POWERING POSSIBILITY

JSE share code: EXX ISIN: ZAE000084992 ADR code: EXXAY

EXXARO RESOURCES LIMITED

Reviewed condensed group annual financial statements and unreviewed production and sales volumes information for the year ended 31 December 2018

CONTENTS

POWERING POSSIBILITY INTO THE FUTURE THROUGH . . .

Coal as **energy** Water Renewable **energy** Agri

SALIENT FEATURES

Sustainable operations

- **LTIFR** of **0.12**

Group financial performance

- Revenue **R25.5 billion, up 12%**
- Core EBITDA **R7.3 billion, up 1%**
- Core headline earnings of **R21.59 per share, up 7%**
- Cash generated from operations **R7.0 billion, up 3%**
- Final cash dividend of **R5.55 per share,** total dividend of **R10.85 per share, up 55%**

Coal operational performance

- Record production volumes of **47.8Mt**
- Record sales volumes of **45.2Mt**
- Record export volumes of **8.0Mt**

SIOC

- **R2.6 billion** post-tax equity-accounted income
- **Dividend of R2.6 billion** in FY18

COMMENTARY
for the year ended 31 December 2018

Comments below are based on a comparison between the financial years ended 31 December 2018 and 2017 (FY18 and FY17) respectively.

SAFETY

Exxaro recorded an LTIFR of 0.12 (FY17: 0.12) against a target of 0.11. At year end, the group achieved 22 months without a fatality. We are committed to the zero harm vision and relentless efforts to reduce incidents through our Safety Improvement Plans continue.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Exxaro has been a constituent of the JSE's FTSE Russell ESG Ratings (previously JSE SRI Index) since 2008. These ratings are a measure of our business sustainability practices in relation to environmental stewardship, social responsibility as well as governance and ethical leadership of the business and are key indicators of progress in our response to socio-economic and environmental challenges where we operate.

During the financial year ended 31 December 2018, our overall ESG rating was a score of 3.7 out of a total of 5, attributable to a score of 3.5 for environmental performance, 3.3 for social responsibility and 4.6 for governance and ethical leadership. These were leading scores compared to peers in both the coal sector and the mining industry. These non-financial metrics are integrated into our business decision-making process, thus enhancing our stakeholder value creation through reduced risk to the business.

One of the key highlights during the financial year was the completion of the restructuring of the board of directors (Board) following the implementation of the Replacement BEE Transaction. Through this process we were able to increase the Board gender diversity (among others) with black representation of 64% (against a target of 50%) and black female representation of 36% (against a target of 30%).

While we are pleased with this leading performance, we are conscious of the challenges that remain in the environmental and social elements, including the systemic climate risk to our business. Our response to these challenges are addressed in detail in our 2018 Integrated Report, which will be published in April 2019.

ROBUST PERFORMANCE

Exxaro delivered a solid financial performance for FY18, achieving core EBITDA[1] of R7 281 million (FY17: R7 207 million), while unadjusted EBITDA[2] rose to R6 924 million (FY17: R2 487 million). Reconciliation from EBITDA to core EBITDA is provided in the table below. We believe these adjustments should be excluded to enable a more meaningful year-on-year comparison.

Table 1: Difference between unadjusted EBITDA and core EBITDA

Segment	Description	FY18 Rm	FY17 Rm
EBITDA		6 924	2 487
Adjustments:		357	4 720
Other	– Receivable for Mayoko iron ore project written off		27
	– BEE credentials expense and transaction costs		4 339
	– Fair-value adjustment on contingent consideration relating to the acquisition of ECC	357	354
Core EBITDA		7 281	7 207

[1] Core EBITDA is calculated by adjusting EBITDA with once-off items to remove the volatility in profit or loss and make it more comparable. However, these terms are not defined under IFRS and may not be comparable with similarly titled measures reported by other companies.

[2] EBITDA is calculated by adjusting earnings before interest and tax for depreciation, amortisation, impairment charges and net loss or gain on disposal of investments and assets.

ROBUST PERFORMANCE continued

The prior year results for income from equity-accounted investments included several headline earnings adjustments. After taking these into consideration, core income from equity-accounted investments increased by 22% to R3 271 million (FY17: R2 688 million).

Table 2: Adjustments impacting income from equity-accounted investments

Segment	Description	FY18 Rm	FY17 Rm
Unadjusted equity-accounted income		3 259	2 123
Adjustments:		12	565
Coal	– Post-tax share of equity-accounted investments' remeasurements[1]	1	
Ferrous	– Post-tax share of SIOC's loss on disposal of property, plant and equipment[1]	13	11
	– Post-tax share of SIOC's reversal of impairment of property, plant and equipment[1]		(716)
TiO_2	– Post-tax share of Tronox's gain on disposal of property, plant and equipment[1]	(1)	(1)
	– Post-tax share of Tronox Limited's loss on disposal of Alkali chemical business[1]		1 271
Energy	– Post-tax share of Cennergi's net gain on disposal of property, plant and equipment[1]	(1)	
Core equity-accounted income		3 271	2 688

[1] *Excluded from headline earnings.*

CHANGES IN SEGMENT REPORTING

We have revised the way in which our coal operations are reported to provide stakeholders with more useful and relevant information. The coal operations have been disaggregated based on the nature of the operation – commercial, tied and other – as well as geographical location between the Waterberg and Mpumalanga regions in South Africa.

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

Coal export revenue and related export cost items have been allocated to the coal operating segments based on the origin of the initial coal production.

FY17 numbers have been re-presented to reflect these changes.

COMPARABILITY OF RESULTS

The key transactions shown below should be considered for a better understanding of the comparability of results between the two years.

Key transactions impacting on comparability (non-core adjustments) (Rm)

Segment	Description	FY18	FY17
Total EBITDA impact *(refer table 1)*		(357)	(4 720)
Coal	– Insurance claim received from external parties[1]	57	3
	– Gain on disposal of non-core investments[1, 2]	171	
	– Gain/(loss) on disposal of property, plant and equipment[1, 3]	121	(62)
TiO_2	– Loss on dilution of shareholding in Tronox Limited[1]		(106)
	– Gain on partial disposal of investment in Tronox Limited[1], including recycling of the foreign currency translation reserve, offset by a loss on recycling financial instruments' revaluation reserve to profit or loss[1, 4]		5 191
Other	– Loss on disposal of property, plant and equipment[1]		(2)
	– Loss on disposal of financial asset	(2)	
	– Recycling of the foreign currency translation reserve on liquidation of foreign entities to profit or loss[1]	14	(58)
Total net operating profit impact		4	246
Total post-tax equity-accounted income impact[1] *(refer table 2)*		(12)	(565)
Net financing cost	– Eyesizwe preference dividend accrued (consolidation impact)	(100)	(11)
Net tax adjustments	– Tax on non-core adjustments	(29)	17
Total attributable earnings impact		(137)	(313)

[1] *Excluded from headline earnings.*
[2] *Comprises gain on disposal of Manyeka (R69 million) and gain on disposal of certain assets and liabilities of NBC (R102 million).*
[3] *Includes R115 million gain on disposal of mineral properties by Matla.*
[4] *Tronox Limited was classified as a non-current asset held-for-sale on 30 September 2017.*

COMMODITY PRICE PERFORMANCE AND GROUP SEGMENT RESULTS

Commodity price movements impacting Exxaro's performance are summarised below.

Change in commodity prices

	Average US$ per tonne		
Commodity price	**FY18**	**FY17**	**% change**
API4 coal	98	84	+17
Iron ore fines 62% Fe ((CFR) China)	70	71	-1

Group segment results (Rm)

	Revenue		Core EBITDA[1]	
	FY18	**(Re-presented) FY17**	**FY18**	**FY17**
Coal	25 302	22 553	7 617	7 374
Commercial – Waterberg	13 289	11 328	6 882	6 461
Commercial – Mpumalanga	7 984	7 970	1 558	1 388
Tied[1]	3 665	2 837	144	140
Other	364	418	(967)	(615)
Ferrous	169	243	15	52
Alloys	169	243	18	53
Other			(3)	(1)
Other	20	17	(351)	(219)
Total	25 491	22 813	7 281	7 207

[1] *Core EBITDA is calculated after adjusting for non-core transactions reflected in table 3.*

FINANCIAL AND OPERATIONAL RESULTS

Group financial results

Revenue

Group revenue rose 12% to R25 491 million (FY17: R22 813 million), mainly due to higher coal selling prices and higher Eskom commercial volumes at Grootegeluk, based on demand from Medupi power station, partially offset by a lower quality product mix. The average price per tonne achieved on exports was US$77 (FY17: US$69). The average spot exchange rate realised was marginally stronger at R13.24 to the US dollar (FY17: R13.30).

