365)	(265)	(278)	(41)
Profit/(loss) before tax	60 192	(267)	1 896	1 115
Income tax (expense)/benefit	(16 367)	77	(539)	(381)
Profit/(loss) for the year	43 825	(190)	1 357	734
Other comprehensive income/(loss)	827	4	(10)	
Total comprehensive income/(loss) for the year	44 652	(186)	1 347	734
Dividends paid to Exxaro	9 991			
Statements of financial position				
At 31 December 2021				
Non-current assets	49 575	22 960	9 226	3 888
Current assets	31 666	461	1 365	1 502
Total assets	81 241	23 421	10 591	5 390
Equity and liabilities				
Total equity	58 377	19 821	5 191	3 559
Non-current liabilities	13 924	2 499	4 193	1 376
Current liabilities	8 940	1 101	1 207	455
Total equity and liabilities	81 241	23 421	10 591	5 390
Included above in JVs:				
Cash and cash equivalents				579
Depreciation and amortisation				285

9.7 RECONCILIATION OF CARRYING AMOUNTS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Set out below is a reconciliation of the equity attributable to owners of the parent (closing net assets) in 9.6, to the corresponding carrying value of the equity-accounted investment.

	Associates			Joint venture
Group	**SIOC Rm**	**RBCT Rm**	**Black Mountain Rm**	**Mafube Rm**
At 31 December 2022				
Closing net assets	53 865	19 724	7 435	5 998
Interest in equity-accounted investment (%)	20.62	10.26	26.00	50.00
Interest in equity-accounted investment	11 107	2 024	1 933	2 999
Unrealised profit in closing balances	(3)			
Carrying value	11 104	2 024	1 933	2 999
At 31 December 2021				
Closing net assets	58 377	19 821	5 191	3 559
Interest in equity-accounted investment (%)	20.62	10.26	26.00	50.00
Interest in equity-accounted investment	12 037	2 034	1 350	1 780
Carrying value	12 037	2 034	1 350	1 780

CHAPTER 10:
Assets

CHAPTER 10:
Assets

10.1 PROPERTY, PLANT AND EQUIPMENT

10.1.1 Accounting policies relating to property, plant and equipment

Property, plant and equipment

Land and assets under construction are stated at cost and are not depreciated. Buildings, including certain non mining residential buildings, and all other items of property, plant and equipment are reflected at cost less accumulated depreciation and accumulated impairment losses. The cherry trees qualify as bearer plants under the definition of IAS 41 *Agriculture* and are therefore accounted for under the requirements of IAS16 *Property, Plant and Equipment*. The cherry trees are classified as immature until the produce can be commercially harvested, at which point depreciation commences. Immature cherry trees are measured at accumulated cost.

Depreciation is charged on a systematic basis over the estimated useful lives of the assets after taking into account the estimated residual values of the assets. Useful life is either the period of time over which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of the asset.

Items of property, plant and equipment are capitalised in components where components have a different useful life to the main item of property, plant and equipment to which the component can be logically assigned.

An asset's residual value and useful life is reviewed, and adjusted if appropriate, at the end of each reporting period.

The estimated useful lives of items of property, plant and equipment are:

	Units of measure	Coal		Energy		Ferrous		Other	
		2022	2021	2022	2021	2022	2021	2022	2021
Mineral properties	Years	1 to 25	1.5 to 25						
Residential buildings	Years	1 to 40	1 to 40						
Buildings and infrastructure	Years	1 to 40	1 to 40	26.3 and 26.4	26.3 and 26.4	10 to 20	10 to 20	20 to 25	20 to 25
Machinery, plant and equipment	Years	1 to 40	1 to 40	3 to 26.4	3 to 26.4	5 to 25	5 to 25	1 to 20	1 to 20
	Hours ('000)	13 to 50	13 to 50						
	Tonnes (Mt)	1 300	6.7 to 1 300						
Site preparation and mining development	Years	1 to 25	1 to 25						
	Tonnes (Mt)	72.7	6.7 to 72.7						
Bearer plants (mature)	Years							7	7

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits are expected from its use or disposal.

Exploration costs

Exploration and evaluation costs are expensed until management (as determined per project) concludes that future economic benefits (as determined per project) are more likely than not of being realised. In evaluating if expenditure meets the criteria to be capitalised, several sources of information depending on the level of exploration, are utilised. While the criteria for determining capitalisation is based on the probability of future economic benefits, the information that management uses to make that determination depends on the level of exploration.

Development costs

Development expenditure is accumulated separately for each area in which economically recoverable resources (as determined per project) have been identified. Such expenditure comprises costs directly attributable to the construction of an asset and the related infrastructure, including the cost of material, direct labour and an appropriate proportion of production overheads. Development costs are capitalised once approval for such development is obtained from management (as determined per project). On completion of development, all assets included in assets under construction are reclassified to the appropriate asset class of property, plant and equipment to which it relates.

10.1.2 Significant judgements and assumptions made by management in applying the related accounting policies

Depreciation and useful lives

The depreciable amounts of assets are allocated on a systematic basis over their useful lives. In determining the depreciable amount, management makes assumptions in respect of the residual value of assets based on the expected estimated amount that the entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal. If an asset is expected to be abandoned the residual value is estimated at nil. In determining the useful life of assets, management considers the expected usage of assets, expected physical wear and tear, legal or similar limits of assets such as mineral rights, as well as obsolescence.

Management makes estimates of Coal Resources and Coal Reserves in accordance with the SAMREC Code (2009) for South African properties and the Joint Ore Reserves Committee (JORC) Code (2012) for Australian properties. Such estimates relate to the category for the resource (measured, indicated or inferred), the quantum and the grade.

10.1 PROPERTY, PLANT AND EQUIPMENT continued

10.1.3 Property, plant and equipment composition and analysis

		Group								
At 31 December 2022	**Note**	**Land Rm**	**Mineral properties Rm**	**Residential land and buildings Rm**	**Buildings and infra structure Rm**	**Machinery, plant and equipment Rm**	**Site preparation and mining develop ment Rm**	**Bearer plants Rm**	**Assets under construction Rm**	**Total Rm**
Gross carrying amount										
At beginning of the year		527	1 108	784	8 490	32 930	685	2	6 388	50 914
Additions					480	566			538	1 584
Changes in decommissioning assets	13.3				(4)	(6)				(10)
Disposal of subsidiary						(2)				(2)
Borrowing costs capitalised	12.1.2								82	82
Disposals					(63)	(143)	(29)		(7)	(242)
Transfer between classes			1		1 081	4 747			(5 829)	
Exchange differences on translation		(1)								(1)
At end of the year		526	1 109	784	9 984	38 092	656	2	1 172	52 325
Accumulated depreciation										
At beginning of the year			(579)	(214)	(1 646)	(9 792)	(211)	(1)		(12 443)
Charges for the year	6.1.3		(48)	(26)	(426)	(1 884)	(73)			(2 457)
Disposal of subsidiary						2				2
Disposals					16	117	6			139
At end of the year			(627)	(240)	(2 056)	(11 557)	(278)	(1)		(14 759)
Accumulated impairment										
At beginning of the year					(32)	(87)			(1)	(120)
At end of the year					(32)	(87)			(1)	(120)
Net carrying amount at end of the year		526	482	544	7 896	26 448	378	1	1 171[1]	37 446

[1] *Mainly relates to the Grootegeluk operation.*

10.1 PROPERTY, PLANT AND EQUIPMENT continued

10.1.3 Property, plant and equipment composition and analysis continued

At 31 December 2021	Note	Group Land Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra structure Rm	Machinery, plant and equipment Rm	Site preparation and mining develop ment Rm	Bearer plants Rm	Assets under construction Rm	Total Rm
Gross carrying amount										
At beginning of the year		524	1 108	785	7 943	31 521	633	2	6 174	48 690
Additions				3	515	467	81		1 177	2 243
Changes in decommissioning assets	13.3				5	27				32
Borrowing costs capitalised	12.1.2								307	307
Disposals				(4)		(225)			(25)	(254)
Reclassification to non-current assets held-for-sale					(11)	(84)	(29)		17	(107)
Transfer between classes					38	1 224			(1 262)	
Exchange differences on translation		3								3
At end of the year		527	1 108	784	8 490	32 930	685	2	6 388	50 914
Accumulated depreciation										
At beginning of the year			(524)	(189)	(1 269)	(8 075)	(138)	(1)		(10 196)
Charges for the year	6.1.3		(55)	(26)	(377)	(1 914)	(73)			(2 445)
Disposals				1		197				198
At end of the year			(579)	(214)	(1 646)	(9 792)	(211)	(1)		(12 443)
Accumulated impairment										
At beginning of the year					(11)	(87)			(1)	(99)
Charges for the year					(21)					(21)
At end of the year					(32)	(87)			(1)	(120)
Net carrying amount at end of the year		527	529	570	6 812	23 051	474	1	6 387	38 351

10.1 PROPERTY, PLANT AND EQUIPMENT continued

10.1.3 Property, plant and equipment composition and analysis continued

At 31 December 2022	Note	Company Buildings and infra structure Rm	Machinery, plant and equipment Rm	Assets under construction Rm	Total Rm
Gross carrying amount					
At beginning of the year		1	878	237	1 116
Additions			14	8	22
Disposals			(20)		(20)
Transfer between classes			100	(100)	
At end of the year		1	972	145	1 118
Accumulated depreciation					
At beginning of the year			(608)		(608)
Charges for the year	6.1.3		(125)		(125)
Disposals			11		11
At end of the year			(722)		(722)
Net carrying amount at end of the year		1	250	145	396

At 31 December 2021	Note	Company Buildings and infra structure Rm	Machinery, plant and equipment Rm	Assets under construction Rm	Total Rm
Gross carrying amount					
At beginning of the year		1	844	241	1 086
Additions			5	63	68
Disposals			(13)	(25)	(38)
Transfer between classes			42	(42)	
At end of the year		1	878	237	1 116
Accumulated depreciation					
At beginning of the year			(487)		(487)
Charges for the year	6.1.3		(134)		(134)
Disposals			13		13
At end of the year			(608)		(608)
Net carrying amount at end of the year		1	270	237	508

10.1.4 Capital commitments

	Group		Company	
At 31 December	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Contracted	2 481	2 071	7	10
Contracted (owner controlled)	1 614	1 313	7	10
Share of capital commitments of equity-accounted investments	867	758		
Authorised, but not contracted	2 322	1 402	67	164
Authorised but not contracted (owner controlled)	2 322	1 402	67	164

Capital expenditure will be financed from available cash resources, funds generated from operations and available borrowing capacity.

10.2 INTANGIBLE ASSETS

10.2.1 Accounting policies relating to intangible assets

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets.

Goodwill is carried at cost less accumulated impairment losses and is not subject to amortisation, but rather tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment.

For purposes of impairment testing, goodwill acquired in a business combination is allocated to each CGU, or group of CGUs, that is expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Patents, licenses and customer contracts

Patents, licenses and customer contracts are Intangible assets with a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to profit or loss on a straight line basis over the estimated useful lives of the finite useful life assets from the date available for use. The amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted where appropriate. The estimated useful lives of intangible assets with a finite useful life are:

	2022	2021
Customer contracts	16.3 and 16.4 years	16.3 and 16.4 years
Patents and licences	1 to 25 years	1 to 25 years

Impairment testing is undertaken when circumstances indicate that the carrying amount may not be recoverable.

10.2.2 Significant judgements and assumptions made by management in applying the related accounting policies

Impairment testing of goodwill

In allocating goodwill, the Cennergi group of companies has been identified as a single CGU to which the goodwill of R521 million has been allocated.

The Cennergi CGU was assessed for impairment as at 31 December 2022 and 31 December 2021 as a result of the requirement to test goodwill annually for impairment. In 2022, the poor wind conditions experienced were considered as a potential indicator of impairment. Management have concluded that the poor wind conditions in 2022 represents an anomaly that is not representative of the long term expected wind conditions. The compounding effect of the tariff increases of 2022, which was driven by the CPI hike, curbed the impacts of the poor wind conditions. There were no other indicators of impairment for the Cennergi CGU during the reporting period. No impairment charge was required as the recoverable amount, determined using fair value less costs of disposal, exceeded the carrying amount on 31 December 2022.

The recoverable amount was derived using a DCF model, which is a Level 3 valuation technique in terms of the fair value hierarchy. The valuation has been performed in South African rand using the following information:

- Approved financial budgets covering a five year period
- Project financing models post the five year budget period up to the end of the contractual life of the power purchase agreements
- Extrapolated results for a further post contractual 10 year period, representing the expected additional economic life for which the wind farms are expected to operate.

10.2 INTANGIBLE ASSETS continued

10.2.2 Significant judgements and assumptions made by management in applying the related accounting policies continued

Impairment testing of goodwill continued

The key assumptions made by management (expressed in nominal terms) and management's approach to determining these key assumptions is summarised as follows:

Key assumptions	Management's approach used to determining the values	2022	2021
Discount rate[1]:	Determined applying a risk free rate of return adjusted for risks inherent to the Cennergi CGU	10.53%	10.53%
Remaining life of Cennergi CGU:	The wind farms are expected to have a further operating capability of an additional 10-years post the existing power purchase agreements in accordance with technical engineering assessments. In addition, given the expected growth in demand for energy in South Africa, coupled with limited supply of energy, and in particular the worldwide drive towards energy supply to be from renewable sources, it is considered that there is a market with value post the existing power purchase agreements.	24.4 years	25.4 years
Gigawatt generation:	The Gigawatt generation assumption has been determined based on past experience, as well as environmental assessments of wind conditions and capability of the turbines.	668 GWh to 730 GWh	664 GWh to 745 GWh
Tariff escalation:	The tariff is based on CPI escalation during the power purchase agreement term which has been determined based on past experience and from economist projected outlooks of CPI. For the post 10 year period the tariff has been set at a reduced constant expected CPI.	4.5%	4.5%

[1] *2021: The discount rate was revised from 13.8% to 10.53% to take into account a material shift in strategy, changes in sovereign country risk and due to the revised targeted capital structure.*

Management considered and assessed reasonably possible changes to the key assumptions and have not identified any instances that could cause the carrying amount of the Cennergi CGU to exceed its recoverable amount.

10.2.3 Intangible assets composition and analysis

		Group			
At 31 December 2022	**Note**	**Goodwill Rm**	**Customer contracts Rm**	**Patents and licences Rm**	**Total Rm**
Gross carrying amount					
At beginning of the year		521	2 685	38	3 244
Disposal of subsidiary				(2)	(2)
At end of the year		521	2 685	36	3 242
Accumulated amortisation					
At beginning of the year			(287)	(30)	(317)
Charges for the year	6.1.3		(164)	(2)	(166)
Disposal of subsidiary				1	1
At end of the year			(451)	(31)	(482)
Net carrying amount at end of the year		521	2 234	5	2 760

10.2 INTANGIBLE ASSETS continued

10.2.3 Intangible assets composition and analysis continued

At 31 December 2021	Note	Group Goodwill Rm	 Customer contracts Rm	 Patents and licences Rm	 Total Rm
Gross carrying amount					
At beginning of the year		521	2 685	39	3 245
Disposal of subsidiary				(1)	(1)
At end of the year		521	2 685	38	3 244
Accumulated amortisation					
At beginning of the year			(123)	(27)	(150)
Charges for the year	6.1.3		(164)	(3)	(167)
At end of the year			(287)	(30)	(317)
Net carrying amount at end of the year		521	2 398	8	2 927

At 31 December 2022	Note	Company Patents and licences Rm	 Total Rm
Gross carrying amount			
At beginning of the year		22	22
At end of the year		22	22
Accumulated amortisation			
At beginning of the year		(18)	(18)
Charges for the year	6.1.3	(2)	(2)
At end of the year		(20)	(20)
Net carrying amount at end of the year		2	2

At 31 December 2021	Note	Company Patents and licences Rm	 Total Rm
Gross carrying amount			
At beginning of the year		22	22
At end of the year		22	22
Accumulated amortisation			
At beginning of the year		(16)	(16)
Charges for the year	6.1.3	(2)	(2)
At end of the year		(18)	(18)
Net carrying amount at end of the year		4	4

10.3 FINANCIAL ASSETS

10.3.1 Accounting policies relating to financial assets

The accounting policy for financial assets is disclosed in note 16.1 of financial instruments.

10.3.2 Financial assets composition

At 31 December	Note	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Non-current					
Financial assets at FVOCI		474	446		
Equity: unlisted – Chifeng[1]		474	446		
Financial assets at FVPL		2 607	2 173	35	34
Debt: unlisted – environmental rehabilitation funds		2 187	2 173	35	34
Debt: unlisted – portfolio investments		420			
Derivative financial assets designated as hedging instruments		11			
Cash flow hedge derivatives: interest rate swaps[2]		11			
Financial assets at amortised cost		447	618	4 395	5 225
ESD loans[3]		102	91	102	91
Vendor finance loan[4]		173	293	173	293
Interest-bearing loans to subsidiaries[5]	17.5			4 120	4 841
Other financial assets at amortised cost		172	234		
– Environmental rehabilitation funds		99	94		
– Deferred pricing receivable[6]		76	145		
– Impairment allowances		(3)	(5)		
Total non-current financial assets	16.3	3 539	3 237	4 430	5 259
Current					
Financial assets at FVPL		57	4		
Derivative financial assets		57	4		
Financial assets at amortised cost		319	307	1 997	6 260
ESD loans[3]		76	90	76	90
Vendor finance loan[4]		121	7	121	7
Interest-bearing loans to subsidiaries[5]	17.5			511	858
Non-interest-bearing loans to subsidiaries[7]	17.5			676	357
Treasury facilities with subsidiaries[8]	17.5			559	4 803
Other financial assets at amortised cost		122	210	54	145
– Deferred pricing receivable[6]		70	67		
– Deferred consideration receivable[9]		56	150	56	150
– Employee receivables		4	4	4	4
– Impairment allowances		(8)	(11)	(6)	(9)
Total current financial assets	16.3	376	311	1 997	6 260
Total financial assets		3 915	3 548	6 427	11 519

[1] 2021: The four Chifeng refinery companies embarked on a process to consolidate the separate companies into one consolidated entity. The investments in the separate companies for certain of the phases were derecognised and the investment in the consolidated entity, which includes all phases of the Chifeng refinery, was recognised on the consolidation date. Exxaro holds an 8.81% shareholding in Chifeng.

[2] Refer note 16.3.3.2.3.2.

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

[4] Vendor finance loan granted to Overlooked Colliery as part of the disposal of the ECC operation. The repayment terms were revised during 2022. The loan is unsecured, repayable from 1 October 2022 and bears interest at:
Prime Rate for the period 3 September 2021 to 30 September 2024
Prime Rate plus 1 for the period 1 October 2024 to 30 September 2025
Prime Rate plus 2 for the period 1 October 2025 to 30 September 2026
Prime Rate plus 3 for the period 1 October 2026 to 30 September 2027.

[5] Includes back-to-back loans as well as other interest-bearing loans. Refer note 17.5 for details of the terms and conditions.

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

[7] These loans are interest-free, unsecured and repayable on demand.

[8] Treasury facilities with subsidiaries have no repayments terms and are repayable on demand. Interest is charged at money market rates.

[9] Relates to deferred consideration receivable which arose on the disposal of the ECC operation.

10.4 OTHER ASSETS

10.4.1 Other assets composition

At 31 December	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Non-current				
Reimbursements[1]	605	388		
Biological assets	38	27		
Lease receivables[2]	38	45		
Other	89	86	1	1
Total non-current other assets	770	546	1	1
Current				
VAT	31	351		
Diesel rebates	100	113		
Royalties	95	1		
Prepayments[3]	283	208	19	18
Lease receivables[2]	8	7		
Other	55	55	4	2
Total current other assets	572	735	23	20
Total other assets	1 342	1 281	24	21

[1] *Amounts recoverable from Eskom in respect of the rehabilitation, environmental expenditure and retirement employee obligation of the Matla operation at the end of LoM.*
[2] *The lease relates to the upgrade of the Zeeland Water Treatment Works (in Lephalale, South Africa), of which Exxaro funds the capital for a period of 15 years. The municipality's share of the capital expenditure will be recovered through fixed monthly instalments over this period. The minimum lease instalments are payable monthly with no escalation and calculated at a rate of 14.3% (2021: 14.3%) per annum.*
[3] *Relates mainly to insurance premiums.*

CHAPTER 11:
Leases

CHAPTER 11:
Leases

11.1 ACCOUNTING POLICIES RELATING TO LEASES

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

An accounting policy choice was made not to apply IFRS 16 *Leases* to leases of intangible assets.

As lessee

a) Recognition

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

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

b) Measurement

i) Initial measurement

Right-of-use assets	Lease liabilities
Measured at cost which is: • The amount of the initial measurement of the lease liability • Plus any lease payments made at or before the commencement date • Less any lease incentives received • Plus any initial direct costs • Plus estimated restoration costs.	Measured at the present value of the following lease payments: • Fixed payments (including in-substance fixed payments), less any lease incentives receivable • Variable lease payments that are based on an index or a rate • Amounts expected to be payable by the lessee under residual value guarantees • The exercise price of a purchase option if the lessee is reasonably certain to exercise that option • Payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, an incremental borrowing rate is applied.

ii) Subsequent measurement

Right-of-use assets	Lease liabilities
The right-of-use asset is measured applying the cost model where a right-of-use asset falls within the scope of IAS 16 *Property, Plant and Equipment.* Measured at: • Cost less • Accumulated depreciation and accumulated impairment losses • Adjusted for any remeasurements or modifications of the lease liability.	The lease liability is measured by: • Increasing the carrying amount to reflect interest on the lease liability • Reducing the carrying amount to reflect the lease payments made • Remeasuring the carrying amount to reflect any reassessment or lease modification or to reflect revised in-substance fixed lease payments.

Useful lives	2022	2021
Land and buildings	10 to 30 years	10 to 30 years
Residential land and buildings	2 years	2 years
Buildings and infrastructure	3 to 10 years	3 to 10 years
Machinery, plant and equipment	3 to 5 years	3 to 5 years

Incremental borrowing rates	2022	2021
Lease term greater than 12 months but less than 18 months	7.85%	7.85%
Lease term greater than 18 months	8.97% to 10.43%	6.09% to 10.43%

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis, over the lease term, as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Leases of low-value assets comprise IT equipment, furniture, fittings and appliances as well as tools and other small equipment. Refer note 6.1.3.

11.2 JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

a) Incremental borrowing rates

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

b) Extensions and termination options

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

11.3 RIGHT-OF-USE ASSETS

		Group				
At 31 December 2022	**Note**	**Land and buildings Rm**	**Residential land and buildings Rm**	**Buildings and infrastructure Rm**	**Machinery, plant and equipment Rm**	**Total Rm**
Gross carrying amount						
At beginning of the year		54	2	511	3	570
Remeasurement adjustments[1]		4		6		10
Lease expiry and terminations				(4)	(1)	(5)
At end of the year		58	2	513	2	575
Accumulated depreciation						
At beginning of the year		(3)	(2)	(162)	(2)	(169)
Charges for the year	6.1.3	(2)		(56)		(58)
Lease expiry and terminations				3	1	4
At end of the year		(5)	(2)	(215)	(1)	(223)
Net carrying amount at end of the year		53		298	1	352

[1] Relates to remeasurements arising from changes in CPI, as well as lease terms.

		Group				
At 31 December 2021	**Note**	**Land and buildings Rm**	**Residential land and buildings Rm**	**Buildings and infrastructure Rm**	**Machinery, plant and equipment Rm**	**Total Rm**
Gross carrying amount						
At beginning of the year		51	2	508	2	563
Additions				1		1
Remeasurement adjustments[1]		3		8	1	12
Lease expiry and terminations				(6)		(6)
At end of the year		54	2	511	3	570
Accumulated depreciation						
At beginning of the year		(1)	(1)	(106)	(2)	(110)
Charges for the year	6.1.3	(2)	(1)	(62)		(65)
Lease expiry and terminations				6		6
At end of the year		(3)	(2)	(162)	(2)	(169)
Net carrying amount at end of the year		51		349	1	401

[1] Relates to remeasurements arising from changes in CPI, as well as lease terms.

11.3 RIGHT-OF-USE ASSETS continued

At 31 December 2022	Note	Company Buildings and infrastructure Rm	Company Total Rm
Gross carrying amount			
At beginning of the year		491	491
Additions		1	1
Remeasurement adjustments[1]		5	5
At end of the year		497	497
Accumulated depreciation			
At beginning of the year		(149)	(149)
Changes for the year	6.1.3	(52)	(52)
At end of the year		(201)	(201)
Net carrying amount at end of the year		296	296

[1] *Relates to remeasurements arising from changes in CPI, as well as lease terms.*

At 31 December 2021	Note	Company Buildings and infrastructure Rm	Company Total Rm
Gross carrying amount			
At beginning of the year		490	490
Remeasurement adjustments[1]		7	7
Lease expiry and terminations		(6)	(6)
At end of the year		491	491
Accumulated depreciation			
At beginning of the year		(99)	(99)
Charges for the year	6.1.3	(56)	(56)
Lease expiry and terminations		6	6
At end of the year		(149)	(149)
Net carrying amount at end of the year		342	342

[1] *Relates to remeasurements arising from changes in CPI, as well as lease terms.*

CHAPTER 11:
Leases continued

11.4 LEASE LIABILITIES

At 31 December	Note	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Non-current		438	470	376	408
Current		40	34	37	30
Total lease liabilities		478	504	413	438
Summary of lease liabilities by period of redemption:					
Less than six months		19	16	17	14
Six to 12 months		21	18	20	16
Between one and two years		51	43	48	38
Between two and three years		62	53	60	49
Between three and four years		66	53	65	53
Between four and five years		81	66	80	65
Over five years		178	255	123	203
Total lease liabilities		478	504	413	438

[1] *Refer note 16.3.3 for details of the undiscounted contractual cash flow maturities.*

Analysis of movement in lease liabilities	Note	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
At beginning of the year		504	522	438	455
New leases			1		
Lease terminations		(3)			
Reclassification to non-current liabilities held-for-sale			5		
Lease remeasurement adjustments		10	12	5	7
Interest not paid (accrued)	12.1.2	1			
Other				(1)	
Capital repayments		(34)	(36)	(29)	(24)
– Lease payments		(83)	(89)	(73)	(70)
– Interest charges	12.1.2	49	53	44	46
At end of the year		478	504	413	438

CHAPTER 12:
Funding

CHAPTER 12:
Funding

12.1 DEBT

12.1.1 Accounting policies relating to net financing costs and interest-bearing borrowings

Borrowing costs, finance income and other financing expenses

Fees paid on the establishment of loan facilities are capitalised to the loan as transaction costs to the extent that it is directly related to the establishment of the loan facility. These fees are deferred until the draw down occurs upon which it is amortised over the loan term using the effective interest rate method. To the extent that it is not probable that some or all of the facility will be drawn down (ie such as the revolving credit facility), the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate. Other fees and commission expenses relate mainly to transaction and service fees and are expensed as the services are rendered.

Loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

12.1.2 Net financing costs

		Group		Company	
For the year ended 31 December	**Note**	**2022 Rm**	**2021 Rm**	**2022 Rm**	**2021 Rm**
Finance income		694	239	566	157
Interest income relating to:		699	240	566	157
– Financial assets at amortised cost		70	24	26	7
– Cash and cash equivalents		612	195	540	150
– Financial assets at FVPL		10	4		
– Non-financial assets			9		
– Finance leases		7	8		
Reimbursement of interest income on environmental rehabilitation funds		(6)	(4)		
Commitment fee income		1	3		
Finance costs		(1 052)	(860)	(3 517)	(2 198)
Interest expense relating to:		(833)	(798)	(3 508)	(2 182)
– Interest-bearing borrowings		(765)	(725)	(366)	(383)
– Financial liabilities at amortised cost			(7)		
– Bank overdrafts		(1)	(1)	(1)	(1)
– Non-financial liabilities		(17)	(12)		
– Indebtedness by subsidiaries	17.3			(3 097)	(1 752)
– Lease liabilities	11.4	(50)	(53)	(44)	(46)
Net fair value losses on interest rate swaps designated as cash flow hedges: recycled from OCI		(97)	(146)		
– Realised fair value loss		(163)	(201)		
– Unrealised fair value gain		66	55		
Unwinding of discount rate on rehabilitation costs	13.3	(228)	(242)	(3)	(3)
Recovery of unwinding of discount rate on rehabilitation costs		30	32		
Amortisation of transaction costs		(6)	(13)	(6)	(13)
Borrowing costs capitalised[1]	10.1.3	82	307		
Total net financing costs		(358)	(621)	(2 951)	(2 041)
[1] *Borrowing costs capitalisation rate:*		*6.09%*	*6.14%*		

12.1 DEBT continued

12.1.3 Interest-bearing borrowings

At 31 December	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Non-current[1]	8 378	9 255	4 034	4 704
Loan facility[2]	3 391	4 061	3 391	4 061
Project financing[3]	4 344	4 551		
Bonds[4]	643	643	643	643
Current[5]	715	1 000	505	851
Loan facility[2]	502	491	502	491
Project financing[3]	210	149		
Bonds[4]	3	360	3	360
Total interest-bearing borrowings	9 093	10 255	4 539	5 555
Summary of interest-bearing borrowings by period of redemption[6]*:*				
Less than six months	377	694	283	629
Six to 12 months	338	306	222	222
Between one and two years	1 361	652	1 089	445
Between two and three years	795	1 361	446	1 089
Between three and four years	2 947	795	2 499	446
Between four and five years	554	3 172		2 724
Over five years	2 721	3 275		
Total interest-bearing borrowings	9 093	10 255	4 539	5 555
1 The non-current portion represents:	*8 378*	*9 255*	*4 034*	*4 704*
– Capital	*8 387*	*9 269*	*4 043*	*4 718*
– Reduced by the amortisation of transaction costs	*(9)*	*(14)*	*(9)*	*(14)*
2 The loan facility was refinanced during April 2021 which resulted in the extinguishment of the previous loan facility and recognition of the refinanced loan facility.				
3 Interest-bearing borrowings relating to the Cennergi group.				
4 The R357 million senior unsecured floating rate note matured in June 2022.				
5 The current portion represents:	*715*	*1 000*	*505*	*851*
– Capital	*657*	*955*	*450*	*807*
– Interest capitalised	*63*	*51*	*60*	*50*
– Reduced by the amortisation of transaction costs	*(5)*	*(6)*	*(5)*	*(6)*

6 Refer note 16.3.3 for details of the undiscounted contractual cash flow maturities.

Refer note 12.1.5 for the amounts repaid and raised in relation to interest-bearing borrowings.

At 31 December	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Overdraft				
Bank overdraft		1		1

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

12.1 DEBT continued

12.1.4 Salient terms and conditions of interest-bearing borrowings

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

		Loan facility		
	Year	**Bullet term loan**	**Amortised term loan**	**Revolving credit facility**
Aggregate nominal amount available (Rm)	2022	2 500	1 350	3 250
	2021	2 500	2 025	3 250
Undrawn portion (Rm)	2022	nil	nil	3 250
	2021	nil	nil	3 250
Issue date		26 April 2021	26 April 2021	26 April 2021
Maturity date		26 April 2026	26 April 2026	26 April 2026
Capital payments		The total outstanding amount is payable on final maturity date	Repay each loan in full in equal consecutive semi-annual instalments on the last business day of April and October of each year	The total outstanding amount is payable on final maturity date
Duration (months)		60	60	60
Secured or unsecured		Unsecured	Unsecured	Unsecured
Interest				
Interest payment basis		Floating rate	Floating rate	Floating rate
Interest payment period		Three months	Three months	Monthly
Interest rate				
–Base rate		3-month JIBAR	3-month JIBAR	1-month JIBAR
– Margin		240 basis points (2.40%)	230 basis points (2.30%)	265 basis points (2.65%)
Effective interest rates for the transaction costs	2022	0.11%	0.14%	N/A
	2021	0.11%	0.17%	N/A

There were no defaults or breaches in terms of the refinanced loan facility during the reporting period.

The following financial covenants in terms of the loan facility, must be complied with:

- Ratio of consolidated net debt[1] to equity of the group for any measurement period shall be less than 0.8:1
- Ratio of consolidated EBITDA (excluding Cennergi project financing as well as non-cash BEE credential costs) to net interest expense of the group for any measurement period shall not be less than 4:1
- Ratio of consolidated net debt[1] to consolidated EBITDA (excluding Cennergi project financing and non-cash BEE credential costs, including dividends received from equity-accounted investments) of the group for any measurement period shall be less than 3:1.

[1] *For purposes of financial covenants, net debt is adjusted for project financing, pending litigation and other claims as well as other financial guarantees (refer note 13.4.1).*

The group has complied with all the above mentioned contractually agreed financial covenants as illustrated below:

At 31 December	**2022**	**2021**
Net (cash)/debt: equity (%)		
– Target	<80	<80
– Actual	(15.99)	(1)
EBITDA: interest cover (times)		
– Target	>4	>4
– Actual[1]		35
Net debt: EBITDA (times)		
– Target	<3	<3
– Actual[2]		

[1] *2022: Exxaro (excluding Cennergi project financing) is in a net finance income position.*
[2] *Exxaro (excluding Cennergi's net debt) is a net cash position.*

12.1 DEBT continued

12.1.4 Salient terms and conditions of interest-bearing borrowings continued

	Year	Project financing: Tsitsikamma SPV loan facility	Amakhala SPV loan facilities[1]	Amakhala SPV loan facilities[2]
Remaining nominal amount outstanding (Rm)	2022	1 801	2 610	141
	2021	1 870	2 686	145
Undrawn portion (Rm)	2022	137	273	nil
	2021	121	273	nil
Debt assumed date		1 April 2020	1 April 2020	1 April 2020
Maturity date		31 December 2030	30 June 2031	30 June 2031
Capital payments		Semi-annual instalments ranging incrementally over the term from 0.18% to 10.65% of the nominal amount	Semi-annual instalments ranging incrementally over the term from 0.18% to 10.65% of the nominal amount	Semi-annual instalments ranging incrementally over the term from 0.18% to 10.65% of the nominal amount
Duration (months)		129	135	135
Secured or unsecured[3]		Secured	Secured	Secured
Interest				
Interest payment basis		Floating rate[4]	Floating rate[4]	Fixed rate[5]
Interest payment period		Semi-annual	Semi-annual	Semi-annual
Interest rate				
- Base rate		3-month JIBAR	3-month JIBAR	9.46% up to 30 June 2026, thereafter 3-month JIBAR
– Margin/all in margin range	2022	278 basis points (2.78%)	371 to 685 basis points (3.71% to 6.85%)	360 to 670 basis points (3.60% to 6.70%)
	2021	266 basis points (2.66%)	361 to 681 basis points (3.61% to 6.81%)	360 to 670 basis points (3.60% to 6.70%)

	2022	2021
[1] Comprising the following loan facilities at the specified all in margin:		
– Senior A and C	+3.75	+3.61
– Senior IFC	+3.71	+3.71
– Subordinate A and C	+6.85	+6.71
– Subordinate IFC	+6.81	+6.81
These margins are subject to variation.		
[2] Comprising the following loan facilities at the specified all in margin:		
- Senior B	+3.60	+3.60
- Subordinate B	+6.70	+6.70

[3] *Security held over the assets and share capital of Tsitsikamma SPV and Amakhala SPV respectively*

[4] *Interest payments are hedged from a floating rate to a fixed rate. Refer note 16.3.3.2.3.2*

[5] *The facility will become a floating rate facility from 30 June 2026.*

There were no financial covenants defaults or breaches in terms of the project financing during the reporting periods.

The project financing is subject to the following financial covenants which have been achieved for both 2022 and 2021:

Tsitsikamma SPV loan facility

- Historic debt service cover ratio[1] for the calculation period ending on a calculation date is not less than 1.10:1
- Minimum annual forecast debt service cover ratio for the next calculation period is not less than 1.10:1
- Loan life cover ratio[2] is not less than 1.15:1
- Project life cover ratio[3] is not less than 1.25:1

[1] *The ratio of A to B where, A is the aggregate cash flow available for debt service (CFADS) less taxes and B is the aggregate of the finance costs, in each case for the relevant calculation period.*
[2] *The ratio of A to B where, A is the net present value of forecast CFADS from such calculation date to (and including) the final scheduled repayment date, discounted at the discount rate (as produced by the financial model) and B is the aggregate of the facility outstanding on such calculation date.*
[3] *The ratio of A to B where, A is the net present value of forecast CFADS from such calculation date to the end of the tenor of the PPA discounted at the discount rate and B is the aggregate of facility outstanding as at such calculation date.*

12.1 DEBT continued

12.1.4 Salient terms and conditions of interest-bearing borrowings

Amakhala SPV loan facilities

- Projected senior debt service cover ratio[1] for the immediately following measurement period is not less than 1.10 : 1
- Historic senior debt service cover ratio[1] for the immediately preceding measurement period is not less than 1.10 : 1
- Senior loan life cover ratio[2], as at each measurement date, is not less than 1.15 : 1
- Senior project life cover ratio[2], as at each measurement date, is not less than 1.30 : 1
- Projected total debt service cover ratio[3] for the immediately following measurement period is not less than 1.05 : 1
- Historic total debt service cover ratio[3] for the immediately preceding measurement period is not less than 1.05 : 1
- Total loan life cover ratio[4], as at each measurement date, is not less than 1.10 : 1
- Total project life cover ratio[4], as at each measurement date, is not less than 1.20 : 1

[1] The ratio of CFADS to senior debt service for that period.
[2] The ratio of the applicable total present value amount, as at that measurement date to the sum of (i) the senior facility outstanding and (ii) all the IFC facility outstanding, as calculated and produced by the financial model, as part of the forecast for that measurement date.
[3] The ratio of CFADS to total senior debt service for that period.
[4] The ratio of the applicable total present value amount, as at that measurement date to total facility outstanding, as calculated and produced by the financial model, as part of the forecast for that measurement date.

		DMTN Programme (bonds)	
	Year	**R357 million senior unsecured floating rate note[1]**	**R643 million senior unsecured floating rate note**
Aggregate nominal amount (Rm)	2022		643
	2021	357	643
Issue date or draw down date		13 June 2019	13 June 2019
Maturity date		13 June 2022	13 June 2024
Capital payments		No fixed or determined payments, the total outstanding amount is payable on final maturity date	No fixed or determined payments, the total outstanding amount is payable on final maturity date
Duration (months)		36	60
Secured or unsecured		Unsecured	Unsecured
Interest			
Interest payment basis		Floating rate	Floating rate
Interest payment period		Three months	Three months
Interest rate			
- Base rate		3-month JIBAR	3-month JIBAR
- Margin		165 basis points (1.65%)	189 basis points (1.89%)

[1] Matured in June 2022.

12.1.5 Net cash/(debt)

	Group	
	2022 Rm	2021 Rm
Net cash/(debt) is presented by the following items on the statement of financial position:		
Non-current interest-bearing debt	(8 816)	(9 725)
Interest-bearing borrowings	(8 378)	(9 255)
Lease liabilities	(438)	(470)
Current interest-bearing debt	(755)	(1 034)
Interest-bearing borrowings	(715)	(1 000)
Lease liabilities	(40)	(34)
Net cash and cash equivalents	14 812	7 041
Cash and cash equivalents	14 812	7 042
Overdraft		(1)
Total net cash/(debt)	5 241	(3 718)

12.1 DEBT continued

12.1.5 Net cash/(debt) continued

Analysis of movement in net cash/(debt):

	Group			
		Liabilities arising from financing activities		
	Cash and cash equivalents/ (overdraft) Rm	Non-current interest-bearing debt Rm	Current interest-bearing debt Rm	Total Rm
Net debt at 31 December 2020	3 187	(7 954)	(6 200)	(10 967)
Cash flows	3 819	(2 750)	6 137	7 206
Operating activities	8 432			8 432
Investing activities	13 419			13 419
Financing activities	(18 032)	(2 750)	6 137	(14 645)
– Interest-bearing borrowings raised	4 725	(4 725)		
– Interest-bearing borrowings repaid	(8 076)	1 975	6 101	
– Distributions to NCI share option holders	(7)			(7)
– Dividends paid to NCI of Tsitsikamma SPV	(5)			(5)
– Loan from NCI repaid	(69)			(69)
– Lease liabilities paid	(36)		36	
– Dividends paid to owners of the parent	(9 557)			(9 557)
– Shares acquired in the market to settle share-based payments	(382)			(382)
– Shares repurchased including transaction expenses	(1 506)			(1 506)
– Dividends paid to NCI BEE Parties	(3 119)			(3 119)
Non-cash movements		979	(971)	8
Amortisation of transaction costs		(3)	(10)	(13)
Interest accrued			19	19
Lease remeasurements and modifications		(12)		(12)
Disposal of lease liabilities		7	8	15
New leases		(1)		(1)
Transfers between non-current and current liabilities		988	(988)	
Translation difference on movement in cash and cash equivalents	35			35
Net debt at 31 December 2021	7 041	(9 725)	(1 034)	(3 718)
Cash flows	7 783	225	990	8 998
Operating activities	14 410			14 410
Investing activities	3 990			3 990
Financing activities	(10 617)	225	990	(9 402)
– Interest-bearing borrowings repaid	(1 181)	225	956	
– Distributions to NCI share option holders	(1)			(1)
– Dividends paid to NCI of Tsitsikamma SPV	(37)			(37)
– Lease liabilities paid	(34)		34	
– Dividends paid to owners of the parent	(6 686)			(6 686)
– Shares acquired in the market to settle share-based payments	(441)			(441)
– Dividends paid to NCI BEE Parties	(2 237)			(2 237)
Non-cash movements		684	(711)	(27)
Amortisation of transaction costs			(6)	(6)
Interest accrued		(1)	(13)	(14)
Lease remeasurements and terminations		(7)		(7)
Transfers between non-current and current liabilities		692	(692)	
Translation difference on movement in cash and cash equivalents	(12)			(12)
Net cash at 31 December 2022	14 812	(8 816)	(755)	5 241

12.1 DEBT continued

12.1.5 Net cash/(debt) continued

	Company 2022 Rm	Company 2021 Rm
Net cash/(debt) is presented by the following items on the statement of financial position:		
Non-current interest-bearing debt	(4 410)	(5 112)
Interest-bearing borrowings	(4 034)	(4 704)
Lease liabilities	(376)	(408)
Current interest-bearing debt	(542)	(880)
Interest-bearing borrowings	(505)	(851)
Lease liabilities	(37)	(30)
Net cash and cash equivalents	13 366	4 867
Cash and cash equivalents	13 366	4 868
Overdraft		(1)
Total net cash/(debt)	8 414	(1 125)

	Company	Liabilities arising from financing activities		
	Cash and cash equivalents/ (overdraft) Rm	Non-current interest-bearing debt Rm	Current interest-bearing debt Rm	Total Rm
Net debt at 31 December 2020	1 847	(3 180)	(6 076)	(7 409)
Cash flows	3 020	(2 750)	6 024	6 294
Operating activities	14 417			14 417
Investing activities	7 342			7 342
Financing activities	(18 739)	(2 750)	6 024	(15 465)
– Interest-bearing borrowings raised	4 725	(4 725)		
– Interest-bearing borrowings repaid	(7 975)	1 975	6 000	
– Lease liabilities paid	(24)		24	
– Dividends paid	(13 721)			(13 721)
– Shares repurchased including transaction expenses	(1 506)			(1 506)
– Shares acquired in the market to settle share-based payments	(238)			(238)
Non-cash movements		818	(828)	(10)
Amortisation of transaction costs		(3)	(10)	(13)
Interest accrued			9	9
Lease remeasurements		(7)		(7)
Transfers between non-current and current liabilities		827	(827)	
Other		1		1
Net debt at 31 December 2021	4 867	(5 112)	(880)	(1 125)
Cash flows	8 511	225	836	9 572
Operating activities	18 671			18 671
Investing activities	861			861
Financing activities	(11 021)	225	836	(9 960)
– Interest-bearing borrowings repaid	(1 032)	225	807	
– Lease liabilities paid	(29)		29	
– Dividends paid	(9 669)			(9 669)
– Shares acquired in the market to settle share-based payments	(291)			(291)
Non-cash movements		477	(498)	(21)
Amortisation of transaction costs			(6)	(6)
Interest accrued			(10)	(10)
Lease remeasurements		(5)		(5)
Transfers between non-current and current liabilities		482	(482)	
Translation difference on movement in cash and cash equivalents	(12)			(12)
Net cash at 31 December 2022	13 366	(4 410)	(542)	8 414

12.1 DEBT continued

12.1.6 Notes to the statements of cash flows relating to net financing costs paid

For the year ended 31 December	Note	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Interest received		650	217	566	150
Finance income	12.1.2	694	239	566	157
Non-cash flow items					
– Interest income accrued not yet received		(43)	(18)		(7)
– Reimbursement of interest income on environmental rehabilitation funds	12.1.2	6	4		
– Finance lease interest income adjustment	12.1.2	(7)	(8)		
Interest paid		(982)	(1 017)	(3 498)	(2 191)
Finance costs	12.1.2	(1 052)	(860)	(3 517)	(2 198)
Non-cash flow items					
– Unwinding of discount rate on rehabilitation costs	13,3	228	242	3	3
– Recovery of unwinding of discount rate on rehabilitation costs	12.1.2	(30)	(32)		
– Amortisation of transaction costs	12.1.2	6	13	6	13
– Borrowing costs capitalised	12.1.2	(82)	(307)		
– Unrealised fair value gain on interest rate swaps designated as cash flow hedges: recycled from OCI	12.1.2	(66)	(55)		
– Finance costs capitalised to loans less finance costs paid and interest accrued not yet paid		14	(18)	10	(9)
Net financing costs paid		(332)	(800)	(2 932)	(2 041)

12.1.7 Financial liabilities composition

At 31 December	Note	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Non-current					
Derivative financial liabilities designated as hedging instruments		112	406		
– Cash flow hedge derivatives: interest rate swaps[1]		112	406		
Total non-current financial liabilities	16.3	112	406		
Current					
Financial liabilities at FVPL		5			
– Derivative financial liabilities		5			
Financial liabilities at amortised cost				12 059	9 746
– Non-interest-bearing loans from subsidiaries[2]	17.5			85	76
– Treasury facilities with subsidiaries[3]	17.5			11 974	9 670
Total current financial liabilities	16.3	5		12 059	9 746
Total financial liabilities		117	406	12 059	9 746

[1] *Refer note 16.3.3.2.3.2.*
[2] *Loans granted by subsidiary companies which are interest free, unsecured and repayable on demand.*
[3] *Treasury facilities with subsidiary companies have no repayments terms and are repayable on demand. Interest is charged at money market rates.*

12.1 DEBT continued

12.1.8 Other liabilities composition

At 31 December	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Non-current				
Income received in advance	26	26		
Total non-current other liabilities	26	26		
Current				
Termination benefits		82		36
Leave pay	234	241	25	34
Bonuses[1]	362	481	161	139
VAT	61	26	5	14
Royalties		73		
Carbon tax	3	2		
Customer advance payments	3			
Other	107	89	29	12
Total current other liabilities	770	994	220	235
Total other liabilities	796	1 020	220	235

[1] *From 1 January 2022, Exxaro implemented a new short-term incentive scheme, which comprises the GIS and LOS incentive schemes.*

12.2 EQUITY

12.2.1 Accounting policy relating to share capital

Where any company within the Exxaro group of companies purchase Exxaro shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the group's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental costs and the related income tax effects, is included in equity attributable to the group's equity holders.

The shares are listed on the JSE, with one vote per share, and shareholders are entitled to dividends declared from time to time.

12.2.2 Share capital

At 31 December	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Authorised				
500 000 000 (2021: 500 000 000) ordinary shares of R0.01 each[1]	5	5	5	5
Issued and fully paid				
349 305 092 (2021: 349 305 092) ordinary shares of R0.01 each	3	3	3	3
Share premium	11 224	11 224	11 224	11 224
Treasury shares held by Eyesizwe	(10 242)	(10 242)		
Treasury shares held by Kumba Resources Management Share Trust	(2)	(2)		
Total share capital	983	983	11 227	11 227
[1] *Authorised unissued ordinary shares at year end:*			*150 694 908*	*150 694 908*

Treasury shares in issue	Group Number of shares 2022	Group Number of shares 2021
Held by Kumba Resources Management Share Trust	158 218	158 218
Held by Eyesizwe	107 612 026	107 612 026
Treasury shares in issue at end of the year	107 770 244	107 770 244

Exxaro's issued ordinary shares, net of treasury shares were 241 534 848 on 31 December 2022 (2021: 241 534 848).

Refer to the notice of the AGM in the summarised group annual financial statements for the year ended 31 December 2022 and notice of the AGM for resolutions pertaining to the unissued ordinary shares under the control of the directors until the forthcoming AGM.

Exxaro has no unlisted securities.

12.2 EQUITY continued

12.2.3 Share repurchases

Exxaro had no share repurchase transactions during 2022. During 2021, Exxaro embarked on and concluded a share repurchase programme of R1.5 billion. The total number of ordinary shares repurchased was 9 401 662 ordinary shares, representing 2.62% of Exxaro's issued ordinary shares prior to the share repurchase programme. The ordinary shares were repurchased at an average price of R159.55 per share.

CHAPTER 13:
Provisions and contingencies

CHAPTER 13:
Provisions and contingencies

13.1 ACCOUNTING POLICIES RELATING TO PROVISIONS AND CONTINGENCIES

Provision is made for future cost of environmental rehabilitation consisting of activities relating to restoration, decommissioning as well as cost of residual impact at a rehabilitated mine after final closure, restoration and decommissioning have been completed. Estimates are based on unscheduled closure cost that are reviewed internally every six months and by external consultants every three years or earlier, should the level of risk require such external review. Where provision is made for dismantling of assets and site restoration cost, an asset of similar initial value is raised and depreciated in accordance with the accounting policy for property, plant and equipment.

Contributions are made to the environmental rehabilitation funds to provide for funding of cost relating to the residual impact at each mine after closure, rehabilitation and decommissioning have been completed. The environmental rehabilitation funds are consolidated.

13.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

Environmental rehabilitation

Estimates are made in determining the present liability of the environmental rehabilitation obligation consisting of a restoration provision, decommissioning provision and a residual impact provision. Each of these provisions are based on an estimate of unscheduled closure cost on reporting date, inflation and discount rates relevant to the calculation and the expected date of closure of mining activities in determining the present value of the total environmental rehabilitation liability.

On 20 November 2015, the FPR:2015 was promulgated by the Minister of Environmental Affairs for South Africa as replacement of financial provisioning and rehabilitation legislation contained in the MPRDA and NEMA. After promulgation of the FPR:2015, the DEA met with various stakeholders who sought clarification on a number of issues. This resulted in amended regulations pertaining to the financial provisioning for prospecting, exploration, mining or production operations which were issued on 10 November 2017.

On 21 September 2018, the Minister of Environmental Affairs for South Africa amended the FPR:2015 by extending the transitional period from 19 February 2019 to 19 February 2020. All holders of mining or exploration rights or permits therefore would have had to comply with the financial provisioning requirements in terms of the MPRDA until 20 February 2020 when the FPR:2015 would come into effect. However, the revised FPR:2015 has not been finally promulgated by the DEA and the transitional period has now been extended to 19 September 2023.

The obligation to ensure that water is treated according to statutory requirements is specifically included in the scope of both internal and external reviews of closure cost. Cost relating to water treatment which is expected within a 20-year window period from date of cessation of production, is quantified and included in the environmental rehabilitation provisions for relevant mines. The majority of the cost relating to water treatment is included in the provision for residual impact. Where necessary, the cost associated with constructing a water treatment plant has also been included. Any water treatment cost incurred at current operating mines is included in profit or loss in the year to which it relates.

Discounting of the cost relating to unscheduled closure on reporting date is calculated over the expected LoM of each mine. The LoM is based on remaining reserves at each mine as well as the level of complexity to perform mining activities at these reserves.

The assumption that post-closure rehabilitation will take place over a period of five years resulted in discounting of the costs included in the residual impact provision to be calculated over the expected remaining LoM and an additional five years for post-closure activities to be completed.

Other site closure cost

The provision includes estimates for plant and facility closures, dismantling cost and employee termination cost, in terms of announced restructuring plans. Provision is made on a piecemeal basis only for those restructuring obligations supported by a formally approved plan.

The provision includes social and labour costs for mines closing in the near future in terms of approved social and labour plans for these sites.

