INTERIM FINANCIAL RESULTS

for the six-month period ended 30 June 2016

SALIENT FEATURES

OWNER-CONTROLLED OPERATIONS

- Coal sales at 22Mt, up 9%
- Core coal NOP of R2 billion, up 22%

SIOC

- R745 million core post-tax equity-accounted income, up 17%
- No dividends declared for 1H16

TRONOX

- R921 billion core post-tax equity losses
- R233 million dividend received

MAFUBE

- R450 million dividend received

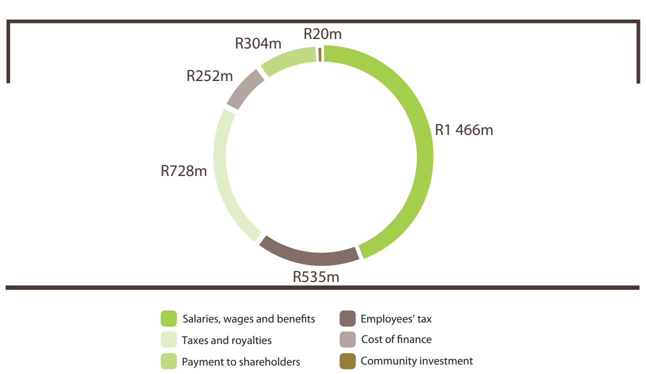
GROUP

- Net debt: equity of 6,5%
- Cost savings
  - R110 million labour bill savings since VSP*
  - R150 million reduction in procurement costs
- Interim dividend of 90cps, up 38%

**Voluntary severance and termination packages*

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME (Rm)

	6 months ended June 2016	6 months ended June 2015	12 months ended December 2015
Revenue	**9 762**	8 324	18 330
Operating expenses	**(7 557)**	(6 473)	(13 116)
Impairment charges of non-current assets			(1 749)
Net operating profit	**2 205**	1 851	3 465
Net financing cost	**(334)**	(326)	(668)
Income from investments		1	1
Share of (loss)/income from equity-accounted investments	**(9)**	83	(1 137)
Profit before tax	**1 862**	1 609	1 661
Income tax expense	**(490)**	(399)	(1 102)
Profit for the period from continuing operations	**1 372**	1 210	559
Loss for the period from discontinued operations	**(121)**	(43)	(292)
Profit for the period	**1 251**	1 167	267
Other comprehensive (loss)/income, net of tax	**(91)**	561	2 167
Total comprehensive (loss)/income for the period	**1 160**	1 728	2 434
Attributable earnings per share (cents)			
– basic	**362**	329	83
– diluted	**360**	328	83
Headline earnings per share (cents)			
– basic	**309**	303	457
– diluted	**307**	303	456



Value distribution in June 2016

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION (Rm)

As at	30 June 2016	30 June 2015	31 December 2015
Non-current assets	**46 126**	41 638	46 482
Current assets	**6 492**	9 987	6 016
Non-current assets held-for-sale	**142**	314	128
Total assets	**52 760**	51 939	52 626
Total equity	**35 178**	35 429	34 226
Non-current liabilities	**11 940**	12 638	12 701
Current liabilities	**4 298**	3 645	4 655
Non-current liabilities held-for-sale	**1 344**	227	1 044
Total equity and liabilities	**52 760**	51 939	52 626
Net asset value per share (Rand)	**101**	99	98
Market capitalisation (Rb)	**24**	31	16

CONDENSED GROUP STATEMENT OF CASH FLOWS (Rm)

	6 months ended June 2016	6 months ended June 2015	12 months ended December 2015
Cash flows from operating activities	**1 380**	1 297	3 011
Cash generated by operations	**2 183**	2 330	4 526
Net interest paid	**(207)**	(207)	(446)
Tax paid	**(292)**	(74)	(85)
Dividends paid	**(304)**	(752)	(984)
Cash flows from investing activities	**(607)**	(178)	(5 130)
Capital expenditure to maintain operations	**(993)**	(703)	(1 663)
Capital expenditure to expand operations	**(179)**	(298)	(727)
Dividend income from equity-accounted investments	**683**	984	1 341
Acquisition of subsidiaries			(3 436)
Other investing activities	**(118)**	(161)	(645)
Cash flows from financing activities	**(443)**	3 350	2 000
Interest-bearing borrowings raised	**1 066**	4 320	4 320
Interest-bearing borrowings repaid	**(1 509)**	(970)	(2 320)
Net increase/(decrease) in cash and cash equivalents	**330**	4 469	(119)

FINANCIAL AND OPERATIONAL EXCELLENCE

Group financial results

Revenue and net operating profit

Consolidated group revenue increased by 17% to R9 762 million (1H15: R8 324 million), while group net operating profit including discontinued operations increased by 19% to R2 159 million (1H15: R1 811 million) mainly due to higher sales volumes from the coal operations.