Earnings

Headline earnings increased to R6 707 million (FY17: R1 560 million) or 2 672 cents per share (FY17: 502 cents per share), driven by the following non-recurring costs in the prior year:
– BEE credential expense and transaction costs of R4 339 million for the Replacement BEE Transaction, which were not adjusted for in headline earnings
– Cessation of the equity method of accounting for Tronox Limited on 30 September 2017.

After adjusting for non-core transactions on table 3, core headline earnings rose 14% to R7 167 million (FY17: R6 295 million) or 2 159 cents per share (FY17: 2 011 cents per share) based on a WANOS of 332 million (FY17: 313 million).

Similarly, core equity-accounted income/(loss) is shown below.

Core equity-accounted income/(loss) (Rm)

	Equity-accounted income/(loss)		Dividends received	
	FY18	FY17	FY18	FY17
Coal: Mafube	113	259		
Coal: RBCT	(34)	(24)		
Ferrous: SIOC	2 605	2 598	2 569	1 390
TiO_2: Tronox SA and UK operations[1]	491	186		
TiO_2: Tronox Limited[2]		(559)	69	109
Energy[3]	60	2	58	
Other: Other[4]	36	226		
Total	3 271	2 688	2 696	1 499

[1] *Application of the equity method of accounting ceased when the Tronox UK investment was classified as a non-current asset held-for-sale on 30 November 2018.*
[2] *Application of the equity method of accounting ceased when the investment was classified as a non-current asset held-for-sale on 30 September 2017.*
[3] *FY18 includes equity-accounted income or loss for Cennergi (R65 million income) and LightApp (R5 million loss).*
[4] *FY18 includes equity-accounted income or loss for AgriProtein (R31 million loss); Curapipe (R3 million loss) and Black Mountain (R70 million income), (FY17 includes only Black Mountain).*

FINANCIAL AND OPERATIONAL RESULTS continued

Group financial results continued

Cash flow and funding

Cash flow generated by operations of R7 024 million (FY17: R6 826 million) plus dividends received from investments of R2 695 million was sufficient to cover our capital expenditure and ordinary dividends as shown below.

Deploying cash generated by operations (Rm)

	FY18	FY17
Cash generated by operations	7 024	6 826
Dividends from investments in associates and joint ventures	2 696	1 499
Net finance costs	(289)	(409)
Capital expenditure	(5 790)	(3 921)
Tax paid	(1 007)	(790)
Final/interim ordinary dividends paid	(2 334)	(2 227)
Net surplus	300	978

Total capital expenditure increased by R1 869 million mainly for investments in Grootegeluk's GG6 phase 2 expansion and Belfast projects.

SIOC declared a final dividend to shareholders on 14 February 2019, totalling R1 369 million for Exxaro's 20.62% shareholding. This will be reflected in our 1H19 results.

Debt exposure

The group had net debt of R3 867 million at 31 December 2018 compared to net cash of R69 million at 31 December 2017.

Net debt includes the preference share liability of R609 million (FY17: R2 478 million) for Eyesizwe.

In addition to cash flow items noted above, a gross special dividend of R4 502 million (R3 149 million paid to external shareholders) was paid to shareholders on 5 March 2018 after the partial disposal of our shareholding in Tronox Limited in October 2017.

FINANCIAL AND OPERATIONAL RESULTS continued

Coal business performance

Unreviewed coal production and sales volumes ('000 tonnes)

	Production		Sales	
	FY18	FY17	FY18	FY17
Thermal	44 417	42 843	43 967	43 258
Commercial – Waterberg	27 375	23 406	25 364	22 466
Commercial – Mpumalanga	10 433	12 037	4 033	5 777
Exports commercial			7 965	7 612
Tied	6 609	7 400	6 605	7 403
Metallurgical	2 323	2 132	1 197	1 190
Commercial – Waterberg	2 323	2 132	1 197	1 190
Total coal	46 740	44 975	45 164	44 448
Semi-coke	23	86	33	88
Total coal (excluding buy-ins)	46 763	45 061	45 197	44 536
Thermal coal buy-ins	1 049	504		
Total coal (including buy-ins)	47 812	45 565	45 197	44 536

Trading conditions in the domestic market were strong in FY18, resulting in all premium product being sold at stable prices. Our supply to Eskom increased in line with contractual commitments while all other markets remained stable.

The international export market recorded strong demand for most of 2018. India increased its demand for South African lower-grade material up to 3Q18, when the market became oversupplied with coal from Indonesia and Australia after the ban on coal imports by China. Demand from South Korea slowed in 2018 as South African coal could not compete with Colombian material, but new opportunities came from Japan after Exxaro shipped a trial cargo to a power plant and received a new order for 2019. In Pakistan, new coal-fired power plants were commissioned in 2018, increasing annual coal demand to 6Mtpa from the traditional 4Mtpa. We made further inroads into the Pakistan market, supplying both the power plant and cement industries.

China has recently relaxed the ban on coal imports. However, there is still a strong indication that it will continue to protect its domestic market by limiting coal imports. If China imposes a further ban on imports, this will have a negative impact on coal pricing, especially into India.

In addition to favourable domestic and international trading conditions, we realised year-on-year operational excellence improvements and successfully implemented two key initiatives, namely visualisation of our mining value chain and the integrated operations centre at some of our major mines, focused on eliminating systemic waste.

Production and sales volumes

Overall coal production volumes (excluding buy-ins and semi-coke) were up 1 765kt (4%), mainly attributable to higher production at Grootegeluk due to the ramp-up of Medupi. Sales were only 716kt (2%) higher due to strategic stock-building at Grootegeluk to compensate for disrupted production while constructing the GG6 expansion project.

COMMENTARY CONTINUED
for the year ended 31 December 2018

FINANCIAL AND OPERATIONAL RESULTS continued

Thermal coal

Commercial: Waterberg

Production at Grootegeluk rose 3 969kt (17%), mainly due to the ramp-up of Medupi. This also resulted in an increase in sales of 2 898kt (13%).

Commercial: Mpumalanga

The commercial Mpumalanga mines' thermal **coal production** was 1 604kt (13%) lower, driven by:
- Community actions as well as the subsequent disposal of certain assets and liabilities of NBC to North Block Complex Proprietary Limited at the end of October 2018 (-1 538kt or -52%)
- A labour strike by the contractor, geological challenges at Forzando South, as well as the timing of coal seams mined at Dorstfontein Complex East affecting production at ECC (-263kt or -6%)
- Ramping down Springboklaagte reserve and ramping up Nooitgedacht reserve at Mafube (-669kt or -40%).

The decrease was partly offset by:
- Higher ramp-up in overburden tonnes enabling higher production at Leeuwpan, as well as the decision to increase power station coal to the export market (+865kt or +26%).

The commercial Mpumalanga mines' thermal **coal sales** were down 1 744kt (30%), driven by:
- Community actions preventing Eskom from collecting coal and the subsequent disposal of certain assets and liabilities of NBC (-1 317kt or -47%)
- A change in sales strategy at Leeuwpan aimed at maximising export sales to capitalise on strong market prices and demand (-317kt or -14%)
- Product availability driven by lower production at ECC (-110kt or -16%).

Exports commercial

Export sales increased by 5% to 7 965kt as buy-ins more than doubled.

Tied

Coal production and sales from Matla were 11% lower. Lower production of 792kt was largely affected by the Mine 2 wall halting production mid-March (-1 393kt), partly offset by Mine 3 (+601kt) after implementing an additional section in the review period.

Metallurgical coal

Grootegeluk's metallurgical coal production increased by 191kt (9%), resulting in higher export sales. Our operational excellence initiatives (focusing on the seven-day work week, plant throughput, plant discard and coal fragmentation) contributed to higher production. Sales were in line with FY17.

Semi-coke

Semi-coke production was 63kt (73%) lower due to a fire in March 2018 at the reductant plant, resulting in lower sales of 55kt (63%).