13.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES continued

Key assumptions

	At 31 December 2022 %	At 31 December 2021 %
Long-term PPI	4.8	4.5
Risk-free discount rate		
– Period of discounting: 1 to 5 years	8.91	8.04
– Period of discounting: 6 to 15 years	11.08	10.25
– Period of discounting: 16 to 30 years	11.60	10.86

Sensitivities

Sensitivities calculated on changes in the discount rate, based on unscheduled closure cost on 31 December each year, are as follows:

	At 31 December 2022 Rm	At 31 December 2021 Rm
Increase/(decrease) in net operating profit:		
Resulting from a 1% increase in discount rate	195	205
Resulting from a 1% decrease in discount rate	(218)	(230)
Increase/(decrease) in environmental rehabilitation provisions:		
Resulting from a 1% increase in discount rate	(300)	(315)
Resulting from a 1% decrease in discount rate	338	355

13.3 PROVISIONS

		Group					
		Environmental rehabilitation					
	Note	Restoration Rm	Decommissioning Rm	Residual impact Rm	Other site closure cost Rm	Other[1] Rm	Total Rm
At 31 December 2022							
At beginning of the year		1 479	350	407	56	10	2 302
Charge/(reversal) to operating expenses	6.1.3	81	(72)	385	80		474
– Additional provisions		116		390	80		586
– Unused amounts reversed		(35)	(72)	(5)			(112)
Unwinding of discount rate on rehabilitation costs	12.1.2	148	37	43			228
Provisions capitalised to property, plant and equipment	10.1.3		(10)				(10)
Utilised during the year		(15)		(3)	(18)	(6)	(42)
Utilised not yet paid		(11)					(11)
Total provisions at end of the year		1 682	305	832	118	4	2 941
Non-current		1 565	305	800	92		2 762
Current		117		32	26	4	179

[1] *Relates to a constructive obligation created with certain BEE minorities within the Cennergi group to receive distributions in proportion to their percentage interest prior to their in-substance share options being exercised.*

13.3 PROVISIONS continued

		Group					
		Environmental rehabilitation					
	Note	Restoration Rm	Decommis-sioning Rm	Residual impact Rm	Other site closure cost Rm	Other[1] Rm	Total Rm
At 31 December 2021							
At beginning of the year		1 420	295	323	79	14	2 131
(Reversal)/charge to operating expenses	6.1.3	(46)	(11)	63	(1)	(1)	4
– Additional provisions		122	10	109			241
– Unused amounts reversed		(168)	(21)	(46)	(1)	(1)	(237)
Unwinding of discount rate on rehabilitation costs	12.1.2	161	36	44		1	242
Provisions capitalised to property, plant and equipment	10.1.3		32				32
Utilised during the year		(14)		(6)	(24)	(4)	(48)
Reclassification to non-current liabilities held-for-sale		(42)	(2)	(17)	2		(59)
Total provisions at end of the year		1 479	350	407	56	10	2 302
Non-current		1 408	350	398	43	2	2 201
Current		71		9	13	8	101

[1] *Relates to a constructive obligation created with certain BEE minorities within the Cennergi group to receive distributions in proportion to their percentage interest prior to their in-substance share options being exercised.*

		Company	
		Environmental rehabilitation	
	Note	Restoration Rm	Total Rm
At 31 December 2022			
At beginning of the year		39	39
Charge to operating expenses	6.1.3	7	7
– Unused amounts reversed		7	7
Unwinding of discount rate on rehabilitation costs	12.1.2	3	3
Total provisions at end of the year		49	49
Non-current		49	49

		Company	
		Environmental rehabilitation	
	Note	Restoration Rm	Total Rm
At 31 December 2021			
At beginning of the year		37	37
Reversal to operating expenses	6.1.3	(1)	(1)
– Unused amounts reversed		(1)	(1)
Unwinding of discount rate on rehabilitation costs	12.1.2	3	3
Total provisions at end of the year		39	39
Non-current		39	39

13.3 PROVISIONS continued

Funding

The FPR:2015 contains funding requirements in the form of financial guarantees as well as trust funds. Exxaro has financial guarantees per mine, which are ceded to the DMRE, as well as environmental trust funds.

The current funding excess compared to the present values of the environmental provisions is demonstrated as follows:

At 31 December	Note	Group 2022 Rm	Group 2021 Rm
Total environmental provisions		(2 819)	(2 236)
Present value of unscheduled restoration and decommissioning costs discounted over LoM		(1 987)	(1 829)
Present value of unscheduled post-closure residual impact costs discounted over LoM and five years of rehabilitation		(832)	(407)
Environmental rehabilitation funds in trust[1]	10.3.2	2 286	2 267
Financial guarantees ceded to the DMRE	13.4.1	3 606	3 606
Current funding excess		3 073	3 637

[1] *Includes both the environmental rehabilitation funds classified as financial assets at FVPL and financial assets at amortised cost.*

The table below demonstrates the undiscounted environmental rehabilitation cost in the event of immediate closure:

At 31 December	Group 2022 Rm	Group 2021 Rm
Estimated unscheduled restoration and decommissioning closure costs	(7 105)	(6 404)
Estimated unscheduled post-closure residual impact cost	(1 322)	(1 177)

13.4 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

13.4.1 Contingent liabilities

At 31 December	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Pending litigation and other claims[1]	313			
Operational guarantees[2]	3 834	3 834	206	206
– Financial guarantees ceded to the DMRE	3 606	3 606		
– Other financial guarantees	228	228	206	206
Total contingent liabilities	4 147	3 834	206	206

[1] *Relates to commercial disputes of which the outcome is uncertain.*
[2] *Includes guarantees to banks and other institutions in the normal course of business from which it is anticipated that no material liabilities will arise.*

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

Share of equity-accounted investments' contingent liabilities

At 31 December	Group 2022 Rm	Group 2021 Rm
Share of contingent liabilities of equity-accounted investments	1 354	1 564

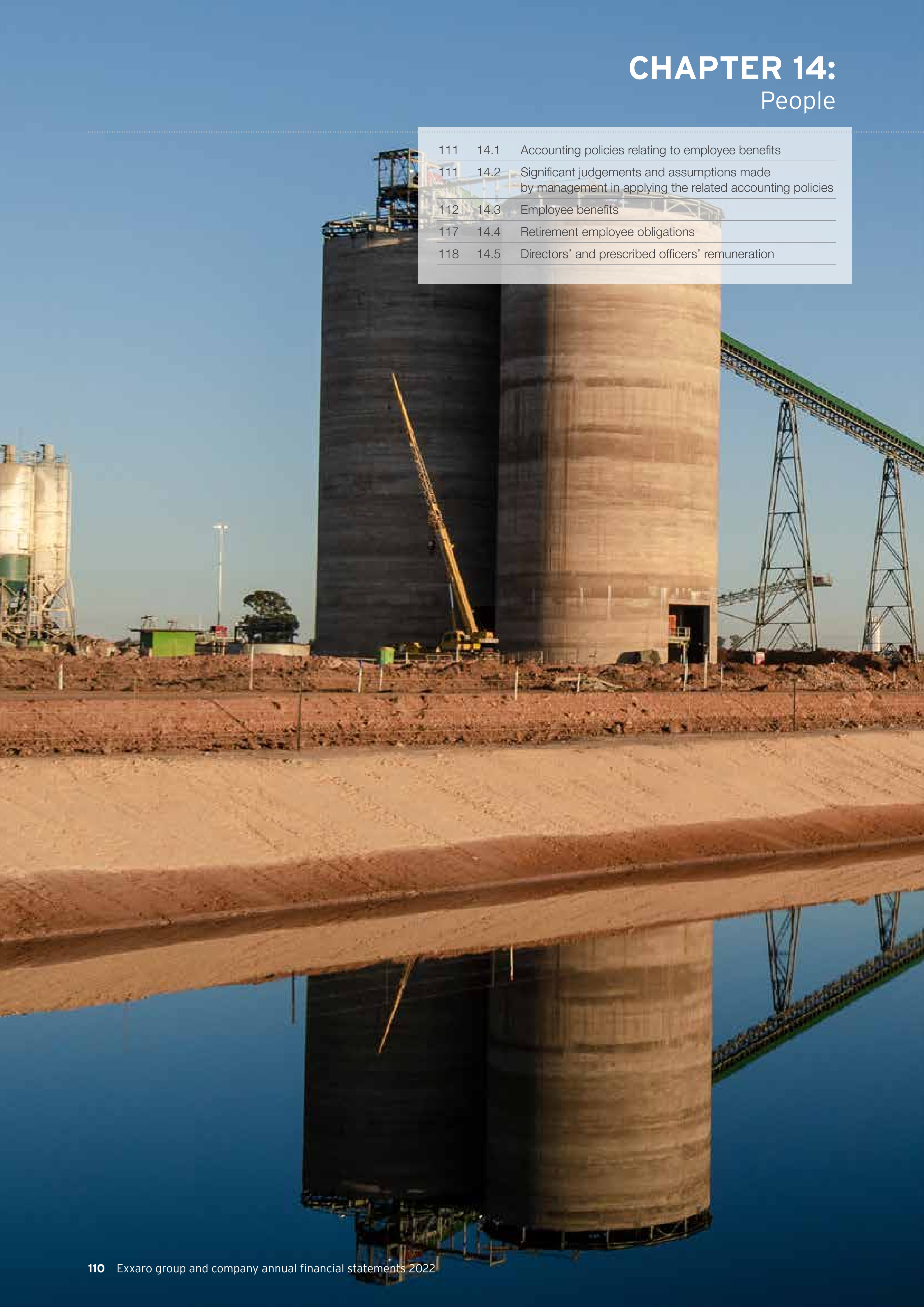
13.4.2 Contingent assets

At 31 December	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Back-to-back guarantees	134	134		
Other[1]	117	75		75
Total contingent assets	251	209		75

[1] *2022: Relates to performance guarantees issued to Exxaro in terms of various capital project agreements. 2021: Relates to guarantees issued to Exxaro which arose on the divestment of the ECC operation in terms of the SPA.*

The timing and occurrence of any possible inflows of the contingent assets are uncertain.

CHAPTER 14:
People



CHAPTER 14:
People

14.1 ACCOUNTING POLICIES RELATING TO EMPLOYEE BENEFITS

14.1.1 Retirement employment benefits

Defined contribution plans

Defined contribution retirement funds are provided for the benefit of employees, the assets of which are held in separate funds. These funds are funded by contributions from employees and the employer, taking account of the recommendations of independent actuaries. Employer contributions to the defined contribution funds are recognised in profit or loss in the year to which it relates.

Guarantees are not provided in respect of returns in the defined contribution funds.

Defined benefit obligations

A retirement medical contribution obligation exists for certain in-service and retired employees who are members of accredited medical aid funds. This benefit is no longer offered to employees. The liability is determined using the projected unit credit method. Remeasurements arising from experience adjustments and changes in actuarial assumptions are recognised immediately in OCI. Remeasurements recognised in OCI will not be reclassified to profit or loss. Net interest expense and other expenses related to the retirement medical contribution obligation are recognised in profit or loss.

14.1.2 Short and long-term benefits

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions, are recognised during the period in which the employee renders the related service.

The vesting portion of long-term benefits is recognised and provided for at reporting period, based on current total cost to company.

14.1.3 Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Termination benefits are recognised when a commitment has been demonstrated to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy which has been accepted by an employee. If the benefits fall due more than 12 months after the reporting date, they are discounted to present value.

14.1.4 Equity compensation benefits

Senior management, including executive directors and eligible employees, participate in the LTIP and DBP incentive schemes.

The LTIP and DBP are treated as equity-settled share-based payment schemes. The fair value is expensed over the vesting period of the instrument with a corresponding increase in equity. The fair value of these schemes are determined at grant date and subsequently reviewed at each reporting period only for changes in non-market performance conditions and employee attrition rates applicable to each scheme.

Exxaro has an agreement with its subsidiary companies to charge the subsidiaries for the equity compensation share schemes granted to the subsidiaries' employees.

The movement in equity in the company's financial statements relating to the recharge of the share-based payments of subsidiaries is accounted for against investments in subsidiaries and is eliminated on consolidation for group reporting purposes.

14.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

IFRS 2 *Share-Based Payment*

In applying IFRS 2 *Share-Based Payment*, management has made certain judgements in respect of the fair value option pricing models to be used in determining the various share-based payment arrangements in respect of employees, as well as the variable elements used in these models.

For share-based payments with employees, estimates are made in determining the fair value of equity instruments granted. Assumptions are used in the valuation models and include assumptions regarding future dividend yield, risk-free rate, expected employee attrition rate, expected share volatility and expected option life and TSR vesting condition (refer note 14.3.4).

IAS 19 *Employee Benefits*

In applying IAS 19 *Employee Benefits*, management is required to make judgements when determining the classification of each scheme, such judgements include the identification as to the nature of benefits provided by each scheme.

For defined benefit schemes, management is required to make estimates and assumptions about the discount rate, future remuneration changes, employee attrition rates, administration costs, changes in benefits, medical cost trends, inflation rates, exchange rates and life expectancy. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries (refer note 14.4).

14.3 EMPLOYEE BENEFITS

14.3.1 Retirement funds

Independent funds provide retirement and other benefits for all permanent employees, retired employees and their dependants.

At the end of the financial year, the main defined contribution retirement funds were:

- Exxaro Pension and Provident Fund
- Mine Workers Provident Fund
- Sentinel Retirement Fund

Bargaining unit employees pay a contribution of 8% with the employer's contribution of 15% to the above funds being expensed as incurred.

Other members generally pay a contribution of 7% with the employer's contribution of 10% to the above funds being expensed as incurred.

All funds are registered in South Africa and are governed by the South African Pension Funds Act of 1956.

Defined contribution funds

Employer contributions to each fund were as follows:

	Group	
	2022 Rm	**2021 Rm**
Exxaro Pension and Provident Fund	192	187
Mine Workers Provident Fund	60	56
Sentinel Retirement Fund	76	57
Other funds		7
Total employer contributions	328	307

	Company	
	2022 Rm	**2021 Rm**
Exxaro Pension and Provident Fund	39	40
Sentinel Retirement Fund	3	1
Total employer contributions	42	41

14.3.2 Medical aid

Contributions are made to defined contribution medical aid schemes for the benefit of permanent employees and their dependents who choose to belong to one of a number of employer accredited schemes. The contributions expensed in profit or loss amount to R181 million (2021: R161 million).

14.3.3 Short-term incentives

14.3.3.1 Financial reporting periods from 1 January 2022

The following short-term incentive (STI) schemes are in place:

- Group incentive scheme (GIS)
- Line of sight (LOS) incentive schemes

GIS salient features

Participants to the GIS include all executive to middle management level employees (FU to DM Patersen) in the group functions and coal business, as well as employees in group functions (DL Patersen and below).

The scheme rewards the achievement of annual goals, which in turn are aligned to the medium and longer-term business strategy. All participants will receive payments that reflect annual achievements when performance targets and funding requirements are met.

In the case of Paterson D band and below participants, an interim payment reflective of the business performance portion only, may be made at the half-year mark. This will be offset against the resultant annual payment due.

Following the benchmarking of the targeted STI percentages (as a percentage of NCOE) for participant roles and grades, relative to the market, the following STI percentages have been adopted.

14.3 EMPLOYEE BENEFITS continued

14.3.3 Short-term incentives continued

14.3.3.1 Financial reporting periods from 1 January 2022 continued

GIS salient features continued

STI percentages:

Paterson grade	STI % Target	STI % Maximum
F upper	100	150
F middle	75	112.5
F lower	75	112.5
E upper	60	90
E middle	50	75
E lower	35	52.5
D upper	35	52.5
D middle	25	37.5
D lower	15	22.5
A-C band	12.5	18.75

These new STI percentages consolidate the previous fragmented allocation of tier 1, tier 2 and the special performance reward (SPR) into a single applicable STI percentage per Paterson grade for the scheme. The targeted STI quantum (by grade) is apportioned in the ratio 80% to business performance, and 20% to individual performance. The performance range for either element varies from 0% to 150% of the targeted STI quantum.

The further apportionment of the 80% business performance for the participants is disclosed below.

Apportionment of STI quantum at target:

	Business performance				
Grouping	Exxaro Group	Group function	Division	Operations	Individual performance
CEO and direct reports	30% to 80%	0% to 30%	0% to 50%		20%
Divisional	0% to 30%		30% to 80%	0% to 50%	20%
Coal business			0% to 30%	50% to 80%	20%
Group functions	30%	50%			20%

The business scorecards embed the business priorities appropriately at Exxaro group, group functional and operational levels. The table below provides an overview of the goals and relative impact it has in the potential outcome of each business scorecard. The resultant outcome is re-weighted to 80%.

Business performance scorecard goals and weight:

Overall structure	Weight	Generic drivers	Exxaro group	Group function	Operations
Financial, operational and strategic	75%	EBITDA	50%	50%	0% to 50%
		Other financial	15%	10%	15% to 45%
		Operational and strategic	10%	15%	10% to 30%
Safety and climate change	25%	Safety	10%	10%	10%
		Water intensity	7.5%	7.5%	7.5%
		Energy efficiency	7.5%	7.5%	7.5%
Overall scorecard total			100%	100%	100%

The revised individual performance contract is assessed on a standardised one to five rating scale. The year-to-date rating will translate to a portion allocated to individual performance.

LOS salient features

LOS schemes are applicable to the operating business units only. The participants in these schemes include permanent employees, in roles graded at and below DL Paterson, based at the operations.

The measurement and payment cycles align with monthly and quarterly reporting periods. Participants are incentivised to deliver consistent, safe and quality production volumes.

14.3 EMPLOYEE BENEFITS continued

14.3.3 Short-term incentives continued

14.3.3.2 Financial reporting periods prior to 1 January 2022

The following schemes based on individuals, business unit, commodity and group-level performance are in place:

- Individual performance reward
- A two-tier performance incentive, namely:
  - On-target business unit incentive (first tier)
  - Commodity business and group improvement incentive (second tier).

Individual performance reward

A short-term incentive scheme focused on the individual is used to augment the performance management process and retention strategy across junior to senior management levels of employment.

The two-tier performance incentive

First tier

The first tier is a line-of-sight incentive based on achieving 100% of a combination of the business unit's net operating profit and production targets and is currently equal to 8.33% of annual gross remuneration for all full-time employees of every business unit, commodity, services and corporate office department.

Second tier

The second tier is based on exceeding a combination of budgeted consolidated net operating profit and production targets by an improvement percentage at commodity business unit and group level. The second tier is profit-based and 30% of gains above budget are shared with employees.

14.3.4 Equity compensation benefits

Equity compensation benefits are provided to selected employees through the following share-based payment schemes:

LTIP

An LTIP is a conditional award of Exxaro shares offered to qualifying senior employees. The shares vest after three years subject to certain performance conditions being met. The extent to which the performance conditions are met governs the number of shares that vest. The LTIP is an equity-settled share-based payment scheme.

Participants in the 2022 and 2021 LTIP grant obtained the right (provided performance conditions are met) to receive a number of Exxaro shares. The vesting of the award is based on:

- 33.33%: ROCE of the group and is calculated for a minimum and maximum performance condition
- 33.33%: The TSR of the group and is calculated for a minimum and maximum performance condition
- 33.34%: The achievement of ESG targets based on the FTSE Russel Index

Performance between these targets will result in proportional vesting which will be calculated using a linear sliding scale between the minimum and maximum performance conditions. Grants have a vesting period of three years at which the performance conditions are calculated.

DBP

The aim of the DBP is to encourage executive directors and senior management to sacrifice a part of their bonuses for the purpose of acquiring shares in the company in exchange for an upliftment in the number of shares received. Participants may sacrifice a percentage of their (post-tax) bonus in exchange for Exxaro shares at the ruling market price. The pledged shares are then held in trust for a three-year period, thus until the vesting date of the matching award. At vesting date, the company will make an additional award of shares by matching the shareholding on a one-for-one basis (matching award). Participants will consequently become unconditionally entitled to both the original pledged shares as well as the matching award of shares.

A participant may elect to dispose of and withdraw the pledged shares from the scheme at any stage. However, if the pledged shares are withdrawn before the expiry of the pledge period, the participant forfeits the matching award. The DBP is an equity-settled share-based payment scheme.

14.3 EMPLOYEE BENEFITS continued

14.3.4 Equity compensation benefits continued

Details of the schemes:

Number of instruments		LTIP 2022 '000	LTIP 2021 '000	DBP 2022 '000	DBP 2021 '000
Outstanding at beginning of the year		8 376	9 112	191	215
Issued during the year[1]		2 002	2 688	41	63
Exercised during the year		(1 868)	(2 080)	(75)	(87)
Lapsed/cancelled during the year		(1 156)	(1 344)	(24)	
Outstanding at end of the year		7 354	8 376	133	191
Terms of outstanding instruments at end of the year	Expiry date				
	2022		2 265		58
	2023	3 426	3 791	60	76
	2024	2 104	2 320	45	57
	2025	1 824		28	
		7 354	8 376	133	191
Total value of shares outstanding (Rm)		1 596	1 280	29	29

[1] *Included in 2021 is a 3.24% grant top-up instruments relating to the 2018, 2019 and 2020 schemes. The top-up grants were issued with the same terms and performance conditions as the respective original grants.*

14.3 EMPLOYEE BENEFITS continued

14.3.4 Equity compensation benefits continued

Fair value of equity compensation instruments

In determining the fair value of services received as consideration for equity instruments, measurement is referenced to the fair value of the equity instrument granted.

During the current year, two new DBPs and one new LTIP have been granted.

The conditional matching awards granted in terms of the DBP are the economic equivalent of granting an Exxaro share at no consideration, but without dividend rights for the period from the grant date to vesting date. Therefore, the value of the DBP is equal to the grant date share price less the present value of the future dividends expected to be granted over the term of the scheme, multiplied by the pledged shares in trust.

The value of the LTIP is the economic equivalent of granting an Exxaro share at no consideration, but without dividend rights for the period from the grant date to vesting date. Therefore, the value of the LTIP is equal to the grant date share price, less the present value of the future dividends expected to be granted over the term of the scheme. In determining the fair value, a Monte Carlo simulation model has been used to take into account the market vesting condition (TSR target). The non-market vesting conditions (ROCE and ESG targets) are taken into account when determining the number of options expected to vest.

The volatility input into the LTIP valuation model is determined by using a historical approach, which uses the historical price data of the underlying shares. The historical period used to determine the volatility is equal in length to the period from the valuation date up to and including the maturity date.

The key assumptions are summarised as follows:

	2022	2021
Average fair value for grants during the year (R):		
LTIP	136.46	98.02
DBP	148.67	95.74
Inputs to the valuation models for:		
LTIP		
– Share price at valuation date (R)	230.23	175.47
– Weighted average option life (years)	3	3
– Semi-annual dividend yield (%)	5.08 to 6.75	6.77 to 9.45
– Risk-free interest rate (%)	6.39	4.98
– Exxaro equity equally weighted volatility (%)	40.53	40.86
– TSR peer companies equally weighted volatility (%)	50.24	56.66
DBP		
– Share price at valuation date (R)	212.28 and 221.53	173.50 to 184.51
– Weighted average option life (years)	3	3
– Semi-annual dividend yield (%)	5.19 to 7.03	6.13 to 15.16
– Risk-free interest rate (%)	6.24 to 6.39	4.96 to 5.19

14.4 RETIREMENT EMPLOYEE OBLIGATIONS

Following the merger with Eyesizwe Proprietary Limited in November 2006 and the successful creation of Exxaro, the retirement healthcare benefit which was provided to a group of continuation and in-service members on the Witbank Coal Medical Aid Scheme was honoured. During 2017, Exxaro Coal Mpumalanga Proprietary Limited withdrew from the Witbank Coal Medical Aid Scheme and the members were moved to the Discovery Health Medical Scheme and Bonitas Medical Aid Scheme. This benefit, which is no longer offered, applied to certain employees previously employed by Eyesizwe Proprietary Limited or Ingwe Coal and comprises a subsidy of contributions.

Exxaro Coal Mpumalanga Proprietary Limited's contribution to the retirement healthcare benefit of employees for the year ended 31 December 2022 amounts to R8 million (2021: R8 million).

The obligation represents a present value amount, which is actuarially valued every two years. Any remeasurements are recognised in OCI.

The movement in the net defined benefit medical obligation over the year is summarised as follows:

		Group	
At 31 December	**Note**	**2022 Rm**	**2021 Rm**
At beginning of the year	6.1.3	159	147
Charge to operating expenses		9	12
– Current and past service costs		(1)	2
– Interest expense		20	19
– Expected employer benefit payments		(10)	(9)
Remeasurements[1]		(3)	
At end of the year		165	159

[1] *Tax on remeasurements amounts to nil (2021: nil).*

The defined benefit medical obligation is composed by country as follows:			
– RSA		165	159
Present value of unfunded obligations		165	159
The actuarial assumptions were as follows:			
Discount rate (%)		12.8	13.4
Healthcare cost inflation (%)		8.8	9.8
Expected retirement age (years)		60	60

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

14.5.1 Remuneration policy

The remuneration committee has a defined mandate from the board of directors aimed at:

- Ensuring that the chairman, directors and senior executives are fairly rewarded for their individual contributions to the group's overall performance
- Ensuring that the remuneration strategies and packages, including the incentive schemes, are related to performance, are suitably competitive and give due regard to the interests of the shareholders and the financial and commercial health of the group.

14.5.2 Summary of remuneration

	NCOE/guaranteed remuneration plus circumstantial			Short term incentives	Long term incentives
2022	**Basic salary R**	**Benefits and allowances[1] R**	**Retirement fund contributions R**	**Performance bonuses[2] R**	**Gains on management share schemes R**
Executive directors					
MDM Mgojo[7]	4 243 282	172 857	404 151	4 047 137	56 866 749
Dr N Tsengwa	6 724 009	261 271	562 520	7 866 142	7 715 608
PA Koppeschaar	5 651 855	190 830	476 590	5 307 320	10 272 043
Total executive directors' remuneration	16 619 146	624 958	1 443 261	17 220 599	74 854 400
Prescribed officers					
V Balgobind[8]	3 006 820	111 975	243 738		4 474 598
H Bhola[9]	2 214 142	130 034	210 588	1 414 817	2 024 471
AS De Angelis	3 136 377	71 341	227 210	1 765 318	1 433 425
L Groenewald[10]	3 210 129	229 515	312 735	2 301 752	4 148 534
PK Masia[11]	4 018 803		336 207	3 494 746	
JG Meyer	3 801 032	336 323	378 638	3 070 151	2 361 193
MI Mthenjane	3 837 510	98 234	321 040	2 834 229	4 006 111
AT Ndoni	2 446 471	51 445	177 231	1 484 294	
R Tatnall[12]	3 466 249	959 176		4 586 396	
M Veti	3 833 931		364 647	2 845 857	4 390 385
Total prescribed officers' remuneration	32 971 464	1 988 043	2 572 034	23 797 560	22 838 717

2022	Fees for services R	Benefits and allowances[1] R	Fees for services rendered to subsidiaries R	Total R
Non-executive directors				
Dr GJ Fraser-Moleketi	1 341 322			1 341 322
K Ireton[13]	550 142			550 142
B Magara[13]	550 577			550 577
B Mawasha[13]	655 316			655 316
IN Malevu	629 194			629 194
L Mbatha	652 318		88 136	740 454
Dr P Mnganga[13]	662 442			662 442
VZ Mntambo	652 754		116 696	769 450
LI Mophatlane	1 217 826	3 253		1 221 079
MLB Msimang	848 293			848 293
EJ Myburgh[14]	527 452			527 452
V Nkonyeni	1 067 868			1 067 868
CJ Nxumalo	1 028 084			1 028 084
MG Qhena (Chairman)	2 198 914	22 168		2 221 082
PCCH Snyders	1 177 614			1 177 614
Total non-executive directors' remuneration	13 760 116	25 421	204 832	13 990 369

[1] *Travelling reimbursement for visiting the various operations of the company during the year.*

Other						
Exit payment paid[3] R	Recognition[4] R	Other[5] R	Total remuneration R	Share-based payment expense[6] R	Gains on management share schemes R	Total remuneration expense R
8 424 684	6 260	225 220	74 390 340	3 860 458	(56 866 749)	21 384 049
	6 260		23 135 810	6 919 965	(7 715 608)	22 340 167
	6 260		21 904 898	5 227 294	(10 272 043)	16 860 149
8 424 684	18 780	225 220	119 431 048	16 007 717	(74 854 400)	60 584 365
1 238 828	6 260	279 121	9 361 340	(1 389 985)	(4 474 598)	3 496 757
	57 860		6 051 912	1 130 190	(2 024 471)	5 157 631
	6 260		6 639 931	1 898 044	(1 433 425)	7 104 550
	6 260	13 966	10 222 891	2 237 496	(4 148 534)	8 311 853
			7 849 756	1 749 882		9 599 638
	6 260		9 953 597	2 657 050	(2 361 193)	10 249 454
	6 260	99 417	11 202 801	2 394 111	(4 006 111)	9 590 801
		722 290	4 881 731	687 842		5 569 573
9 000 000		160 650	18 172 471			18 172 471
	6 260		11 441 080	2 540 937	(4 390 385)	9 591 632
10 238 828	95 420	1 275 444	95 777 510	13 905 567	(22 838 717)	86 844 360

1 *Includes leave days purchased as well as travel and acting allowances.*
2 *All incentive schemes are performance related and were approved by the board of directors.*
3 *Includes ex-gratia and mutual separation pay-outs.*
4 *Includes long service awards, zero-fatality and LTIFR rewards.*
5 *Includes leave encashments and retention allowances.*
6 *Amount recognised for share-based payment expenses, in terms of IFRS 2, in respect of equity-settled share-based payment schemes for services rendered during the year. The employee will only be entitled to the options once all vesting conditions have been met.*
7 *Retired on 31 July 2022.*
8 *Resigned on 30 November 2022.*
9 *Appointed as acting executive head: human resources on 13 September 2022. Remuneration information relates to the full year.*
10 *Appointed as acting managing director: energy on 16 August 2022. Remuneration information relates to the full year.*
11 *Appointed as managing director: minerals on 1 March 2022.*
12 *Resigned on 31 August 2022.*
13 *Appointed on 7 February 2022.*
14 *Retired on 25 May 2022.*

Retirement amounts relate to defined contribution retirement funds.

