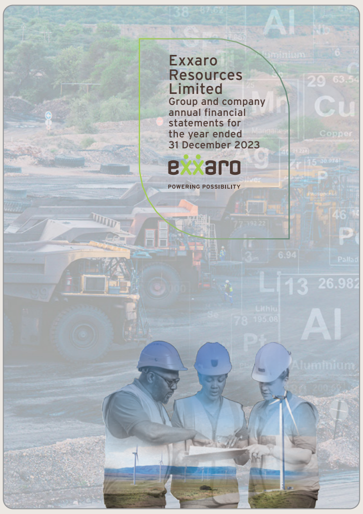
Exxaro Resources Limited

Group and company annual financial statements for the year ended 31 December 2023

exxaro

POWERING POSSIBILITY

Contents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CHAPTER 1:
The year in brief

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The year in brief

FINANCIAL PERFORMANCE

R38.7 billion
Revenue, down 17% from R46.4 billion

R13.4 billion
EBITDA, down 29% from R19.0 billion

R46.81 per share
Headline earnings, down 22% from R60.16 per share

R13.3 billion
Cash generated by operations, down 29% from R18.9 billion

R10.10 per share
Final dividend

R5.72 per share
Special dividend

GROUP FINANCIAL RESULTS

Revenue

Group revenue decreased by 17% to R38 698 million (2022: R46 369 million), mainly driven by significantly lower coal export sales prices achieved as a result of the steep decline in the API4 index price, partially offset by a weaker exchange rate and higher prices achieved on domestic sales.

Group earnings

Headline earnings decreased by 22% to R11 327 million (2022: R14 558 million), driven by the 29% decrease in group EBITDA, partially offset by an 8% increase in equity-accounted income. SIOC's equity-accounted income was 51% higher due to higher iron ore prices and sales volumes as well as cost-optimisation initiatives and as a result of the prior year including an impairment charge recognised on mining assets. This was partially offset by a 73% decrease in Mafube's equity-accounted income resulting mainly from lower export prices.

The weighted average number of shares of 242 million remained unchanged translating into headline earnings per share of 4 681 cents per share (2022: 6 016 cents per share).

Refer note 5.3 for the detailed reconciliation of headline earnings.

Cash flow and funding

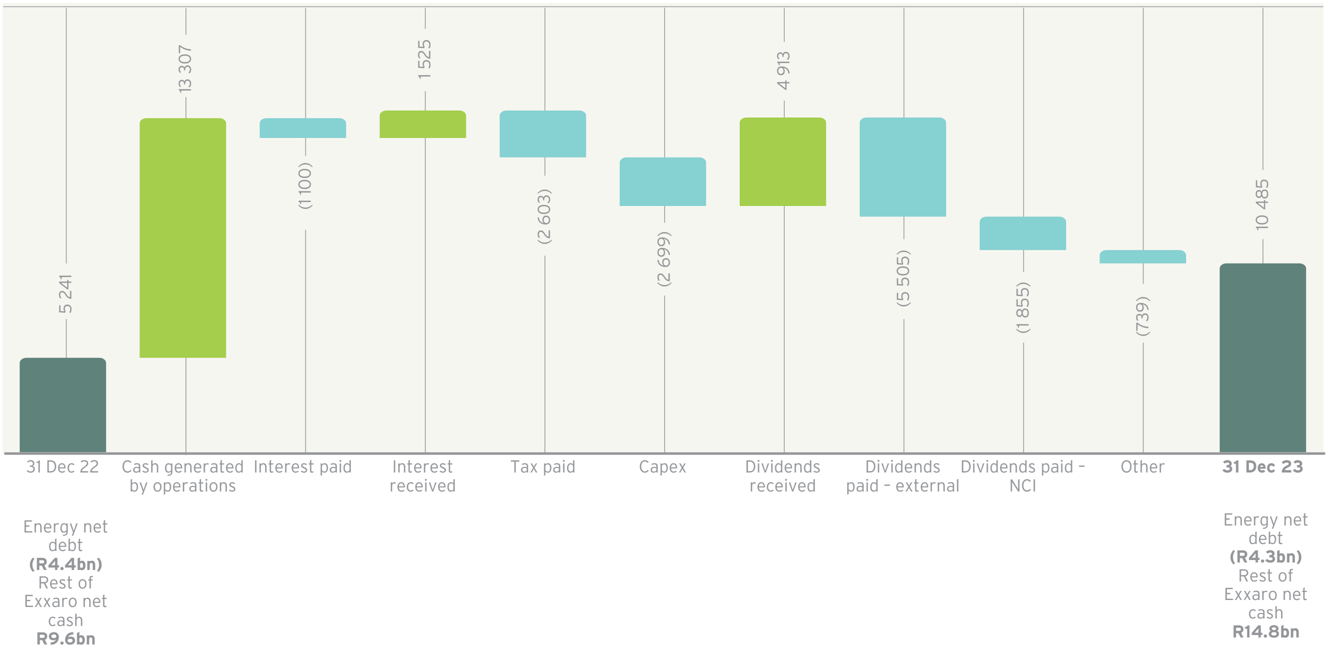
Cash generated by operations of R13 307 million (2022: R18 863 million) together with the dividends received from our equity-accounted investments of R4 911 million (2022: R5 903 million), were sufficient to fund capital expenditure, taxation, and ordinary dividends paid.

Total capex increased by 63% to R2 699 million (2022: R1 652 million). The capex for 2023 comprised R2 455 million sustaining capital and R244 million expansion capital.

Debt exposure

Strong cash generation resulted in an increase in the net cash position to R14 834 million (excluding energy's net debt) compared to a net cash position of R9 645 million (excluding energy's net debt) on 31 December 2022.

Net cash/(debt)



COAL BUSINESS

Performance

The 2023 financial year has been characterised by declining coal prices due to a decrease in high Calorific Value coal demand, driven by sufficient gas and coal stocks in Europe, Japan, Korea, and Taiwan. The reduction in coal demand was exacerbated by warmer than usual winter temperatures, robust performance in renewable and nuclear energy generation, and significantly lower gas prices.

There was a resurgence in Indian demand compared to 2022, due to lower coal prices. In addition, changes in global trade flows were visible as Australia resumed supply into China from a previous trade ban, and Russian supplies to Europe and Japan reduced drastically, with Korea adopting a gradual approach of weaning itself off Russian coal.

China and India's economic growth and buoyant power demand were the main drivers for coal demand.

Domestically, operational challenges and equipment failures at Eskom's power stations impacted on the offtake of power station coal in the Waterberg region. The operating environment for domestic coal end-users was challenging in 2023 as a result of loadshedding, logistical challenges, slowing growth and inflationary pressures.

The benchmark API4 RBCT export price averaged US$121 per tonne (2022: US$271 per tonne). The group realised an average export price of US$117 per tonne (2022: US$251 per tonne). Despite this price decline, Exxaro was able to realise 97% of the average API4 index price based on its sales mix. Export volumes decreased slightly to 5.1 Mt (2022: 5.2 Mt).

Coal revenue decreased by 18%, driven by a decrease in revenue from the commercial mines due to lower export prices and volumes. Higher domestic prices were offset by lower domestic volumes.

Capex and projects

The coal business's capex increased by 52%, driven by higher sustaining capital spend at Grootegeluk for the Backfill phase 3 and the equipment replacement strategy.

	2023 Rm	2022 Rm	Change %
Sustaining	2 433	1 374	77
Commercial – Waterberg	2 217	1 117	98
Commercial – Mpumalanga	201	252	(20)
Other	15	5	>100
Expansion		231	(100)
Commercial – Waterberg		231	(100)
Total coal capex	2 433	1 605	52

Equity-accounted investment

Equity-accounted income from Mafube decreased by 73% to R508 million (2022: R1 902 million), mainly due to lower export prices.

ENERGY BUSINESS

Energy revenue increased by 16% to R1 345 million (2022: R1 159 million).

Cennergi's operating wind assets generated 727 GWh of electricity for 2023 (2022: 671 GWh). This is an 8% increase from the prior year due to improved wind conditions, despite the 15 GWh generation loss at one of the wind assets due to an Eskom distribution line fault that occurred earlier in the year.

Cennergi's EBITDA margin on the operating wind asset was consistent at 80% (2022: 80%) underpinned by the long-term offtake agreements with Eskom.

The 68 MW LSP project at Grootegeluk Mine reached financial close on 29 June 2023 under a 25-year Power Purchase Agreement with Exxaro Coal Proprietary Limited.

Construction commenced during the second half of 2023 and commercial operation is expected in early 2025.

Cennergi's operating wind assets project financing of R 4 348 million (2022: R4 554 million) will mature and be fully settled by the end of 2031. Cennergi's solar assets project financing will mature and be fully settled by the end of 2042. The project financing has no recourse to the Exxaro balance sheet and is hedged through interest rate swaps.

FERROUS BUSINESS

Equity-accounted investment

Equity-accounted income from SIOC increased by 51% to R6 157 million (2022: R4 077 million), driven by higher iron ore prices and sales volumes, as well as cost optimisation initiatives and as a result of the prior year including an impairment charge recognised on mining assets.

An interim dividend of R1 967 million was received from the investment in SIOC in August 2023. SIOC declared a final dividend to its shareholders in February 2024. Exxaro's share of the dividend amounts to R2 107 million, which is 7% higher than the interim dividend received. The dividend will be accounted for in the first half of 2024.

PORTFOLIO OPTIMISATION

As part of the broader Exxaro strategic review, the company continuously seeks opportunities to unlock value to support its Sustainable Growth and Impact strategy. As previously reported, Exxaro has identified that the FerroAlloys business is no longer a strategic fit within the envisaged minerals business portfolio and a sales process has commenced to dispose of the entire shareholding in Exxaro FerroAlloys Proprietary Limited. Exxaro aims to enhance the economic participation of Black-owned companies in the South African economy. In line with this intent, Exxaro has earmarked the FerroAlloys disposal process to target Black ownership.

The sales process is still in the initial stages and therefore the FerroAlloys business did not meet all the criteria in terms of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* to be classified as a non-current asset held-for-sale on 31 December 2023.

PERFORMANCE AGAINST NEW B-BBEE CODES

The current B-BBEE scorecard reflects a recognition Level 2. The 2023 audit is still in progress and the certificate will be published as soon as the audit is concluded.

SUSTAINABLE DEVELOPMENT

Climate change response strategy implementation

Exxaro's decarbonisation strategy aims for an integrated, multi-stakeholder approach to position the business for a resilient and sustainable future. Exxaro realises that it cannot act alone to achieve its carbon neutrality objective by 2050, Scope 3 emission reductions and ESG objectives. In the fourth quarter of 2023, a strategic partnership with the Council of Geoscience was formed with the intent to collaborate on carbon capture, utilisation, and storage (CCUS), a technology which is key in reducing greenhouse gas emissions. Developments in the CCUS space are a critical consideration in our decarbonisation strategy.