Capex and projects

Exxaro's capital for its coal business increased by 50% compared to FY17. This is mainly due to:
- the GG6 Phase 2 expansion project in the Waterberg region
- the Belfast project, Leeuwpan Lifex project and higher sustaining capex at ECC, in the Mpumalanga region.

The higher capex is partly offset by:
- optimisation on sustaining capital at Grootegeluk (trucks, stacker and reclaimers as well as discard and backfill phase 2 project).

COMMENTARY CONTINUED
for the year ended 31 December 2018

FINANCIAL AND OPERATIONAL RESULTS continued

Coal Capex (Rm)

	FY18	FY17	% change
Sustaining	2 779	3 203	-13
Commercial: Waterberg	1 904	2 687	-29
Commercial: Mpumalanga	875	516	+70
Expansion	2 943	601	
Commercial: Waterberg	1 987	440	
Commercial: Mpumalanga	956	161	
Total coal capex	5 722	3 804	+50

Revenue and core EBITDA

Coal revenue of R25 302 million rose by 12% higher (FY17: R22 553 million). Higher revenue from our commercial mines reflects higher selling prices, an increase in Eskom sales volumes and higher exports. This was partly offset by lower domestic sales and a lower product quality mix.

Coal EBITDA of R7 617 million (FY17: R7 374 million) rose 3%, driven by:
– Higher commercial revenue (+R1 920 million)
– Higher stock movement (+R281 million)
– Savings on distribution costs (+R396 million).

The increase was partly offset by:
– Higher inflation (-R962 million)
– Higher mining costs (-R437 million)
– Higher maintenance (-R362 million)
– Higher general costs (-R402 million) (includes cost relating to digital strategy, grants in respect of our enterprise and supply development strategy and fair value on Trust investments)
– Higher royalties (-R281 million)
– Higher employee costs (-R121 million).

Equity-accounted investment

Mafube, a 50% joint venture with Anglo, recorded lower core equity-accounted income of R113 million (FY17: R259 million), mainly due to ramping down at Springboklaagte and ramping up at the Nooitgedacht reserve.

Ferrous business

Equity-accounted investments

After adjusting for non-core transactions, equity-accounted income from SIOC was R2 605 million (FY17: R2 598 million).

An interim dividend of R1 263 million was received from SIOC in FY18 (FY17: R1 390 million). A final dividend, of which Exxaro's share will be R1 369 million, was declared on 14 February 2019.

FINANCIAL AND OPERATIONAL RESULTS continued

Titanium dioxide

Equity-accounted investment

After adjusting for non-core transactions, core equity-accounted income from Tronox SA and Tronox UK increased by R305 million to R491 million compared to FY17. This is mainly due to improved operating performance and foreign currency exchange gains.

We are committed to monetising our remaining 23.4% interest in Tronox Limited to focus on core activities, repay debt, fund capital commitments and make distributions to shareholders by applying our capital allocation framework. In this regard, on 26 November 2018, Exxaro and Tronox Limited agreed to address the following key matters:

- The terms of our support for Tronox Limited's intention to redomicile from Australia, where it is currently incorporated, to the United Kingdom
- Exxaro's accelerated disposal of its 26% member's interest in Tronox UK for R2 billion in cash, representing our indirect share of loan accounts in Tronox SA at 30 September 2018
- Further clarification of terms and conditions agreed between Exxaro and Tronox Limited in 2012, when Tronox Limited was formed, by which Exxaro can dispose of its 26% equity interest in Tronox SA in exchange for 7.2 million Tronox Limited shares or the cash equivalent (the disposal). In addition to existing triggers, Exxaro and Tronox Limited have agreed that the disposal can be triggered on the occurrence of certain events, including confirmation or agreement that Tronox SA has met the relevant ownership requirements for its existing mining rights, in the context of the new mining charter
- The terms on which Exxaro can begin a staged process to monetise its remaining Tronox Limited stake of 28.7 million shares in 2019, subject to market conditions, including Exxaro's grant to Tronox Limited of a right to acquire such shares at a market-related price in lieu of selling them in the market or to any third parties.

The investment in Tronox Limited continues to meet the criteria to be classified as a non-current asset held-for-sale. In addition, Exxaro's membership interest in Tronox UK was classified as a non-current asset held-for-sale as of 30 November 2018, when all the requirements in terms of IFRS 5 were met, and application of the equity method ceased.

On 15 February 2019, Tronox Limited confirmed the completion of the first stage of its redomiciliation, in which it has acquired Exxaro's 26% ownership interest in Tronox UK for R2.1 billion.

On 8 March 2019, Tronox Limited announced that the shareholders of Tronox Limited approved the transaction to redomicile to the United Kingdom to Australia.

Energy business

Equity-accounted investments – Cennergi

Core equity-accounted income from Cennergi, a 50% joint venture with Tata Power, increased from R2 million in FY17 to R65 million in FY18.

Financial results were boosted by fair value adjustments on derivative instruments, as well as a change in the useful life (from 20 years to 30 years) of property, plant and equipment at the two wind farms which reduced the depreciation charge.

In FY18, Exxaro received dividends of R58 million as well as R186 million for the settlement of shareholder loans.

FINANCIAL AND OPERATIONAL RESULTS continued

Energy business continued

Equity-accounted investments – Other

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

On 18 September 2018, Exxaro finalised a share purchase agreement to obtain an equity interest in LightApp. The purchase price of US$10 million comprises initial cash of US$5 million (R71.9 million), paid on 27 September 2018, and a deferred consideration of US$5 million (R70.7 million) which will be paid over the next two years. Transaction costs of R0.6 million were capitalised to the cost of the investment. LightApp is one of the leading start-ups in industrial energy analytics. It is a software company that develops and deploys an energy management system for industrial customers. The LightApp solution enables continuous collection and analysis of energy consumption data together with production indicators from sensors on the production floor. This analysis leads to improved energy management and efficiency through deeper insights and alerts. While LightApp is a global business, Exxaro will also use the LightApp platform to improve energy management at its own operations, with the first deployment already commencing at the FerroAlloys facility in Pretoria.

SALE OF NON-CORE ASSETS AND INVESTMENTS

To optimise Exxaro's coal portfolio, we concluded a sale-of-shares agreement with Universal Coal for the 100% shareholding in Manyeka, including the 51% interest in Eloff. The transaction closed on 31 July 2018. Exxaro received net cash of R75 million, resulting in a gain on disposal of R69 million.

On 2 March 2018, Exxaro concluded a sale-of-asset agreement with North Block Complex Proprietary Limited to dispose of certain assets and liabilities of NBC. Given the composition of the assets, two section 11 applications were submitted to the DMR to transfer the mineral rights. Although the section 11 for the Paardeplaats mining right has not yet been granted, it was agreed with the buyer to close the transaction on 31 October 2018. Exxaro received proceeds of R17 million for the Glisa and Eerstelingsfontein reserves, resulting in a gain on disposal of R102 million.

The sale of Paardeplaats will be concluded once the section 11 approval has been obtained.

PERFORMANCE AGAINST NEW B-BBEE CODES AND MINING CHARTER

Exxaro achieved level 5 B-BEEE recognition (FY17: level 6) and is on track to achieve level 3 recognition for FY19. This reflects implementation of our ESD strategy through a combination of loans and grants amounting to R180 million, which was fully operationalised in 2018. We support the principles of transformation and will use regulatory mechanisms as a minimum to advance national aspirations for transformation.

MINERAL RESOURCES AND MINERAL RESERVES

Material changes in Coal Reserve estimates are reported at two of our operations for FY18.

At ECC, there was an increase of 56% in ROM reserves by incorporating the 2017 geological model to update the LOM and Coal Reserve classification for the Dorstfontein West and Dorstfontein East operations. This resulted in a material amount of seam 2 and 4 lower to be included in the underground reserve at Dorstfontein East.

MINERAL RESOURCES AND MINERAL RESERVES continued

At Matla mine, the update of the geological model and subsequent review of the resource classification resulted in a 5.7% decrease in the ROM Coal Reserve. In addition, a reduction of the pillar-extraction recovery based on reviewing the extraction process to enhance ventilation and safety, as well as considering actual extraction figures in the reporting period, resulted in an additional 13% decrease of the Coal Reserve.