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.2 Summary of remuneration continued

	NCOE/guaranteed remuneration plus circumstantial			Short term incentives	Long term incentives
2021	**Basic salary R**	**Benefits and allowances[1] R**	**Retirement fund contributions R**	**Performance bonuses[2] R**	**Gains on management share schemes R**
Executive directors					
MDM Mgojo	6 947 131	291 500	662 456	4 079 336	22 856 637
Dr N Tsengwa[6]	5 366 990	211 657	449 202	2 840 928	7 241 197
PA Koppeschaar	5 235 563	301 917	460 447	3 018 760	9 441 112
Total executive directors' remuneration	17 549 684	805 074	1 572 105	9 939 024	39 538 946
Prescribed officers					
V Balgobind	3 204 409	60 225	244 952	1 520 708	4 526 565
AS De Angelis	2 986 668	60 442	216 365	1 414 066	4 214 814
JG Meyer	3 624 697	329 399	361 866	1 870 110	4 862 538
MI Mthenjane	3 667 531	93 883	306 820	1 762 768	5 324 051
AT Ndoni[7]	415 740		30 118	81 726	
R Tatnall[8]	4 548 281	1 108 848			
SE van Loggerenberg[9]	292 895	11 180	18 900		
M Veti	3 664 113		348 495	1 738 666	5 308 035
Total prescribed officers' remuneration	22 404 334	1 663 977	1 527 516	8 388 044	24 236 003

2021	**Fees for services R**	**Fees for services rendered to subsidiaries R**	**Total R**
Non-executive directors			
Dr GJ Fraser-Moleketi	1 348 895		1 348 895
IN Malevu[10]	264 307		264 307
L Mbatha	667 102	61 184	728 286
VZ Mntambo	694 100	108 012	802 112
MJ Moffett[11]	306 340	188 100	494 440
LI Mophatlane	923 897	46 234	970 131
MLB Msimang[12]	438 671		438 671
EJ Myburgh	1 217 809		1 217 809
V Nkonyeni	991 677	236 500	1 228 177
CJ Nxumalo[13]	616 741		616 741
MG Qhena (chairman)[14]	1 267 377		1 267 377
J van Rooyen[15]	878 214		878 214
PCCH Snyders	1 012 324		1 012 324
Total non-executive directors' remuneration	10 627 454	640 030	11 267 484

[1] *Includes leave days purchased as well as travel and acting allowances.*
[2] *All incentive schemes are performance related and were approved by the board of directors.*
[3] *Includes long service awards, zero-fatality and LTIFR rewards.*
[4] *Includes leave encashments and retention allowances.*
[5] *Amount recognised for share-based payment expenses, in terms of IFRS 2, in respect of equity-settled share-based payment schemes for services rendered during the year. The employee will only be entitled to the options once all vesting conditions have been met.*
[6] *Appointed to the board of directors on 16 March 2021.*
[7] *Appointed on 1 November 2021.*
[8] *Appointed on 10 March 2021, in terms of a fixed term employment contract.*
[9] *Resigned on 18 February 2021.*
[10] *Appointed on 22 June 2021.*
[11] *Resigned on 11 May 2021.*
[12] *Appointed on 15 March 2021.*
[13] *Appointed on 1 February 2021.*
[14] *Appointed on 19 April 2021.*
[15] *Retired on 27 May 2021.*

Retirement amounts relate to defined contribution retirement funds.

Other						
Exit payment paid R	Recognition[3] R	Other[4] R	Total remuneration R	Share-based payment expense[5] R	Gains on management share schemes R	Total remuneration expense R
	49 760	130 722	35 017 542	13 350 626	(22 856 637)	25 511 531
	5 760		16 115 734	5 592 894	(7 241 197)	14 467 431
	7 760		18 465 559	6 131 435	(9 441 112)	15 155 882
	63 280	130 722	69 598 835	25 074 955	(39 538 946)	55 134 844
	5 760	16 336	9 578 955	2 617 682	(4 526 565)	7 670 072
	5 760		8 898 115	1 846 234	(4 214 814)	6 529 535
	5 760		11 054 370	3 057 715	(4 862 538)	9 249 547
	9 460	44 974	11 209 487	2 807 310	(5 324 051)	8 692 746
		700 000	1 227 584	63 025		1 290 609
			5 657 129			5 657 129
2 437 970		37 970	2 798 915	(850 361)		1 948 554
	5 760		11 065 069	2 998 662	(5 308 035)	8 755 696
2 437 970	32 500	799 280	61 489 624	12 540 267	(24 236 003)	49 793 888

14.5.3 Interests in Exxaro shares

(i) Number of shares

	2022		2021	
Directors at 31 December	**Direct**	**Indirect**	**Direct**	**Indirect**
Beneficial interests				
PA Koppeschaar	68 846	7 374	63 781	11 415
MDM Mgojo			112 496	4 705 162
VZ Mntambo		4 448 839		4 448 839
Dr N Tsengwa	100 361	3 777	78 710	6 491

(ii) Percentages (direct and indirect)

Directors at 31 December	2022 %	2021 %
PA Koppeschaar	0.02	0.02
MDM Mgojo		1.38
VZ Mntambo	1.27	1.27
Dr N Tsengwa	0.03	0.02

There have been no changes in the directors' interests in Exxaro shares between the end of the financial year 2022 and the date on which the annual financial statements were approved.

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 Share options and restricted share awards

The following options and rights in shares in the company were exercised or are outstanding in favour of directors and prescribed officers of the company under the company's share option schemes:

Management share scheme – LTIP

2022	Rights held at 31 December[1] Number	Exercisable period	Proceeds if exercisable at 31 December[2] R	Pre-tax gain if exercisable at 31 December[2] R	MSR election[3] Number	Options exercised during the year Number	Shares forfeited[4] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors										
MDM Mgojo		01/04/2022				88 460	27 109	218.71	19 347 087	01/04/2022
		01/04/2023				91 055	89 974	219.76	20 010 247	22/08/2022
		01/04/2024				45 354	60 946	219.76	9 966 995	22/08/2022
		01/04/2025				7 926	81 055	219.35	1 738 568	01/09/2022
						232 795	259 084		51 062 897	
Dr N Tsengwa		01/04/2022				32 393	9 927	218.71	7 084 673	01/04/2022
	66 289	01/04/2023	14 405 263	14 405 263						
	80 115	01/04/2024	17 409 791	17 409 791						
	14 224	01/04/2025	3 091 017	3 091 017						
	78 093	01/04/2025	16 970 390	16 970 390						
	238 721		51 876 461	51 876 461		32 393	9 927		7 084 673	
PA Koppeschaar		01/04/2022				41 571	12 739	218.71	9 091 993	01/04/2022
	85 072	01/04/2023	18 486 996	18 486 996						
	49 954	01/04/2024	10 855 504	10 855 504						
	41 816	01/04/2025	9 087 035	9 087 035						
	176 842		38 429 535	38 429 535		41 571	12 739		9 091 993	
Prescribed officers										
V Balgobind		01/04/2022				17 558	5 380	218.71	3 840 110	01/04/2022
		01/04/2023					35 930			
		01/04/2024					20 503			
		01/04/2025					17 163			
						17 558	78 976		3 840 110	
H Bhola		01/04/2022				8 340	2 555	218.71	1 824 041	01/04/2022
	17 065	01/04/2023	3 708 395	3 708 395						
	10 447	01/04/2024	2 270 238	2 270 238						
	8 828	01/04/2025	1 918 413	1 918 413						
	36 340		7 897 046	7 897 046		8 340	2 555		1 824 041	
AS De Angelis		01/04/2022			1 638	6 554	2 510	218.71	1 433 425	01/04/2022
	33 410	01/04/2023	7 260 327	7 260 327						
	19 066	01/04/2024	4 143 232	4 143 232						
	15 960	01/04/2025	3 468 268	3 468 268						
	68 436		14 871 827	14 871 827	1 638	6 554	2 510		1 433 425	
L Groenewald		01/04/2022				16 128	4 942	218.71	3 527 355	01/04/2022
	33 002	01/04/2023	7 171 665	7 171 665						
	19 175	01/04/2024	4 166 919	4 166 919						
	16 832	01/04/2025	3 657 762	3 657 762						
	69 009		14 996 346	14 996 346		16 128	4 942		3 527 355	
PK Masia	34 170	01/04/2025	7 425 483	7 425 483						
	34 170	01/04/2025	7 425 483	7 425 483						
	68 340		14 850 966	14 850 966						
JG Meyer		01/04/2022			10 796	10 796	6 617	218.71	2 361 193	01/04/2022
	44 185	01/04/2023	9 601 842	9 601 842						
	25 214	01/04/2024	5 479 254	5 479 254						
	21 107	01/04/2025	4 586 762	4 586 762						
	90 506		19 667 858	19 667 858	10 796	10 796	6 617		2 361 193	
MI Mthenjane		01/04/2022			2 035	18 317	6 237	218.71	4 006 111	01/04/2022
	41 649	01/04/2023	9 050 744	9 050 744						
	23 767	01/04/2024	5 164 807	5 164 807						
	19 895	01/04/2025	4 323 382	4 323 382						
	85 311		18 538 933	18 538 933	2 035	18 317	6 237		4 006 111	
AT Ndoni	12 165	01/11/2024	2 643 576	2 643 576						
	9 296	01/04/2025	2 020 114	2 020 114						
	21 461		4 663 690	4 663 690						
M Veti		01/04/2022				20 074	6 152	218.71	4 390 385	01/04/2022
	41 080	01/04/2023	8 927 095	8 927 095						
	23 442	01/04/2024	5 094 181	5 094 181						
	19 623	01/04/2025	4 264 274	4 264 274						
	84 145		18 285 550	18 285 550		20 074	6 152		4 390 385	

[1] *Option strike price is nil.*
[2] *Based on a share price of R217.31 which prevailed on 31 December 2022.*
[3] *Election to transfer shares arising from the vested options to the MSR portfolio.*
[4] *Shares forfeited due to performance conditions not being fully met.*

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 Share options and restricted share awards continued

Management share scheme – LTIP continued

2021	Rights held at 31 December[1] Number	Exercisable period	Proceeds if exercisable at 31 December[2] R	Pre-tax gain if exercisable at 31 December[2] R	Modification during the year Number	Options exercised during the year Number	Shares forfeited[3] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors										
MDM Mgojo		01/04/2021				107 989	53 985	177.96	19 217 722	15/04/2021
		01/04/2021			5 248	3 499	1 749	174.39	610 191	23/09/2021
	115 569	01/04/2022	17 667 033	17 667 033	3 627					
	181 029	01/04/2023	27 673 903	27 673 903	5 682					
	106 300	01/04/2024	16 250 081	16 250 081						
	402 898		61 591 017	61 591 017	14 557	111 488	55 734		19 827 913	
Dr N Tsengwa		01/04/2021				39 177	19 585	177.96	6 971 939	15/04/2021
		01/04/2021			1 904	1 270	634	174.39	221 475	23/09/2021
	42 320	01/04/2022	6 469 458	6 469 458	1 329					
	66 289	01/04/2023	10 133 599	10 133 599	2 081					
	80 115	01/04/2024	12 247 180	12 247 180						
	188 724		28 850 237	28 850 237	5 314	40 447	20 219		7 193 414	
PA Koppeschaar		01/04/2021				50 701	25 346	177.96	9 022 750	15/04/2021
		01/04/2021			2 464	1 643	821	174.39	286 523	23/09/2021
	54 310	01/04/2022	8 302 370	8 302 370	1 705					
	85 072	01/04/2023	13 004 957	13 004 957	2 670					
	49 954	01/04/2024	7 636 468	7 636 468						
	189 336		28 943 795	28 943 795	6 839	52 344	26 167		9 309 273	
Prescribed officers										
V Balgobind		01/04/2021				21 434	10 714	177.96	3 814 395	15/04/2021
		01/04/2021			1 042	695	347	174.39	121 201	23/09/2021
	22 938	01/04/2022	3 506 532	3 506 532	720					
	35 930	01/04/2023	5 492 619	5 492 619	1 128					
	20 503	01/04/2024	3 134 294	3 134 294						
	79 371		12 133 445	12 133 445	2 890	22 129	11 061		3 935 596	
AS De Angelis		01/04/2021				9 954	4 976	177.96	1 771 414	15/04/2021
		01/04/2021				13 000	1 084	177.96	2 313 480	15/04/2021
		01/04/2021			457	422	35	174.39	73 593	23/09/2021
		01/04/2021			484	323	161	174.39	56 328	23/09/2021
	10 702	01/04/2022	1 636 015	1 636 015	336					
	33 410	01/04/2023	5 107 387	5 107 387	1 049					
	19 066	01/04/2024	2 914 619	2 914 619						
	63 178		9 658 021	9 658 021	2 326	23 699	6 256		4 214 815	
JG Meyer		01/04/2021				26 482	13 238	177.96	4 712 737	15/04/2021
		01/04/2021			1 287	859	428	174.39	149 801	23/09/2021
	28 209	01/04/2022	4 312 310	4 312 310	886					
	44 185	01/04/2023	6 754 561	6 754 561	1 387					
	25 214	01/04/2024	3 854 464	3 854 464						
	97 608		14 921 335	14 921 335	3 560	27 341	13 666		4 862 538	
MI Mthenjane		01/04/2021				25 318	12 657	177.96	4 505 591	15/04/2021
		01/04/2021			1 231	821	410	174.39	143 174	23/09/2021
	26 589	01/04/2022	4 064 660	4 064 660	835					
	41 649	01/04/2023	6 366 883	6 366 883	1 308					
	23 767	01/04/2024	3 633 261	3 633 261						
	92 005		14 064 804	14 064 804	3 374	26 139	13 067		4 648 765	
AT Ndoni	12 165	01/11/2024	1 859 664	1 859 664						
	12 165		1 859 664	1 859 664						
M Veti		01/04/2021				24 972	12 483	177.96	4 444 017	15/04/2021
		01/04/2021			1 214	810	404	174.39	141 256	23/09/2021
	26 226	01/04/2022	4 009 169	4 009 169	824					
	41 080	01/04/2023	6 279 900	6 279 900	1 290					
	23 442	01/04/2024	3 583 579	3 583 579						
	90 748		13 872 648	13 872 648	3 328	25 782	12 887		4 585 273	

[1] Option strike price is nil.
[2] Based on a share price of R152.87 which prevailed on 31 December 2021.
[3] Shares forfeited due to performance conditions not being fully met.

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 Share options and restricted share awards continued

Management share scheme – DBP

2022	Rights held at 31 December[1] Number	Exercisable period	Proceeds if exercisable at 31 December[2] R	Pre-tax gain if exercisable at 31 December[2] R	MSR election[3] Number	Options exercised during the year Number	Shares forfeited[4] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors										
MDM Mgojo		15/03/2022				1 460		209.58	305 987	16/03/2022
		31/03/2022				8 618		212.89	1 834 686	31/03/2022
		31/03/2023				10 206	2 916	219.76	2 242 871	22/08/2022
		31/08/2023				842	477	219.76	185 038	22/08/2022
		19/03/2024				385	482	219.76	84 608	22/08/2022
		31/03/2024				4 031	5 039	219.76	885 853	22/08/2022
		21/09/2024				274	714	219.76	60 214	22/08/2022
		04/03/2025				270	2 161	219.76	59 335	22/08/2022
		31/03/2025				661	5 289	219.76	145 261	22/08/2022
						26 747	17 078		5 803 853	
Dr N Tsengwa		15/03/2022				536		209.58	112 335	24/03/2022
		31/03/2022				2 436		212.89	518 600	04/04/2022
	432	31/08/2023	93 878	93 878						
	589	19/03/2024	127 996	127 996						
	2 770	31/03/2024	601 949	601 949						
	3 791		823 823	823 823		2 972			630 935	
PA Koppeschaar		31/03/2022				5 543		212.89	1 180 049	31/03/2022
	4 778	31/03/2023	1 038 307	1 038 307						
	1 004	31/08/2023	218 179	218 179						
	750	21/09/2024	162 983	162 983						
	1 024	04/03/2025	222 525	222 525						
	7 556		1 641 994	1 641 994		5 543			1 180 049	
Prescribed officers										
V Balgobind		15/03/2022				363		209.58	76 078	22/03/2022
		31/03/2022				2 623		212.89	558 410	31/03/2022
		31/03/2023					2 241			
		21/09/2024					244			
		04/03/2025					1 077			
		31/03/2025					1 982			
						2 986	5 544		634 488	
H Bhola		15/03/2022				227		209.58	47 575	24/03/2022
		31/03/2022				718		212.89	152 855	06/04/2022
	1 110	31/03/2023	241 214	241 214						
	137	19/03/2024	29 771	29 771						
	778	31/03/2024	169 067	169 067						
	159	31/08/2024	34 552	34 552						
	394	04/03/2025	85 620	85 620						
	584	31/03/2025	126 909	126 909						
	3 162		687 133	687 133		945			200 430	
AS De Angelis	1 092	31/03/2023	237 303	237 303						
	466	31/08/2023	101 266	101 266						
	202	19/03/2024	43 897	43 897						
	1 269	31/03/2024	275 766	275 766						
	227	21/09/2024	49 329	49 329						
	3 256		707 561	707 561						
L Groenewald		15/03/2022				589		209.58	123 443	16/03/2022
		31/03/2022				2 338		212.89	497 737	08/04/2022
	3 655	31/03/2023	794 268	794 268						
	552	31/08/2023	119 955	119 955						
	200	19/03/2024	43 462	43 462						
	1 275	31/03/2024	277 070	277 070						
	409	21/09/2024	88 880	88 880						
	1 004	04/03/2025	218 179	218 179						
	1 845	31/03/2025	400 937	400 937						
	8 940		1 942 751	1 942 751		2 927			621 180	
JG Meyer	4 942	31/03/2023	1 073 946	1 073 946						
	301	21/09/2024	65 410	65 410						
	5 243		1 139 356	1 139 356						
AT Ndoni	96	04/03/2025	20 862	20 862						
	96		20 862	20 862						
M Veti		15/03/2022			433					
		31/03/2022			1 730					
	682	31/08/2023	148 205	148 205						
	449	19/03/2024	97 572	97 572						
	3 180	31/03/2024	691 046	691 046						
	278	21/09/2024	60 412	60 412						
	4 589		997 235	997 235	2 163					

[1] *Option strike price is nil.*
[2] *Based on a share price of R217.31 which prevailed on 31 December 2022.*
[3] *Election to transfer shares arising from the vested options to the MSR portfolio.*
[4] *Shares forfeited due to performance conditions not being fully met.*

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 Share options and restricted share awards continued

Management share scheme – DBP continued

2021	Rights held at 31 December[1] Number	Exercisable period	Proceeds if exercisable at 31 December[2] R	Pre-tax gain if exercisable at 31 December[2] R	Modification during the year Number	Options exercised during the year Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
MDM Mgojo		09/03/2021				4 372	177.96	778 041	13/04/2021
		09/03/2021			142	142	174.39	24 763	23/09/2021
		31/03/2021				11 139	177.96	1 982 296	13/04/2021
		31/03/2021			361	361	174.39	62 955	23/09/2021
		31/08/2021			33	1 036	174.39	180 668	01/10/2021
	1 460	15/03/2022	223 190	223 190	46				
	8 618	31/03/2022	1 317 434	1 317 434	271				
	13 122	31/03/2023	2 005 960	2 005 960	412				
	1 319	31/08/2023	201 636	201 636	42				
	867	19/03/2024	132 538	132 538					
	9 070	31/03/2024	1 386 531	1 386 531					
	988	21/09/2024	151 036	151 036					
	35 444		5 418 325	5 418 325	1 307	17 050		3 028 723	
Dr N Tsengwa		31/08/2021			9	274	174.39	47 783	01/10/2021
	536	15/03/2022	81 938	81 938	17				
	2 436	31/03/2022	372 391	372 391	77				
	432	31/08/2023	66 040	66 040	14				
	589	19/03/2024	90 040	90 040					
	2 770	31/03/2024	423 450	423 450					
	6 763		1 033 859	1 033 859	117	274		47 783	
PA Koppeschaar		31/08/2021			24	756	174.39	131 839	27/09/2021
	5 543	31/03/2022	847 358	847 358	174				
	4 778	31/03/2023	730 413	730 413	150				
	1 004	31/08/2023	153 481	153 481	32				
	750	21/09/2024	114 653	114 653					
	12 075		1 845 905	1 845 905	380	756		131 839	
Prescribed officers									
V Balgobind		09/03/2021				1 089	177.96	193 798	16/04/2021
		09/03/2021			36	36	174.39	6 278	23/09/2021
		31/03/2021				1 880	177.96	334 565	15/04/2021
		31/03/2021			61	61	174.39	10 638	23/09/2021
		31/08/2021			9	262	174.39	45 690	01/10/2021
	363	15/03/2022	55 492	55 492	12				
	2 623	31/03/2022	400 978	400 978	83				
	2 241	31/03/2023	342 582	342 582	71				
	244	21/09/2024	37 300	37 300					
	5 471		836 352	836 352	272	3 328		590 969	
AS De Angelis	1 092	31/03/2023	166 934	166 934	35				
	466	31/08/2023	71 237	71 237	15				
	202	19/03/2024	30 880	30 880					
	1 269	31/03/2024	193 992	193 992					
	227	21/09/2024	34 701	34 701					
	3 256		497 744	497 744	50				
JG Meyer	4 942	31/03/2023	755 484	755 484	156				
	301	21/09/2024	46 014	46 014					
	5 243		801 498	801 498	156				
MI Mthenjane		09/03/2021				1 346	177.96	239 534	13/04/2021
		09/03/2021			44	44	174.39	7 673	23/09/2021
		31/03/2021				2 331	177.96	414 825	13/04/2021
		31/03/2021			76	76	174.39	13 254	23/09/2021
					120	3 797		675 286	
M Veti		09/03/2021				1 326	177.96	235 975	13/04/2021
		09/03/2021			43	43	174.39	7 499	23/09/2021
		31/03/2021				2 314	177.96	411 799	13/04/2021
		31/03/2021			75	75	174.39	13 079	23/09/2021
		31/08/2021			10	312	174.39	54 410	01/10/2021
	433	15/03/2022	66 193	66 193	14				
	1 730	31/03/2022	264 465	264 465	55				
	682	31/08/2023	104 257	104 257	22				
	449	19/03/2024	68 639	68 639					
	3 180	31/03/2024	486 127	486 127					
	278	21/09/2024	42 498	42 498					
	6 752		1 032 179	1 032 179	219	4 070		722 762	

[1] *Option strike price is nil.*
[2] *Based on a share price of R152.87 which prevailed on 31 December 2021.*

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 Share options and restricted share awards continued

MSR portfolio shares

2022	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	MSR election during the year Number
Prescribed officers					
AS De Angelis	1 638	30/06/2026	355 954	355 954	1 638
	1 638		355 954	355 954	1 638
JG Meyer	10 796	30/06/2026	2 346 079	2 346 079	10 796
	10 796		2 346 079	2 346 079	10 796
MI Mthenjane	2 035	30/06/2026	442 226	442 226	2 035
	2 035		442 226	442 226	2 035
M Veti	2 163	30/06/2026	470 042	470 042	2 163
	2 163		470 042	470 042	2 163

[1] *Based on a share price of R217.31 which prevailed on 31 December 2022.*

CHAPTER 15:
Related parties

CHAPTER 15:
Related parties

15.1 RELATED-PARTY TRANSACTIONS

Transactions with related parties are on terms that are not more nor less favourable than those arranged with independent third parties.

Shareholders

The principal shareholders of the company at 31 December 2022 are detailed in chapter 19, annexure 1.

Directors

Details relating to directors' emoluments and shareholdings (including options) in the company are disclosed in note 14.5.

Senior employees

Details relating to option and share transactions are disclosed in note 14.3.

Key management personnel

For Exxaro, other than the executive and non-executive directors and executive committee members, no other key management personnel were identified. Refer to note 14.5 for details on directors' and prescribed officers' remuneration.

Subsidiaries

Details of transactions with and investments in subsidiaries are disclosed in chapter 17.