With regards to the draft decarbonisation roadmap, Exxaro refined inputs based on internal stakeholder comments and are currently addressing the costs associated with the implementation of the roadmap.

Social investment and development

Social investments at 31 December 2023 amounted to R1 897 million (2022: R 1 620 million), building on the 2022 trend and commitment to creating socio-economic impact in host communities. The local procurement spend on Black SMME's constitutes 71% of the social investment. Combined, these initiatives supported 277 SMME's through local procurement, as well as enterprise and supplier development, and provided 29 employment opportunities through social and labour plans.

An amount of R22 million (FY22: R10 million) was invested in Youth Employment Service (YES) programmes that provide training to youth from our host communities as follows:
- Lularides recruited and trained 400 Black youth from Exxaro communities as licensed motorbike drivers with 186 beneficiaries completing the programme and placed at various companies; and
- SME Tax recruited and trained 50 Black youth with finance qualifications to improve their employability.

SHAREHOLDER RETURN

The group has consistently maintained that when determining the level of dividend pay-out, and therefore the dividend cover, cognisance needs to be taken of the current state of the industry, Exxaro's capital expenditure requirements and other relevant commitments. This is particularly relevant in the challenging economic environment, including, amongst other, the impact of the logistical challenges.

The board of directors has declared a final cash dividend, comprising:
- 2.5 times Adjusted Group Earnings; and
- Pass through of SIOC dividend of R2 107 million.

Notice was given that a gross final cash dividend, number 42 of 1 010 cents per share, for the year ended 31 December 2023 was declared from income reserves and is payable to shareholders of ordinary shares.

Given the net cash position at 31 December 2023 of R14 834 million (excluding energy's net debt), in addition to the final dividend declared, the board of directors has resolved to pay a special dividend of 572 cents per share (approximately R2 billion) from income reserves. The special dividend is subject to SARB approval, which was obtained on 3 April 2024.

For details of the final and special dividends, refer note 5.5.

Salient dates for payment of the final and special dividends are:

Finalisation date for the special dividend	Thursday, 4 April 2024
Last day to trade cum dividend on the JSE	Tuesday, 7 May 2024
First trading day ex dividend on the JSE	Wednesday, 8 May 2024
Record date	Friday, 10 May 2024
Payment date	Monday, 13 May 2024

CHAPTER 2:
Reports

Chapter 2:
Reports

2.1 RESPONSIBILITY STATEMENT ON INTERNAL FINANCIAL CONTROLS

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

(a) The annual financial statements, set out on pages 22 to 165, fairly present in all material respects the financial position, financial performance and cash flows of the company and its consolidated subsidiaries in terms of IFRS Accounting Standards;
(b To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
(c) Internal financial controls have been put in place to ensure that material information relating to the company and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the company and its consolidated subsidiaries;
(d) The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
(e) Where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
(f) We are not aware of any fraud involving directors.

Nombasa Tsengwa
Chief executive officer

Riaan Koppeschaar
Finance director

Centurion
10 April 2024

2.2 DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS

In terms of section 30(3) of the Companies Act, the group and company annual financial statements for the year ended 31 December 2023 were approved by the board of directors on 10 April 2024 and are signed on its behalf by:

Mvuleni Geoffrey Qhena
Chairperson

Centurion
10 April 2024

2.3 CERTIFICATE BY THE GROUP COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I, AT Ndoni, in my capacity as group company secretary, confirm that, to the best of my knowledge and belief, Exxaro has filed with the Companies and Intellectual Property Commission all such returns and notices for the year ended 31 December 2023, 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.

Andiswa Ndoni
Group company secretary

Centurion
10 April 2024

2.4 REPORT OF THE DIRECTORS

The board of directors (board) is pleased to present the group and company annual financial statements of Exxaro Resources Limited for the year ended 31 December 2023 (group and company annual financial statements 2023).

Nature of business

Exxaro is a South African-based diversified resources group with an existing coal and energy business and acquisitive growth prospects in minerals and energy solutions. Exxaro is evolving into a sustainable and impactful business that catalyses economic growth, environmental stewardship and positive change.

Exxaro's investments in associates include a 20.62% (2022: 20.62%) equity interest in SIOC, which extracts and processes iron ore, a 26% (2022: 26%) equity interest in Black Mountain, which produces zinc, lead, copper and silver in the Northern Cape; and a 10.26% (2022: 10.26%) effective equity interest in RBCT, which is an export terminal, as well as a 50% (2022: 50%) joint venture in Mafube with Thungela, which produces coal.

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

Divestment of non-core assets and investments

FerroAlloys

As part of the ongoing portfolio optimisation strategy, the FerroAlloys operation was no longer considered to be a strategic fit within our envisaged minerals business portfolio. A sale process to dispose of FerroAlloys has commenced.

Integrated report and supplementary information

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

Corporate governance

Exxaro's board is the focal point and custodian of good corporate governance for the group. The board assumes ultimate accountability and responsibility for the group's performance and affairs. In so doing, it effectively represents and promotes the group's legitimate interests. As a responsible corporate citizen, Exxaro considers its material stakeholders' legitimate interests and expectations to ensure it contributes positively to society and the environment.

Exxaro's corporate governance is underpinned by principles that guide the board in meeting its responsibilities to the company, the group and its stakeholders. These principles enable Exxaro to achieve the King IV™ governance outcomes and fulfil its purpose to power better lives in Africa and beyond through its own ethical and effective leadership.

King IV™ promotes good governance, transparency in leadership and decision making, and a focus on sustainability. Sustainable development is an ethical and economic imperative. It entails economic and social growth to meet present needs without compromising future generations' ability to fulfil their needs. Sustainable development is a fitting response to organisations being an integral part of society, their status as corporate citizens and meeting stakeholders' needs, interests and expectations. Exxaro expresses its commitment to sustainable development through its Sustainable Growth and Impact strategy.

The board therefore drives the Exxaro strategy and budget, sets performance and culture expectations as well as the governance framework for the group. The board considered progress, timing and scenario considerations related to the execution of the Sustainable Growth and Impact strategy. As part of the strategy development and review process, we conduct a risk and opportunity assessment, including emerging risks and material sustainability issues. We have furthermore developed a reimagined strategic performance management dashboard to enable visibility of strategy execution and facilitate strategic conversations at the right time within a tiered group governance structure.

Full details on how these principles have been applied in Exxaro are set out in the 2023 integrated and ESG reports.

2.4 REPORT OF THE DIRECTORS continued

ESG governance

ESG governance at its essence encapsulates the policies, practices and procedures adopted by the group to manage and enhance its ESG performance. Exxaro works to integrate and embed ESG into the organisation, beyond mere compliance, through a tiered governance structure and lens through which to view the Sustainable Growth and Impact strategy.

More detail on our ESG governance is set out in the 2023 integrated and ESG reports.

Comparability of results

The results for the years ended 31 December 2023 and 2022 were adjusted for the key items as noted in the reconciliation of headline earnings (refer note 5.3).

Accounting policies

The accounting policies applied during the year ended 31 December 2023 are consistent, in all material respects, with those applied in the group and company annual financial statements for the year ended 31 December 2022.

Capital management

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

During 2023, we received cash of R16 billion (2022: R20.4 billion), comprising R10.7 billion from our operations (net of tax paid) (2022: R14.8 billion), dividend income received from our equity-accounted investments of R4.9 billion (2022: R5.9 billion). as well as net interest received of R0.4 billion (2022: R0.3 billion net interest paid) on our cash and cash equivalents.

In terms of our capital allocation framework, we utilised this cash, to mainly:
- Sustain our operations with capital expenditure of R2.5 billion (2022: R1.4 billion)
- Expand our operations with further capital expenditure of R0.2 billion (2022: R0.3 billion)
- Pay dividends of R7.4 billion (2022: R8.9 billion).

Share capital

The share capital of the company is summarised as follows:

	Number of shares	
At 31 December	**2023**	**2022**
Authorised ordinary shares of R0.01 each	500 000 000	500 000 000
Issued ordinary shares of R0.01 each	349 305 092	349 305 092
Treasury shares held by Kumba Resources Management Share Trust	158 218	158 218
Treasury shares held by Eyesizwe	107 612 026	107 612 026

2.4 REPORT OF THE DIRECTORS continued

Shareholders

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

Investments in subsidiaries

Our investments in subsidiaries are fully disclosed in note 17.6.

Dividend payments

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

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

Exxaro declared the following dividends relating to 2023:

Dividend number 41

Interim dividend number 41 of 1 143 cents per share was approved by the board on 15 August 2023 and declared in South African rand in respect of the six-month period ended 30 June 2023. The dividend payment date was Monday, 2 October 2023, to shareholders recorded on the register of the company at close of business on Friday, 29 September 2023.

Dividend number 42

Final dividend number 42 of 1 010 cents per share was approved on 12 March 2024 and declared in South African rand in respect of the year ended 31 December 2023. The final dividend payment date is Monday, 13 May 2024 to shareholders recorded on the register of the company at close of business on Friday, 10 May 2024 (record date). To comply with the requirements of Strate, the last date to trade cum dividend is Tuesday, 7 May 2024. The shares will commence trading ex-dividend on Wednesday, 8 May 2024.

The final dividend declared from income reserves, is subject to dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local dividend payable to shareholders, subject to dividend withholding tax at a rate of 20%, amounts to 808 cents per share.

Special dividend

Given the net cash position on 31 December 2023 of the R14 834 million (excluding energy's net debt), in addition to the final dividend declared, the board has resolved to pay a special dividend of 572 cents per share. The dividend was subject to SARB approval, which was obtained on 3 April 2024.

The special dividend declared from income reserves, is subject to dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local dividend payable to shareholders, subject to dividend withholding tax at a rate of 20%, amounts to 457.60 cents per share.

The number of ordinary shares in issue at the date of this declaration is 349 305 092.

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

Events after the reporting period

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

2.4 REPORT OF THE DIRECTORS continued

Directorate and shareholdings of directors

During 2023 the company welcomed to the board:

- Nondumiso Medupe as independent non-executive director and audit committee member with effect from 3 January 2023; and
- Nosipho Molope as independent non-executive director and audit committee member with effect from 3 January 2024.

With thanks for their years of service to the company, the following directors retired at the AGM on 18 May 2023:

- Vuyisa Nkonyeni, who has been an independent non-executive director since June 2014, who also served as chairman of the audit committee, and member of the investment committee; and
- Isaac Mophatlane, who has been an independent non-executive director since May 2018, who also served as chairman of the investment committee and member of the audit and social, ethics and responsibility committees.