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

MINING AND PROSPECTING RIGHTS

Exxaro faced several challenges over the period, due to the temporary closure of DMR offices in Limpopo and Mpumalanga and continued delays in registering rights and amendments to existing rights. Despite these, notable achievements included ministerial consent to transfer NBC's Glisa and Eerstelingsfontein mining rights, the grant and execution of the Paardeplaats mining right and renewal of two Waterberg prospecting rights.

OUTLOOK

We expect sustainable improvement in the physical operating results for the coal business by embedding our business optimisation and operational excellence initiatives across all operations, and unlocking value through data analytics and value-chain integration.

We are proud to report that we are on track and within budget to deliver value on our coal capital projects, spending more that R20 billion over the next five years to increase sales volumes from 45Mtpa in FY18 to more that 60Mtpa by FY23. The Belfast and Leeuwpan Lifex projects are ahead of schedule, while the GG6 expansion and Grootgeluk rapid loan out station projects are impacted by community and labour related activities in the Lephalale area. We continue to engage with contractors faced with labour unrest and corporate uncertainty.

A stable domestic market is anticipated for 1H19, supported by healthy prices due to tight supply in premium quality sized coal.

In Mpumalanga Eskom has, due to the termination of several coal supply agreements, requested industry participants for expressions of interest to supply coal on a short-term basis while it is looking to enter into longer-term contracts. This is positive for Exxaro as it provides more flexibility between various markets.

We remain positive that the outcome of the national elections on 8 May 2019 will put South Africa on a renewed investment and economic growth path urgently needed to address the socioeconomic challenges the country is facing. Exxaro is fully supportive of the investment drive spearheaded by the Presidency.

The international market remains largely bearish owing to possible market oversupply, which hinges on China and its ban on coal imports. An increase in coal demand is expected in India, a market that is likely to remain our main export destination.

Market conditions are expected to be supportive in 2019. We remain confident that through our well-diversified coal portfolio, we will continue to explore more opportunities in emerging markets where coal-fired power plants are being commissioned.

In 1H19, the performance of our SIOC investment will be boosted by higher iron ore prices after supply disruptions in Brazil, a relative high global lump premium and a weak rand/US dollar exchange rate.

Although global economic activity is edging down and market sentiment is challenging, commodity price support in 2H18 is expected to continue into 1H19. However, global policy tensions, especially on trade, remain the biggest threat to global growth. The rand/US dollar exchange rate is expected to remain volatile during the period.

FINAL DIVIDEND

Exxaro's dividend policy is based on two components: a pass-through of the SIOC dividend received and a targeted cover ratio of 2.5 times to 3.5 times core attributable coal earnings.

Additionally, we are targeting a gearing ratio below 1.5 times net debt to EBITDA.

The board has declared a cash dividend comprising:
– 3.3 times core attributable coal earnings
– Pass-through of SIOC dividend of R1 369 million.

Notice is given that a gross final cash dividend, number 32 of 555 cents per share, for the financial year ended 31 December 2018 was declared, payable to shareholders of ordinary shares. For details of the dividend, please refer note 11 of the reviewed condensed group annual financial statements for the year ended 31 December 2018.

Salient dates for payment of the final dividend are:

Last day to trade cum dividend on the JSE	Monday, 6 May 2019
First trading day ex dividend on the JSE	Tuesday, 7 May 2019
Record date	Friday, 10 May 2019
Payment date	Monday, 13 May 2019

No share certificates may be dematerialised or rematerialised between Tuesday, 7 May 2019 and Friday, 10 May 2019, 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, 13 May 2019.

GENERAL

Additional information on financial and operational results for the financial year ended 31 December 2018, and the accompanying presentation can be accessed on our website on www.exxaro.com.

On behalf of the board

Jeff van Rooyen
Chairman

Mxolisi Mgojo
Chief executive officer

Riaan Koppeschaar
Finance director

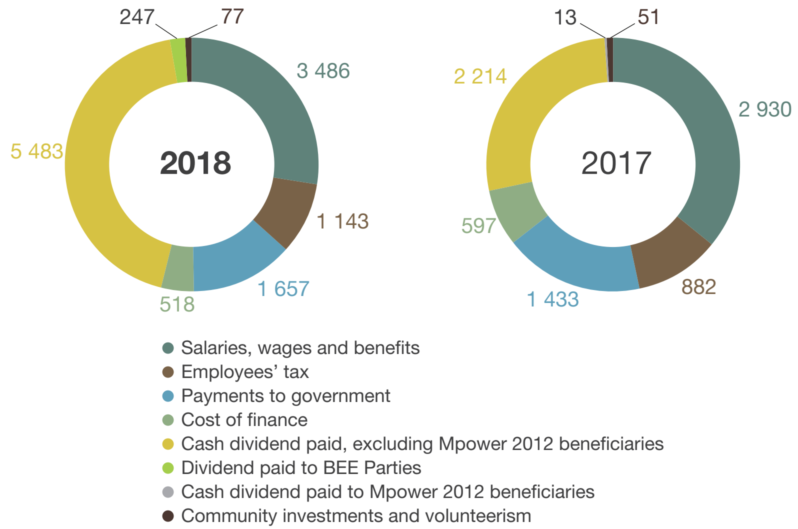
12 March 2019

EXXARO 2018 PERFORMANCE AT A GLANCE

Performance overview

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

Value distribution (Rm)



CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

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

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

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

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION
at 31 December 2018

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

	2018 Reviewed Rm	(Re-presented) 2017 Audited Rm
EQUITY AND LIABILITIES		
Capital and other components of equity		
Share capital	1 021	1 021
Other components of equity	8 028	8 120
Retained earnings	32 797	30 962
Equity attributable to owners of the parent	41 846	40 103
Non-controlling interests	(701)	(738)
Total equity	41 145	39 365
Non-current liabilities	15 745	17 442
Interest-bearing borrowings (note 17)	3 843	6 480
Non-current other payables	152	89
Provisions	3 952	3 864
Post-retirement employee obligations	193	227
Financial liabilities (note 20)	713	414
– Financial liabilities at fair value through profit or loss	488	
– Financial liabilities at amortised cost	225	
Deferred tax	6 874	5 988
Other non-current liabilities (note 19)	18	380
Current liabilities	6 823	3 956
Interest-bearing borrowings (note 17)	573	68
Trade and other payables	2 960	2 245
Provisions	70	95
Financial liabilities (note 20)	757	309
– Financial liabilities at fair value through profit or loss	361	
– Financial liabilities at amortised cost	395	
– Derivative financial instruments	1	
Current tax payable	209	368
Overdraft (note 17)	1 531	54
Other current liabilities (note 19)	723	817
Non-current liabilities held-for-sale (note 16)	1 337	1 651
Total liabilities	23 905	23 049
Total equity and liabilities	65 050	62 414

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

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

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

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

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

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

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

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

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

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

[9] For 2018, derecognised the NCI reserve which relates to Eloff that was disposed of as part of the Manyeka disposal.

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

Dividend distribution	**cents**
Dividend per share paid in respect of a special dividend declared during 2018	1 255
Final dividend per share paid in respect of the 2017 financial year	400
Dividend per share paid in respect of the 2018 interim period	530
Final dividend per share payable in respect of the 2018 financial year	555

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

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

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

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

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

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

CONDENSED GROUP STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

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

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

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

RECONCILIATION OF GROUP HEADLINE EARNINGS

	Gross Rm	Tax Rm	Net Rm
For the year ended 31 December 2018 (Reviewed)			
Profit attributable to owners of the parent			7 030
Adjusted for:	(348)	25	(323)
– IFRS 10 Gain on disposal of subsidiaries	(69)		(69)
– IAS 16 Gain on disposal of operation	(102)		(102)
– IAS 16 Net gains on disposal of property, plant and equipment	(122)	13	(109)
– IAS 16 Compensation from third parties for items of property, plant and equipment impaired, abandoned or lost	(57)	16	(41)
– IAS 21 Net gains on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary	(14)		(14)
– IAS 28 Share of equity-accounted investments' separate identifiable remeasurements	16	(4)	12
Headline earnings			6 707
Continuing operations			6 638
Discontinued operations			69
For the year ended 31 December 2017 (Audited)			
Profit attributable to owners of the parent			5 982
Adjusted for:	(4 674)	252	(4 422)
– IAS 16 Net losses on disposal of property, plant and equipment	61	(18)	43
– IAS 16 Compensation from third parties for items of property, plant and equipment impaired, abandoned or lost	(3)	1	(2)
– IAS 21 Net gains on translation differences recycled to profit or loss on the liquidation of a foreign subsidiary and partial disposal of investment in foreign associate	(1 274)		(1 274)
– IAS 28 Loss on dilution of investment in associate	106		106
– IAS 28 Share of equity-accounted investments' separate identifiable remeasurements	12	(2)	10
– IAS 28 Share of equity-accounted investments' impairment reversal of property, plant and equipment	(987)	271	(716)
– IAS 28 Share of equity-accounted investments' loss on disposal of a subsidiary	1 271		1 271
– IAS 28 Gain on partial disposal of an associate	(3 860)		(3 860)
Headline earnings/(loss)			1 560
Continuing operations			2 120
Discontinued operations			(560)