Structured and special purpose entities

The group has an interest in the following structured entities and special purpose entities which are consolidated unless otherwise indicated:

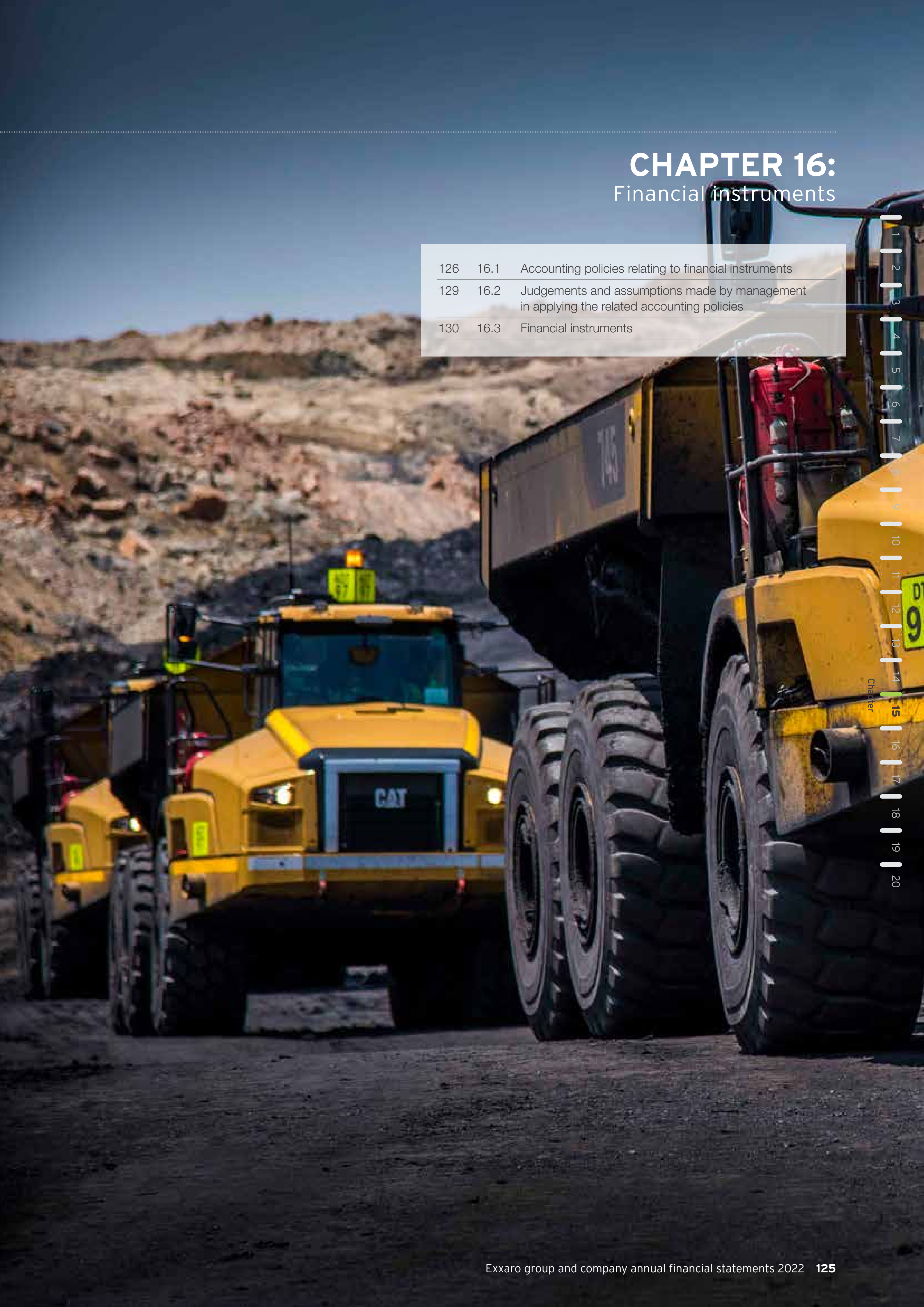
Entity	Nature of business
Exxaro Chairman's Fund[1]	Local social economic development
Exxaro Foundation[1]	Local social economic development
Exxaro Employee Empowerment Participation Scheme Trust	Employee share incentive trust
Exxaro Employee Empowerment Trust	Employee share incentive trust
Exxaro Environmental Rehabilitation Fund	Trust fund for mine closure
Exxaro Insurance Company Limited	Captive insurance company that provides certain insurance cover to subsidiaries within the group.
Exxaro Mountain Bike Academy NPC[1]	Local social economic development
Exxaro People Development Initiative NPC[1]	Local social economic development — bridging classes
Kumba Resources Management Share Trust	Management share incentive trust
Exxaro Employee Share Ownership Trust	Structured entity to hold shares in Exxaro ESOP SPV for the benefit of qualifying beneficiaries
Exxaro ESOP SPV RF Proprietary Limited	Structured entity to hold shares in Eyesizwe for the benefit of Exxaro ESOP Trust
Exxaro Matla Setshabeng Development NPC[1]	Structured entity to benefit communities
Eyesizwe (RF) Proprietary Limited	Structured entity to hold the BEE shares
Matla and Arnot Rehabilitation Trust	Trust fund for mine closure

[1] *Non-profit organisations.*

Associates and joint ventures

Details of associates and JVs are disclosed in chapter 9. Details of trading transactions and balances are summarised below.

	Group			
	Associates		Joint ventures	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Items of income/(expense) recognised during the year				
Sales of goods and services rendered	79	19		
Purchases of goods and services rendered	(166)	(419)	(4 374)	(1 518)
Outstanding balances at 31 December				
Included in trade and other receivables	23	26		
Included in trade and other payables	(14)	(23)	(852)	(240)



CHAPTER 16:
Financial instruments

CHAPTER 16:
Financial instruments

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS

16.1.1 Financial assets

(i) Classification

Financial assets are classified in the following measurement categories:
- Those measured subsequently at fair value, either through OCI (FVOCI), or through profit or loss (FVPL)
- Those measured at amortised cost.

The classification depends on the business model for managing the financial assets as well as the contractual terms of the cash flows.

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

Debt investments are reclassified when, and only when, the business model for managing those assets change.

(ii) Measurement

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

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

Debt instruments

Subsequent measurement of debt instruments depends on the business model applied for managing the asset and the cash flow characteristics of the asset. Currently there are two measurement categories into which debt instruments are classified, as summarised in the table below. There are no debt instruments classified as FVOCI.

Category	Relevant financial assets	Business model and cash flow characteristics	Movements in carrying amount	Derecognition	Impairment
Amortised cost	• Trade and other receivables • Loans to JVs and associates • Other financial assets • Treasury facilities with subsidiaries • Related party financial assets • ESD loans • Vendor finance loan.	Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI.	Interest income is included in finance income using the effective interest rate method. Foreign exchange gains and losses are recognised in profit or loss and presented in operating expenses.	Gains or losses arising on derecognition are recognised directly in profit or loss and presented in operating expenses.	Impairment losses are presented as a separate line item in the notes to the statement of comprehensive income. The impairment losses are considered to be immaterial and therefore have not been presented as a separate line on the face of the statement of comprehensive income.
FVPL	• Debt securities • Derivative financial assets.	Financial assets that do not meet the criteria for amortised cost or FVOCI.	Gains and losses on a debt investment that is subsequently measured at FVPL are recognised in profit or loss and presented on a net basis within operating expenses in the period in which it arises. Interest income and dividends are recognised in profit or loss.	Gains or losses arising on derecognition are recognised directly in profit or loss and presented in operating expenses.	Not applicable as measured at fair value.

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS continued

16.1.1 Financial assets continued

(ii) Measurement continued

Equity instruments

Equity investments are subsequently measured at fair value. Management has elected to present fair value gains and losses on equity investments in OCI. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from these investments continue to be recognised in profit or loss as income from financial assets when the right to receive payment is established.

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

(iii) Impairment

ECLs associated with debt instruments carried at amortised cost are assessed on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (ie the difference between the cash flows receivable in accordance with the contract and the cash flows that are expected to be received). ECLs are discounted at the effective interest rate of the financial asset.

ECL allowances are measured on either of the following bases:

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

For trade receivables, the simplified approach permitted by IFRS 9 is applied, which requires lifetime ECLs to be recognised from initial recognition of the trade receivables. To measure the ECLs, trade receivables are grouped based on shared credit risk characteristics (corporate entities, small to medium enterprises and public sector entities) and the days past due to assess significant increase in credit risk. In addition, forward-looking macro-economic conditions and factors are considered when determining the ECLs for trade receivables, namely trading conditions in the relevant domestic markets and international coal market, relevant domestic prices and export coal prices as well as economic growth and inflationary outlook in the short term. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan and failure to make contractual payments for a period of greater than 120 days past due.

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

Credit risk on a financial asset is assumed to have increased significantly if it is more than 30 days past due.

A financial asset is considered to be in default when contractual payments are 90 days past due. However, in certain cases, a financial asset is considered to be in default when internal or external information indicates that the outstanding contractual amounts are unlikely to be received in full before taking into account any credit enhancements held over the financial asset.

The financial assets measured at amortised cost are categorised as follows:

Category	Definition	Basis for recognition of ECL allowance
Performing	Counterparty has a low risk of default and a strong capacity to meet contractual cash flows of principle and/or interest (where applicable).	12-month ECLs: where the expected lifetime of a financial asset measured at amortised cost is less than 12 months, ECLs are measured based on its expected lifetime.
Under-performing	There is a significant increase in credit risk of the counterparty since initial recognition. A significant increase in credit risk is presumed if principle and/or interest (where applicable) payments are 30 to 90 days past due.	Lifetime ECLs
Non-performing	Counterparty has a high risk of default and there is a high probability that the counterparty will be unable to meet contractual cash flows of principal and/or interest (where applicable). There has been a further significant increase in credit risk since recognition. A further significant increase in credit risk is presumed if the principle and/or interest (where applicable) repayments are more than 90 days past due.	Lifetime ECLs
Write-off	There is no reasonable expectation that the principle and/or interest (where applicable) will be recovered.	Financial asset measured at amortised cost is written off.

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS continued

16.1.2 Derivative financial instruments

Derivative positions may be entered into to manage exposures to certain financial risks such as interest rate, commodity price and foreign currency risks.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to fair value at the end of each reporting period. The resulting gain or loss is recognised immediately in profit or loss unless the derivative is designated as a hedging instrument and found to be effective, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

On initial recognition, when the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in profit or loss. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in profit or loss when the inputs become observable, namely when the instrument is derecognised or over the life of the transaction.

Counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the DVA.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless there is both a legally enforceable right and intention to offset.

A derivative that is not designated, nor found to be effective as a hedging instrument, is presented as a non-current financial asset or a non-current financial liability if the remaining maturity of the instrument is more than 12 months and not due to be realised or settled within 12 months. Other derivatives not designated, nor found to be effective as a hedging instrument, are presented as current financial assets or current financial liabilities.

16.1.3 Hedge accounting

The group has designated as cash flow hedges, and found to be effective, its interest rate swaps that cover a portion of the interest rate cash flows on certain of the project financing interest-bearing borrowings.

At inception of the hedge relationship, the risk management objective and strategy for undertaking the hedged transactions, as well as the economic relationship between the hedging instruments and hedged items (including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items) is documented.

The effectiveness of the hedging instrument offsetting changes in cash flows of the hedged item attributable to the hedged risk is assessed and documented at inception and on an ongoing basis. The hedge relationship is determined to be effective when all of the following requirements are met:
- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that is actually hedged and the quantity of the hedging instrument that is actually used to hedge that quantity of the hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the hedge ratio of the hedging relationship is adjusted (ie rebalances the hedge) so that it meets the qualifying criteria again.

The full fair value of a derivative designated and found to be effective as a hedging instrument is classified as:
- A non-current financial asset or financial liability when the remaining maturity of the hedged item is more than 12 months or
- A current financial asset or financial liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in OCI and accumulated in the cash flow hedge reserve within equity, but limited to the cumulative change in fair value of the hedged item from inception of the hedge. The cumulative change in fair value of the hedged item includes the portion of the designation date fair value (at acquisition date) of the hedged instrument that has been settled since the inception of the hedging relationship. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item, namely finance costs.

Furthermore, in cases where it is expected that some or all of the loss accumulated in the cash flow hedge reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss in operating expenses.

Hedge accounting is discontinued only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in OCI and accumulated in the cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS continued

16.1.4 Loan commitments issued by the group and company

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

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

16.2 JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

In applying IFRS 9 *Financial Instruments,* management makes judgements and assumptions in determining the impairment losses to be recognised in relation to financial assets. The ECL allowances for financial assets are based on assumptions about risk of default and expected loss rates. Judgement is used in making these assumptions and selecting the inputs to the impairment calculation, based on past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

The following judgements and assumptions were applied for trade and other receivables:

The trade and other receivables are categorised into public sector entities, corporate entities as well as SMEs. Intercompany debtors are classified as SMEs, and the same PD and LGD multipliers as used for external trade and other receivables are used to calculate intercompany ECLs. Where Exxaro Company is indebted to related parties, Exxaro's external credit rating is used to determine its PD and LGD multipliers.

The table below sets out the PD and LGD multipliers used.

		Percentage of gross trade receivables %	PD %	LGD %
2022	Public sector entities	45	6.44	55.0
	Corporate entities	13	2.22 to 3.50	28.0 to 33.0
	SMEs	42	4.82	35.1
2021	Public sector entities	69	6.37	50.0
	Corporate entities	15	4.07 to 5.52	34.0 to 39.0
	SMEs	16	6.79	40.9

16.3 FINANCIAL INSTRUMENTS

16.3.1 Carrying amounts and fair value amounts of financial instruments

The tables below set out the group and company's classification of each category of financial assets and financial liabilities.

	Group						
At 31 December 2022	Financial assets at FVOCI Rm	Financial assets at FVPL Rm	Financial assets at amortised cost Rm	Financial liabilities at FVPL Rm	Derivative financial assets/ (liabilities) designated as hedging instruments Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm
Financial assets							
Non-current							
Financial assets, consisting of:	474	2 607	447		11		3 539
– Equity: unlisted – Chifeng	474						474
– Debt: unlisted – environmental rehabilitation funds		2 187					2 187
– Debt: unlisted – portfolio investments		420					420
– Cash flow hedge derivatives: interest rate swaps					11		11
– ESD loans			102				102
– Vendor finance loan			173				173
– Other financial assets at amortised cost			172				172
Total non-current financial assets	474	2 607	447		11		3 539
Current							
Financial assets, consisting of:		57	319				376
– ESD loans			76				76
– Vendor finance loan			121				121
– Derivative financial assets		57					57
– Other financial assets at amortised cost			122				122
Trade and other receivables, consisting of:			4 199				4 199
– Trade receivables			4 124				4 124
– Other receivables			75				75
Cash and cash equivalents			14 812				14 812
Total current financial assets		57	19 330				19 387
Total financial assets	474	2 664	19 777		11		22 926
Financial liabilities							
Non-current							
Interest-bearing borrowings						(8 378)	(8 378)
Other payables						(25)	(25)
Financial liabilities, consisting of:					(112)		(112)
– Cash flow hedge derivatives: interest rate swaps					(112)		(112)
Total non-current financial liabilities					(112)	(8 403)	(8 515)
Current							
Interest-bearing borrowings						(715)	(715)
Trade and other payables						(3 340)	(3 340)
Financial liabilities, consisting of:				(5)			(5)
– Derivative financial liabilities				(5)			(5)
Total current financial liabilities				(5)		(4 055)	(4 060)
Total financial liabilities				(5)	(112)	(12 458)	(12 575)

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.

The carrying amounts of non-current financial instruments measured at amortised cost approximate fair value due to the nature and terms of these instruments.

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 Carrying amounts and fair value amounts of financial instruments continued

At 31 December 2021	Group					
	Financial assets at FVOCI Rm	Financial assets at FVPL Rm	Financial assets at amortised cost Rm	Derivative financial liabilities designated as hedging instruments Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm
Financial assets						
Non-current						
Financial assets, consisting of:	446	2 173	618			3 237
– Equity: unlisted – Chifeng	446					446
– Debt: unlisted – environmental rehabilitation funds		2 173				2 173
– ESD loans			91			91
– Vendor finance loan			293			293
– Other financial assets at amortised cost			234			234
Total non-current financial assets	446	2 173	618			3 237
Current						
Financial assets, consisting of:		4	307			311
– ESD loans			90			90
– Vendor finance loan			7			7
– Derivative financial assets		4				4
– Other financial assets at amortised cost			210			210
Trade and other receivables, consisting of:			2 701			2 701
– Trade receivables			2 626			2 626
– Other receivables			75			75
Cash and cash equivalents			7 042			7 042
Total current financial assets		4	10 050			10 054
Total financial assets	446	2 177	10 668			13 291
Financial liabilities						
Non-current						
Interest-bearing borrowings					(9 255)	(9 255)
Other payables					(53)	(53)
Financial liabilities, consisting of:				(406)		(406)
– Cash flow hedge derivatives: interest rate swaps				(406)		(406)
Total non-current financial liabilities				(406)	(9 308)	(9 714)
Current						
Interest-bearing borrowings					(1 000)	(1 000)
Trade and other payables					(2 230)	(2 230)
Overdraft					(1)	(1)
Total current financial liabilities					(3 231)	(3 231)
Total financial liabilities				(406)	(12 539)	(12 945)

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.

The carrying amounts of non-current financial instruments measured at amortised cost approximate fair value due to the nature and terms of these instruments.

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 Carrying amounts and fair value amounts of financial instruments continued

At 31 December 2022	Company Financial assets at FVPL Rm	Financial assets at amortised cost Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm
Financial assets				
Non-current				
Financial assets, consisting of:	35	4 395		4 430
– Debt: unlisted – environmental rehabilitation funds	35			35
– ESD loans		102		102
– Vendor finance loan		173		173
– Interest-bearing loans to subsidiaries		4 120		4 120
Total non-current financial assets	35	4 395		4 430
Current				
Financial assets, consisting of:		1 997		1 997
– ESD loans		76		76
– Vendor finance loan		121		121
– Other financial assets at amortised cost		54		54
– Interest-bearing loans to subsidiaries		511		511
– Non-interest-bearing loans to subsidiaries		676		676
– Treasury facilities with subsidiaries		559		559
Trade and other receivables, consisting of:		283		283
– Other receivables		7		7
– Indebtedness by subsidiaries		276		276
Cash and cash equivalents		13 366		13 366
Total current financial assets		15 646		15 646
Total financial assets	35	20 041		20 076
Financial liabilities				
Non-current				
Interest-bearing borrowings			(4 034)	(4 034)
Total non-current financial liabilities			(4 034)	(4 034)
Current				
Interest-bearing borrowings			(505)	(505)
Trade and other payables			(196)	(196)
Financial liabilities, consisting of:			(12 059)	(12 059)
– Non-interest-bearing loans from subsidiary			(85)	(85)
– Treasury facilities with subsidiaries			(11 974)	(11 974)
Total current financial liabilities			(12 760)	(12 760)
Total financial liabilities			(16 794)	(16 794)

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.

The carrying amounts of non-current financial instruments measured at amortised cost approximate fair value due to the nature and terms of these instruments.

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 Carrying amounts and fair value amounts of financial instruments continued

At 31 December 2021	Company Financial assets at FVPL Rm	Financial assets at amortised cost Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm
Financial assets				
Non-current				
Financial assets, consisting of:	34	5 225		5 259
– Debt: unlisted – environmental rehabilitation funds	34			34
– ESD loans		91		91
– Vendor finance loan		293		293
– Interest-bearing loans to subsidiaries		4 841		4 841
Total non-current financial assets	34	5 225		5 259
Current				
Financial assets, consisting of:		6 260		6 260
– ESD loans		90		90
– Vendor finance loan		7		7
– Other financial assets at amortised cost		145		145
– Interest-bearing loans to subsidiaries		858		858
– Non-interest-bearing loans to subsidiaries		357		357
– Treasury facilities with subsidiaries at amortised cost		4 803		4 803
Trade and other receivables, consisting of:		325		325
– Other receivables		1		1
– Indebtedness by subsidiaries		324		324
Cash and cash equivalents		4 868		4 868
Total current financial assets		11 453		11 453
Total financial assets	34	16 678		16 712
Financial liabilities				
Non-current				
Interest-bearing borrowings			(4 704)	(4 704)
Total non-current financial liabilities			(4 704)	(4 704)
Current				
Interest-bearing borrowings			(851)	(851)
Trade and other payables			(159)	(159)
Financial liabilities, consisting of:			(9 746)	(9 746)
– Non-interest-bearing loans from subsidiary			(76)	(76)
– Treasury facilities with subsidiaries at amortised cost			(9 670)	(9 670)
Overdraft			(1)	(1)
Total current financial liabilities			(10 757)	(10 757)
Total financial liabilities			(15 461)	(15 461)

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.

The carrying amounts of non-current financial instruments measured at amortised cost approximate fair value due to the nature and terms of these instruments.

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 Fair values

16.3.2.1 Fair value hierarchy

Financial assets and financial liabilities at fair value have been categorised in the following hierarchy structure, based on the inputs used in the valuation technique:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.
Level 2 – Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable.
Level 3 – Inputs that are not based on observable market data (unobservable inputs).

	Group		
2022	**Fair value Rm**	**Level 2 Rm**	**Level 3 Rm**
Financial assets at FVOCI	474		474
Equity: unlisted – Chifeng	474		474
Financial assets at FVPL	2 607	2 607	
Non-current debt: unlisted – environmental rehabilitation funds	2 187	2 187	
Non-current debt: unlisted – portfolio investments	420	420	
Derivative financial assets designated as hedging instruments	11	11	
Non-current cash flow hedge derivatives: interest rate swaps	11	11	
Derivative financial assets	57	57	
Current derivative financial assets	57	57	
Derivative financial liabilities	(5)	(5)	
Current derivative financial liabilities	(5)	(5)	
Derivative financial liabilities designated as hedging instruments	(112)	(112)	
Non-current cash flow hedge derivatives: interest rate swaps	(112)	(112)	
Net financial assets held at fair value	3 032	2 558	474

Reconciliation of Level 3 hierarchy	**Chifeng Rm**	**Total Rm**
At 31 December 2021	446	446
Movement during the year		
Gains recognised in OCI (pre-tax effect)[1]	28	28
At 31 December 2022	474	474

[1] *Tax on Chifeng amounts to R17.61 million.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 Fair values continued

16.3.2.1 Fair value hierarchy continued

	Group		
2021	**Fair value Rm**	**Level 2 Rm**	**Level 3 Rm**
Financial assets at FVOCI	446		446
Equity: unlisted - Chifeng	446		446
Financial assets at FVPL	2 173	2 173	
Non-current debt: unlisted - environmental rehabilitation funds	2 173	2 173	
Derivative financial assets	4	4	
Current derivative financial assets	4	4	
Derivative financial liabilities designated as hedging instruments	(406)	(406)	
Non-current cash flow hedge derivatives: interest rate swaps	(406)	(406)	
Net financial assets held at fair value	2 217	1 771	446

Reconciliation of Level 3 hierarchy	**Chifeng Rm**	**Total Rm**
At 31 December 2020	222	222
Movement during the year		
Gains recognised in OCI (pre-tax effect)[1]	49	49
Disposal[2]	(217)	(217)
Acquisition[2]	392	392
At 31 December 2021	446	446

[1] *Tax on Chifeng amounts to nil.*

[2] *During the year, the four Chifeng refinery companies embarked on a process to consolidate the separate companies into one consolidated entity. The investments in the separate companies for certain phases were derecognised and the investment in the consolidated entity, which includes all phases of the Chifeng refinery, was recognised on the consolidation date. Exxaro holds an 8.81% shareholding in Chifeng.*

	Company	
2022	**Fair value Rm**	**Level 2 Rm**
Financial assets at FVPL	35	35
Non-current debt: unlisted – environmental rehabilitation funds	35	35
Net financial assets held at fair value	35	35

	Company	
2021	**Fair value Rm**	**Level 2 Rm**
Financial assets at FVPL	34	34
Non-current debt: unlisted – environmental rehabilitation funds	34	34
Net financial assets held at fair value	34	34

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 Fair values continued

16.3.2.2 Transfers

Transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the transfer has occurred. There ere no transfers between Level 1 and Level 2 nor between Level 2 and Level 3 of the fair value hierarchy during the periods ended 31 December 2022 and 31 December 2021.

16.3.2.3 Valuation process applied

The fair value computations of investments are performed by the 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 Exxaro's reporting governance.

16.3.2.4 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 reasonableness by discounting estimated future cash flows using the market rate for similar instruments at measurement date.

16.3.2.5 Environmental rehabilitation funds and portfolio investments

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

16.3.2.6 Interest rate swaps

Level 2 fair values for interest rate swaps are based on valuations provided by the financial institutions with whom the interest rate swaps have been entered into and take into account credit risk. The valuations are assessed for reasonability by discounting the estimated future cash flows based on observable ZAR swap curves.

16.3.2.7 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 a 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 DCF 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.

At 31 December 2022	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
Observable inputs			
Rand/RMB exchange rate	R2.46/RMB1	Weakening of the rand to the RMB	47
RMB/US$ exchange rate	RMB6.21 to RMB6.78/US$1	Weakening of the RMB to the US$	115
Zinc LME price (US$ per tonne in real terms)	US$2 325.32 to US$3 285.23	Increase in price of zinc concentrate	115
Unobservable inputs			
Production volumes	447 719.5 tonnes	Increase in production volumes	28
Operational costs (US$ million per annum in real terms)	US$69.60 to US$76.69	Decrease in operations costs	(87)
Discount rate[3]	10.54%	Decrease in the discount rate	(25)

[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.*
[3] *The discount rate was revised for changes in the economy.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 Fair values continued

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

Chifeng continued

At 31 December 2021	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
Observable inputs			
Rand/RMB exchange rate	R2.50/RMB1	Weakening of the rand to the RMB	41
RMB/US$ exchange rate	RMB6.30 to RMB6.98/US$1	Weakening of the RMB to the US$	87
Zinc LME price (US$ per tonne in real terms)	US$2 400.00 to US$2 717.14	Increase in price of zinc concentrate	87
Unobservable inputs			
Production volumes	447 719.5 tonnes	Increase in production volumes	41
Operational costs (US$ million per annum in real terms)	US$59.67 to US$65.22	Decrease in operations costs	(53)
Discount rate	12.76%	Decrease in the discount rate	(34)

[1] *Change in observable or unobservable input which will result in an increase in the fair value measurement.*
[2] *A 0% 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 is not considered to have a significant impact within the range of reasonably possible alternative assumptions for both reporting periods.

16.3.3 Risk management

16.3.3.1 Financial risk management

The group's corporate treasury function predominantly provides financial risk management services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the group through internal risk reports which analyse exposure by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The group's objectives, policies and processes for measuring and managing these risks are detailed below.

The group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of derivative financial instruments is governed by the group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, commodity price risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis and the results are reported to the audit committee.

Financial instruments, including derivative financial instruments, are not entered into nor traded for speculative purposes rather, financial instruments are entered into to manage and reduce the possible adverse impact on earnings and cash flows of changes in interest rates and foreign currency exchange rates.