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

Mvuleni Geoffrey Qhena	Independent non-executive and chairman of the board
Nombasa Tsengwa	CEO and executive
Riaan Koppeschaar	Finance director and executive
Geraldine Fraser-Moleketi	Lead independent non-executive
Karin Ireton	Independent non-executive
Ben Magara	Independent non-executive
Isaac Malevu	Non-executive
Billy Mawasha	Independent non-executive
Nondumiso Medupe	Independent non-executive
Likhapha Mbatha	Non-executive
Phumla Mnganga	Independent non-executive
Zwelibanzi Mntambo	Non-executive
Nosipho Molope	Independent non-executive
Mandlesilo Msimang	Non-executive
Chanda Nxumalo	Independent non-executive
Peet Snyders	Independent non-executive

Details of the directors in office at the date of this report are set out in the 2023 integrated and ESG reports.

Details of directors' shareholdings are contained in note 14.5.3.

New executive appointments

Guided by our Sustainable Growth and Impact strategy, Exxaro established a renewable energy business, branded Cennergi, underpinned by three pillars: distributed generation, utility generation, and services. To support strategy execution, Exxaro undertook an extensive process to appoint Leon Groenewald as the managing director for Cennergi, effective 1 April 2023.

To further support the execution of the Sustainable Growth and Impact strategy, Exxaro, using an organisational effectiveness process, made the following executive appointments:

- Andiswa Ndoni as chief strategic resilience and governance officer, effective 1 August 2023
- Richard Lilleike as chief growth officer, effective 1 October 2023
- Joseph Rock as chief people and performance officer, effective 16 October 2023.

Exxaro bid farewell to Alex de Angelis, executive head: strategy and business transformation, and Mzila Mthenjane, executive head: stakeholder affairs, who took up the position as CEO of the Minerals Council South Africa. We thank Alex and Mzila for their valuable contributions to Exxaro and we wish them well in their future endeavours.

2.4 REPORT OF THE DIRECTORS continued

Independent external auditor

KPMG Inc., with designated audit partner Safeera Loonat, was re-elected as independent external auditor at the AGM held on 18 May 2023 in accordance with section 90 of the Companies Act in respect of the 2023 financial year.

Audit committee

The audit committee report appears on pages 13 to 18, as well as in the 2023 integrated and ESG reports.

Borrowing powers and financial assistance

	Group	
	2023 Rm	**2022 Rm**
Amount approved	65 309	58 524
Total interest-bearing borrowings	(8 923)	(9 093)
Unutilised borrowing capacity	56 386	49 431

The borrowing powers were set at 125% of shareholders' funds (equity attributable to owners of the parent) for both the 2023 and 2022 financial years.

Pursuant to the authorisation granted at the AGM held on 18 May 2023, shareholders approved, in accordance with section 45 of the Companies Act, the granting of financial assistance to related and inter-related companies of Exxaro.

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

Employee incentive schemes

Details of the employee incentive schemes are set out in the remuneration committee and remuneration reports in the 2023 integrated and ESG reports and the supplementary information.

Related-party transactions

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

Going concern

The directors believe that the group and company have adequate financial resources to continue in operation for the foreseeable future. Accordingly, the group and company annual financial statements 2023 have been prepared on a going-concern basis.

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

Registration details

The company registration number is 2000/011076/06. The registered office is The conneXXion, 263B West Avenue, Die Hoewes, Centurion. Refer chapter 19: annexure 4 for further details.

Lead equity sponsor and debt sponsor

Absa Bank Limited acted as lead equity sponsor and debt sponsor to the company for the financial year ended 31 December 2023.

Joint equity sponsor

Tamela Holdings Proprietary Limited acted as joint equity sponsor to the company for the financial year ended 31 December 2023.

Transfer secretaries

JSE Investor Services Proprietary Limited serves as the South African registrar of the company.

AGM

The 23rd (twenty third) AGM of shareholders of Exxaro will be held via electronic communication and in person meeting participation (subject to any adjournment or postponement, health and safety protocols) at The conneXXion, 263B West Avenue, Die Hoewes, Centurion, South Africa, in the Auditorium at 10:00 on Thursday, 23 May 2024 (2024 AGM) to consider and, if deemed fit, pass with or without modification, the resolutions presented thereat.

2.5 AUDIT COMMITTEE REPORT

The audit committee (the committee) is pleased to present its report for the year ended 31 December 2023. The report is reflective of the committee's independent role with accountability to the board of directors (the board) and shareholders.

Composition

Committee members are elected at the AGM by shareholders on recommendation from the board, through the nomination committee.

Through its recommendations, the board ensures a balance of skills and experience, with a focus on financial literacy, to enable the committee to discharge its function. All committee members are independent non-executive directors.

Vuyisa Nkonyeni, former independent non-executive director and chairperson of the audit committee, and Isaac Mophatlane, independent non-executive director and committee member, retired by rotation at the AGM on 18 May 2023 (2023 AGM).

On recommendation from the board, shareholders at the 2023 AGM, approved the appointment of Nondumiso Medupe as independent non-executive director and audit committee member. Nondumiso was appointed by the board as the audit committee's first female chairperson.

To increase membership of the committee, the board, on recommendation from the nomination committee, appointed Nosipho Molope as independent non-executive director and member of the audit committee effective 3 January 2024. Her appointment will be submitted to shareholders for approval at the 2024 AGM.

In 2023, the committee maintained its minimum membership of three independent non-executive director members.

The board is satisfied that the committee members have the necessary academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

Meeting attendees include the CEO, finance director, members of the executive team and senior management representing areas relevant to discussions of the audit committee, as well as the independent external auditor, the head of internal audit and group manager risk, either by standing invitation or as required. The internal and external auditors have unrestricted access to the audit committee.

Meetings

As determined by its terms of reference, the committee held four scheduled meetings and two special meetings during 2023. The following table details members' attendance at meetings held during 2023.

Members	Designation	Attendance at quarterly meetings	Attendance at special meetings
Nondumiso Medupe	Independent non-executive director and audit committee chairperson	4/4*	2/2*
Billy Mawasha	Independent non-executive director	4/4	2/2
Chanda Nxumalo	Independent non-executive director	3/4	1/2
Vuyisa Nkonyeni	Independent non-executive director	1/1**	1/1**
Isaac Mophatlane	Independent non-executive director	1/1**	1/1**

* *Nondumiso Medupe's appointment as member on 3 January 2023 was approved at the AGM on 18 May 2023.*
** *Isaac Mophatlane (former member) and Vuyisa Nkonyeni (former chairperson of the audit committee) retired as members at the AGM on 18 May 2023.*

Two additional annual sessions are held with the independent external auditor and internal auditor, separately and without management present, to exchange views and concerns to further strengthen the committee's independent oversight.

2.5 AUDIT COMMITTEE REPORT continued

Role and purpose

The audit committee is an independent statutory committee with members appointed annually by Exxaro's shareholders in compliance with section 94 of the Companies Act and the principles of good governance. In terms of the Companies Act, this committee has an independent role and is accountable to the board and company's shareholders.

The committee does not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers and other members of senior management, nor does it assume accountability for the functions performed by other board committees. In addition to the Companies Act, the committee's duties are guided by the Listings Requirements and King IV™.

The committee's terms of reference govern its role and responsibilities. To assist the board, the committee plays an essential role in providing independent oversight of:

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

Terms of reference

The board reviewed and approved the committee's terms of reference, which align with legislation, regulations, King IV™ and the IoDSA guidance for audit committees.

Performance evaluation

As there is no regulatory requirement to conduct an external independent performance assessment annually and, while King IV™ recommends regular performance evaluations for all board committees, it has become a governance practice at Exxaro to conduct such independent assessments every second year.

During the year, in accordance with King IV™ recommendations, the board conducted an internal evaluation of the committee's performance and effectiveness. The evaluation aimed to identify and record areas needing strengthening or refinement while considering internal and external dynamics and factors that may positively or negatively impact the committee's ability to enhance its performance and effectiveness in these areas. The assessment concluded that the committee functions effectively.

2023 in review

Key highlights
Appointment of Nondumiso Medupe as the first female chairperson of the audit committee.
Exxaro Insurance Company Limited's successful implementation of IFRS 17 *Insurance Contracts*, which became effective 1 January 2023.
The committee reviewed the internal audit charter as required by the International Standards for the Professional Practice of Internal Auditing.
The committee considered technology and innovation which will be integral to the effectiveness of the internal audit function to ensure (inter alia) an enhanced control environment, which will be deployed over the next three years.
The committee approved the updated combined assurance model to include the five lines of assurance wherein the lines of assurance are differentiated by the level of risk ownership and the independence of assurance efforts.

2.5 AUDIT COMMITTEE REPORT continued

Committee statements

Finance director and finance function

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

Annual financial statements

The committee ensured that the finance function has re-evaluated its disclosures in line with latest accounting developments. A clear focus was placed on financial reporting risks and controls as posed by geopolitical macro-economic conditions including supply chain disruptions, inflation, interest rates and market volatility.

The group and company annual financial statements for the year ended 31 December 2023 (group and company annual financial statements 2023) were prepared by management, reviewed by the committee and the board of directors and audited by the independent external auditor.

The committee is satisfied that the group and company annual financial statements 2023 comply with the relevant provisions of the Companies Act, International Financial Reporting Standards (IFRS® Accounting Standards), interpretations issued by the IFRS Interpretations Committee (IFRIC® interpretations), the Listings Requirements and applicable accounting policies and practices. The committee is satisfied that the group and company annual financial statements 2023 fairly present a balanced view of the group and company's financial position, financial performance and cash flows.

Effectiveness of internal financial controls

During the year, the committee, with input and reports from the independent internal and external auditors, reviewed the system of internal financial reporting procedures based on the enterprise risk management framework. This review included consideration of all Exxaro entities within the consolidated group to ensure that the committee had access to all financial information to allow for effective preparation and reporting on the group and company annual financial statements 2023. Informed by these reviews, the committee confirmed that no material findings came to the committee's attention to indicate ineffectiveness of internal financial reporting controls during 2023.

Independent external auditor

KPMG was the independent external auditor for 2023, with its delivery partner, AM PhakaMalele. Their reappointment was approved by shareholders as presented by separate resolution at the AGM on 18 May 2023, in terms of the Listings Requirements paragraph 3.84.

Assessment and recommendation

Having assessed the suitability of the appointment of the external auditor and designated audit partner, the committee is satisfied that KPMG is independent of the group as per section 94(8) of the Companies Act.

The committee considered the relevant information under paragraph 3.84(g)(iii) of the Listings Requirements. Thus, the committee executed its responsibility to consider the suitability of the external auditor and designated individual auditor, as required by paragraphs 3.84(g)(iii) and 3.87 (and previously paragraph 22(15)) and in terms of their mandate required by paragraph 3.86 of the Listings Requirements.