	2018 Reviewed cents	2017 Audited cents
Headline earnings/(loss) per share		
Aggregate		
– Basic	2 672	502
– Diluted	2 057	450
Continuing operations		
– Basic	2 645	682
– Diluted	2 036	611
Discontinued operations		
– Basic	27	(180)
– Diluted	21	(161)

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

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS

1. CORPORATE BACKGROUND

Exxaro, a public company incorporated in South Africa, is a diversified resources group with interests in the coal (controlled and non-controlled), TiO_2 (non-controlled), ferrous (controlled and non-controlled) and energy (non-controlled) markets. These reviewed condensed group annual financial statements as at and for the year ended 31 December 2018 (condensed annual financial statements) comprise the company and its subsidiaries (together referred to as the group) and the group's interest in associates and joint ventures.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed annual financial statements have been prepared in accordance with the requirements of the JSE Listings Requirement for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

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

The condensed annual financial statements should be read in conjunction with the group annual financial statements as at and for the year ended 31 December 2017, which have been prepared in accordance with IFRS as issued by the IASB. The condensed annual financial statements have been prepared on the historical cost basis, excluding financial instruments, share-based payments and biological assets, that are measured at fair value. This is the first set of condensed annual financial statements where IFRS 9 Financial Instruments (IFRS 9) and IFRS 15 Revenue from Contracts with Customers (IFRS 15) have been applied. The changes to the accounting policies impacted by these new standards are described in note 4.

The condensed annual financial statements were authorised for issue by the board of directors on 12 March 2019.

2.2 Judgements and estimates

Management made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the group's accounting policies and the key source of estimation uncertainty were similar to those applied to the group annual financial statements as at and for the year ended 31 December 2017.

2.3 Re-presentation of comparative information

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

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed annual financial statements are consistent with those followed in the preparation of the group annual financial statements as at and for the year ended 31 December 2017, except for the adoption of new or amended standards as set out below.

3.1 New or amended standards adopted by the group

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

The group has adopted the following new standards, which are relevant to the group, for the first time for the year commencing on 1 January 2018:
— IFRS 9 *Financial Instruments* (IFRS 9)
— IFRS 15 *Revenue from Contracts with Customers* (IFRS 15)

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

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

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

IFRS 16

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

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

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

4.1 Impact on the financial statements

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

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

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

4.1 Impact on the financial statements continued

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

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

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

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

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

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

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

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

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

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

4.1 Impact on the financial statements continued

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

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

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

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

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

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

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

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

4.2 Impact of adopting IFRS 9

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

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

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

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

4.2.1 Classification and measurement

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

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

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:
– Amortised cost;
– Fair value through other comprehensive income (FVOCI) debt investment;
– FVOCI equity investment; or
– Fair value through profit or loss (FVPL).

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

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

4.2 Impact of adopting IFRS 9 continued

4.2.1 Classification and measurement continued

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

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

[1] *The closing balances as at 31 December 2017 are prior to any adjustments made in terms of IFRS 9 and IFRS 15. The opening balances as at 1 January 2018 differ from the amounts disclosed in note 4.1 as this table illustrates the reclassification adjustments only and not the impairment adjustments.*
[2] *Includes financial assets classified as non-current assets held-for-sale.*

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

4.2 Impact of adopting IFRS 9 continued

4.2.1 Classification and measurement continued

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

[1] *The closing balances as at 31 December 2017 are prior to any adjustments made in terms of IFRS 9 and IFRS 15.*
[2] *Includes financial liabilities classified as non-current liabilities held-for-sale.*

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

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

[1] *Reserves which were impacted by IFRS 9.*

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

4.2 Impact of adopting IFRS 9 continued

4.2.1 Classification and measurement continued

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

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

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

These reclassifications have no impact on the measurement categories.

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

These reclassifications have no impact on the measurement categories.

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

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

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

These reclassifications have no impact on the measurement categories.

(f) Reclassify financial liabilities to amortised cost

These reclassifications have no impact on the measurement categories.

4.2.2 Impairment of financial assets

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

Under IFRS 9, expected credit loss allowances are measured on either of the following basis:
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The group has four types of financial assets that are subject to IFRS 9’s new ECL model, namely:
- Trade receivables for the sale of goods and rendering of services;
- Other receivables;
- Loans to joint ventures and associates; and
- Financial assets carried at amortised cost.

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

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

(a) Trade receivables

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

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

4.2 Impact of adopting IFRS 9 continued

4.2.2 Impairment of financial assets continued

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

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

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

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

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

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

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

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

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

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

4.2 Impact of adopting IFRS 9 continued

4.2.3 Accounting policies applied from 1 January 2018

(a) Financial assets

(a.i) Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:
– those measured subsequently at fair value (either through OCI, or through profit or loss); and
– those measured at amortised cost.

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

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

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

(a.ii) Measurement

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

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

Debt instruments

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

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

4.2 Impact of adopting IFRS 9 continued

4.2.3 Accounting policies applied from 1 January 2018 continued

Category	Financial instruments	Business model and cash flow characteristics	Movements in carrying amount	Derecognition	Impairment
Amortised cost	– Trade and other receivables – Loans to joint ventures and associates – ESD loans – Other financial assets	Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI.	Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are recognised in profit or loss.	Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in operating expenses.	Impairment losses are presented as a separate line item in the notes to the statement of comprehensive income. The impairment losses are considered to be immaterial and therefore it has not been presented as a separate line on the face of the statement of comprehensive income.
FVPL	– 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 is recognised in profit or loss and presented net within operating expenses in the period in which it arises. Interest income is recognised in profit or loss.	Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in operating expenses.	Debt instruments measured at FVPL are not subject to the impairment model in terms of IFRS 9.

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

4.2 Impact of adopting IFRS 9 continued

4.2.3 Accounting policies applied from 1 January 2018 continued

Equity instruments

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

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

(a.iii) Impairment

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

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

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

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

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

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

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

4.2 Impact of adopting IFRS 9 continued

4.2.3 Accounting policies applied from 1 January 2018 continued

(b) Loan commitments issued by the group

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

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

4.2.4 Transition

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

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

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

4.3 Impact of adopting IFRS 15

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

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

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

In accordance with the transition provisions of IFRS 15, the group has adopted the standard applying the cumulative effect method. In terms of this method the group:
(a) applied the new rules retrospectively, only to contracts with customers that were not completed by 1 January 2018 (the date of initial application); and
(b) has adjusted the opening balance of retained earnings as at 1 January 2018, with the cumulative effect of the retrospective application (per (a) above).

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

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

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

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

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

4.3 Impact of adopting IFRS 15 continued

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

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

Impact on the reviewed condensed group statement of comprehensive income

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

[1] Adjustments comprise of:
- *a contract modification consideration that would be recognised as revenue over seven years under the previous revenue standards and interpretations (R62 million and tax of R17 million)*
- *a reclassification of stock yard management service fee that would be recognised as a cost recovery in operating expenses under the previous revenue standards and interpretations (R224 million).*

Refer 4.3.2 for details of the assessment.

[2] Amounts without the adoption of IFRS 15.