Capital management

In managing its capital, the group focuses on a sound net debt position, return on shareholders' equity (or ROCE) and the level of dividends to shareholders. The group's policy is to cover its annual net funding requirements through long-term loan facilities with maturities spread over time. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management

16.3.3.2 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The group's activities expose it primarily to the financial risks of changes in the environmental rehabilitation funds and portfolio investment quoted prices (see 16.3.3.2.1), foreign currency exchange rates (see 16.3.3.2.2) and interest rates (see 16.3.3.2.3). The group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risks and interest rate risks, including:

- Currency FECs, currency options and currency swap agreements to manage the exchange rate risk arising on the export of coal and import of capital expenditure
- Interest rate swaps and interest rate forwards to manage interest rate risk on the interest-bearing borrowings.

16.3.3.2.1 Price risk management

The group's exposure to equity price risk arises from investments held by and classified either as at FVOCI or at FVPL. Currently, the group's exposure to equity price risk is not considered to be significant as Chifeng is seen as a non-core investment.

The group's exposure to price risk in relation to quoted prices of the environmental rehabilitation funds and portfolio investments is not considered a significant risk as the funds are invested with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and growth. The funds are held for strategic purposes rather than trading purposes.

16.3.3.2.2 Foreign currency risk management

Certain transactions are denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The currency in which transactions are entered into is mainly denominated in US dollar, euro and Australian dollar.

Exchange rate exposures are managed within approved policy parameters utilising FECs, currency options and currency swap agreements.

The group maintains a fully covered exchange rate position in respect of foreign balances (if any) and imported capital equipment resulting in these exposures being fully converted to rand. Trade-related import exposures are managed through the use of economic hedges arising from export revenue as well as through FECs. Trade-related export exposures are hedged using FECs and currency options with specific focus on short-term receivables.

Uncovered cash and cash equivalents amount to US$32.89 million (2021: US$49.85 million).

Monetary items have been translated at the closing rate at the last day of the reporting period.

The FECs which are used to hedge foreign currency exposure mostly have a maturity of less than one year from the reporting date. When necessary, FECs are rolled over at maturity.

The following significant exchange rates applied during the year:

	2022			2021		
	Average spot rate	Average achieved rate	Closing spot rate	Average spot rate	Average achieved rate	Closing spot rate
US$	16.37	16.63	16.98	14.78	14.88	15.94
€	17.19		18.10	17.47		18.04
AU$	11.34		11.49	11.11		11.55

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.2 Market risk management continued

16.3.3.2.3 Interest rate risk management

The group is exposed to interest rate risk as it borrows and deposits funds at floating interest rates on the money market and extended bank borrowings. The group's main interest rate risk arises from long-term borrowings with floating rates, which expose the group to cash flow interest rate risk. The risk is managed by undertaking controlled management of the interest structures of the investments and borrowings, maintaining an appropriate mix between fixed and floating interest rate facilities in line with the interest rate expectations. The group also uses interest rate swaps and interest rate forwards to manage the interest rate risk exposure.

When the contractual terms of the borrowings and covenants thereof require the use of hedging instruments to mitigate the risk of fluctuations of the underlying interest rate risk cash flow exposure and the impact on profit or loss of specific projects being financed, the group looks to apply hedge accounting where an effective hedge relationship is expected and to the extent that such exposure poses a real risk to the achievement of the loan covenants.

The financial institutions chosen are subject to compliance with the relevant regulatory bodies.

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The group's main IBOR exposure at 31 December 2022 was indexed to JIBAR. The South African Reserve Bank has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa. This reform is at various stages globally, and a suitable alternate for South Africa is only expected to be announced in a few years' time. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group.

The group's corporate treasury function monitors and manages the group's transition to alternative rates. The group's corporate treasury function evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The group's corporate treasury function reports to the board of directors and collaborates with other business functions as needed. It provides periodic reports to management of interest rate risk and risks arising from IBOR reform.

Non-derivative financial liabilities

The group's IBOR exposures to non-derivative financial liabilities as at 31 December 2022 were the secured project financing and unsecured loan facility indexed to JIBAR as well as the unsecured bond indexed to JIBAR. Refer to note 12.1.3.

Derivatives

The group holds interest rate swaps for risk management purposes that are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to JIBAR. Refer to note 16.3.3.2.3.2.

Hedge accounting

The group's hedged items and hedging instruments as at the reporting date are indexed to JIBAR. These benchmark rates are quoted each day and the IBOR cash flows are exchanged with counterparties as usual. Refer to note 16.3.3.2.3.2.

There is uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments. As a result, the group continues to apply the amendments to IFRS 9 issued in September 2019 (Phase 1) to those hedging relationships.

16.3.3.2.3.1 Loan facility and bonds

The loan facility and bonds were entered into at floating interest rates.

The interest rate repricing profile for the loan facility and bonds is summarised below for group and company:

	1 to 6 months Rm	Total borrowings Rm
At 31 December 2022		
Non-current interest-bearing borrowings: loan facility and bond	(4 034)	(4 034)
Current interest-bearing borrowings: loan facility and bond	(505)	(505)
Total interest-bearing borrowings: loan facility and bond	(4 539)	(4 539)
Total borrowings (%)	100	100
At 31 December 2021		
Non-current interest-bearing borrowings: loan facility and bond	(4 704)	(4 704)
Current interest-bearing borrowings: loan facility and bond	(851)	(851)
Total interest-bearing borrowings: loan facility and bond	(5 555)	(5 555)
Total borrowings (%)	100	100

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.2 Market risk management continued

***16.3.3.2.3 Interest rate risk management** continued*

***16.3.3.2.3.1 Loan facility and bonds** continued*

Interest rate sensitivity

The following table reflects the potential impact on earnings, given an increase in interest rates of 50 basis points:

	2022 Rm	2021 Rm
Impact on earnings: loss	(22)	(28)

A decrease in interest rates of 50 basis points would have an equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

16.3.3.2.3.2 Project financing

The group is exposed to the risk of variability in future interest payments on the project financing, attributable to fluctuations in 3-month JIBAR. The designated hedged item is the group of forecast floating interest rate cash flows arising from the project financing, up to the notional amount of each interest rate swap, over the term of the hedging relationship. The notional amounts per interest rate swap match up to the designated exposure being hedged.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged project financing.

The exposure profile is summarised as follows:

	Group			
	Percentage exposure			
At 31 December	**2022 %**	**2021 %**	**2022 Rm**	**2021 Rm**
Project financing nominal amount	100	100	(4 554)	(4 700)
– Linked to fixed rate	3	3	(141)	(145)
– Linked to floating rate	97	97	(4 413)	(4 555)
Project financing nominal amount linked to floating rate	97	97	(4 413)	(4 555)
Interest rate swap notional amount (swap floating rate to fixed rate)	(81)	(81)	3 691	3 808
Effective floating rate exposure on project financing[1]	16	16	(722)	(747)

[1] *Represents 40% exposure on the Tsitsikamma SPV project financing.*

Interest rate sensitivity

The following table reflects the potential impact on earnings, given an increase in interest rates of 50 basis points:

	2022 Rm	2021 Rm
Increase in finance costs	4	4
Increase in equity	54	73

A decrease in interest rates of 50 basis points would have an approximate equal but opposite effect on the amounts shown above, all other variables held constant.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.2 Market risk management continued

16.3.3.2.3 Interest rate risk management continued

16.3.3.2.3.2 Project financing continued

Hedge accounting: Cash flow hedges

Hedge effectiveness:

The group has assumed certain interest rate swaps from its business combination with Cennergi that have similar critical terms as the hedged item, such as reference rates, reset dates, payment dates, maturities and notional amounts. The group does not hedge 100% of its project financing, therefore the hedged item is identified as a proportion of the outstanding project financing up to the notional amount of the interest rate swaps. As all critical terms matched during the year, there is an economic relationship.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

Hedge ineffectiveness for interest rate swaps is assessed frequently. It may occur due to:

- The DVA on the interest rate swaps which is not matched by the project financing
- Differences in critical terms between the interest rate swaps and project financing.

The recognised ineffectiveness in 2022 amounted to R13 million (2021: R10 million) and is mainly as a result of the DVA. Credit valuation adjustments are not considered due to the terms of the underlying loans, which allow for set-off.

The interest rate swaps require settlement of net interest receivable or payable every six months. The settlement dates coincide with the dates on which interest is payable on the underlying project financing.

The following tables detail the financial position and performance of the interest rate swap contracts outstanding at the end of the reporting period and their related hedged items.

Financial performance effects of hedging recognised during the year:

		Group	
For the year ended 31 December	**Line item in which recognised**	**2022 Rm**	**2021 Rm**
Fair value losses resulting from hedge ineffectiveness	Operating expenses	(13)	(10)
Fair value losses on settlement of underlying swap (reclassified)	Finance costs	(97)	(146)

Hedging instruments

	Group	
At 31 December	**2022 Rm**	**2021 Rm**
Hedged items: Cash flows on floating rate project financing linked to JIBAR		
Nominal amount	3 691	3 808
Carrying amount in cash flow hedge reserve	88	(165)
Cumulative gain/(loss) in fair value used for calculating hedge ineffectiveness	88	(165)
Hedging instruments: Outstanding receive floating, pay fixed contracts		
Nominal amount	3 691	3 808
Carrying amount	(101)	(406)
– Non-current financial asset	11	
– Non-current financial liability	(112)	(406)
Cumulative loss in fair value used for calculating hedge ineffectiveness	(130)	(354)

The interest rate swaps settle on a bi-annual basis. The group settles the difference between the fixed and floating interest rate (3-month JIBAR) on a net basis. The 3-month JIBAR is swapped out to a fixed rate as follows:

- Tsitsikamma SPV floating rate facility: 9.55% up to 30 June 2030. The swaps cover 60% of the remaining loan notional value.
- Amakhala SPV floating rate facilities:
  - IFC facilities: 8.42% up to 30 June 2031. The swaps cover 100% of the remaining loans notional values
  - A and C banking facilities: 8.00% up to 30 June 2021. The swaps cover 100% of the remaining loans notional values.
    9.46% up to 30 June 2026. The swaps cover 100% of the remaining loans notional values.

The interest rate swaps require settlement of net interest receivable or payable every six months. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.2 Market risk management continued

16.3.3.2.3 Interest rate risk management continued

16.3.3.2.3.2 Project financing continued

Hedging reserves

The hedging reserve relates to the fair value movements on cash flow hedges of interest rate swaps. The reserve is included within the financial instruments revaluation reserve on the group statement of changes in equity, which includes the group's share of movements in its equity-accounted investees' hedging reserves.

Financial instruments revaluation reserve composition:

	Group	
At 31 December	**2022 Rm**	**2021 Rm**
Cash flow hedge reserve – interest rate swaps	64	(119)
– Gross	88	(165)
– Deferred tax thereon	(24)	46
Balance of share of movements of equity-accounted investees	5	
Balance of NCI share of financial instruments revaluation reserve	(50)	2
Financial instruments revaluation reserve	19	(117)

Movement analysis of cash flow hedge reserve – interest rate swaps:

	Gross Rm	Tax Rm	Net Rm
At 31 December 2020	(428)	120	(308)
Movement during the year			
Change in fair value of interest rate swaps recognised in OCI	117	(33)	84
Reclassified from OCI to profit or loss in finance costs	146	(41)	105
At 31 December 2021	(165)	46	(119)
Movement during the year			
Change in fair value of interest rate swaps recognised in OCI	156	(43)	113
Reclassified from OCI to profit or loss in finance costs	97	(27)	70
At 31 December 2022	88	(24)	64

16.3.3.3 Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements.

The group manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised borrowing facilities are maintained.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.3 Liquidity risk management continued

Borrowing capacity is determined by the board of directors, from time to time.

	Group	
	2022 Rm	2021 Rm
Amount approved	58 524	49 438
Total borrowings	(9 093)	(10 255)
Unutilised borrowing capacity	49 431	39 183

The group's capital base and the borrowing powers of the company and the group were set at 125% of shareholders' funds (equity attributable to owners of the parent) for both the 2022 and 2021 financial years.

Standard payment terms for the majority of trade payables is the end of the month following the month in which the goods are received or services are rendered. A number of trade payables do, however, have shorter contracted payment periods.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timeous matching of orders placed with goods received notes or services acceptances and invoices.

16.3.3.3.1 Maturity profile of financial instruments

Contractual cash flows for financial instruments which are subject to floating interest rates are based on the closing floating interest rate at reporting date.

The following tables detail the contractual maturities of financial assets and financial liabilities:

	Group					
			Maturity			
At 31 December 2022	Carrying amount Rm	Contractual cash flows Rm	0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
Financial assets						
ESD loans	178	178	76	54	48	
Vendor finance loan	294	350	138	62	150	
Other financial assets at amortised cost[1]	195	208	131	77		
Derivative financial assets	57	57	57			
Cash flow hedge derivatives: interest rate swaps	11	(36)	(6)	(6)	(15)	(9)
Lease receivables	46	63	14	14	35	
Trade and other receivables	4 199	4 199	4 199			
Cash and cash equivalents	14 812	14 812	14 812			
Total financial assets	19 792	19 831	19 421	201	218	(9)
Percentage profile (%)		100	98	1	1	
Financial liabilities						
Interest-bearing borrowings	(9 093)	(12 853)	(1 589)	(2 141)	(5 789)	(3 334)
– Loan facility	(3 893)	(4 824)	(827)	(732)	(3 265)	
– Project financing	(4 554)	(7 298)	(700)	(740)	(2 524)	(3 334)
– Bonds	(646)	(731)	(62)	(669)		
Lease liabilities	(478)	(733)	(88)	(93)	(300)	(252)
Non-current other payables	(25)	(28)		(4)	(24)	
Trade and other payables	(3 340)	(3 340)	(3 340)			
Derivative financial liabilities	(5)	(5)	(5)			
Cash flow hedge derivatives: interest rate swaps	(112)	(233)	(66)	(62)	(91)	(14)
Total financial liabilities	(13 053)	(17 192)	(5 088)	(2 300)	(6 204)	(3 600)
Percentage profile (%)		100	30	13	36	21
Liquidity gap identified[2]	6 739	2 639	14 333	(2 099)	(5 986)	(3 609)

[1] Excludes the environmental rehabilitation funds at amortised cost of R99 million.
[2] The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place.

CHAPTER 16:
Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued
16.3.3 Risk management continued
16.3.3.3 Liquidity risk management continued
16.3.3.3.1 Maturity profile of financial instruments continued

	Group					
			Maturity			
At 31 December 2021	Carrying amount Rm	Contractual cash flows Rm	0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
Financial assets						
ESD loans	181	181	90	52	39	
Vendor finance loan	300	453	27	15	77	334
Other financial assets at amortised cost[1]	350	369	220	72	77	
Derivative financial assets	4	4	4			
Lease receivables	52	77	14	13	44	6
Trade and other receivables	2 701	2 701	2 701			
Cash and cash equivalents	7 042	7 042	7 042			
Total financial assets	10 630	10 827	10 098	152	237	340
Percentage profile (%)		100	94	1	2	3
Financial liabilities						
Interest-bearing borrowings	(10 255)	(13 526)	(1 655)	(1 261)	(6 678)	(3 932)
– Loan facility	(4 552)	(5 492)	(753)	(680)	(4 059)	
– Project financing	(4 700)	(6 930)	(497)	(544)	(1 957)	(3 932)
– Bonds	(1 003)	(1 104)	(405)	(37)	(662)	
Lease liabilities	(504)	(801)	(84)	(89)	(280)	(348)
Non-current other payables	(53)	(53)		(53)		
Trade and other payables	(2 230)	(2 230)	(2 230)			
Cash flow hedge derivatives: interest rate swaps	(406)	(468)	(173)	(114)	(179)	(2)
Overdraft	(1)	(1)	(1)			
Total financial liabilities	(13 449)	(17 079)	(4 143)	(1 517)	(7 137)	(4 282)
Percentage profile (%)		100	24	9	42	25
Liquidity gap identified[2]	(2 819)	(6 252)	5 955	(1 365)	(6 900)	(3 942)

[1] *Excludes the environmental rehabilitation funds at amortised cost of R94 million.*
[2] *The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.3 Liquidity risk management continued

16.3.3.3.1 Maturity profile of financial instruments continued

	Company					
			Maturity			
At 31 December 2022	Carrying amount Rm	Contractual cash flows Rm	0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
Financial assets						
ESD loans	178	178	76	54	48	
Vendor finance loan	294	350	138	62	150	
Trade and other receivables	283	283	283			
Cash and cash equivalents	13 366	13 366	13 366			
Non-interest-bearing loans to subsidiaries	676	676	676			
Interest-bearing loans to subsidiaries	4 631	5 715	898	1 410	3 273	134
Treasury facilities with subsidiaries	559	559	559			
Total financial assets	19 987	21 127	15 996	1 526	3 471	134
Percentage profile (%)		100	76	7	16	1
Financial liabilities						
Interest-bearing borrowings	(4 539)	(5 555)	(889)	(1 401)	(3 265)	
– Loan facility	(3 893)	(4 824)	(827)	(732)	(3 265)	
– Bonds	(646)	(731)	(62)	(669)		
Lease liabilities	(413)	(574)	(78)	(85)	(279)	(132)
Trade and other payables	(196)	(196)	(196)			
Non-interest-bearing loans from subsidiaries[1]	(85)	(85)	(85)			
Treasury facilities with subsidiaries	(11 974)	(11 974)	(11 974)			
Total financial liabilities	(17 207)	(18 384)	(13 222)	(1 486)	(3 544)	(132)
Percentage profile (%)		100	72	8	19	1
Liquidity gap identified	2 780	2 743	2 774	40	(73)	2

[1] *The majority of the non-interest-bearing loans from subsidiaries are not expected to be called upon in the foreseeable future.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.3 Liquidity risk management continued

16.3.3.3.1 Maturity profile of financial instruments continued

At 31 December 2021	Carrying amount Rm	Contractual cash flows Rm	Company Maturity 0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
Financial assets						
ESD loans	181	181	90	52	39	
Vendor finance loan	300	453	27	15	77	334
Trade and other receivables	325	325	325			
Cash and cash equivalents	4 868	4 868	4 868			
Non-interest-bearing loans to subsidiaries	357	357	357			
Interest-bearing loans to subsidiaries	5 699	6 822	1 170	726	4 738	188
Treasury facilities with subsidiaries	4 803	4 803	4 803			
Total financial assets	16 533	17 809	11 640	793	4 854	522
Percentage profile (%)		100	66	4	27	3
Financial liabilities						
Interest-bearing borrowings	(5 555)	(6 596)	(1 158)	(717)	(4 721)	
– Loan facility	(4 552)	(5 492)	(753)	(680)	(4 059)	
– Bonds	(1 003)	(1 104)	(405)	(37)	(662)	
Lease liabilities	(438)	(640)	(73)	(79)	(258)	(230)
Trade and other payables	(159)	(159)	(159)			
Overdraft	(1)	(1)	(1)			
Non-interest-bearing loans from subsidiaries[1]	(76)	(76)	(76)			
Treasury facilities with subsidiaries	(9 670)	(9 670)	(9 670)			
Total financial liabilities	(15 899)	(17 142)	(11 137)	(796)	(4 979)	(230)
Percentage profile (%)		100	65	5	29	1
Liquidity gap identified	634	667	503	(3)	(125)	292

[1] *The majority of the non-interest-bearing loans from subsidiaries are not expected to be called upon in the foreseeable future.*

16.3.3.4 Credit risk management

Credit risk relates to potential default by counterparties on cash and cash equivalents, loans, investments, trade receivables and other receivables.

The group limits its counterparty exposure arising from money market and derivative instruments by only dealing with well established financial institutions of high-credit standing. The group's exposure and credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board of directors annually.

Trade receivables consist of a number of customers with whom Exxaro has long-standing relationships. A high portion of term supply arrangements exists with such customers resulting in limited credit exposure which exposure is limited by performing customer creditworthiness or country risk assessments.

The group strives to enter into sales contracts with customers which stipulate the required payment terms. It is expected of each customer that these payment terms are adhered to. Where trade receivables balances become past due, the normal recovery procedures are followed to recover the debt, where applicable new payment terms may be arranged to ensure that the debt is fully recovered.

Exxaro has concentration risk as a result of its exposure to one major customer. This is, however, not considered significant as the customer adheres to the stipulated payment terms.

Exxaro establishes an allowance for non-recoverability or impairment that represents its estimate of ECLs in respect of trade receivables, other receivables, loans, cash and cash equivalents and investments. The main components of these allowances are a 12-month ECL component that results from possible default events within the 12 months after the reporting date and a lifetime ECL component that results from all possible default events over the expected life of a financial instrument.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. None of the financial assets were held as collateral for any security provided.

Detail of the trade receivables credit risk exposure:

	Group	
At 31 December	**2022 %**	**2021 %**
By geographical area		
RSA	65	88
Europe	18	8
Asia	17	
USA		4
Total	100	100
By industry		
Public utilities	47	67
Mining	8	5
Manufacturing	1	2
Merchants	37	15
Food and beverage	1	1
Steel	2	9
Cement	4	1
Total	100	100

Detailed impairment analysis of financial assets measured at amortised cost:

	Group			
At 31 December 2022	**Total Rm**	**Performing Rm**	**Under-performing Rm**	**Non-performing Rm**
ESD loans	178	178		
– Non-current – gross	108	103		5
– Non-current – impairment allowances	(6)	(1)		(5)
– Current – gross	166	78		88
– Current – impairment allowances	(90)	(2)		(88)
Vendor finance loan	294	294		
– Non-current – gross	173	173		
– Current – gross	123	123		
– Current – impairment allowance	(2)	(2)		
Other financial assets at amortised cost	294	294		
– Non-current – gross	175	175		
– Non-current – impairment allowances	(3)	(3)		
– Current – gross	130	126		4
– Current – impairment allowances	(8)	(4)		(4)
Lease receivables[1]	46	46		
– Non-current – gross	39	39		
– Non-current – impairment allowances	(1)	(1)		
– Current – gross	8	8		
Trade receivables	4 124	4 056	29	39
– Gross	4 150	4 082	29	39
– Impairment allowances	(26)	(26)		
Other receivables	75	67		8
– Gross	122	67		55
– Impairment allowances	(47)			(47)
Cash and cash equivalents	14 812	14 812		
Total financial assets at amortised cost	19 823	19 747	29	47

[1] *Lease receivables are within the scope of the impairment requirements of IFRS 9.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk continued

	Group			
At 31 December 2021	**Total Rm**	**Performing Rm**	**Under-performing Rm**	**Non-performing Rm**
ESD loans	181	181		
– Non-current – gross	99	91		8
– Non-current – impairment allowances	(8)			(8)
– Current – gross	114	92		22
– Current – impairment allowances	(24)	(2)		(22)
Vendor finance loan	300	300		
– Non-current – gross	300	300		
– Non-current – impairment allowance	(7)	(7)		
– Current – gross	7	7		
Other financial assets at amortised cost	444	444		
– Non-current – gross	239	239		
– Non-current – impairment allowances	(5)	(5)		
– Current – gross	221	217		4
– Current – impairment allowances	(11)	(7)		(4)
Lease receivables[1]	52	52		
– Non-current – gross	47	47		
– Non-current – impairment allowances	(2)	(2)		
– Current – gross	7	7		
Trade receivables	2 626	2 606	2	18
– Gross	2 647	2 627	2	18
– Impairment allowances	(21)	(21)		
Other receivables	75	75		
– Gross	101	75		26
– Impairment allowances	(26)			(26)
Cash and cash equivalents	7 042	7 042		
Total financial assets at amortised cost	10 720	10 700	2	18

[1] *Lease receivables are within the scope of the impairment requirements of IFRS 9.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk continued

At 31 December 2022	Company Total Rm	Performing Rm	Non-performing Rm
ESD loans	178	178	
– Non-current – gross	108	103	5
– Non-current – impairment allowances	(6)	(1)	(5)
– Current – gross	166	78	88
– Current – impairment allowances	(90)	(2)	(88)
Vendor finance loan	294	294	
– Non-current – gross	173	173	
– Current – gross	123	123	
– Current – impairment allowance	(2)	(2)	
Other financial assets at amortised cost	54	54	
– Current – gross	60	56	4
– Current – impairment allowances	(6)	(2)	(4)
Other receivables	7	7	
– Gross	8	7	1
– Impairment allowances	(1)		(1)
Indebtedness by subsidiaries	276	276	
– Gross	277	277	
– Impairment allowances	(1)	(1)	
Non-interest-bearing loans to subsidiaries	676	676	
– Current – gross	741	692	49
– Current – impairment allowances	(65)	(16)	(49)
Interest-bearing loans to subsidiaries	4 631	4 631	
– Non-current – gross	4 120	4 120	
– Current – gross	511	511	
Treasury facilities with subsidiaries	559	559	
– Gross	561	561	
– Impairment allowances	(2)	(2)	
Cash and cash equivalents	13 366	13 366	
Total financial assets at amortised cost	20 041	20 041	

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk continued

At 31 December 2021	Company Total Rm	 Performing Rm	 Non-performing Rm
ESD loans	181	181	
– Non-current – gross	99	91	8
– Non-current – impairment allowances	(8)		(8)
– Current – gross	114	92	22
– Current – impairment allowances	(24)	(2)	(22)
Vendor finance loan	300	300	
– Non-current – gross	300	300	
– Non-current – impairment allowance	(7)	(7)	
– Current – gross	7	7	
Other financial assets at amortised cost	145	145	
– Current – gross	154	150	4
– Current – impairment allowances	(9)	(5)	(4)
Other receivables	1	1	
– Gross	2	1	1
– Impairment allowances	(1)		(1)
Indebtedness by subsidiaries	324	324	
– Gross	326	326	
– Impairment allowances	(2)	(2)	
Non-interest-bearing loans to subsidiaries	357	357	
– Current – gross	417	368	49
– Current – impairment allowances	(60)	(11)	(49)
Interest-bearing loans to subsidiaries	5 699	5 699	
– Non-current – gross	4 841	4 841	
– Current – gross	858	858	
Treasury facilities with subsidiaries	4 803	4 803	
– Gross	4 836	4 836	
– Impairment allowances	(33)	(33)	
Cash and cash equivalents	4 868	4 868	
Total financial assets at amortised cost	16 678	16 678	

16.3.3.4.2 Trade and other receivables age analysis

	Group					
		Current		Past due		
At 31 December 2022	Total Rm	1 to 30 days Rm	31 to 60 days Rm	61 to 90 days Rm	90 to 180 days Rm	>180 days Rm
Trade receivables	4 124	3 889	196	8	31	
– Gross	4 150	3 913	197	8	32	
– Impairment allowances	(26)	(24)	(1)		(1)	
Other receivables	75	46	23		6	
– Gross	122	48	24	2	45	3
– Impairment allowances	(47)	(2)	(1)	(2)	(39)	(3)
Total carrying amount of trade and other receivables	4 199	3 935	219	8	37	

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.2 Trade and other receivables age analysis continued

At 31 December 2021	Group				
		Current		Past due	
	Total Rm	**1 to 30 days Rm**	**31 to 60 days Rm**	**61 to 90 days Rm**	**90 to 180 days Rm**
Trade receivables	2 626	2 488	119	2	17
– Gross	2 647	2 508	120	2	17
– Impairment allowances	(21)	(20)	(1)		
Other receivables	75	42		33	
– Gross	101	43	3	37	18
– Impairment allowances	(26)	(1)	(3)	(4)	(18)
Total carrying amount of trade and other receivables	2 701	2 530	119	35	17

At 31 December 2022	Company		
		Current	Past due
	Total Rm	**1 to 30 days Rm**	**90 to 180 days Rm**
Trade receivables	7	7	
– Gross	8	7	1
– Impairment allowances	(1)		(1)
Other receivables	276	276	
– Gross	277	277	
– Impairment allowances	(1)	(1)	
Total carrying amount of trade and other receivables	283	283	

At 31 December 2021	Company		
		Current	Past due
	Total Rm	**1 to 30 days Rm**	**90 to 180 days Rm**
Other receivables	1	1	
– Gross	2	1	1
– Impairment allowances	(1)		(1)
Indebtedness by subsidiaries	324	324	
– Gross	326	326	
– Impairment allowances	(2)	(2)	
Total carrying amount of trade and other receivables	325	325	

16.3.3.4.3 Credit quality of financial assets

The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings available from Fitch, Standard & Poor's and Global credit rating.