The committee recommends KPMG with its delivery partner, AM PhakaMalele, for reappointment for the ensuing year ending 31 December 2024 at the upcoming AGM on 23 May 2024 by way of a separate resolution by shareholders in terms of the Listings Requirements paragraph 3.84(g)(iv) and section 61(8) of the Companies Act.

Independent external auditor fees

Fees paid to KPMG for 2023 and 2022 are disclosed in note 6.1.3 of the group and company annual financial statements 2023.

The policy for engagement of the external auditor to supply assurance and other services was reviewed in 2023. The committee considered the Revisions to the Non-Assurance Services Provisions of the Code from the International Ethics Standards Board for Accountants and the Revisions to The Non-Assurance Services Provisions of the Code from IRBA, and set the threshold for assurance and other services for the external auditor at a maximum of 20% of the statutory audit fee for any given financial year end. It was confirmed that KPMG, in terms of its internal policy, will not provide any advisory or tax services to its audit clients.

During the review period, the following fees were paid to the independent external auditor:

	2023 Rm	2022 Rm
Statutory audit fees	30.3	27.5
Non-audit service fees	3.0	1.7
Total	33.3	29.2

The committee is satisfied with the level and extent of assurance and other non-audit services rendered by KPMG during the year, which did not affect its independence.

2.5 AUDIT COMMITTEE REPORT continued

Committee statements continued

Independent external auditor continued

Registered with regulator

The audit committee is satisfied that Safeera Loonat, as designated individual auditor, and KPMG are registered with its regulator in compliance with paragraph 3.87 of the JSE Listings Requirements.

Transformation

For both 2023 and 2022, KPMG partnered with AM PhakaMalele, a Level 1 B-BBEE company, honouring Exxaro's commitment to transformation.

Other key items:

- External audit plan: The committee approved the external audit plan and approach for the financial year ended 31 December 2023
- Policy for engagement of independent external auditor for assurance and other services: The policy was revised with some services excluded, particularly those involving management functions or management decision making. The committee recommended the policy for board approval
- Management representation letter: The committee authorised the CEO and finance director to sign the management representation letter for the interim and year-end reporting periods

Internal auditor

The committee ensured that the internal audit function focused on the company's key risks and is a valuable resource for the committee and the organisation at large.

The internal audit function is partially outsourced to PwC under the management control of Exxaro's head: internal audit. PwC partnered with a Level 1 B-BBEE company, Ngubane & Co, to fulfil the internal audit support function. Their responsibilities are detailed in an internal audit charter approved by the committee, which is reviewed and approved annually with an internal audit plan.

The main function of internal audit is to express an opinion on the effectiveness of governance, risk management and systems of internal controls as well as the internal control environment within the group.

The internal audit function provides an independent and objective consulting service designed to add value, maintain assurance and improve Exxaro's operations. The committee is pleased with the overall performance of the internal audit function and the services provided.

Internal audit charter

The committee reviewed the internal audit charter as required by the International Standards for the Professional Practice of Internal Auditing.

It approved the following:

- Transition from a predominately outsourced model with key inhouse employees. This will allow Exxaro to retain valuable institutional knowledge. Internal auditors who are familiar with the group's culture, processes and history can provide deeper insights into risks and control issues. Co-sourcing will allow Exxaro to adjust the size and composition of the audit team based on our changing needs, without the fixed costs associated with maintaining a large inhouse team, as some of the resources can be pulled from our service providers
- Improvement of the independence and objectivity of the internal audit function by shifting administrative reporting from the finance director to the CEO, with functional reporting to the audit committee chairperson remaining in place
- Reallocation of the portfolio of group security and combined assurance from the internal audit function, in line with best practice, to the chief sustainable impact officer and the chief strategic resilience and governance officer, respectively
- The integration of technology and innovation for enhanced efficiency and effectiveness of the function, leading to:
  - An improved control environment
  - Enhanced organisational performance
  - Business insight reporting
  - Efficient audits with reduced costs using exception-based auditing
  - Effective use of audit resources
  - Deployment of real-time key risk monitoring over the next three years

Other key items:

- Significant internal audit findings and forensic investigations: The committee ensured corrective measures were in place where internal audit or forensic investigations identified internal control deficiencies. The committee will continue to monitor the efficacy of these measures
- Internal audit report: The committee considered the status of the execution of the annual internal audit plan and results of completed audits

Combined assurance

As required by King IV™, assurance was broadened to cover all sources of assurance, including external assurance, internal audit, management oversight and regulatory inspections. The combined assurance model has been updated to include the introduction of the five lines of assurance to differentiate the level of risk ownership and independence of assurance efforts by providers.

The model incorporates and optimises all assurance services and functions to enable an effective control environment and support the integrity of information used for internal decision making by management, the governing body and its committees and the organisation's external reports.

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

2.5 AUDIT COMMITTEE REPORT continued

Committee statements continued

The committee's role is to review the effective establishment and operation of combined assurance within the group. To this end, the company established a combined assurance framework. The committee is satisfied that the combined assurance framework is a platform to coordinate Exxaro's assurance functions. The combined assurance framework coordinates assurance coverage for Exxaro's risk exposure as identified and ranked by Exxaro's risk management function, including optimisation of assurance functions aligned with King IV™ recommended assurance practices.

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

Technology and information governance

In terms of King IV™, the committee exercises oversight over technology and information governance.

The committee received reports on the group's digital transformation as well as the impact of cyber risk on information technology performance to support strategy execution.

As information governance plays a pivotal role in ensuring alignment with organisational objectives and adherence to industry benchmarks, the information management governance framework was aligned with recognised industry standards, including ISO 27001, COBIT 2019, ITIL 4, ISO 31000 and ISO 27031, among others.

To further enhance decision making, oversight and strategic direction, several management governance forums have been implemented in 2023. A number of foundational policies support these structures by guiding behaviour, expectations and operations.

Other key matters in review

The committee exercised oversight over the following key matters in 2023:

- Exxaro Insurance Company Limited:
  - As it is increasingly challenging for companies with a large carbon footprint to obtain insurance cover at competitive terms, this is a focal point for the committee. Exxaro has a separate captive insurance company registered in terms of the Insurance Act, 2017 (Act 18 of 2017) to manage short-term insurance arrangements, being Exxaro Insurance Company Limited
  - A formal memorandum is submitted quarterly to the committee, setting out the main activities of the insurance company
  - The committee considered regulatory compliance, level of self-insurance, financial position, external audit plan for the 2023 audit, investment strategy, insurance renewal programme, and associated cost and exclusions during the period under review
  - The committee reviewed Exxaro's strategy regarding insurance cover and self-insurance
  - The committee was informed and kept abreast with the implementation of IFRS 17 *Insurance Contracts*.
- Tax compliance status and reporting: Reporting to the committee includes reporting on all tax matters, including tax audits, tax disputes with tax authorities and status of tax returns and payments. The committee was also appraised of global tax developments. The committee is satisfied that the group is tax-compliant
- Macro-economic indicators and commodity price forecast review: During the year, the committee reviewed and was satisfied with the key macro-economic indicators and assumptions used to compile the 2024 budget
- Group hedge and loan covenant compliance: The committee is satisfied with the group's hedge effectiveness and loan covenant position applicable to each facility within the group
- Counterparty and dealer limits: The committee considered the criteria for selection of multi-fund managers and approved the revised dealer limits and counterparty limits for the group's treasury operations in the financial markets
- Treasury risk management and hedging policy: The committee considered the revised policy and recommended it for board approval
- Regulatory changes: The committee noted the amendments to the Listings Requirements and the JSE Debt Listings Requirements dealing with auditor accreditation, new and revised accounting standards and pronouncements, and the impact of these on the group
- Sustainability KPI: The committee noted the performance and assurance opinion and recommended that the board monitors progress toward carbon neutrality by 2050
- Director education and development: The committee received an update on accounting developments relating to climate-change disclosures.

2.5 AUDIT COMMITTEE REPORT continued

Future focus

Key focus areas 2023/2024
Monitoring implementation of the strategy concerning the deployment of new post-modern ERP solutions to ensure acceptable cost, risk and alignment with the Exxaro strategy
Ensuring alignment of the combined assurance process, internal audit plan and external audit plan in terms of a risk-based approach
Reviewing Exxaro's future strategy regarding insurance cover and self-insurance, taking into account global resistance to thermal coal and insurance markets
Enhancement of the committee composition and skills set
Monitoring and considering the impact of cyber security risks and use of artificial intelligence in the finance and internal control environment
Managing talent challenges in the finance and internal audit functions as a result of global war for talent
Reviewing the transition from a predominantly outsourced model to a co-sourcing internal audit model ensuring Exxaro's transformation objectives are achieved

Conclusion

In carrying out its duties, the committee has due regard to its terms of reference, the Companies Act, the Listings Requirements and the principles and recommended practices of King IV™. The committee is satisfied that it has considered and discharged its responsibilities in accordance with its terms of reference, and confirms that it fulfilled its mandate and responsibilities in terms of the Companies Act, the Listings Requirements (paragraph 3.84(g) in particular) and King IV™.

On behalf of the audit committee

Nondumiso Medupe
Audit committee chairperson

10 April 2024

2.6 INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Exxaro Resources Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Exxaro Resources Limited (the group and company) set out on pages 22 to 165, which comprise the group and company statement of financial position at 31 December 2023, and the group and company statement of comprehensive income, the group and company statement of changes in equity and the group and company statement of cash flows for the year then ended, and notes to the group and company financial statements, including a summary of material accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Exxaro Resources Limited as at 31 December 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB®) and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Key audit matters

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

Enviromental Rehabilitation Provisions

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

Key audit matter	How the matter was addressed in our audit
In determining the present value of the total environmental rehabilitation provisions, management apply significant judgement and make assumptions relating to the: • interpretation and understanding of the laws, regulations and associated legal obligations • estimation of the undiscounted environmental rehabilitation costs which includes quantification of the extent of disturbance and cost rate to rehabilitate • expected date of cessation of mining activities. The group's estimates of the undiscounted environmental rehabilitation costs are based on significant judgements and assumptions (complex laws, regulations and legal obligations) made by management, which may not be reasonable or appropriate, resulting in an inaccurate or inappropriately valued (overstated/understated) provision. Based on the above factors we have determined the environmental rehabilitation provisions to be a key audit matter.	Our team included senior, experienced audit team members and our internal environmental rehabilitation provision specialist team. The following procedures were performed during the audit: • We updated our understanding of management's processes, procedures and controls implemented. • We identified and tested the design and implementation of relevant controls. • We confirmed our understanding of the methods, models, the data and the assumptions selected and applied by management (and management's environmental experts) to determine both the undiscounted environmental rehabilitation costs, as well as the present value of the obligation. • We evaluated the appropriateness of the accounting policies based on the requirements of IFRS Accounting Standards, our understanding of the business and industry practice. • We evaluated the mathematical accuracy of management's models. • We evaluated the reasonableness of and challenged the selection and application of management's key assumptions and judgements, including: – the interpretation and understanding of the laws, regulations and associated legal obligations. – the quantification of the extent of disturbance and the cost rate to rehabilitate to determine the undiscounted environmental rehabilitation costs. – the expected date of the cessation of mining activities to determine the term of the valuation; and – the costs and present value of all the associated water treatment provisions. • We evaluated the completeness, accuracy, relevance and reliability of the data used in managements models. • We evaluated the objectivity, knowledge, skills and ability of management's environmental experts by obtaining an understanding and evidence of their independence, professional qualifications, experience, affiliations and scope of work. • We recalculated the present value of the obligation using independently sourced discount rates and inflation rates, in order to assess the reasonability of the present value of the total environmental rehabilitation provisions. • We evaluated the appropriateness of accounting for the change in estimates recognised in profit or loss or allocated to the related decommissioning asset; and • We evaluated the appropriateness of the disclosures made as presented in note 13.1, 13.2, and 13.3 against the requirements of IFRS Accounting Standards.