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

4.3 Impact of adopting IFRS 15 continued

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

Impact on the reviewed condensed group statement of comprehensive income continued

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

[1] *Adjustments comprise of:*
– a contract modification consideration that would be recognised as revenue over seven years under the previous revenue standards and interpretations (R62 million and tax of R17 million)
– a reclassification of stock yard management service fee that would be recognised as a cost recovery in operating expenses under the previous revenue standards and interpretations (R224 million).
Refer 4.3.2 for details of the assessment.
[2] *Amounts without the adoption of IFRS 15.*

Impact on the reviewed condensed group statement of financial position

At 31 December 2018	Note	As reported Rm	Adjustments[1] Rm	IAS 18[2] Rm
ASSETS				
Non-current assets		52 226		52 226
Current assets		7 641		7 641
Non-current assets held-for-sale		5 183		5 183
Total assets		65 050		65 050
EQUITY AND LIABILITIES				
Capital and other components of equity				
Share capital		1 021		1 021
Other components of equity		8 028		8 028
Retained earnings	4.3.2 (a)	32 797	(269)	32 528
Equity attributable to owners of the parent	4.3.2 (a)	41 846	(269)	41 577
Non-controlling interests		(701)		(701)
Total equity	4.3.2 (a)	41 145	(269)	40 876
Non-current liabilities	4.3.2 (a)	15 745	207	15 952
Interest-bearing borrowings		3 843		3 843
Other payables		152		152
Provisions		3 952		3 952
Post-retirement employee obligations		193		193
Financial liabilities		713		713
Deferred tax	4.3.2 (a)	6 874	(105)	6 769
Other non-current liabilities	4.3.2 (a)	18	312	330

[1] *Relates to the reversal of the IFRS 15 initial application adjustment amounting to R314 million, net of tax, (refer to table in note 4.3) and the impact for the year ended 31 December 2018 arising from the contract modification consideration assessment of R45 million, net of tax, (refer note 4.3.2 (a)).*
[2] *Financial results without the adoption of IFRS 15.*

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

4.3 Impact of adopting IFRS 15 continued

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

Impact on the reviewed condensed group statement of financial position continued

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

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

[2] *Financial results without the adoption of IFRS 15.*

4.3.2 Impact assessment of customer contract terms and conditions

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

(a) Contract modification consideration

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

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

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

4.3 Impact of adopting IFRS 15 continued

4.3.2 Impact assessment of customer contract terms and conditions continued

(b) Stock yard management services

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

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

4.3.3 Accounting policies applied from 1 January 2018

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

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

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

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

4.3 Impact of adopting IFRS 15 continued

4.3.3 Accounting policies applied from 1 January 2018 continued

Nature of goods and services

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

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

5. SEGMENTAL INFORMATION

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

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

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

5. SEGMENTAL INFORMATION continued

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

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

Coal

The coal reportable operating segment is split between commercial (Waterberg and Mpumalanga), tied and other coal operations. Mpumalanga commercial operations include a 50% (2017: 50%) investment in Mafube (a joint venture with Anglo). The 10.82% (2017: 10.82%) effective equity interest in RBCT is included in the other coal operations. The coal operations produce thermal coal, metallurgical coal and SSCC.

Ferrous

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

TiO_2

This segment has been renamed to TiO_2 as the Alkali chemicals business was disposed of in 2017. Exxaro holds a 23.35% (2017: 23.66%) equity interest in Tronox Limited. The investment in Tronox Limited was classified as a non-current asset held-for-sale on 30 September 2017 (refer note 16). Exxaro holds a 26% (2017: 26%) equity interest in Tronox SA (both South African-based operations), as well as a 26% (2017: 26%) member's interest in Tronox UK. The member's interest in Tronox UK has been classified as a non-current asset held-for-sale on 30 November 2018 (refer note 16).

Energy

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

Other

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

5. SEGMENTAL INFORMATION continued

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

	Coal			
	Commercial			
	Waterberg Rm	Mpumalanga Rm	Tied Rm	Other Rm
For the year ended 31 December 2018 (Reviewed)				
External revenue	13 289	7 984	3 665	364
Segment net operating profit/(loss)	5 738	1 429	250	(966)
– *Continuing operations*	5 738	1 429	250	(966)
External finance income (note 9)	48	33		19
External finance costs (note 9)	(47)	(164)		(47)
Income tax (expense)/benefit	(1 572)	(302)	(48)	378
Depreciation and amortisation (note 8)	(1 204)	(299)	(13)	
Gain on disposal of subsidiary		69		
Gain on disposal of operation		102		
Cash generated by/(utilised in) operations	6 955	1 490	99	(1 366)
Share of income/(loss) of equity-accounted investments (note 10)		114		(36)
– *Continuing operations*		114		(36)
Capital expenditure (note 12)	(3 890)	(1 832)		
At 31 December 2018 (Reviewed)				
Segment assets and liabilities				
Deferred tax[1]		6	(53)	164
Investments in associates (note 13)				2 157
Investments in joint ventures (note 14)		1 237		
Loans to joint ventures				259
External assets[2]	26 514	8 059	1 062	4 192
Assets	26 514	9 302	1 009	6 772
Non-current assets held-for-sale (note 16)				
Total assets as per statement of financial position	26 514	9 302	1 009	6 772
External liabilities	2 463	2 631	757	2 348
Deferred tax[1]	6 009	866		39
Current tax payable[1]	104	5	(32)	99
Liabilities	8 576	3 502	725	2 486
Non-current liabilities held-for-sale (note 16)		1 337		
Total liabilities as per statement of financial position	8 576	4 839	725	2 486

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

Ferrous				Other		
Alloys Rm	Other ferrous Rm	TiO_2 Rm	Energy Rm	Base metals Rm	Other Rm	Total Rm
169					20	25 491
17	(3)				(762)	5 703
17	(3)				(762)	5 703
					183	283
					(347)	(605)
(4)					(105)	(1 653)
					(66)	(1 582)
						69
						102
60	(2)				(212)	7 024
	2 592	492	61	70	(34)	3 259
	2 592	492	61	70	(34)	3 259
					(68)	(5 790)
8	1				397	523
	9 511	2 185	141	818	665	15 477
			332			1 569
						259
265	25				1 922	42 039
273	9 537	2 185	473	818	2 984	59 867
		5 183				5 183
273	9 537	7 368	473	818	2 984	65 050
23	5				7 258	15 485
					(40)	6 874
					33	209
23	5				7 251	22 568
						1 337
23	5				7 251	23 905

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

5. SEGMENTAL INFORMATION continued

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

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

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

Ferrous				Other		
Alloys Rm	Other ferrous Rm	TiO_2 Rm	Energy Rm	Base metals Rm	Other Rm	Total Rm
243					17	22 813
54	(1)	5 085			(5 087)	6 060
54	(1)				(5 087)	975
		5 085				5 085
1					170	217
					(574)	(828)
(13)					(179)	(1 542)
					(85)	(1 393)
		3 860				3 860
(54)	(2)				(23)	6 826
	3 303	(1 643)	2	226		2 123
	3 303	186	2	226		3 952
		(1 829)				(1 829)
(6)					(111)	(3 921)
11	1				423	571
	9 367	3 477		747	26	15 810
			374			1 479
			126			126
309	25				6 579	40 518
320	9 393	3 477	500	747	7 028	58 504
		3 396			129	3 910
320	9 393	6 873	500	747	7 157	62 414
27	4				7 662	15 042
					(43)	5 988
					76	368
27	4				7 695	21 398
						1 651
27	4				7 695	23 049

6. DISCONTINUED OPERATIONS

On 30 September 2017, Exxaro classified the Tronox Limited investment as a non-current asset held-for-sale (refer note 16). It was concluded that the related performance and cash flow information be presented as a discontinued operation as the Tronox Limited investment represents a major geographical area of operation as well as the majority of the TiO_2 reportable operating segment.