At 31 December	Group		Company	
	2022 Rm	**2021 Rm**	**2022 Rm**	**2021 Rm**
Cash and cash equivalents				
Fitch ratings				
F1+	1 825	302	1 699	9
Standard & Poor's ratings				
A-1+	10 949	6 014	9 653	4 765
A-1	24	632		
A-2		23		23
Global credit rating				
AA(za)	1 007	71	1 007	71
AA+(za)	1 007		1 007	
Total cash and cash equivalents[1]	14 812	7 042	13 366	4 868

[1] *Excludes overdraft.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.3 Credit quality of financial assets continued

Fitch ratings

F1 Highest credit quality

"+" denotes any exceptionally strong credit feature

Standard & Poor's

A-1+ Highest certainty of payment

A-1 Very high certainty of payment

A-2 Satisfactory capacity to meet its financial commitments

BB– Speculative in nature with some exposure to risk

Global credit ratings

AA(za) Very strong financial security characteristics relative to other issuers in the same country

AA+(za) Very strong financial security characteristics relative to other issuers in the same country

16.3.3.4.4 Collateral

No collateral was held by the group as security, nor any other enhancements over the financial assets during the years ended 31 December 2022 and 31 December 2021.

Guarantees

The group did not obtain financial or non-financial assets by taking possession of collateral it holds as security or calling on guarantees during the financial year ended 31 December 2022 and 31 December 2021. The guarantees issued relate to operational liabilities (refer to note 13.4.1 on contingent liabilities).

16.3.4 Loan commitments

Loan commitments have been granted to the following parties:

	Group		Company	
At 31 December	**2022 Rm**	**2021 Rm**	**2022 Rm**	**2021 Rm**
Total loan commitment[1]	96	250	96	
Mafube[2]		250		
ESD applicants[3]	96		96	

[1] *The loan commitments were undrawn for the reporting periods.*

[2] *Revolving credit facility which was available for five years, ending 2023, was cancelled early during June 2022.*

[3] *Loans approved and awarded to successful ESD applicants.*

CHAPTER 17:
Subsidiaries

CHAPTER 17:
Subsidiaries

17.1. ACCOUNTING POLICIES RELATING TO SUBSIDIARIES

17.1.1 Subsidiaries

The results of subsidiaries are included for the duration of the period in which the group exercises control over its subsidiaries. All intercompany transactions and resultant profits or losses between group companies are eliminated on consolidation. Where necessary, accounting policies for subsidiaries are changed to ensure consistency with the policies adopted by the group. If it is not practical to change the policies, the appropriate adjustments are made on consolidation to ensure consistency within the group.

The results of structured entities that, in substance, are controlled by the group, are consolidated.

The company carries its investments in subsidiaries at cost, including transaction costs and initial fair value measurements of contingent consideration arising on acquisition date, less accumulated impairment losses. Subsequent fair value remeasurements of the contingent consideration are recognised in profit or loss.

For company, when a business combination is achieved in stages, the acquisition date carrying value of the previously held equity interest is accumulated with the cost of the new equity interest acquired.

For group, business combinations are accounted for using the acquisition method as at the acquisition date, that is, when control is transferred to Exxaro. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, Exxaro takes into consideration potential voting rights that are currently exercisable. The group also assesses existence of control where it does not have more than 50% of the voting power, but is able to govern the financial and operating policies by virtue of de facto control.

17.1.1.1 Changes in ownership interest(s) in subsidiaries without change in control

Transactions with NCIs that do not result in loss of control are accounted for as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired in the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on the acquisition of NCIs are also recognised in equity.

17.1.1.2 Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, JV or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss.

17.1.1.3 Foreign operations

The results and financial position of all the group entities (none of which have the currency of a hyper-inflationary economy at or for the year ended 31 December 2022 and 2021) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities at rates of exchange ruling at the reporting date
- Equity items are translated at historical rates
- Income, expenditure and cash flow items at weighted average rates
- Goodwill and fair value adjustments arising on acquisition at rates of exchange ruling at the reporting date.

Exchange differences on translation are accounted for in OCI. These differences will be recognised in profit or loss upon realisation of the underlying operation.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (ie the reporting entity's interest in the net assets of that operation), and of borrowing and other currency instruments designated as hedges of such instruments, are taken to OCI. When a foreign operation is sold, exchange differences that were recorded in OCI are recognised in profit or loss.

17.1.1.4 Investments in share-based payments

Exxaro has an agreement with its subsidiary companies to charge the subsidiaries for the equity compensation share schemes (Refer Chapter 14) granted to the subsidiaries' employees.

The movement in equity in the company's financial statements relating to the recharge of the share-based payments of subsidiaries is accounted for against investments in subsidiaries and is eliminated on consolidation for group reporting purposes.

17.1.2.5 Business combinations involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

For common control transactions, the circumstances of each transaction are evaluated to determine whether either the acquisition or predecessor accounting method is most appropriate. When the transaction is between wholly owned companies the predecessor accounting method is applied. Under this method the assets and liabilities of the combining entities are not adjusted to fair value but are rather transferred at their carrying amounts at the date of the transaction.

For company, for common control transactions, in which a subsidiary (acquiree) is disposed of for no consideration (share for share transaction) to another subsidiary (the acquirer), the carrying value of the acquiree is derecognised and the increased investment in the acquirer recognised at the same value.

17.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

17.2.1 Control assessment for consolidation of subsidiaries

In applying IFRS 10 *Consolidated Financial Statements,* management has applied judgement in assessing whether Exxaro has control over certain entities where the percentage shareholding does not provide control. Specifically:

Eyesizwe

Exxaro has control over Eyesizwe even though the group only holds a 24.9% (2021: 24.9%) equity interest in Eyesizwe which is made up of the company's equity interest of 14.9% and a further 10% held equally by Exxaro ESOP SPV and Exxaro Community NPC. Eyesizwe was created and designed for the sole purpose of providing Exxaro with BEE credentials and as a structure to hold Exxaro shares. The implementation of the Replacement BEE Transaction protects the stability of Exxaro's operations reinforcing the sustainability of relationships with key stakeholders, equips Exxaro for growth by positioning Exxaro with market-leading empowerment credentials in the South African mining sector and creates long-term value for shareholders.

Exxaro is able to direct the strategic direction of Eyesizwe and, as per the transaction agreements, Eyesizwe's MoI may not be amended or replaced without Exxaro's prior written consent. All these points indicate that Exxaro has been involved from the inception of the Replacement BEE Transaction, to ensure that the design and operation of Eyesizwe achieves the purpose for which it was created. Eyesizwe can also not dispose of Exxaro shares without the prior consent of Exxaro. Exxaro has significant exposure to the variable returns of Eyesizwe, through the creation and maintenance of the BEE credentials during the lock-in period as well as through the equity investment held by Exxaro in Eyesizwe. All these factors have been considered in determining that, even though Exxaro does not have majority voting rights in Eyesizwe, it still has control over Eyesizwe and consolidates the results of Eyesizwe in the group results of Exxaro.

17.2.2 Non-controlling interests

Eyesizwe NCI

As part of the Replacement BEE Transaction, implemented in 2017, Eyesizwe was incorporated and established as the empowerment vehicle to hold 30% of Exxaro shares. A portion of the 30% acquired interest was financed by means of an issue of Eyesizwe preference shares to various financial institutions. The shares held by Eyesizwe in Exxaro were provided as security for these preference shares.

The outstanding preference share obligation was settled early by Eyesizwe during October 2019 as a result of the dividends which were received from Exxaro. This has resulted in Eyesizwe's other shareholders (IDC and Eyesizwe SPV Proprietary Limited) becoming true equity shareholders as they are now exposed to both upside and downside risk in relation to the Exxaro shares.

From an Exxaro group perspective this resulted in the recognition of NCIs for Eyesizwe's other shareholders. On initial recognition the NCI in Eyesizwe was recognised at the net asset value of the consolidated Eyesizwe results. Subsequent to initial recognition, the NCI share in the movement of profit or loss and OCI.

Cennergi group NCI

In 2020, Cennergi, as the acquiree, had outstanding share-based payment transactions that Exxaro, as the acquirer, did not replace, cancel or exchange as part of the acquisition. The share-based payment transactions had vested and therefore accounted for as part of NCI in the Cennergi group acquisition and measured at their market-based measure in terms if IFRS 2 *Share-based Payment* (IFRS 2). These arrangements were viewed as in-substance share options with the minorities, as the minorities are not exposed to downside risk nor benefit, until such time as the underlying shareholder financing of the arrangements have been settled.

Subsequently the in-substance share option holders in Tsitsikamma SPV have become true equity shareholders as they are now exposed to both upside and downside risk in relation to the Tsitsikamma SPV shares. The NCI of Tsitsikamma SPV has been recognised at the net asset value of Tsitsikamma SPV at the date on which the in-substance share options were exercised. The remaining Amakhala SPV in-substance share option holders remain valued at the acquisition date valuation determined by applying a Monte-Carlo simulation technique that used the following key assumptions:

• Risk-free curve – ZAR swap zero curve semi-annual:	Year 1 to 5: 5.31% to 6.20% Year 6 to 16: 7.03% to 10.28%
• Lock-in discount percentage:	33% for community BEE parties
• Standard deviation tolerance:	7%

17.3 TRANSACTIONS WITH SUBSIDIARIES
17.3.1 Revenue

		Company	
For the year ended 31 December	Note	2022 Rm	2021 Rm
Corporate management services rendered to the following subsidiaries:	6.1.2	1 753	1 669
Exxaro Coal Proprietary Limited		1 195	1 126
Exxaro Coal Mpumalanga Proprietary Limited		501	409
Exxaro Coal Central Proprietary Limited			71
Other subsidiaries		57	63
Dividend revenue from the following subsidiaries:	6.1.2	6 323	9 565
Cennergi Proprietary Limited		261	184
Exxaro Coal Proprietary Limited[1]		5 420	
Exxaro Holdings Proprietary Limited[1]			6 964
Eyesizwe (RF) Proprietary Limited		443	617
Rocsi Holdings Proprietary Limited[1]		199	1 800
Interest revenue from the following subsidiaries:	6.1.2	3 432	2 389
From interest-bearing back-to-back loans receivable with:		370	360
– Exxaro Coal Proprietary Limited		370	360
From interest-bearing acquisition loans receivable with:		6	8
– Exxaro ESOP SPV RF Proprietary Limited		2	2
– Exxaro Matla Setshabeng Development NPC		4	6
From treasury facilities receivable with:		3 056	2 021
– Exxaro Coal Proprietary Limited		2 628	1 404
– Exxaro Coal Mpumalanga Proprietary Limited		399	383
– Exxaro Coal Central Proprietary Limited			217
– Other subsidiaries		29	17

[1] *Relates to dividends in specie.*

17.3 TRANSACTIONS WITH SUBSIDIARIES continued

17.3.2 Finance costs

For the year ended 31 December	Note	Company 2022 Rm	Company 2021 Rm
Interest expense on treasury facilities payable with:	12.1.2	(3 097)	(1 752)
Exxaro Coal Proprietary Limited		(2 830)	(1 426)
Exxaro Coal Mpumalanga Proprietary Limited		(256)	(148)
Exxaro Coal Central Proprietary Limited			(175)
Other subsidiaries		(11)	(3)

17.4 SUMMARY OF INVESTMENTS IN SUBSIDIARIES

	Company					
	Gross carrying amount		Accumulated impairment losses[1]		Net carrying amount	
At 31 December	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Unlisted subsidiaries equity shares	10 670	10 609	(2 744)	(2 744)	7 926	7 865
Share-based payments	441	513			441	513
Investments in subsidiaries	11 111	11 122	(2 744)	(2 744)	8 367	8 378

[1] *The accumulated impairment losses relates to Exxaro Australia Holdings Proprietary Limited.*

17.5 SUMMARY OF INDEBTEDNESS BY/(TO) SUBSIDIARIES

		Company					
		Gross carrying amount		Impairment allowances		Net carrying amount	
At 31 December	Note	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Indebtedness by subsidiaries							
Non-current		4 120	4 841			4 120	4 841
Interest-bearing loans receivable[1]	10.3.2	4 120	4 841			4 120	4 841
Current		2 090	6 437	(68)	(95)	2 022	6 342
Interest-bearing loans receivable[1]	10.3.2	511	858			511	858
Non-interest-bearing loans receivable[2]	10.3.2	741	417	(65)	(60)	676	357
Interest-bearing treasury facilities receivable[3]	10.3.2	561	4 836	(2)	(33)	559	4 803
Indebtedness by subsidiaries	6.2.3	277	326	(1)	(2)	276	324
Total indebtedness by subsidiaries		6 210	11 278	(68)	(95)	6 142	11 183
Indebtedness to subsidiaries							
Current		(12 059)	(9 746)			(12 059)	(9 746)
Non-interest-bearing loans payable	12.1.7	(85)	(76)			(85)	(76)
Interest-bearing treasury facilities payable	12.1.7	(11 974)	(9 670)			(11 974)	(9 670)
Total indebtedness to subsidiaries		(12 059)	(9 746)			(12 059)	(9 746)
Net indebtedness (to)/by subsidiaries		(5 849)	1 532	(68)	(95)	(5 917)	1 437

[1] *The credit risk relating to these subsidiary parties is considered very low and therefore seen as performing. There have been no changes to this assessment as these parties are continuously performing against contractual terms and are in a good liquidity position. The ECL has been considered to be immaterial.*
[2] *Relates mainly to impairment allowances on Gravelotte Iron Ore Company Proprietary Limited of R52 million (2021: R49 million) and Exxaro Base Metals and Industrial Minerals Holdings Proprietary Limited of R4 million (2021: R6 million).*
[3] *2021: Relates mainly to an impairment allowance on Exxaro Coal Mpumalanga Proprietary Limited of R29 million.*

Terms and conditions of indebtedness

Non-interest bearing loans

The loans are unsecured, have no fixed terms of repayment and are repayable within one month of a demand notice.

Interest-bearing treasury facilities

Treasury facilities are unsecured, have no repayment terms and are repayable on demand. Interest is charged at money market rates.

Indebtedness (trade-related)

Certain subsidiaries are charged corporate service fees which are repayable within 30 days.

17.5 SUMMARY OF INDEBTEDNESS BY/(TO) SUBSIDIARIES continued

Interest-bearing loans receivable

Interest-bearing loans receivable, and their redemption profiles, comprise of:

	Company					
	Acquisition loans receivable[1]		Back-to-back loans receivable[2]		Net carrying amount	
As at 31 December	**2022 Rm**	**2021 Rm**	**2022 Rm**	**2021 Rm**	**2022 Rm**	**2021 Rm**
Back-to-back loans receivable						
Exxaro Coal Proprietary Limited			4 554	5 576	4 554	5 576
Acquisition loans receivable						
Exxaro Community NPC	58	90			58	90
Exxaro ESOP SPV	19	33			19	33
Total unsecured loans	77	123	4 554	5 576	4 631	5 699
Summary by financial year of redemption:						
Less than six months			286	633	286	633
Six to 12 months			225	225	225	225
Between one and two years			1 093	450	1 093	450
Between two and three years			450	1 093	450	1 093
Between three and four years			2 500	450	2 500	450
Between four and five years				2 725		2 725
More than five years	77	123			77	123
Total unsecured loans	77	123	4 554	5 576	4 631	5 699

[1] *The acquisition loans receivable are unsecured, are repayable by no later than 10 years of the loan being granted and bear interest at a rate of 70% of Prime Rate.*

[2] *The back-to-back loans receivable have similar terms as agreed with external lenders (excluding the project financing) except for interest, which is charged based on 3-month JIBAR plus a margin. Refer note 12.1.4 for detailed terms and conditions of the external borrowings, excluding the project financing.*

The fixed margin percentage at the end of the reporting period on the back-to-back loans is summarised as follows:

- *Revolving credit facility: 2.76% (2021: 2.76%)*
- *Bullet term loan facility: 2.51% (2021: 2.51%)*
- *Amortised term loan facility: 2.41% (2021: 2.41%)*
- *Bond R357 million: 1.65% (2021: 1.65%)*
- *Bond R643 million: nil (2021: 1.89%)*

17.6 DETAILED ANALYSIS OF INVESTMENTS IN SUBSIDIARIES AND INDEBTEDNESS BY/(TO) SUBSIDIARIES

	Portfolio changes in 2022				Investment in subsidiaries			
					Investment in shares[1]		Investment in share-based payments	
	Type[2]	Date	Country[3]	Nature of business[4]	2022 R	2021 R	2022 Rm	2021 Rm
DIRECT INVESTMENTS								
Aquicure Proprietary Limited[5]	S	31 Jul	RSA	W		100		
Cennergi Proprietary Limited[6]	AS	07 Oct	RSA	H		2 437 330 415		
Cennergi Holdings Proprietary Limited[6]	AS	07 Oct	RSA	H	2 437 330 416	1		
Colonna Properties Proprietary Limited			RSA	B	2 518 966	2 518 966		
Exxaro Australia Holdings Proprietary Limited[7]			AUS	H	710 080 074	648 703 847		
Exxaro Base Metals and Industrial Minerals Holdings Proprietary Limited			RSA	H	1	1		
Exxaro Chairman's Fund			RSA	S				
Exxaro Coal Proprietary Limited			RSA	M	1 868 325 864	1 868 325 864	207	263
Exxaro Employee Empowerment Participation Scheme Trust[8]			RSA	S				
Exxaro Employee Empowerment Trust[8]			RSA	S				
Exxaro Environmental Rehabilitation Fund			RSA	S				
Exxaro ESOP SPV RF Proprietary Limited			RSA	S	100	100		
Exxaro FerroAlloys Proprietary Limited			RSA	A	1	1	3	3
Exxaro Foundation[8]			RSA	S				
Exxaro Holdings Proprietary Limited			RSA	H	459 517 297	459 517 297		
Exxaro Insurance Company Limited			RSA	I	312 000 000	312 000 000		
Exxaro Matla Setshabeng Development NPC			RSA	S				
Exxaro Mountain Bike Academy NPC			RSA	E				
Exxaro People Development Initiative NPC[8]			RSA	E				
Exxaro Properties (Groenkloof) Proprietary Limited[8]			RSA	B	1	1		
Eyesizwe (RF) Proprietary Limited (2022: 14.86%) (2021: 14.86%)			RSA	S	1 482 907 923	1 482 907 923		
Ferroland Grondtrust Proprietary Limited			RSA	F	2	2	5	5
Gravelotte Iron Ore Company Proprietary Limited			RSA	B	1	1		
Kumba Resources Management Share Trust			RSA	S				
Rocsi Holdings Proprietary Limited			RSA	H	653 722 945	653 722 945		
Total direct investments in subsidiaries					7 926 403 591	7 865 027 464	215	271
INDIRECT INVESTMENTS								
Amakhala Emoyeni RF Proprietary Limited (95%)			RSA	R				
Coastal Coal Proprietary Limited			RSA	MIC			3	3
Cennergi Services Proprietary Limited			RSA	C				
Lephalale Solar Proprietary Limited			RSA	R				
K2021699383 (South Africa) Proprietary Limited			RSA	R				
Exxaro Australia Proprietary Limited			AUS	M & P				
Exxaro Coal Mpumalanga Proprietary Limited			RSA	M			224	240
Exxaro International Trading AG			SW	C			(1)	(1)
Exxaro Reductants Proprietary Limited			RSA	A				
The Vryheid (Natal) Railway Coal and Iron Company Proprietary Limited			RSA	MIC				
Exxaro Employee Share Ownership Trust			RSA	S				
Tsitsikamma RF Proprietary Limited			RSA	R				
Total indirect investment in subsidiaries							226	242
Total investment in subsidiaries					7 926 403 591	7 865 027 464	441	513

1 At 100% holding except where otherwise indicated.
2 AS – Asset for share transaction, S – Sold.
3 Country of incorporation: RSA — Republic of South Africa, AUS — Australia, SW — Switzerland.
4 M — Mining, B — Property, C — Service, E — Not for profit company, F — Farming, H — Holdings, I — Insurance, A — Manufacturing, P — Exploration, S — Structured entity, W – Water, MIC – Mines in closure, R - Renewable Energy.
5 Disposed of on 31 July 2022 (Refer to note 8.3).
6 Exxaro sold its direct interest in Cennergi to Cennergi Holdings in an asset (investment in shares) for share transaction that was effective on 7 October 2022.
7 Cash subscription and loan capitalisation in 2022.
8 Entity in process of liquidation or deregistration.

		Total indebtedness receivable/(payable)			
		Total indebtedness by		(Total indebtedness to)	
	Type of indebtedness	2022 Rm	2021 Rm	2022 Rm	2021 Rm
DIRECT INVESTMENTS					
Aquicure Proprietary Limited[5]	Non-interest-bearing		41		
Cennergi Proprietary Limited[6]					
Cennergi Holdings Proprietary Limited[6]	Non-interest-bearing	207	92		
Colonna Properties Proprietary Limited					
Exxaro Australia Holdings Proprietary Limited[7]					
Exxaro Base Metals and Industrial Minerals Holdings Proprietary Limited	Non-interest-bearing	216	213		
Exxaro Chairman's Fund					
Exxaro Coal Proprietary Limited	Total	4 731	5 779	(11 216)	(9 665)
	Interest-bearing	4 554	5 576		
	Treasury facility			(11 216)	(9 665)
	Current indebtedness	176	203		
Exxaro Employee Empowerment Participation Scheme Trust[8]					
Exxaro Employee Empowerment Trust[8]					
Exxaro Environmental Rehabilitation Fund					
Exxaro ESOP SPV RF Proprietary Limited	Interest-bearing	19	33		
Exxaro FerroAlloys Proprietary Limited	Total	275	232		
	Treasury facility	272	228		
	Current indebtedness	3	4		
Exxaro Foundation[8]					
Exxaro Holdings Proprietary Limited	Non-interest-bearing			(6)	
Exxaro Insurance Company Limited	Current indebtedness	1	2		
Exxaro Matla Setshabeng Development NPC	Interest-bearing	58	90		
Exxaro Mountain Bike Academy NPC	Non-interest-bearing				
Exxaro People Development Initiative NPC[8]					
Exxaro Properties (Groenkloof) Proprietary Limited[8]	Non-interest-bearing				
Eyesizwe (RF) Proprietary Limited (2022: 14.86%) (2021: 14.86%)					
Ferroland Grondtrust Proprietary Limited	Total	286	255		
	Treasury facility	285	254		
	Current indebtedness	1	1		
Gravelotte Iron Ore Company Proprietary Limited	Non-interest-bearing		3		
Kumba Resources Management Share Trust	Non-interest-bearing			(79)	(76)
Rocsi Holdings Proprietary Limited	Non-interest-bearing	95	8		
Total direct investments in subsidiaries		5 887	6 748	(11 301)	(9 741)
INDIRECT INVESTMENTS					
Amakhala Emoyeni RF Proprietary Limited (95%)					
Coastal Coal Proprietary Limited	Total	109	88		
	Treasury facility	1	88		
	Non-interest-bearing	108			
Cennergi Services Proprietary Limited					
Lephalale Solar Proprietary Limited					
K2021699383 (South Africa) Proprietary Limited					
Exxaro Australia Proprietary Limited					
Exxaro Coal Mpumalanga Proprietary Limited	Total	95	4 302	(689)	
	Treasury facility		4 189	(689)	
	Current indebtedness	95	113		
Exxaro International Trading AG					
Exxaro Reductants Proprietary Limited	Treasury facility			(69)	(5)
The Vryheid (Natal) Railway Coal and Iron Company Proprietary Limited	Total	51	44		
	Treasury facility	1	44		
	Non-interest-bearing	50			
Exxaro Employee Share Ownership Trust	Current indebtedness		1		
Tsitsikamma RF Proprietary Limited					
Total indirect investment in subsidiaries		255	4 435	(758)	(5)
Total investment in subsidiaries		6 142	11 183	(12 059)	(9 746)

17.7 NON-CONTROLLING INTERESTS

17.7.1 Composition and analysis of non-controlling interests

Subsidiaries with non-controlling interests	Nature of business	Principal place of business	Voting power of non-controlling interests 2022 %	2021 %
Subsidiaries with equity shareholders:				
Eyesizwe	BEE structured entity	Gauteng	75.14	75.14
Tsitsikamma SPV[1]	Renewable energy	Eastern Cape	25.00	16.00
Subsidiaries with share option holders:				
Tsitsikamma SPV[1]	Renewable energy	Eastern Cape		9.00
Amakhala SPV	Renewable energy	Eastern Cape	5.00	5.00

[1] *On 31 March 2022, the remaining 9% share option holder of Tsitsikamma SPV, exercised its share option becoming a true equity shareholder.*

	Profit/(loss) allocated to NCI		OCI allocated to NCI		Dividends and distributions paid to NCI		Accumulated NCI	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Subsidiaries with equity shareholders:	4 179	3 706	97	(200)	(2 274)	(3 124)	12 519	10 412
Eyesizwe	4 164	3 714	85	(209)	(2 237)	(3 119)	12 226	10 214
Dorstfontein[1]		(10)						
Tsitsikamma SPV	15	2	12	9	(37)	(5)	293	198
Subsidiaries with share option holders:					(1)	(7)	41	136
Tsitsikamma SPV					(1)	(7)		95
Amakhala SPV							41	41
Total NCIs	4 719	3 706	97	(200)	(2 275)	(3 131)	12 560	10 548

[1] *2021: Dorstfontein's NCI was derecognised on the disposal of the ECC operation.*