2.6 INDEPENDENT AUDITOR'S REPORT continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Exxaro Resources Limited group and company annual financial statements for the year ended 31 December 2023", which includes the Report of the directors, the Audit committee report and the Certificate by the group company secretary as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

2.6 INDEPENDENT AUDITOR'S REPORT continued

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

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

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

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

Report on other legal and regulatory requirements

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

KPMG Inc.

KPMG Inc.

Registered Auditor

Per SM Loonat
Chartered Accountant (SA)
Registered Auditor
Director
23 April 2024

CHAPTER 3:
Segmental reporting

Chapter 3:
Segmental reporting

3.1 ACCOUNTING POLICY RELATING TO SEGMENTAL REPORTING

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

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

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

3.3 REPORTABLE SEGMENTS

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

In line with reporting trends, emphasis is placed on controllable costs. Indirect corporate costs are reported on a gross level in the other reportable segment. The performance of the operating segments is assessed based on EBITDA, which is considered to be a more appropriate performance measure of profitability for the group's business (refer chapter 19, annexure 2).

Coal

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

Commercial Waterberg: Comprising mainly of the Grootegeluk operation.

Commercial Mpumalanga: Comprising of the Belfast and Leeuwpan operations, as well as the 50% (2022: 50%) joint venture in Mafube with Thungela.

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

Other: Comprising of the other coal affiliated operations, including mines in closure and a 10.26% (2022: 10.26%) equity interest in RBCT.

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

Energy

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

Ferrous

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

Alloys: Comprising of the FerroAlloys operation which manufactures ferrosilicon.

Other: Comprising mainly of the 20.62% (2022: 20.62%) equity interest in SIOC.

Other

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

Base metals: Comprising of the 26% (2022: 26%) equity interest in Black Mountain.

Other: Comprising mainly of the corporate office (rendering corporate management services), the Ferroland agricultural operation, the 25.85% (2022: 25.85%) equity interest in Insect Technology and the 28.01% (2022: 28.01%) equity interest in LightApp.

3.3 REPORTABLE SEGMENTS continued

The following tables present a summary of the group's segmental information:

		Coal				
		Commercial				
For the year ended 31 December 2023	Note	Waterberg Rm	Mpumalanga Rm	Tied Rm	Other Rm	Energy Rm
External revenue	6.1.2	22 496	8 666	5 783		1 345
Segmental net operating profit/(loss)		10 173	399	173	(681)	630
Add back:						
Depreciation and amortisation	6.1.3	1 512	595	6	16	393
Net losses on disposal of property, plant and equipment	6.1.3	17	3			
EBITDA[1]		11 702	997	179	(665)	1 023
Other key items:						
Share of income/(loss) of equity-accounted investments	9.3		508		(10)	
External finance income	12.1.2	26	8		61	40
External finance costs	12.1.2	(66)	(97)		(79)	(515)
Income tax expense	7.3	(2 603)	(105)	(27)	(111)	(71)
Raw materials and consumables[1]	6.1.3	(2 002)	(2 755)	(497)	(2)	(1)
Staff costs[1]	6.1.3	(2 740)	(395)	(1 737)	(253)	(68)
Royalties[1,2]	6.1.3	(1 188)	(108)	(13)	167	
Contract mining[1]	6.1.3	(60)	(1 434)			
Repairs and maintenance[1]	6.1.3	(1 677)	(282)	(975)	(1)	(9)
Railage and transport[1]	6.1.3	(1 744)	(1 424)	(6)		
Movement in provisions[1]	6.1.3	151	(80)	53	(195)	
Cash generated by/(utilised in) operations	6.3.1	11 758	89	148	(203)	1 031
Capital spend on property, plant and equipment		(2 217)	(201)		(15)	(244)
At 31 December 2023						
Segmental assets and liabilities						
Deferred tax[3]	7.5					14
Equity-accounted investments	9.4		1 922		2 014	
External assets		31 930	6 084	1 506	2 774	8 834
Total assets		31 930	8 006	1 506	4 788	8 848
External liabilities		2 590	2 451	1 600	779	5 121
Deferred tax[3]	7.5	7 335	856	(60)	2	903
Total liabilities		9 925	3 307	1 540	781	6 024

[1] Additional key items included in the measure of segment profit or loss have been presented for each reportable segment.
[2] Calculated per legal entity.
[3] Offset per legal entity and tax authority.

Chapter 3:

Segmental reporting continued

For the year ended 31 December 2023	Ferrous Alloys Rm	Ferrous Other Rm	Other Base metals Rm	Other Other Rm	Total Rm
External revenue	398			10	38 698
Segmental net operating profit/(loss)	82			(149)	10 627
Add back:					
Depreciation and amortisation	1			192	2 715
Net losses on disposal of property, plant and equipment				37	57
EBITDA[1]	83			80	13 399
Other key items:					
Share of income/(loss) of equity–accounted investments		6 157	332		6 987
External finance income				1 435	1 570
External finance costs	(1)			(494)	(1 252)
Income tax expense	(18)			(296)	(3 231)
Raw materials and consumables[1]	(58)			(17)	(5 332)
Staff costs[1]	(69)			(829)	(6 091)
Royalties[1;2]					(1 142)
Contract mining[1]					(1 494)
Repairs and maintenance[1]	(6)			(19)	(2 969)
Railage and transport[1]	(3)			(1)	(3 178)
Movement in provisions[1]				1	(70)
Cash generated by/(utilised in) operations	234			250	13 307
Capital spend on property, plant and equipment	(1)			(21)	(2 699)
At 31 December 2023					
Segmental assets and liabilities					
Deferred tax[3]	9			183	206
Equity-accounted investments		14 079	2 263		20 278
External assets	300	26		20 916	72 370
Total assets	309	14 105	2 263	21 099	92 854
External liabilities	40	3		4 860	17 444
Deferred tax[3]				(33)	9 003
Total liabilities	40	3		4 827	26 447

[1] *Additional key items included in the measure of segment profit or loss have been presented for each reportable segment.*
[2] *Calculated per legal entity.*
[3] *Offset per legal entity and tax authority.*

3.3 REPORTABLE SEGMENTS continued

		Coal				
		Commercial				
For the year ended 31 December 2022	Note	Waterberg Rm	Mpumalanga Rm	Tied Rm	Other Rm	Energy Rm
External revenue	6.1.2	23 613	15 797	5 561		1 159
Segmental net operating profit/(loss)		11 731	5 323	151	(389)	437
Add back:						
Depreciation and amortisation	6.1.3	1 490	609	14	6	391
Net losses on disposal of property, plant and equipment	6.1.3	9	72		7	
Loss on disposal of subsidiary	8.3					
Loss on dilution of investment in associate	9.5					
EBITDA[1]		13 230	6 004	165	(376)	828
Other key items:						
Share of income/(loss) of equity-accounted investments	9.3		1 902		(10)	
External finance income	12.1.2	24	4		5	20
External finance costs	12.1.2	(58)	(91)		(62)	(503)
Income tax (expense)/benefit	7.3	(3 178)	(1 307)	(61)	473	60
Raw materials and consumables[1]	6.1.3	(1 880)	(5 123)	(507)		
Staff costs[1]	6.1.3	(2 573)	(371)	(1 577)	(258)	(54)
Royalties[1;2]	6.1.3	(1 539)	(324)	(25)	67	
Contract mining[1]	6.1.3	(8)	(803)	(1)		
Repairs and maintenance[1]	6.1.3	(1 470)	(292)	(999)		(7)
Railage and transport[1]	6.1.3	(1 386)	(1 586)	(8)	(35)	
Movement in provisions[1]	6.1.3	48	(221)	(188)	(106)	
Impairment charges of equity-accounted investments	8.4					
Cash generated by/(utilised in) operations	6.3.1	12 874	6 539	267	(1 459)	837
Capital spend on property, plant and equipment		(1 348)	(252)		(5)	(20)
At 31 December 2022						
Segmental assets and liabilities						
Deferred tax[3]	7.5					1
Equity-accounted investments	9.4		2 999		2 024	
External assets		30 897	6 068	1 213	3 258	8 614
Total assets		30 897	9 067	1 213	5 282	8 615
External liabilities		1 857	2 577	1 301	1 143	4 804
Deferred tax[3]	7.5	6 997	978	(56)	(108)	884
Total liabilities		8 854	3 555	1 245	1 035	5 688

[1] *Additional key items included in the measure of segment profit or loss have been presented for each reportable segment.*
[2] *Calculated per legal entity.*
[3] *Offset per legal entity and tax authority.*

Chapter 3:
Segmental reporting continued

For the year ended 31 December 2022	Ferrous Alloys Rm	 Other Rm	Other Base metals Rm	 Other Rm	 Total Rm
External revenue	224			15	46 369
Segmental net operating profit/(loss)	49	(1)		(1 081)	16 220
Add back:					
Depreciation and amortisation	7			164	2 681
Net losses on disposal of property, plant and equipment				9	97
Loss on disposal of subsidiary				1	1
Loss on dilution of investment in associate				2	2
EBITDA[1]	56	(1)		(905)	19 001
Other key items:					
Share of income/(loss) of equity-accounted investments		4 077	578	(70)	6 477
External finance income				641	694
External finance costs	(1)			(337)	(1 052)
Income tax (expense)/benefit	(5)			(269)	(4 287)
Raw materials and consumables[1]	(94)			(16)	(7 620)
Staff costs[1]	(58)			(971)	(5 862)
Royalties[1;2]					(1 821)
Contract mining[1]					(812)
Repairs and maintenance[1]	(7)			(10)	(2 785)
Railage and transport[1]	(2)			(2)	(3 019)
Movement in provisions[1]				(7)	(474)
Impairment charges of equity-accounted investments				(53)	(53)
Cash generated by/(utilised in) operations	(22)	(1)		(172)	18 863
Capital spend on property, plant and equipment	(1)			(26)	(1 652)
At 31 December 2022					
Segmental assets and liabilities					
Deferred tax[3]	11	1		241	254
Equity-accounted investments		11 104	1 933		18 060
External assets	421	25		16 335	66 831
Total assets	432	11 130	1 933	16 576	85 145
External liabilities	26	1		5 389	17 098
Deferred tax[3]				(27)	8 668
Total liabilities	26	1		5 362	25 766