Financial information relating to discontinued operations is set out below:

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

7. REVENUE

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

	Coal				Ferrous	Other	
	Commercial						
For the year ended 31 December 2018 (Reviewed)	Waterberg Rm	Mpumalanga Rm	Tied Rm	Other Rm	Alloys Rm	Other Rm	Total Rm
Segment revenue reconciliation							
Segment revenue based on origin of coal production	13 289	7 984	3 665	364	169	20	25 491
Export sales allocated to selling entity	(1 796)	(6 254)		8 050			
Total revenue from contracts with customers	11 493	1 730	3 665	8 414	169	20	25 491
By timing and major type of goods and services							
Sale of goods at a point in time	11 493	1 730	3 441	8 050	163	16	24 893
Coal	11 493	1 730	3 441	8 050			24 714
Ferrosilicon					163		163
Biological goods						16	16
Rendering of services over time			224	364	6	4	598
Stock yard management services			224				224
Other mine management services				364			364
Other services					6	4	10
Total revenue from contracts with customers	11 493	1 730	3 665	8 414	169	20	25 491
By major geographic area of customer[1]							
Domestic	11 493	1 730	3 665	364	169	15	17 436
Export				8 050		5	8 055
Europe				4 920		2	4 922
Asia				2 455		3	2 458
Other				675			675
Total revenue from contracts with customers	11 493	1 730	3 665	8 414	169	20	25 491
By major customer industries							
Public utilities	9 101	301	3 665	701			13 768
Merchants	141	835		6 458			7 434
Steel	1 557	165		36			1 758
Mining	88	43		747	144		1 022
Manufacturing	291	33		101	22		447
Cement	156	202					358
Other	159	151		371	3	20	704
Total revenue from contracts with customers	11 493	1 730	3 665	8 414	169	20	25 491

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

7. REVENUE continued

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

[1] *Reclassification of service revenue previously included as part of revenue from goods sold.*
[2] *Geographic area is determined based on the customer supplied by Exxaro.*

8. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT

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

[1] *During 2018 Exxaro concluded a sale of share agreement with Universal Coal Development IV Proprietary Limited for ECC's 100% shareholding in Manyeka, which includes a 51% interest in Eloff. The transaction became effective on 31 July 2018. Exxaro received net cash of R5 million resulting in a gain on the disposal of subsidiaries of R69 million.*

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

9. NET FINANCING COSTS

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

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

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

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

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

11. DIVIDEND DISTRIBUTION

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

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

11. DIVIDEND DISTRIBUTION continued

A final cash dividend, number 32, for 2018 of 555 cents per share, was approved by the board of directors on 12 March 2019. The dividend is payable on 13 May 2019 to shareholders who will be on the register on 10 May 2019. This final dividend, amounting to approximately R1 393 million (to external shareholders), has not been recognised as a liability in these condensed annual financial statements. It will be recognised in shareholders' equity in the year ending 31 December 2019.

The final dividend declared will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local dividend payable to shareholders, subject to dividend withholding tax at a rate of 20% amounts to 444 cents per share. The number of ordinary shares in issue at the date of this declaration is 358 706 754. Exxaro company's tax reference number is 9218/098/14/4.

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

12. CAPITAL COMMITMENTS

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

13. INVESTMENTS IN ASSOCIATES

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

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

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

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

14. INVESTMENTS IN JOINT VENTURES

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

15. OTHER ASSETS

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

[1] *Amounts recoverable from Eskom in respect of the rehabilitation, environmental expenditure and post-retirement employee obligations of the Matla and Arnot mines at the end of life of these mines.*
[2] *Upon the acquisition of ECC in 2015, Total SA indemnified Exxaro from any obligations relating to the EMJV.*

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

Tronox Limited

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

Subsequent to the classification as a non-current asset held-for-sale, Exxaro sold 22 425 000 Class A Tronox Limited ordinary shares during October 2017. On 24 May 2018, Exxaro obtained shareholder approval to sell the remainder of its shares in Tronox Limited. On 31 December 2018, management concluded that the investment continues to meet the criteria to be classified as a non-current asset held-for-sale in terms of IFRS 5. Exxaro continues to assess market conditions for further possible sell downs of the remaining 28 729 280 Class B Tronox Limited ordinary shares.

The Tronox Limited investment is presented within the total assets of the TiO_2 reportable operating segment and is presented as a discontinued operation (refer note 6).

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

Tronox UK

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

The Tronox UK investment is presented within the total assets of the TiO_2 reportable operating segment.

EMJV

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

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

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

17. INTEREST-BEARING BORROWINGS

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

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

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

17. INTEREST-BEARING BORROWINGS continued

Loan facility

The loan facility comprises a:

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

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

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

Bond issue

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

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

Preference share liability

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

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

Finance leases

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

18. NET (DEBT)/CASH

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

NOTES TO THE REVIEWED CONDENSED GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

18. NET (DEBT)/CASH continued

Analysis of movement in net (debt)/cash:

	Cash and cash equivalents/ overdraft Rm	Liabilities from financing activities: Non-current interest-bearing borrowings Rm	Liabilities from financing activities: Current interest-bearing borrowings Rm	Total Rm
Net debt at 31 December 2016	5 183	(6 002)	(503)	(1 322)
Cash flows	1 416	(472)	515	1 459
Operating activities	3 326			3 326
Investing activities	4 451			4 451
Financing activities	(6 361)	(472)	515	(6 318)
– Interest-bearing borrowings raised	2 491	(2 491)		
– Interest-bearing borrowings repaid	(2 534)	2 019	515	
– Shares acquired in the market to settle share-based payments	(99)			(99)
– Repurchase of share capital	(6 219)			(6 219)
Non-cash movements	(47)	(6)	(14)	(67)
Amortisation of transaction costs			(9)	(9)
Preference dividend accrued		(11)		(11)
Transfers between non-current and current liabilities		5	(5)	
Reclassifications to non-current assets held-for-sale	(14)			(14)
Translation difference on movement in cash and cash equivalents	(33)			(33)
Net cash at 31 December 2017 (previously presented)	6 552	(6 480)	(2)	70
Reclassifications[1]	65		(66)	(1)
Net cash at 31 December 2017 (Re-presented)	6 617	(6 480)	(68)	69
Cash flows	(6 110)	2 139	8	(3 963)
Operating activities	(54)			(54)
Investing activities	(3 195)			(3 195)
Financing activities	(2 861)	2 139	8	(714)
– Interest-bearing borrowings raised	14		(14)	
– Interest-bearing borrowings repaid	(2 161)	2 139	22	
– Shares acquired in the market to settle share-based payments	(467)			(467)
– Dividends paid to BEE Parties	(247)			(247)
Non-cash movements	42	498	(513)	27
Amortisation of transaction costs			(27)	(27)
Preference dividend accrued		(1)		(1)
Interest accrued			5	5
Lease payable cancelled		5	3	8
Transfers between non-current and current liabilities		494	(494)	
Translation difference on movement in cash and cash equivalents	42			42
Net debt at 31 December 2018	549	(3 843)	(573)	(3 867)

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

19. OTHER LIABILITIES

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

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

20. FINANCIAL INSTRUMENTS

The group holds the following financial instruments:

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

20. FINANCIAL INSTRUMENTS continued

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

[1] *During 2018, the KIO shares were sold.*
[2] *Loan granted to Mafube in 2018. The loan bears interest at JIBAR plus a margin of 4%, is unsecured and repayable within five years, unless otherwise agreed by the parties.*
[3] *Interest-free loans advanced to applicants in terms of the Exxaro ESD programme.*
[4] *An amount receivable in relation to a deferred pricing adjustment which arose during 2017. The amount receivable will be settled over seven years and bears interest at Prime Rate less 2%.*
[5] *Relates to the ECC acquisition.*
[6] *Deferred consideration payable in relation to the acquisition of the investment in AgriProtein and LightApp.*
[7] *Relates to deferred consideration receivable which arose on the disposal of a mining right.*

20. FINANCIAL INSTRUMENTS continued

The group has granted the following loan commitments:

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

[1] *Revolving credit facility available for five years, ending 2023.*
[2] *A US$50 million term loan facility available from 2020 to 2025.*

20.1 Fair value hierarchy

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

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

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

Level 3 – unobservable inputs for the asset and liability.