Movement analysis of NCI:	Note	NCI equity shareholders 2022 Rm	2021 Rm	NCI share option holders 2022 Rm	2021 Rm	Total NCI 2022 Rm	2021 Rm
At the beginning of the year		10 412	9 197	136	143	10 548	9 340
Total comprehensive income		4 276	3 506			4 276	3 506
Share of profit for the year		4 179	3 706			4 179	3 706
Share of OCI for the year		97	(200)			97	(200)
Transactions with owners of subsidiary companies		(2 274)	(3 124)	(1)	(7)	(2 275)	(3 131)
Dividends paid		(2 274)	(3 124)			(2 274)	(3 124)
Distribution to NCI share option holders				(1)	(7)	(1)	(7)
Changes in ownership interest		105	833	(94)		11	833
Initial recognition of NCI equity shareholder[1]		105		(94)		11	
– Derecognise share option[1]				(94)			
Disposal of subsidiary[2]			833				833
At end of the year		12 519	10 412	41	136	12 560	10 548

[1] *On 31 March 2022, the remaining 9% share option holder of Tsitsikamma SPV, exercised its share option becoming a true equity shareholder.*
[2] *Dorstfontein's NCI has been derecognised on the disposal of the ECC operation.*

17.7 NON-CONTROLLING INTERESTS continued

17.7.2 Summarised financial information of non-controlling interests

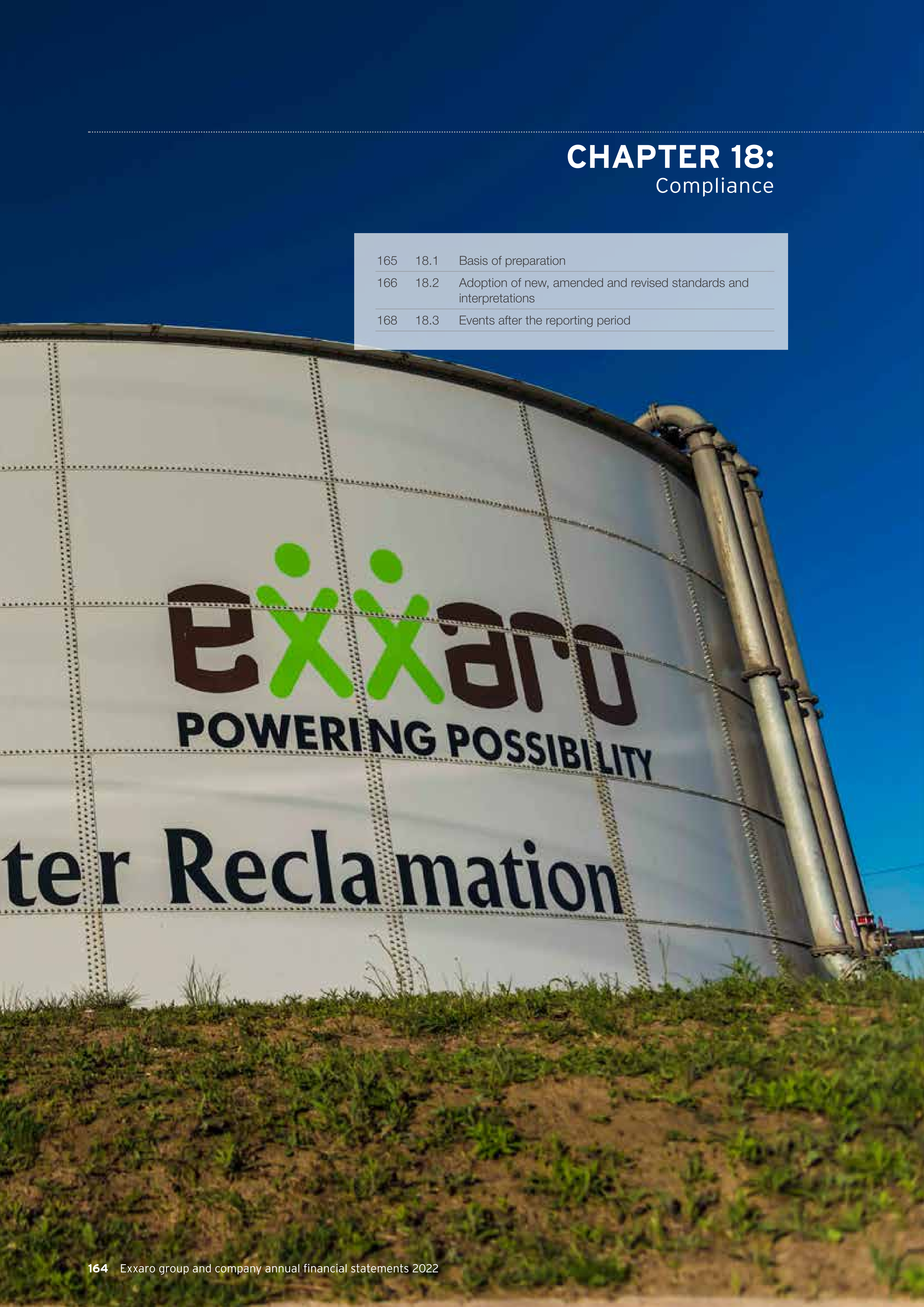
The summarised financial information set out below relates to the subsidiaries in which NCI share.

At 31 December	Tsitsikamma SPV 2022 Rm	Tsitsikamma SPV 2021 Rm	Eyesizwe 2022 Rm	Eyesizwe 2021 Rm
Statements of financial position				
Non-current assets	3 335	3 507	16 185	13 555
Current assets	187	214	7	7
Total assets	3 522	3 721	16 192	13 562
Non-current liabilities	2 238	2 407		
Current liabilities	106	79	1	1
Total liabilities	2 344	2 486	1	1
Net assets	1 178	1 235	16 191	13 561
Accumulated NCIs	293	198	12 226	10 214

For the year ended 31 December	Dorstfontein[1] 2021 Rm	Tsitsikamma SPV[2] 2022 Rm	Tsitsikamma SPV[2] 2021 Rm	Eyesizwe 2022 Rm	Eyesizwe 2021 Rm
Statements of comprehensive income					
Revenue	905	514	509		
Net operating profit/(loss)	39	219	197	(1)	(2)
Income from equity-accounted investments				5 543	4 945
Net finance costs	(75)	(166)	(167)		
Income tax benefit/(expense)		6	(16)		
(Loss)/profit for the year	(36)	59	14	5 542	4 943
Other comprehensive income/(loss)		55	53	114	(278)
Total comprehensive (loss)/income for the year	(36)	114	67	5 656	4 665
(Loss)/profit attributable to:	(36)	59	14	5 542	4 943
Owners of the parent	(26)	44	12	1 378	1 229
Non-controlling interests	(10)	15	2	4 164	3 714
Other comprehensive income/(loss) attributable to:		55	53	114	(278)
Owners of the parent		43	44	29	(69)
Non-controlling interests		12	9	85	(209)
Total comprehensive (loss)/income attributable to:	(36)	114	67	5 656	4 665
Owners of the parent	(26)	87	56	1 407	1 160
Non-controlling interests	(10)	27	11	4 249	3 505
Statements of cash flows					
Cash flows from operating activities[2]	(103)	208	214	(1)	(3)
Cash flows from investing activities	(90)			2 979	4 157
Cash flows from financing activities[2]	189	(248)	(203)	(2 978)	(4 151)
Net (decrease)/increase in cash and cash equivalents	(4)	(40)	11		3
Dividends paid to non-controlling interests:		(37)	(5)	(2 237)	(3 119)

[1] *2021: Includes results for the period ended 3 September 2021.*
[2] *2021: Dividends paid have been re-presented as a financing activity (previously presented as an operating activity). This re-presentation was done to align the presentation of cash flows with the revised group disclosures.*

CHAPTER 18:
Compliance



CHAPTER 18:
Compliance

18.1 BASIS OF PREPARATION

18.1.1 Statement of compliance

The group and company (separate) annual financial statements as at and for the year ended 31 December 2022 have been prepared under the supervision of Mr PA Koppeschaar CA(SA), SAICA registration number: 00038621. The principal accounting policies of Exxaro Resources Limited (the company) and its entities (the group) as well as the disclosures made in these annual financial statements comply with IFRS and IFRIC interpretations, effective for the financial year, as well as the SAICA Financial Reporting Guidelines (as issued by the Accounting Practices Committee), the Financial Reporting Pronouncements (as issued by the Financial Reporting Standards Council), the Companies Act (applicable to companies reporting under IFRS) and the Listings Requirements.

18.1.2 Basis of measurement

The annual financial statements are prepared on the historical cost basis, except for the revaluation to fair value of financial instruments, share-based payments and biological assets. The annual financial statements are prepared on the going-concern basis.

The annual financial statements are presented in South African rand, which is the company's functional and presentation currency. However, the group measures the transactions of each of its material operations using the functional currency determined for that specific entity, which, in most instances, is the currency of the primary economic environment in which the operation conducts its business.

Management considers key financial metrics and loan covenant compliance in its approved medium-term budgets, together with its existing term facilities, to conclude that the going-concern assumption used in compiling the annual financial statements is relevant.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant, are disclosed within the relevant chapters.

The accounting policies applied for 2022 are consistent with those applied in 2021, except for the adoption of new or amended standards as set out below.

18.1.3 Basis of consolidation

The group annual financial statements present the consolidated financial position and changes therein, operating results and cash flow information of the company and its subsidiaries as those of a single entity.

18.1.4 Judgements made by management

Judgements, apart from those involving estimates, have been made by management in the process of applying the accounting policies. Details of these judgements have been included within the relevant chapters.

18.1.5 Key assumptions made by management in applying accounting policies

Key assumptions concerning the future, and other key sources of estimation uncertainty at the financial year end, may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year if the assumption or estimation changes significantly. The financial information on which some of the assumptions are based has not been reviewed nor reported on by the independent external auditors. Details of key assumptions and key sources of estimation uncertainty have been included within the relevant chapters.

18.1.6 Impact of the Russian-Ukraine conflict

The financial reporting impact of the Russian-Ukraine conflict has been assessed by management and factored in as a consideration in making relevant estimates and assumptions, in particular impairment assessments.

The coal price and rand/US$ exchange rate assumptions used to forecast future cash flows for impairment assessment purposes have been updated to consider the short-term observable impact of the Russian-Ukraine conflict, as well as the forecasted medium and longer-term impact on the world economy and commodity prices.

18.2 ADOPTION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS continued

18.2.1 New, amended and revised standards adopted during 2022

In the current year, Exxaro has applied a number of amendments to IFRS accounting standards, as summarised below, issued by the IASB that are mandatorily effective for reporting periods beginning on or after 1 January 2022. The adoption of these amendments did not have any material impact on the disclosure nor on the amounts reported in these financial statements.

Standard	Key requirements
Amendments to IFRS 3 *Business Combinations* – Reference to Conceptual Framework	The amendments update IFRS 3 *Business Combinations* so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. It also added a requirement that, for obligations within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, an acquirer applies IAS 37 to determine whether at acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 *Levies*, the acquirer applies IFRIC 21 to determine whether the obligating event that give rise to a liability to pay the levy has occurred by the acquisition date.
Amendments to IAS 16 *Property, plant and equipment* – Proceeds before intended use	The amendments to IAS 16 prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, such sales proceeds and related costs will be recognised in profit or loss. The cost of those items will be measured in accordance with IAS 2 *Inventories*. The amendments also clarify the meaning of "testing whether an asset is functioning properly". IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. The financial statements should disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and indicate which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.
Amendments to IAS 37 Onerous Contracts – Cost of fulfilling a contract	The amendments to IAS 37 specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling that contract (an example would be the allocation of the depreciation charge for an items of property, plant and equipment used in fulfilling the contract).
Annual improvement to IFRS accounting standards 2018 – 2020 cycle	The annual improvements include amendments to the following applicable standards: IFRS 9 *Financial Instruments*: The amendment clarifies that in applying the "10 percent" test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. IFRS 16 *Leases*: The amendment removes the illustration of the reimbursement of leasehold improvements.

18.2 ADOPTION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS continued

18.2.2 New, amended and revised standards to be early adopted in 2023

Non-current liabilities with covenants

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition. A key requirement of the 2020 amendments was that entities with liabilities that are subject to covenants to be complied with at a date subsequent to the reporting period do not have the right to defer settlement of the liabilities at the end of the reporting period if they do not comply with the covenants at that date.

Under the 2022 amendments, only covenants of a liability arising from a loan arrangement, which an entity must comply with on or before the reporting date affect the classification of that liability as current or non-current. The amendments are linked to the requirements on disclosure about such liabilities. The IASB concluded that the amended classification requirements will provide useful information when considered together with the requirements to disclose information about non-current liabilities with future covenants in the notes.

The amendments are applied retrospectively with early application permitted.

On adopting the amendment to IAS 1 on 1 January 2023, Exxaro plan to early adopt the subsequent amendment to IAS 1, effective 1 January 2024, regarding the classification of current and non-current liabilities.

The impact of the amendments to IAS 1 can be summarised as follows:

Right to defer settlement

The amendments provide clarification that the entity's right to defer settlement of a liability is subject to the entity complying with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period.

Expected deferrals

The amendments clarify that classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting period.

Disclosures

The amendments require additional disclosures by the entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months.

18.2.3 New, amended and revised standards not yet adopted

New accounting standards, amendments to accounting standards and interpretations issued which are relevant to the group, but not yet effective on 31 December 2022, have not been early adopted. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date except as noted under 18.2.2. The group continuously evaluates the impact of these standards and amendments. The effect of the implementation of the new, amended or revised standards are not expected to have a material impact, although assessments of the effect of the implementation of these new, amended or revised standards are ongoing.

18.2 ADOPTION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS continued

18.2.3 New, amended and revised standards not yet adopted continued

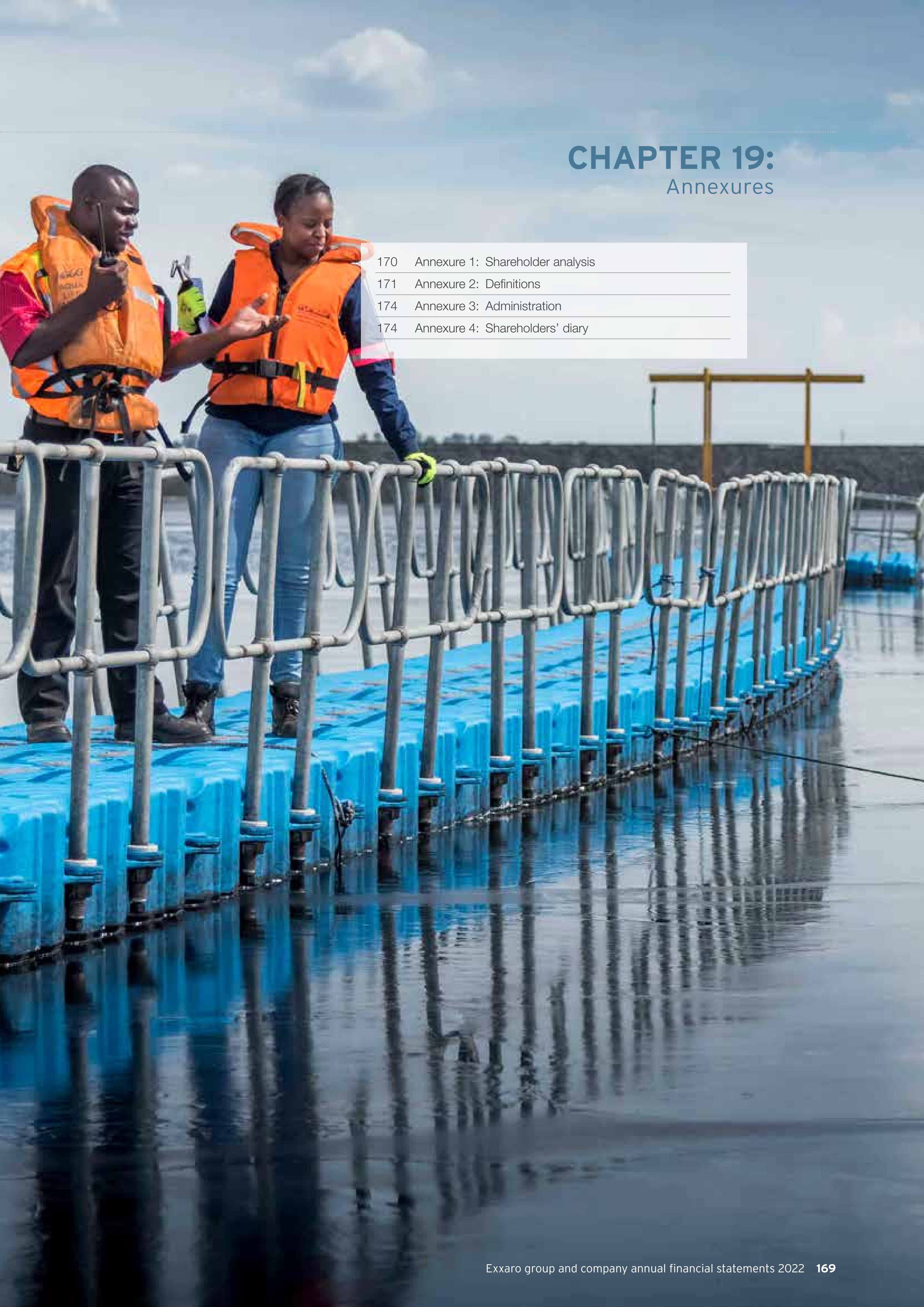
Standard	Key requirements	Mandatory application date
IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* – Disclosure of accounting policies	The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in the financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of the financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, or other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, or other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.	1 January 2023
IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of accounting estimate	The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of changes in accounting estimates prospectively remain unchanged.	1 January 2023
IAS 12 *Income Taxes* – Deferred tax related to assets and liabilities arising from a single transaction	The amendment clarifies how a company accounts for income tax including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendment is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items.	1 January 2023
IFRS 17 *Insurance contracts*	IFRS 17 created one accounting model for all insurance contracts in all jurisdictions that apply IFRS. IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are required to be measured based only on the obligations created by the contracts. An entity will be required to recognise revenue as an insurance service is delivered, rather than on receipt of premiums. The impact of IFRS 17 affects the Exxaro Insurance Company Limited and not the Exxaro group, as the insurance contracts are between group entities only, which are eliminated for group reporting purposes.	1 January 2023

18.3 EVENTS AFTER THE REPORTING PERIOD

Details of the final dividend declared are provided in note 5.5.

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.

CHAPTER 19:
Annexures



ANNEXURE 1: SHAREHOLDER ANALYSIS

2.1 Exxaro public and non-public shareholding 2022

Shareholder type	Number of shareholders	% of total shareholders	Number of shares	% of issued share capital
Non-public shareholders	26	0.106	108 287 122	31.01
Eyesizwe[1]	1	0.004	107 612 026	30.81
Kumba Management Share Trust	1	0.004	158 218	0.05
Directors				
– PA Koppeschaar[2]	1	0.004	76 220	0.02
– Dr N Tsengwa[2]	1	0.004	104 138	0.03
Subsidiary directors	22	0.09	336 520	0.10
Public shareholders	23 530	99 894	241 017 970	68.99
Total	23 556	100.00	349 305 092	100.00

[1] *Includes indirect shareholding through Eyesizwe of the following directors:*

– VZ Mntambo			*4 448 839*	*1.27*

[2] *Includes direct and DBP shareholding.*

2.2 Registered shareholder spread

In accordance with the Listings Requirements, the following table confirms the spread of registered shareholders at 31 December 2022:

Shareholder spread	Number of shareholders	% of total shareholders	Number of shares	% of issued share capital
1 to 1 000 shares	20 712	87.93	2 901 618	0.83
1 001 to 10 000	1 866	7.92	6 058 858	1.73
10 001 to 100 000	718	3.05	24 764 637	7.09
100 001 to 1 000 000 shares	222	0.94	63 314 189	18.13
1 000 001 shares and above	38	0.16	252 265 790	72.22
Total	23 556	100.00	349 305 092	100.00

2.3 Substantial investment management and beneficial interests above 3%

Through regular analysis of Strate registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held 3% or more (directly and indirectly) of the issued share capital as at 31 December 2022:

Shareholder spread	Number of shares	% of issued share capital
Investment management shareholdings		
Eyesizwe	107 612 026	30.81
Public Investment Corporation (PIC)	43 826 530	12.55
Coronation Asset Management Proprietary Limited	21 476 532	6.15
M&G plc	19 876 684	5.69
Total	192 791 772	55.20
Beneficial shareholdings		
Eyesizwe	107 612 026	30.81
Government Employees Pension Fund	54 698 663	15.66
Total	162 310 689	46.47

ANNEXURE 2: DEFINITIONS

The following definitions are to be used in a group context.

Adjusted earnings

Group core net profit after tax (excluding SIOC core equity-accounted income) less NCI of Exxaro subsidiaries (excluding NCI of Eyesizwe).

Attributable cash flow per ordinary share

Cash flow from operating activities after adjusting for participation of NCIs therein, divided by the weighted average number of ordinary shares in issue during the year.

Capital employed

Total equity plus net debt minus non-current financial assets minus other non-current assets.

Cash and cash equivalents

Comprises cash on hand, current and call accounts in bank, net of bank overdraft, together with any highly liquid investments readily convertible to known amounts of cash and not subject to significant risk of changes in value.

Current ratio

Current assets divided by current liabilities.

Dividend cover

Adjusted attributable earnings per ordinary share divided by dividends per ordinary share.

Dividend yield

Dividends per ordinary share divided by closing share price per ordinary share.

Earnings per ordinary share

Attributable earnings basis

Earnings attributable to owners of the parent (Exxaro) divided by the weighted average number of ordinary shares in issue (net of treasury shares) during the year.

Headline earnings basis

Headline earnings divided by the weighted average number of ordinary shares in issue (net of treasury shares) during the year.

Effective interest rate

The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Financing cost cover

EBIT cover

Net operating profit before interest and tax, divided by net financing costs.

EBITDA cover

Net operating profit before interest, tax, depreciation, amortisation, impairment charges or impairment reversals and net losses or gains on the disposal of assets and investments (including translation differences recycled to profit or loss), divided by net financing costs.

ANNEXURE 2: DEFINITIONS continued

Good leavers

A participant whose employment with employer companies is terminated due to:
(i) the Participant's:
- retrenchment
- retirement
- death
- serious disability or incapacitation
- promotion out of the relevant qualifying category; or

(ii) the employer company ceasing to form part of the employer companies, provided that any transfer of employment by a participant to another employer company shall not be deemed to constitute any terminations of employment by a participant with the employer companies.

Headline earnings

Earnings attributable to owners of the parent (Exxaro) adjusted for gains or losses on items of a capital nature, recognising the tax and NCI's impact on these adjustments.

Headline earnings yield

Headline earnings per ordinary share divided by the closing share price on the JSE.

Interest-bearing debt

Sum of interest-bearing borrowings and lease liabilities. The calculations include the respective items classified as non-current liabilities held-for-sale.

Invested capital

Total equity, interest-bearing debt, non-current provisions and net deferred tax less cash and cash equivalents.

Materiality

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users of general purpose financial statements make, on the basis of those financial statements, which provide financial information about the reporting entity.

Materiality is determined on a case-by-case basis depending on the facts and circumstances pertaining to the item, transaction, adjustment, information or event (matter) taking into account both qualitative and quantitative factors.

Net assets

Total assets less total liabilities less NCIs which equates to equity of owners of the parent (Exxaro).

Net debt or cash

Net debt or cash is calculated as the sum of interest-bearing borrowings, lease liabilities and overdraft less cash and cash equivalents. The calculations include the respective items classified as non-current assets and liabilities held-for-sale.

Net debt to equity ratio

Interest-bearing debt less cash and cash equivalents as a percentage of total equity.

Net operating profit

Net operating profit or loss equals revenue less operating expenses, major once-off expense items and impairment charges of non-current operating asset, plus impairment reversals of non-current operating assets and major non-recurring income items. Major non-recurring items are presented separately on the statement of comprehensive income between operating profit or loss and net operating profit or loss which relate to significant corporate activities.

Non-core items
Gains and losses on transactions adjusted in the calculation of headline earnings.

Number of years to repay interest-bearing debt
Interest-bearing debt divided by cash flow from operating activities.

Operating margin
Net operating profit as a percentage of revenue.

Operating profit
Operating profit or loss equals revenue less operating expenses before impairment charges or reversals of non-current operating assets and major non-recurring items.

Operating segments
An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses; and whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources allocated to the segment and assess its performance; and for which discrete financial information is available.

Return on capital employed
Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments, as a percentage of average capital employed.

Return on invested capital
Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments, as a percentage of the average invested capital.

Return on net assets
Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments, as a percentage of the average net assets.

Return on ordinary shareholders' equity
Attributable earnings
Earnings attributable to owners of the parent (Exxaro) as a percentage of average equity attributable to owners of the parent (Exxaro).

Headline earnings
Headline earnings as a percentage of average equity attributable to owners of the parent (Exxaro).

Revenue per employee
Revenue divided by the average number of employees during the year.

Total asset turnover
Revenue divided by average total assets.

WANOS
The number of shares in issue at the beginning of the year, increased by shares issued during the year, decreased by share repurchases during the year and treasury shares, weighted on a time basis for the period in which they have participated in the earnings of the group.

In the case of shares issued pursuant to a share capitalisation award in lieu of dividends, the participation of such shares is deemed to be from the date of issue.

CHAPTER 19:
Annexures continued

ANNEXURE 3: ADMINISTRATION

Registered office
Exxaro Resources Limited
The conneXXion
263B West Avenue
Die Hoewes, Centurion, 0163
South Africa
Telephone +27 12 307 5000
Fax +27 12 323 3400

Company registration number: 2000/011076/06
JSE share code: EXX
ISIN code: ZAE000084992
ADR code: EXXAY
Bond code: EXX05
ISIN NO: ZAG000160334

Group company secretary
AT Ndoni

Independent external auditor
KPMG Inc.
KPMG Crescent
85 Empire Road
Parktown, 2913

Commercial bankers
ABSA Bank Limited

Corporate law advisers
Inlexso Proprietary Limited

United States ADR Depository
The Bank of New York Mellon
101 Barclay Street
New York NY10286
United States of America

Lead equity sponsor and debt sponsor
ABSA Bank Limited (acting through its Corporate and Investment Bank Division)
Barclays Sandton North
15 Alice Lane
Sandton, 2196

Joint equity sponsor
Tamela Holdings Proprietary Limited
Ground floor, Golden Oak House
35 Ballyclare Drive, Bryanston, 2021

Transfer Secretaries
JSE Investor Services Proprietary Limited
One Exchange Square
Gwen Lane
Sandown, Sandton
2196

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PA Koppeschaar CA(SA)
SAICA registration number: 0038621

ANNEXURE 4: SHAREHOLDERS' DIARY

Financial year end	31 December
Annual general meeting	May
Reports and accounts published	
Announcement of annual results	March
Integrated report and annual financial statements	April
Interim report for the six months ended 30 June	August
Distribution	
Final dividend declaration	March
Payment	April/May
Interim dividend declaration	August
Payment	September/October