[1] *Additional key items included in the measure of segment profit or loss have been presented for each reportable segment.*
[2] *Calculated per legal entity.*
[3] *Offset per legal entity and tax authority.*

Chapter 3:
Segmental reporting continued

3.4 GEOGRAPHIC LOCATION OF SEGMENT ASSETS

Geographical areas	At 31 December 2023 Rm	2022 Rm
Country of domicile		
– RSA	61 197	59 437
Foreign countries		
– Rest of Africa		2
– Europe	1	1
– Australia	133	124
Total carrying amount of non-current assets[1]	61 331	59 564

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

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

CHAPTER 4:
Financial statements

Chapter 4:
Financial statements

4.1 GROUP FINANCIAL STATEMENTS
4.1.1 Statement of comprehensive income

For the year ended 31 December	Note	2023 Rm	2022 Rm
Revenue	6.1.2	38 698	46 369
Operating expenses	6.1.3	(28 071)	(30 148)
Operating profit		10 627	16 221
Loss on disposal of subsidiary	8.3		(1)
Net operating profit		10 627	16 220
Finance income	12.1.2	1 570	694
Finance costs	12.1.2	(1 252)	(1 052)
Income from financial assets		2	6
Share of income of equity-accounted investments	9.3	6 987	6 477
Impairment charges of equity-accounted investments	8.4		(53)
Profit before tax		17 934	22 292
Income tax expense	7.3	(3 231)	(4 287)
Profit for the year		14 703	18 005
Other comprehensive income/(loss), net of tax		200	384
Items that will not be reclassified to profit or loss:		(29)	14
– Remeasurement of retirement employee obligations			3
– Changes in fair value of equity investments at FVOCI		(31)	10
– Share of OCI of equity-accounted investments		2	1
Items that may subsequently be reclassified to profit or loss:		244	300
– Unrealised exchange differences on translation of foreign operations		88	34
– Changes in fair value on cash flow hedges		(44)	113
– Changes in fair value on costs of hedging		(9)	
– Share of OCI of equity-accounted investments		209	153
Items that have subsequently been reclassified to profit or loss:		(15)	70
– Recycling of changes in fair value on cash flow hedges		(15)	70
Total comprehensive income for the year		14 903	18 389
Profit attributable to:			
Owners of the parent		11 292	13 826
Non-controlling interests		3 411	4 179
Profit for the year		14 703	18 005
Total comprehensive income attributable to:			
Owners of the parent		11 448	14 113
Non-controlling interests		3 455	4 276
Total comprehensive income for the year		14 903	18 389

	Note	cents	cents
Attributable earnings per share	5.2		
– Basic		4 666	5 713
– Diluted		4 666	5 713

The notes to the financial statements comprise chapters 3 and 5 to 18 respectively.

4.1 GROUP FINANCIAL STATEMENTS continued

4.1.2 Statement of financial position

At 31 December	Note	2023 Rm	2022 Rm
ASSETS			
Non-current assets		66 153	63 357
Property, plant and equipment	10.1.3	37 226	37 446
Intangible assets	10.2.3	2 790	2 760
Right-of-use assets	11.3	308	352
Inventories	6.2.2		176
Equity-accounted investments	9.4	20 278	18 060
Financial assets	10.3.2	4 616	3 539
Deferred tax	7.5	206	254
Other assets	10.4.1	729	770
Current assets		26 701	21 788
Inventories	6.2.2	2 270	1 728
Financial assets	10.3.2	210	376
Trade and other receivables	6.2.3	3 877	4 199
Cash and cash equivalents	6.2.5	19 859	14 812
Current tax receivables		3	101
Other assets	10.4.1	482	572
Total assets		92 854	85 145
EQUITY AND LIABILITIES			
Capital and other components of equity			
Share capital	12.2.2	983	983
Other components of equity		1 341	1 700
Retained earnings		49 923	44 136
Equity attributable to owners of the parent		52 247	46 819
Non-controlling interests	17.7.1	14 160	12 560
Total equity		66 407	59 379
Non-current liabilities		20 226	20 574
Interest-bearing borrowings	12.1.3	7 480	8 378
Lease liabilities	11.4	400	438
Other payables	6.2.4	42	25
Provisions	13.3	2 963	2 762
Retirement employee obligations	14.4	176	165
Financial liabilities	12.1.7	127	112
Deferred tax	7.5	9 003	8 668
Other liabilities	12.1.8	35	26
Current liabilities		6 221	5 192
Interest-bearing borrowings	12.1.3	1 443	715
Lease liabilities	11.4	51	40
Trade and other payables	6.2.4	3 356	3 340
Provisions	13.3	222	179
Financial liabilities	12.1.7	14	5
Current tax payables		348	143
Other liabilities	12.1.8	787	770
Total liabilities		26 447	25 766
Total equity and liabilities		92 854	85 145

4.1 GROUP FINANCIAL STATEMENTS continued

4.1.3 Statement of changes in equity

	Note	Share capital Rm	Other components of equity: Foreign currency translation Rm	Cash flow hedges[1] Rm	Cost of hedging Rm	Equity-settled Rm
At 31 December 2021		983	987	(117)		596
Total comprehensive income			139	136		1
– Profit for the year						
– Other comprehensive income for the year	7.7		139	136		1
Transactions with owners						(147)
Contributions and distributions						(147)
– Dividends paid	5.6					
– Distributions to NCI share option holders						
– Share-based payments movement						(147)
Changes in ownership interest						
– Recognition of NCI	17.7.1					
At 31 December 2022		983	1 126	19		450
Total comprehensive income/(loss)			232	(47)	(7)	
– Profit for the year						
– Other comprehensive income/(loss) for the year	7.7		232	(47)	(7)	
Transfer to property, plant and equipment (net of tax)[2]				1		
Transactions with owners						(516)
Contributions and distributions						(516)
– Dividends paid	5.6					
– Share-based payments movement						(516)
At 31 December 2023		983	1 358	(27)	(7)	(66)

[1] *Previously named Financial instruments revaluation.*
[2] *Hedging gains and losses and costs of hedging transferred to the cost of property, plant and equipment during the year.*

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

Cash flow hedges
Comprises the group's cash flow hedge reserves relating to interest rate swaps and the spot rate component of FECs as well as the share of equity-accounted investments' hedging reserves.

Cost of hedging
Comprises the group's cost of hedging reserves which reflects gains or losses on the portion excluded from the designated hedging instrument that relates to the forward element of FECs. It is initially recognised in OCI and accounted for similarly to gains or losses in the hedge reserve.

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

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

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

Retirement employee obligations Rm	Financial asset FVOCI revaluation Rm	Other Rm	Retained earnings Rm	Attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
35	55	4	37 007	39 550	10 548	50 098
3	8		13 826	14 113	4 276	18 389
			13 826	13 826	4 179	18 005
3	8			287	97	384
			(6 697)	(6 844)	(2 264)	(9 108)
			(6 686)	(6 833)	(2 275)	(9 108)
			(6 686)	(6 686)	(2 274)	(8 960)
					(1)	(1)
				(147)		(147)
			(11)	(11)	11	
			(11)	(11)	11	
38	63	4	44 136	46 819	12 560	59 379
2	(24)		11 292	11 448	3 455	14 903
			11 292	11 292	3 411	14 703
2	(24)			156	44	200
				1		1
			(5 505)	(6 021)	(1 855)	(7 876)
			(5 505)	(6 021)	(1 855)	(7 876)
			(5 505)	(5 505)	(1 855)	(7 360)
				(516)		(516)
40	39	4	49 923	52 247	14 160	66 407

4.1 GROUP FINANCIAL STATEMENTS continued

4.1.4 Statement of cash flows

For the year ended 31 December	Note	2023 Rm	2022 Rm
Cash flows from operating activities		11 129	14 410
Cash generated by operations	6.3.1	13 307	18 863
Interest paid	12.1.6	(1 100)	(982)
Interest received	12.1.6	1 525	650
Tax paid	7.6	(2 603)	(4 121)
Cash flows from investing activities		2 045	3 990
Property, plant and equipment acquired		(2 699)	(1 652)
Proceeds from disposal of property, plant and equipment		5	4
Cash received from financial assets at amortised cost		196	90
ESD loans granted		(171)	(112)
ESD loans settled		108	50
Settlement of deferred consideration		56	94
Portfolio investments acquired			(400)
Deposit facilities acquired		(360)	
Lease receivables settled		16	15
Increase in environmental rehabilitation funds		(19)	(8)
Dividends received from equity-accounted investments	9.5	4 911	5 903
Dividends received from financial assets		2	6
Cash flows from financing activities		(8 228)	(10 617)
Interest-bearing borrowings raised	12.1.3	489	
Interest-bearing borrowings repaid	12.1.3	(658)	(1 181)
Transaction costs paid on interest-bearing borrowings raised		(13)	
Lease liabilities paid	11.4	(41)	(34)
Dividends paid to owners of the parent	5.6	(5 505)	(6 686)
Dividends paid to NCI BEE Parties	17.7.1	(1 831)	(2 237)
Dividends paid to NCI of Tsitsikamma SPV	17.7.1	(24)	(37)
Distributions to NCI share option holders	17.7.1		(1)
Shares acquired in the market to settle share-based payments		(645)	(441)
Net increase in cash and cash equivalents		4 946	7 783
Cash and cash equivalents at beginning of the year		14 812	7 041
Translation difference on movement in cash and cash equivalents		101	(12)
Cash and cash equivalents at end of the year	6.2.5	19 859	14 812

4.2 COMPANY FINANCIAL STATEMENTS

4.2.1 Statement of comprehensive income

For the year ended 31 December	Note	2023 Rm	2022 Rm
Revenue	6.1.2	10 159	16 661
– Revenue from contracts with customers		1 543	1 753
– Dividend revenue		8 153	11 476
– Interest revenue		463	3 432
Operating expenses	6.1.3	(1 895)	(1 761)
Impairment charges of investments in subsidiaries	8.4	(32)	
Impairment charges of investments in associates	8.4		(143)
Finance income	12.1.2	1 313	566
Finance costs	12.1.2	(1 543)	(3 517)
Income from financial assets			1
Profit before tax		8 002	11 807
Income tax expense	7.3	(4)	(155)
Profit for the year		7 998	11 652
Total comprehensive income for the year		7 998	11 652

There were no components of OCI for the years ended 31 December 2023 and 31 December 2022.

