

ABOUT THIS REPORT

Exxaro produces an integrated report each year, covering our financial and operational, governance, social and environmental performance as well as the challenges and opportunities ahead.

Continuing the approach introduced last year (recognised in the Ernst & Young Excellence in Integrated Reporting awards for innovation), we segment our report into three perspectives:

- › The board - as ultimate custodian of the company's strategy - comments on the strategic context for material issues and key governance aspects, including the focus of board committees during the year
- › The executive review details salient features of the year and how the group performed against its targets, our stakeholder engagement and activities and associated strategic risks (operational performance context)
- › Outlook for the year ahead and beyond.

In line with our corporate value of honest responsibility, this report reflects our commitment to sustainable development, given the South African socio-economic and environmental context, and determination to entrench effective governance and global best practices in all operations. It also reflects maturing reporting processes and confidence in our ability to set and measure progress towards targets, as disclosed on the performance dashboard. We disclose key performance indicators across the six sustainability capitals, with targets and actual performance, for an informed evaluation of our progress.

This report (only available online) covers the financial year to 31 December 2016, as well as key subsequent developments, and follows the 2015 report. It should be read with the group and company annual financial statements, comprehensive supplementary report, and mineral resources and reserves statement on our website.

Notice of the annual general meeting, form of proxy and summarised financial statements were mailed to shareholders as per statutory requirements.

Content is guided by our strategic objectives, legislative and regulatory requirements, including the Companies Act of South Africa, 71 of 2008, as amended (Companies Act), the mining charter and the JSE Limited Listings Requirements. We are also guided by global best practice standards, including the International Integrated Reporting Council's (IIRC) framework for integrated reporting, United Nations Global Compact, Global Reporting Initiative (GRI), King Report on Governance for South Africa 2009 (King III) and AccountAbility 1000SES.

The audited group and company annual financial statements are prepared according to International Financial Reporting Standards (IFRS).

DISCLAIMER

The operational and financial information on which any outlook or forecast statements are based has not been reviewed nor reported on by the external auditors. These forward-looking statements are based on management's current beliefs and expectations and are subject to uncertainty and changes in circumstances. The forward-looking statements involve risks that may affect the group's operational and financial information. Exxaro undertakes no obligation to update or reverse any forward-looking statements, whether as a result of new information or future developments.

Where relevant, comments exclude transactions which make the results not comparable. These exclusions are the responsibility of the group's board of directors and have been presented to illustrate the impact of these transactions on the core operations' performance and hence may not fairly present the group's financial position, changes in equity, results of operations or cash flows. These exclusions have not been reviewed nor reported on by the group's external auditors.

BOARD RESPONSIBILITY

The board acknowledges its responsibility for the integrity of Exxaro's integrated and supplementary reports. Although the process of integrated reporting is still evolving, we have integrated all the elements of our business and aligned this report with the IIRC framework. Continuous efforts are made to incorporate best practice and improve our level of reporting, including an independent assessment of key aspects of sustainability reporting and disclosure by PricewaterhouseCoopers Incorporated (PwC).

The board reviewed and approved the content of the integrated report and accompanying statutory information (mailed to shareholders) prior to publication.



Len Konar
Chairman

12 April 2017



Mxolisi Mgojo
Chief executive officer

CERTIFICATE BY GROUP COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act I, Carina Wessels, in my capacity as group company secretary and legal, confirm that, to the best of my knowledge, for the year ended 31 December 2016, Exxaro Resources Limited (Exxaro) has filed with the Companies and Intellectual Property Commission all such returns and notices as required of a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.



Carina Wessels
Group company secretary and legal
Pretoria

12 April 2017

UNDERSTANDING OUR STRATEGIC DASHBOARD

The sustainability capitals

Definition: A capital is a stock of anything (physical, intangible or virtual) from which an organisation can extract either a qualitative or quantitative benefit.