Segment results (Rm)

	Revenue: 6 months ended 30 Jun 2016 Reviewed	Revenue: 6 months ended 30 Jun 2015 Reviewed	Revenue: 12 months ended 31 Dec 2015 Audited	Net operating profit/(loss): 6 months ended 30 Jun 2016 Reviewed	Net operating profit/(loss): 6 months ended 30 Jun 2015 Reviewed	Net operating profit/(loss): 12 months ended 31 Dec 2015 Audited
Coal	9 718	8 217	18 093	2 232	1 664	2 574
– Tied[1]	1 659	1 847	3 835	122	102	195
– Commercial[2]	8 059	6 370	14 258	2 110	1 562	2 379
Ferrous	13	83	173	(53)	(48)	(306)
– Iron ore				(46)	(40)	(292)
– Alloys	13	83	173	(7)	3	10
– Other					(11)	(24)
Other	31	24	64	(20)	195	905
Total	9 762	8 324	18 330	2 159	1 811	3 173

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

[2] *Net operating profit includes pre-tax impairment of the carrying value of goodwill recognised on the acquisition of TCSA of R1 524 million and the reductants operation property, plant and equipment of R225 million in 2H15.*

Earnings attributable to owners of the parent

Earnings, which include Exxaro's equity-accounted investments in associates and joint ventures, were R1 285 million (1H15: R1 167 million) or 362 cents earnings per share (1H15: 329 cents), an increase of 10%.

Headline earnings were 2% higher at R1 096 million (1H15: R1 077 million) or 309 cents per share (1H15: 303 cents per share).

Cash flow and funding

Cash flow generated from operations was R147 million lower at R2 183 million (1H15: R2 330 million). It was used to pay for capital expenditure of R1 172 million, dividends of R304 million, net financing charges of R207 million and taxation of R292 million.

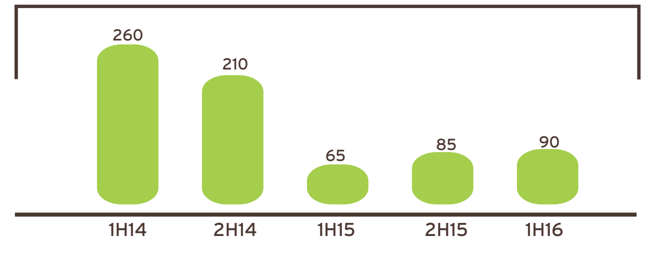
Dividends received of R683 million (1H15: R985 million) were down 31% primarily due to the non-payment of dividends by SIOC for 1H16, lower dividends declared by Tronox (US$0,045 per share per quarter for 1H16; US$0.25 per share per quarter for 1H15), offset by a dividend declared by our Mafube joint venture with Anglo South Africa Capital Proprietary Limited of R450 million (1H15: nil).

Debt exposure

Net debt at 30 June 2016 was R2 278 million compared to the net cash position of R55 million at 30 June 2015, reflecting a prudent net debt to equity ratio of 6,5% (at 30 June 2015: net cash to equity ratio of 0,2%).

Subsequent to 30 June 2016, we have refinanced the group's R8 billion debt facilities made up of three tranches:
- R3,25 billion bullet term loan facility with a term of five years
- R2,75 billion revolving credit facility with a term of five years
- R2 billion amortised term loan facility with a term of seven years.

The interest rate achieved is higher than the previous facility, however, we are pleased that the covenant terms are more favourable with the net debt EBITDA cover ratio increasing from 2,5 times to 3,0 times. Included in the facility is the option for Exxaro to increase the facility to R10 billion, subject to the relevant credit approvals.



Dividend (cps)

Coal business performance

Domestic trading conditions remained challenging in 1H16. The metals and reductants markets remained under pressure due to lower priced Chinese imports, weak demand and lower international metals prices.

Despite an oversupplied coal export market, we recorded good demand for all our export coal. Export volumes rose 71% from 2,4Mt to 4,1Mt mainly due to additional volumes from ECC which is included for six months in 1H16 and not included in 1H15 as it was acquired in 2H15.

Production and sales volumes

Overall coal production volumes (excluding buy-ins from other suppliers) of 21,4Mt were 1,9Mt (10%) higher than the 19,5Mt in 1H15 mainly due to the inclusion of ECC production (2,0Mt). This, amongst other factors, contributed to 1,9Mt higher sales (9%).