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

20. FINANCIAL INSTRUMENTS continued

20.1 Fair value hierarchy continued

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

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

	Contingent consideration Rm	Chifeng[1] Rm	Total Rm
At 31 December 2016 (Audited)	(483)	178	(305)
Movement during the year			
Losses recognised in other comprehensive income (pre-tax effect)[2]		(26)	(26)
Losses recognised in profit or loss	(354)		(354)
Settlements	74		74
Exchange gains recognised in profit or loss	40		40
At 31 December 2017 (Audited)	(723)	152	(571)
Movement during the year			
Gains recognised in other comprehensive income (pre-tax effect)[2]		33	33
Losses recognised in profit or loss	(357)		(357)
Settlements	299		299
Exchange losses recognised in profit or loss	(68)		(68)
At 31 December 2018 (Reviewed)	(849)	185	(664)

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

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

20. FINANCIAL INSTRUMENTS continued

20.1 Fair value hierarchy continued

Transfers

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

Valuation process applied by the group

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

Current derivative financial instruments

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

Environmental rehabilitation funds

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

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

Chifeng

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

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

20. FINANCIAL INSTRUMENTS continued

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

Chifeng continued

	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
At 31 December 2018 (Reviewed)			
Observable inputs			
Rand/RMB exchange rate	R2.10/RMB1	Strengthening of the rand to the RMB	19
RMB/US$ exchange rate	RMB6.56 to RMB7.01/US$1	Strengthening of the RMB to the US$	110
Zinc LME price (US$ per tonne in real terms)	US$2 200.00 to US$2 474.72	Increase in price of zinc concentrate	110
Unobservable inputs			
Production volumes	85 000 tonnes	Increase in production volumes	31
Operational costs (US$ million per annum in real terms)	US$60.59 to US$70.92	Decrease in operational costs	(83)
Discount rate	11.11%	Decrease in the discount rate	(16)
At 31 December 2017 (Audited)			
Observable inputs			
Rand/RMB exchange rate	R1.90/RMB1	Strengthening of the rand to the RMB	15
RMB/US$ exchange rate	RMB6.52 to RMB7.28/US$1	Strengthening of the RMB to the US$	100
Zinc LME price (US$ per tonne in real terms)	US$2 100 to US$3 000	Increase in price of zinc concentrate	100
Unobservable inputs			
Production volumes	85 000 tonnes	Increase in production volumes	29
Operational costs (US$ million per annum in real terms)	US$58.46 to US$70.20	Decrease in operational costs	(75)
Discount rate	11.05%	Decrease in the discount rate	(12)

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

20. FINANCIAL INSTRUMENTS continued

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

Chifeng continued

Inter-relationships

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

Contingent consideration

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

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

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

The amount to be paid in each of the five years is determined as follows (refer table above):
- If the average API4 price in the reference year is below the minimum API4 price of the agreed range, then no payment will be made
- If the average API4 price falls within the range, then the amount to be paid is determined based on a formula contained in the agreement
- If the average API4 price is above the maximum API4 price of the range, then Exxaro is liable for the full amount due for that reference year.

An additional payment to Total S.A. amounting to R299 million was required for the 2017 reference year and R74 million was required for the 2016 reference year as the API4 price was within the agreed range. No additional payment to Total S.A. was required for the 2015 reference year as the API4 price was below the range.

The contingent consideration is classified within Level 3 of the fair value hierarchy as there is no quoted market price or observable price available for this financial instrument. This financial instrument is valued as the present value of the estimated future cash flows, using a discounted cash flow model.

The significant observable and unobservable inputs used in the fair value measurement of this financial instrument are rand/US$ exchange rate, API4 export price and the discount rate.

20. FINANCIAL INSTRUMENTS continued

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

Contingent consideration continued

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

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

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

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

Inter-relationships

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

21. CONTINGENT LIABILITIES

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

[1] *Consists of legal cases as well as tax disputes with Exxaro as defendant.*
[2] *Includes guarantees to banks and other institutions in the normal course of business from which it is anticipated that no material liabilities will arise.*
[3] *Mainly operational guarantees issued by financial institutions relating to environmental rehabilitation and closure costs. The decrease mainly relates to Cennergi guarantees cancelled after construction was finalised and the liabilities settled.*

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

SARS

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

Assessments to the amount of R442 million (R199 million tax payable, R91 million interest and R152 million penalties) were issued on 30 March 2016 and Exxaro formally objected against these assessments. These assessments were subsequently reduced by SARS to R246 million (including interest and penalties). A resolution hearing with SARS was held on 18 July 2017 but the parties could not settle the matter. Notice was given to refer the matter to the Tax Court and a court date of 4 March 2019 was allocated to Exxaro which was subsequently postponed to 15 March 2019.

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

22. RELATED PARTY TRANSACTIONS

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

23. GOING CONCERN

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

24. JSE LISTINGS REQUIREMENTS

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

25. EVENTS AFTER THE REPORTING PERIOD

Details of the final dividend are provided in note 11.

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

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

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

26. REVIEW CONCLUSION

These reviewed condensed group annual financial statements for the year ended 31 December 2018, as set out on pages 16 to 73, have been reviewed by the company's external auditors, PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report on the condensed group annual financial statements is available for inspection at Exxaro's registered office, together with the financial statements identified in the auditor's report.

27. KEY MEASURES[1]

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

[1] *Non-IFRS numbers.*

CORPORATE INFORMATION

REGISTERED OFFICE

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

This report is available at: www.exxaro.com

DIRECTORS

J van Rooyen*** (chairman), MDM Mgojo* (chief executive officer), PA Koppeschaar* (finance director), GJ Fraser-Moleketi (lead independent director)***, MW Hlahla**, D Mashile-Nkosi**, L Mbatha**, VZ Mntambo**, MJ Moffett***, LI Mophatlane***, EJ Myburgh***, V Nkonyeni***, A Sing***, PCCH Snyders***

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

PREPARED UNDER THE SUPERVISION OF:

PA Koppeschaar CA(SA)
SAICA registration number: 00038621

GROUP COMPANY SECRETARY

SE van Loggerenberg

TRANSFER SECRETARIES

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Rosebank Towers
13 Biermann Avenue
Rosebank, 2196
PO Box 61051
Marshalltown, 2107

INVESTOR RELATIONS

MI Mthenjane (+27 12 307 7393)

SPONSOR

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

EXXARO RESOURCES LIMITED

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

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

ANNEXURE: ACRONYMS

AgriProtein	AgriProtein Holdings UK Limited
Anglo	Anglo South Africa Capital Proprietary Limited
API4	All publications index 4 (FOB Richards Bay 6000kcal/kg)
B-BBEE	Broad-based black economic empowerment
BEE	Black Economic Empowerment
BEE Parties	External shareholders of Eyesizwe
Black Mountain	Black Mountain Proprietary Limited
Cennergi	Cennergi Proprietary Limited
CFR	Cost and freight
Chifeng	Chifeng Kumba Hongye Corporation Limited
Cps	Cents per share
Curapipe	Curapipe Systems Limited
DCM	Dorstfontein
DEA	Department of Environmental Affairs
DMR	Department of Mineral Resources
DMTN	Domestic medium term note
EBITDA	Earnings before interest and tax, depreciation, amortisation, impairment charges and net loss or gain on the disposal of investments and assets
ECC	Exxaro Coal Central Proprietary Limited
ECL(s)	Expected credit loss(es)
Eloff	Eloff Mining Company Proprietary Limited
EMJV	Ermelo joint venture
ESD	Enterprise and supplier development
ESG	Environmental, Social and Governance
Eyesizwe	Eyesizwe (RF) Proprietary Limited, special purpose private company which has a 30% shareholding in Exxaro
FOB	Free on board
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
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
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standard(s)
JIBAR	Johannesburg Interbank Average Rate
JSE	JSE Limited
kcal	kilocalorie
KIO	Kumba Iron Ore Limited
Kt	Kilo tonnes

ANNEXURE: ACRONYMS CONTINUED

LightApp	LightApp Technologies Limited
LME	London Metal Exchange
LOM	Life of Mine
LTIFR	Lost-time injury frequency rate
Mafube	Mafube Coal Proprietary Limited
Main Street 333	Main Street 333 Proprietary Limited
Manyeka	Manyeka Coal Mines Proprietary Limited
Mpower 2012	Exxaro Employee Empowerment Trust
MPRDA	Mineral and Petroleum Resources Development Act, 2002
Mt	Million tonnes
Mtpa	Million tonnes per annum
NBC	North Block Complex
NCI	Non-controlling interests
NEMA	National Environmental Management Act, 1998
OCI	Other comprehensive income
PRC	Peoples Republic of China
Prime Rate	South African prime bank rate
Rb	Rand billion
RB1	Richards Bay export product 1
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
Rm	Rand million
RMB	Chinese Renminbi
SAICA	South African Institute of Chartered Accountants
SARS	South African Revenue Service
SIOC	Sishen Iron Ore Company Proprietary Limited
SPPI	Solely payments of principal and interest
SSCC	Semi-soft coking coal
Tata Power	Tata Power Company Limited
TiO_2	Titanium dioxide
Tronox	Exxaro's investment in Tronox entities
Tronox SA	Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited
Tronox UK	Tronox Sands Limited Liability Partnership in the United Kingdom
UK	United Kingdom
Universal	Universal Coal Development IV Proprietary Limited
US$	United States Dollar
VAT	Value Added Tax