4.2 COMPANY FINANCIAL STATEMENTS continued

4.2.2 Statement of financial position

At 31 December	Note	2023 Rm	2022 Rm
ASSETS			
Non-current assets		12 644	13 726
Property, plant and equipment	10.1.3	36	396
Intangible assets	10.2.3	197	2
Right-of-use assets	11.3	249	296
Investments in subsidiaries	17.4	8 729	8 367
Financial assets	10.3.2	3 252	4 430
Deferred tax	7.5	180	234
Other assets	10.4.1	1	1
Current assets		19 322	15 680
Inventories	6.2.2	10	6
Financial assets	10.3.2	1 976	1 997
Trade and other receivables	6.2.3	150	283
Cash and cash equivalents	6.2.5	17 151	13 366
Current tax receivable			5
Other assets	10.4.1	35	23
Total assets		31 966	29 406
EQUITY AND LIABILITIES			
Capital and other components of equity			
Share capital	12.2.2	11 227	11 227
Other components of equity		259	743
Accumulated deficit		(3)	(40)
Total equity		11 483	11 930
Non-current liabilities		3 334	4 459
Interest-bearing borrowings	12.1.3	2 945	4 034
Lease liabilities	11.4	336	376
Provisions	13.3	53	49
Current liabilities		17 149	13 017
Interest-bearing borrowings	12.1.3	1 153	505
Lease liabilities	11.4	47	37
Trade and other payables	6.2.4	223	196
Financial liabilities	12.1.7	15 606	12 059
Current tax payable		6	
Other liabilities	12.1.8	114	220
Total liabilities		20 483	17 476
Total equity and liabilities		31 966	29 406

4.2 COMPANY FINANCIAL STATEMENTS continued

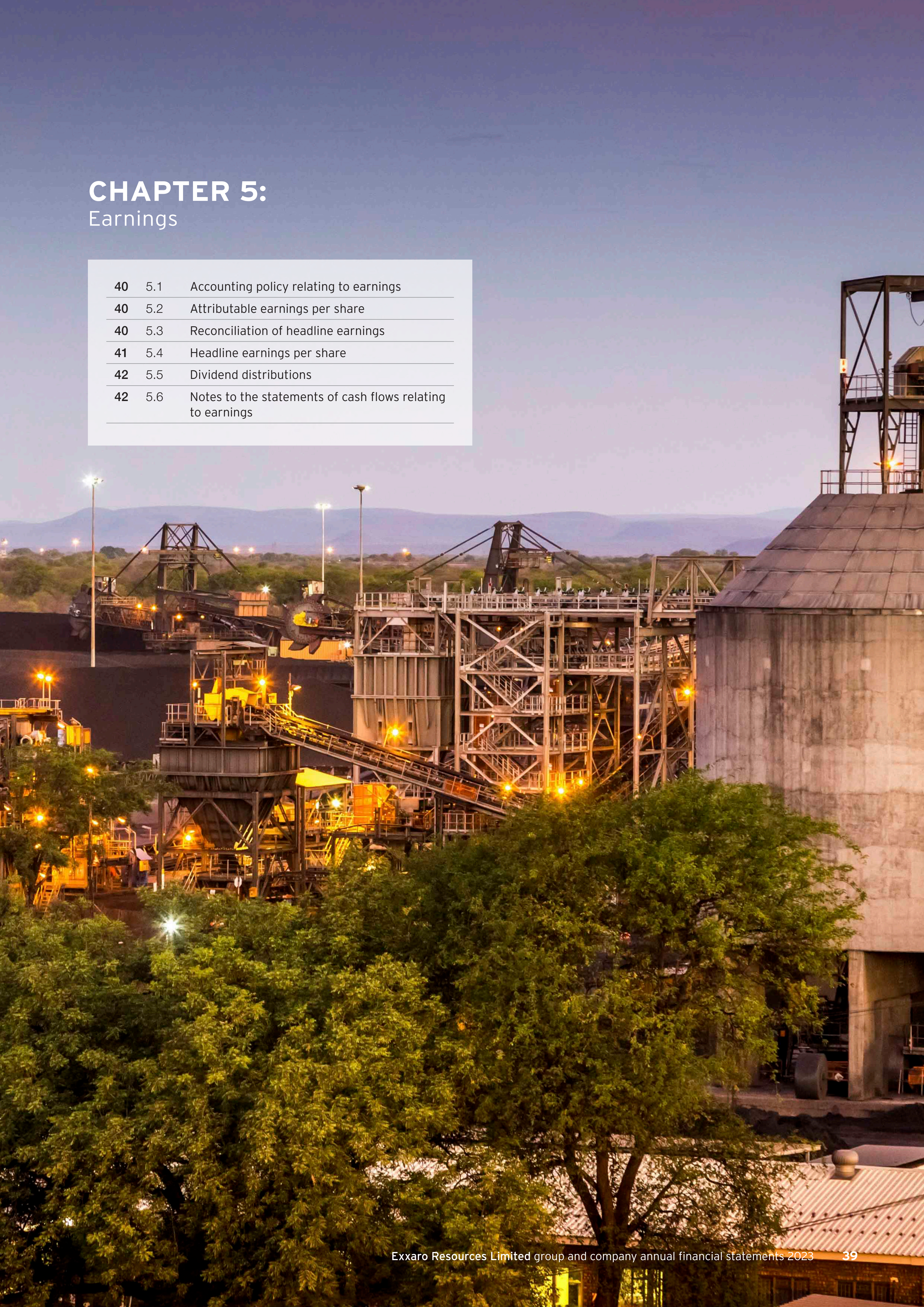
4.2.3 Statement of changes in equity

	Note	Share capital Rm	Other components of equity Equity-settled Rm	Accumulated deficit Rm	Total equity Rm
At 31 December 2021		11 227	924	(2 023)	10 128
Total comprehensive income				11 652	11 652
– Profit for the year				11 652	11 652
Transactions with owners			(181)	(9 669)	(9 850)
Contributions and distributions			(181)	(9 669)	(9 850)
– Share-based payments movement			(181)		(181)
– Dividends paid	5.6			(9 669)	(9 669)
At 31 December 2022		11 227	743	(40)	11 930
Total comprehensive income				7 998	7 998
– Profit for the year				7 998	7 998
Transactions with owners			(484)	(7 961)	(8 445)
Contributions and distributions			(484)	(7 961)	(8 445)
– Share-based payments movement			(484)		(484)
– Dividends paid	5.6			(7 961)	(7 961)
At 31 December 2023		11 227	259	(3)	11 483

4.2 COMPANY FINANCIAL STATEMENTS continued

4.2.4 Statement of cash flows

For the year ended 31 December	Note	2023 Rm	2022 Rm
Cash flows from operating activities		11 951	18 671
Cash generated by operations	6.3.1	12 155	21 755
– Dividend revenue received		3 748	5 857
– Interest revenue received		463	3 432
– Other cash generated by operations		7 944	12 466
Interest paid	12.1.6	(1 529)	(3 498)
Interest received	12.1.6	1 315	566
Tax paid	7.6	10	(152)
Cash flows from investing activities		630	861
Property, plant and equipment acquired		(20)	(22)
Proceeds from disposal of property, plant and equipment		2	
ESD loans granted		(171)	(112)
ESD loans settled		108	50
Cash received from other financial assets at amortised cost		116	11
Settlement of deferred consideration		56	94
Increase in investment in subsidiaries		(554)	(59)
Non-interest-bearing loans to subsidiaries granted			(170)
Non-interest-bearing loans to subsidiaries settled		601	
Interest-bearing loans to subsidiaries granted		(647)	
Interest-bearing loans to subsidiaries settled		1 139	1 068
Dividend received from financial assets			1
Cash flows from financing activities		(8 850)	(11 021)
Interest-bearing borrowings repaid	12.1.3	(450)	(1 032)
Lease liabilities paid	11.4	(37)	(29)
Dividends paid	5.6	(7 961)	(9 669)
Shares acquired in the market to settle share-based payments		(402)	(291)
Net increase in cash and cash equivalents		3 731	8 511
Cash and cash equivalents at beginning of the year		13 366	4 867
Translation difference on movement in cash and cash equivalents		54	(12)
Cash and cash equivalents at end of the year	6.2.5	17 151	13 366



CHAPTER 5:
Earnings

Chapter 5:
Earnings

5.1 ACCOUNTING POLICY RELATING TO EARNINGS

5.1.1 Dividend distributions

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

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

5.2 ATTRIBUTABLE EARNINGS PER SHARE

	Group	
For the year ended 31 December	**2023**	**2022**
Profit for the year attributable to owners of the parent (Rm)	11 292	13 826
Earnings per share (cents)		
Basic	4 666	5 713
Diluted	4 666	5 713
Weighted average number of ordinary shares in issue (million)		
Basic	242	242
Diluted	242	242

Exxaro did not issue any ordinary shares during 2023 and 2022.

5.3 RECONCILIATION OF HEADLINE EARNINGS

	Group			
For the year ended 31 December 2023	**Gross Rm**	**Tax Rm**	**NCI Rm**	**Net Rm**
Profit attributable to owners of the parent				11 292
Adjusted for:	61	(15)	(11)	35
– IAS 16 Net losses on disposal of property, plant and equipment	57	(15)	(10)	32
– IAS 28 Share of equity-accounted investments' separately identifiable remeasurements	4		(1)	3
Headline earnings				11 327

Chapter 5:
Earnings continued

5.3 RECONCILIATION OF HEADLINE EARNINGS continued

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

[1] *Includes Exxaro's share of SIOC's impairment charge recognised on mining assets, amounting to R626 million (net of tax and NCI). The impairment charge on mining assets was due to the production volumes being revised down in line with anticipated logistics performance.*
[2] *On 31 December 2022, the investment in LightApp was impaired to nil.*

5.4 HEADLINE EARNINGS PER SHARE

For the year ended 31 December	Note	Group 2023	2022
Headline earnings (Rm)	5.3	11 327	14 558
HEPS (cents)			
Basic		4 681	6 016
Diluted		4 681	6 016
Weighted average number of ordinary shares (million)			
Basic		242	242
Diluted		242	242

5.5 DIVIDEND DISTRIBUTIONS

For the year ended 31 December	2023 cents	2022 cents
Dividends paid per share		
Final dividend	1 136	1 175
Interim dividend	1 143	1 593
Total dividends paid per share	2 279	2 768

Total dividends paid in 2023 amounted to R5 505 million. This amount was made up of:

- A final dividend relating to the 2022 financial year of 1 136 cps, amounting to R2 744 million (to external shareholders), declared on 14 March 2023 and paid on 8 May 2023
- An interim dividend relating to the 2023 financial year of 1 143 cps, amounting to R2 761 million (to external shareholders), declared on 15 August 2023 and paid on 2 October 2023.