NATURAL CAPITAL	HUMAN CAPITAL	SOCIAL CAPITAL	INTELLECTUAL CAPITAL	MANUFACTURED CAPITAL	FINANCIAL CAPITAL
 <ul style="list-style-type: none"> › All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organisation › Natural resources (mineral resources, water, energy and matter) › Processes (our environment, water, air and biodiversity) 	 <ul style="list-style-type: none"> › Safety, wellness, occupational health and hygiene › Relationships and rights › People's competencies, capabilities and experience 	 <ul style="list-style-type: none"> › The institutions and the relationships within the organisation, between communities, groups of stakeholders and other networks › The ability to share information to enhance individual and collective well-being › Trust and reciprocity 	 <ul style="list-style-type: none"> › Organisational, knowledge-based intangibles › Ability and motivation to innovate 	 <ul style="list-style-type: none"> › Manufactured physical objects (as distinct from natural physical objects) that are available to an organisation for use in the production of goods or the provision of services › Assets, infrastructure, material goods, technology, networks, business processes and systems 	 <ul style="list-style-type: none"> › Pool of available funds › Reflects the productive power of the other types of capital › Currency, share price, ownership, governance

Exxaro strategic performance dashboard

The tool we use to determine whether we are on track to achieve our objectives is the Exxaro strategic performance dashboard. As explained in the board review, this dashboard has built-in risk appetite thresholds to ensure the company's decisions in pursuing its strategic objectives are in line with the risk threshold which, as a whole, makes up the risk appetite of the group.

How to interpret the dashboard

- › The dashboard lists all key performance indicators (KPIs) linked to a strategic priority/sustainability capital/strategic objective and material issue. Current performance and the status of the indicator (shown as a bulb) reflects whether the KPI is within our risk appetite thresholds. We aim to be within the target threshold: anything outside worst tolerable and target means we act outside our defined risk appetite in pursuing our strategic objectives. This will require additional controls or improving existing controls.

Example of KPI measure

- › Exxaro has a strategic objective of improving our portfolio; one of many KPIs linked to this objective is core operating margin. Anything outside of worst tolerable and target will mean that we act outside our defined risk appetite in pursuing our strategic objectives and this will require additional controls or improving existing controls.

KPI current performance

KPI	Current Performance	Legend (indicator)
Core operating margin (%)	24%	

KPI threshold

KPI	Threshold				
	Out of appetite	Worst tolerable	Best realistic	Target	Possible waste/opportunity
Core operating margin	Less than 15%	15%	Between 15% and 20%	20%	More than 20%

Legend

 Out of appetite	 Worst tolerable	 Best realistic	 Target	 Possible waste/opportunity (exceeding target)
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2016 PERFORMANCE AT A GLANCE

Sustainable operations

- › Lost-time injury frequency rate (LTIFR) **improved 47%** to **0,09**
- › **Over 2** consecutive calendar years **without a fatality**



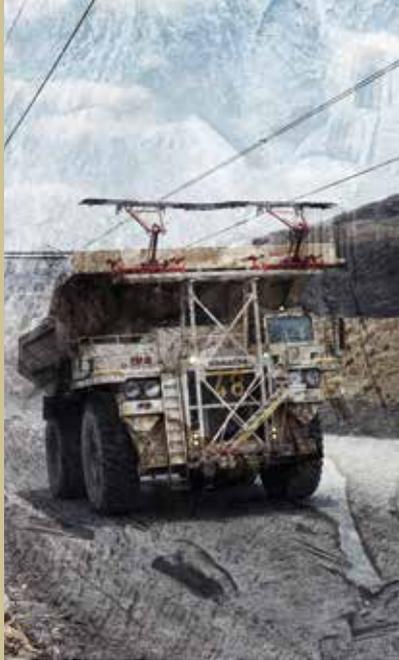
Returning cash to shareholders

- › Final dividend of **410 cents per share at 2016** core attributable earnings cover of **3,2 times**



Strong profit margins and resilient balance sheet

- › Core net operating **profit margin of 24%, up 6%**
- › **R2,4 billion** income from equity-accounted investments, **up 309%**
- › Headline earnings at **1 302 cents per share**
- › Net debt to equity at **3,8%**
- › Cash generated from operations at **R5,5 billion, up 23%**



Growth in coal

- › **R5,2 billion** coal net operating profit, **up 101%**
- › Operating **profit margin of 25%**
- › Export volumes – **7,9Mt up 27%**

Strategic dashboard - selected key financial performance indicators (KPIs)