Metallurgical coal

Grootegeluk (GG) production increased by 47kt (5%) as the Grootegeluk plant 8 (GG8) gantry, which had failed in December 2014 was brought back online. The gantry failure resulted in metallurgical coal to be substituted for power station coal in 1H15.

Sales increased by 41kt (6%) on the back of higher demand from local customers and marginally higher off-take by ArcelorMittal.

Thermal coal

Tied mines

Power station coal production was 215kt (5%) lower than 1H15, mainly due to no 1H16 production at Arnot (1H15: 746kt) as a result of Eskom giving us notice of termination of the contract on 31 December 2015, partially offset by 531kt (15%) higher production at Matla due to good cutting rates at mine 2.

Commercial mines

Power station coal production was 223kt (2%) higher compared to 1H15, mainly due to the higher power station coal production at GG (123kt), better equipment availability at NBC (44kt) and higher demand at Leeuwpan (56kt).

Domestic power station coal sales were 227kt (2%) lower than in 1H15, mainly due to lower Leeuwpan sales (413kt) due to the expiry of the Eskom coal supply agreement to Majuba power station on 31 March 2016, partly offset by higher GG (64kt) and NBC (122kt) sales on the back of stronger Eskom demand.

Steam coal production was 1 844kt (76%) higher due to the inclusion of ECC (2 021kt) in 1H16 partly offset by no production from Inyanda (1H15: 535kt) as the mine reached its end of life in 4Q15 and lower Leeuwpan plant production (114kt). Domestic steam coal sales increased by 572kt (44%) mainly due to the inclusion of ECC (189kt), and higher Leeuwpan (187kt) and GG (145kt) sales.

Steam coal export sales were 1 696kt (71%) higher, also due to the inclusion of ECC in 1H16.

Revenue and net operating profit or loss

Coal revenue of R9 718 million was 18% higher than in 1H15, mainly due higher sales volumes as a result of the inclusion of ECC, offset by lower volumes from the closure of Inyanda and Arnot.

Net operating profit of R2 232 million represents an increase of 34%, at an operating margin of 23%, when compared to 1H15, mainly due to:
- Inclusion of ECC (+R110 million)
- Exchange rate variances due to the weakening of the rand against the US$ (+R166 million)
- Lower cost per tonne and lower distribution costs (+R522m) in line with the operational excellence drive
- Lower price paid for the Mafube JV buy-ins (+R281 million) as a result of a change in the pricing mechanism from a cost-plus method to one linked to the API4 price performance.

Partly offset by:
- Lower overall sales prices realised (-R249 million)
- Inflation (-R117 million)
- Higher depreciation (-R123 million) due to the higher asset base (GG7&8 and backfill)
- No contribution from Inyanda as it ceased production in 2H15 (-R157 million)
- Higher environmental rehabilitation expense (-R51 million), mainly due to the revision of the water liability estimate.

Portfolio improvement

Project details were included in the finance director's pre-close message published on the Stock Exchange News Service (SENS) on 28 June 2016. The details below include further developments since then.

Eskom contracts

All production at Arnot mine has ceased and the mine equipment has been reclaimed from the underground sections. Consultation with employees, in terms of section 189 of the Labour Relations Act (section 189), is complete. We continue our discussions with Eskom to ensure full provision for the rehabilitation funds, mine closure costs and post mine closure costs in terms of the NEMA regulations, as stipulated in the coal supply agreement (CSA).

Large capital projects at Matla await approval from Eskom, with mine 1 on care-and-maintenance. In the meantime, the remaining mine shafts (mine 2 and mine 3) are expected to produce 4,3Mt for 2H16 (FY16: 8,3Mt) against contractual volumes of 10,1Mt for FY16. We continue to engage Eskom to provide the required capital funding which will improve performance. Alternatively, we will be considering available recourse in terms of the CSA.

Belfast

The suspension imposed on our water use licence (IWUL) was set aside by the Department of Water and Sanitation (DWS). Any appeal could result in a delay in the project timelines by about one year. The designated mine area could also still be impacted by objections and future appeals.

Grootegeluk rapid load out station

The detail design-phase is progressing well. The first construction package for early works will be issued to the market later in August 2016, with construction set to start in November 2016 if no appeals are lodged. Major construction is envisaged to start in 1Q17.

GG10

Project construction was completed on 10 June 2016. The project is currently in commissioning and ramp-up phase. The project was completed on budget and on time. Previous guidance of up to 1Mtpa now confirmed at 750Ktpa.

GG6 Phase 2

The project is progressing well within the detail design phase. A value engineering exercise has been completed on the project and the project will be presented to the Exxaro board in November 2016 for a final investment decision.