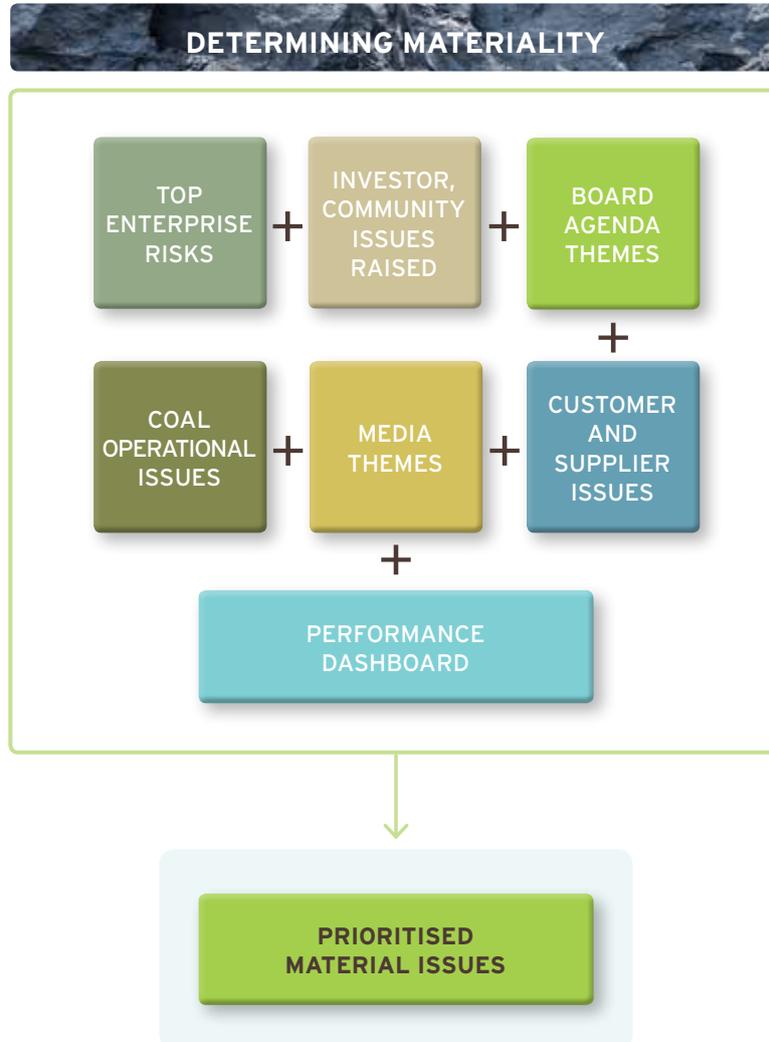
KPI	2016		2015	
	Actual	Indicator	Actual	Indicator
Core operating margin	24%	💡	18%	💡
Funds from operations to net debt	476%	💡	2%	💡
Return on capital employed (ROCE)	23%	💡	6%	💡
Return on equity based on core headline earnings	15%	💡	4%	💡
Core HEPS (short-term target)	1 457c	💡	425c	💡
Net debt to equity*	12%	💡	23%	💡
Net debt to annualised EBITDA (times)*	0,6	💡	1	💡
EBITDA interest cover (times)*	11	💡	12	💡

* Calculated according to loan covenant agreements with loan providers

MATERIAL ISSUES

Materiality

Materiality is determined by careful analysis of our risks, strategic goals and outcomes of ongoing consultation with stakeholders. The top risks facing our group are summarised on page 26 and discussed under the appropriate material issue.



Scope and boundary

Under the reporting requirements of the Department of Mineral Resources (DMR) for the mining charter scorecard, Exxaro discloses its performance per mining right for the review period on its website. Group performance against the scorecard is disclosed in this report (annexure).

This report, produced in English, has been prepared in accordance with the GRI's 'core' application level, and the GRI G4 index is on the website. The supplementary report provides detailed disclosure on key aspects of our operations. Methods for determining specific GRI indicators are summarised in the text or detailed in our glossary.

Each year, key indicators are selected for external assurance. Where possible, we present comparable information for trend analysis. Corporate activity since Exxaro's inception makes data comparability challenging in some areas; this is explained where it will aid understanding.

This report includes limited information on operations where we do not have management control but have a significant equity interest or joint control, namely Cennergi Proprietary Limited (Cennergi), Sishen Iron Ore Company Proprietary Limited (SIOC) and Tronox Limited (Tronox). As our acquisition of Total Coal South Africa Proprietary Limited (TCSA), renamed Exxaro Coal Central Proprietary Limited (ECC) was only effective August 2015, we include limited data on these operations while the process of standardising systems and indicators is under way.