Thabametsi Phase 1

The Thabametsi mining right has been granted and executed. Both the IWUL and environmental impact assessment (EIA) have been granted, but the EIA has been appealed by neighbouring farmers. The only outstanding authorisation is the protected tree permit, which is expected soon.

The Department of Energy (DME) is expected to announce the successful Coal Independent Power Producer Procurement (CIPPP) programme window 1 bidders in 3Q16. If successful, Exxaro, in a venture with Marubeni of Japan and Korea Electric Power Corporation (KEPCO), would enter into a definitive Coal Supply Agreement.

Ferrous business

Portfolio improvement

The Mayoko iron ore project which has been under care and maintenance, has been classified as an asset held-for-sale. The Exxaro board approved the divestment from the project, and in July 2016, an agreement was entered into with a Congolese consortium for the sale of shares of the legal entities that house the project for a purchase consideration of US$2 million. The sale is subject to conditions precedent, such as regulatory approvals to the sale of shares.

Equity-accounted investments

The improvement in the iron ore price, coupled with cost reductions resulting from the new Sishen mine plan, contributed to the increased equity-accounted income from the SIOC investment, from R633 million in 1H15 to R736 million in 1H16. No dividends were received from SIOC in 1H16 (1H15: R673 million).

Titanium dioxide and Alkali chemicals

Equity-accounted investment

Equity-accounted losses from the Tronox investment were R930 million compared to R659 million in 1H15, mainly due to a 31% weakening of the average rand/US$ rate realised (1H16: R15,56, 1H15: R11,84) and higher tax expense due to deferred tax liabilities being fully amortised at the end of 2015.

Tronox continued its dividend declaration. Our share of dividends received decreased to R233 million compared to 1H15.

Energy business

Equity-accounted investment

Cennergi, a 50% joint venture with Tata Power Company Limited, has recorded equity-accounted gains of R37 million for 1H16 (1H15: R32 million loss) mainly due to the projects generating deemed energy income following the successful connection of Tsitsikamma Community Wind Farm (TCWF) and Amakhala Emoyeni (AE) to the Eskom grid in April and June 2016, respectively. TCWF reached commercial operation status in July 2016 and it is expected that AE will reach commercial operation during 2H16. The two wind-farm projects will deliver a total of 229MW to the grid by year-end, on time and within budget.

OUTLOOK

We expect an improvement in the coal business' performance in 2H16, compared to 2H15 mainly due to:
- Stable trading conditions in domestic markets. Our focus remains on both product and market diversification
- The positive impact from the inclusion of ECC in the portfolio for the whole of FY16 and ongoing optimisation of ECC operations
- Improving thermal coal price outlook
- Increase in sales from Grootegeluk and Matla, compensating for the cessation in coal supply from Arnot and Inyanda mines.

We expect that 2H16 domestic thermal volumes will remain at current healthy levels. Volumes in the metals markets will reduce as ArcelorMittal ceased production at its market coke battery in Newcastle for emergency maintenance. This is expected to persist until 1Q17.

Export markets depend heavily on demand from India for lower-quality coal products, while pricing is expected to remain flat. Further growth is expected in the African, Pakistani and South East-Asian markets, and the company is well positioned with a strong product mix to supply these markets.

The performance of the investment portfolio (SIOC and Tronox) will be highly influenced by the iron ore and pigment prices realised in the period, as well as the success of the ongoing cost optimisation efforts in these businesses.

INTERIM DIVIDEND

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

Notice is therefore given that a gross interim cash dividend, number 27, of 90 cents (interim 1H15: 65 cents) per share, for the six-month period ended 30 June 2016 was declared, payable to shareholders of ordinary shares. For details of the dividend, please refer note 12 of the reviewed condensed group interim financial statements.

Salient dates for payment of the final dividend are:

– Last day to trade cum dividend on the JSE	Tuesday, 6 September 2016
– First trading day ex dividend on the JSE	Wednesday, 7 September 2016
– Record date	Friday, 9 September 2016
– Payment date	Monday, 12 September 2016

On behalf of the board

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

17 August 2016

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

Prepared under supervision of: PA Koppeschaar CA(SA)

SAICA registration number: 00038621

Group company secretary: CH Wessels (+27 12 307 4384)

Transfer secretaries:
Computershare Investor
Services Proprietary Limited
Ground Floor, 70 Marshall Street, Johannesburg, 2001
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.

FURTHER INFORMATION

This short form announcement is the responsibility of the directors. It is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement published on SENS on Thursday, 18 August 2016, and also available on Exxaro's website at www.exxaro.com. Copies of the full announcement may be requested by contacting Exxaro Investor Relations.

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

POWERING POSSIBILITY

BASTION GRAPHICS