A final cash dividend, number 42, for 2023 of 1 010 cps, was approved by the board of directors on 12 March 2024. The dividend is payable on 13 May 2024 to shareholders who will be on the register on 10 May 2024. This final dividend, amounting to approximately R2 439 million (to external shareholders), has not been recognised as a liability in 2023. It will be recognised in shareholders' equity in the first half of the year ending 31 December 2024.

The final dividend declared from income reserves will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local dividend payable to shareholders, subject to dividend withholding tax at a rate of 20% amounts to 808.00000 cps. The number of ordinary shares in issue at the date of this declaration is 349 305 092 (including treasury shares of 107 770 244).

Given the net cash position at 31 December 2023 of R14 834 million (excluding energy's net debt), the board of directors has resolved to pay a special dividend of 572 cps. The special dividend was subject to SARB approval, which was obtained on 3 April 2024. The special dividend, amounting to approximately R1 382 million (to external shareholders), has not been recognised as a liability in 2023. It will be recognised in shareholder's equity in the first half of the year ending 31 December 2024.

The special dividend, declared from income reserves, will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local dividend payable to shareholders, subject to dividend withholding tax at a rate of 20% amounts to 457.60000 cps. The number of ordinary shares in issue at the date of this declaration is 349 305 092 (including treasury shares of 107 770 244).

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

Salient dates relating to payment of the final and special dividends

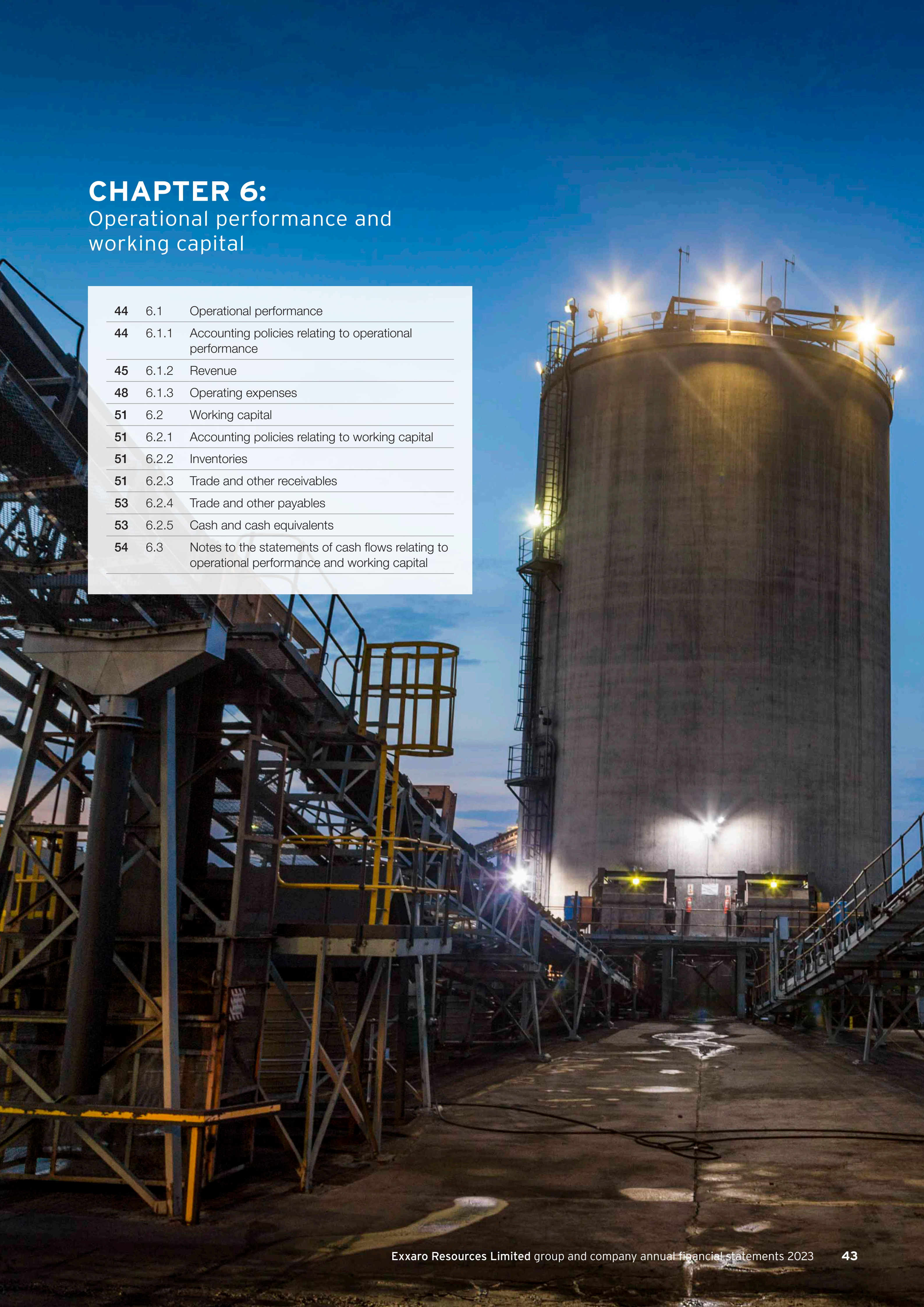
Finalisation date for special dividend	Thursday, 4 April 2024
Last day to trade cum dividend on the JSE	Tuesday, 7 May 2024
First trading day ex dividend on the JSE	Wednesday, 8 May 2024
Record date	Friday, 10 May 2024
Payment date	Monday, 13 May 2024

No share certificate may be dematerialised or re-materialised between Wednesday, 8 May 2024 and Friday, 10 May 2024, 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 2024.

5.6 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO EARNINGS

	Group		Company	
For the year ended 31 December	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Dividends paid				
Final dividend	(2 744)	(2 838)	(3 968)	(4 104)
Interim dividend	(2 761)	(3 848)	(3 993)	(5 565)
Total dividends paid for the financial year	(5 505)	(6 686)	(7 961)	(9 669)

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



CHAPTER 6:
Operational performance and working capital

Chapter 6:
Operational performance and working capital

6.1 OPERATIONAL PERFORMANCE

6.1.1 Accounting policies relating to operational performance

6.1.1.1 Revenue

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

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

Revenue from contracts with customers

Timing of recognition

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

Measurement on recognition

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

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

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

Nature of goods and services

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

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

Dividend revenue

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

Interest revenue

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

Chapter 6:

Operational performance and working capital continued

6.1 OPERATIONAL PERFORMANCE continued

6.1.2 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.

	Group							
	Coal					Ferrous	Other	
	Commercial							
For the year ended 31 December 2023	Waterberg Rm	Mpumalanga Rm	Tied Rm	Other Rm	Energy Rm	Alloys Rm	Other Rm	Total Rm
Segmental revenue reconciliation								
Segmental revenue[1]	22 496	8 666	5 783		1 345	398	10	38 698
Export sales allocated to selling entity[2]	(4 538)	(6 539)		11 077				
Total revenue	17 958	2 127	5 783	11 077	1 345	398	10	38 698
By timing and major type of goods and services								
Revenue recognised at a point in time	17 958	2 127	4 729	11 077		392	9	36 292
Coal	17 958	2 127	4 729	11 077				35 891
Ferrosilicon						392		392
Biological goods							9	9
Revenue recognised over time			1 054		1 345	6	1	2 406
Renewable energy					1 345			1 345
Stock yard management services			159					159
Project engineering services			895					895
Transportation services						2		2
Other services						4	1	5
Total revenue	17 958	2 127	5 783	11 077	1 345	398	10	38 698
By major geographic area of customer[3]								
Domestic	17 958	2 127	5 783		1 345	398	8	27 619
Export				11 077			2	11 079
Europe[4]				5 522			1	5 523
Asia[5]				4 600			1	4 601
Other				955				955
Total revenue	17 958	2 127	5 783	11 077	1 345	398	10	38 698
By major customer industries								
Public utilities	14 963		5 783	511	1 345			22 602
Merchants	370	1 230		9 826		2		11 428
Steel	1 462	152						1 614
Mining	250	23				351		624
Manufacturing	357					45		402
Food and beverage	233						2	235
Cement	262	70		314				646
Chemicals		646						646
Other	61	6		426			8	501
Total revenue	17 958	2 127	5 783	11 077	1 345	398	10	38 698

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

6.1 OPERATIONAL PERFORMANCE continued

6.1.2 Revenue continued

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

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

The group derives revenue from an external customer which accounts for at least 10% or more of the group's revenues, being 57% or R22 092 million (2022: 43% or R20 006 million).

6.1 OPERATIONAL PERFORMANCE continued

6.1.2 Revenue continued

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

For the year ended 31 December	Note	Company 2023 Rm	Company 2022 Rm
Revenue from contracts with customers:		1 543	1 753
Rendering of services over time: Corporate management services rendered to subsidiaries	17.3.1	1 543	1 753
Dividend revenue:		8 153	11 476
Associates[1]		3 386	5 153
Subsidiaries	17.3.1	4 767	6 323
Interest revenue:		463	3 432
Subsidiaries	17.3.1	463	3 432
– Interest-bearing back-to-back loans receivable	17.3.1	443	370
– Interest-bearing acquisition loans receivable	17.3.1	4	6
– Interest-bearing treasury facilities receivable	17.3.1	16	3 056
Total revenue		10 159	16 661

[1] *Dividends received from SIOC.*

6.1 OPERATIONAL PERFORMANCE continued

6.1.3 Operating expenses

For the year ended 31 December	Note	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Cost by nature					
Operational expense items					
Raw materials and consumables		5 332	7 620	11	10
Depreciation and amortisation		2 715	2 681	199	179
Movement in inventories		140	124	7	
Staff costs		6 091	5 862	804	945
Other employee-related costs		239	244	70	50
Contract mining		1 494	812		
Repairs and maintenance		2 969	2 785	16	8
Railage and transport		3 178	3 019	1	1
Insurance		(138)	465	3	1
Exploration expenditure		8	15		
Royalties		1 142	1 821		
Water		79	79		
Energy		1 027	841	11	5
Information management costs		690	653	147	203
Legal and professional fees		487	387	97	130
Movement in provisions	13.3	70	474	(1)	7
Movement in retirement employee obligations	14.4	11	9		
Travel and subsistence		94	86	23	19
Security and office cleaning services		111	85	4	4
Licenses		6	6		1
Stock yard management services		159	125		
Project engineering services		895	1 125		
Financial gains and losses					
Currency exchange differences		(124)	(777)	(5)	(113)
ECLs on financial assets at amortised cost		21	79	328	29
Write-off of trade and other receivables	6.2.3	4	2		3
Write-off of ESD loans		2	2	2	2
Fair value (gains)/losses recognised on financial instruments at FVPL		(588)	228	(3)	(1)
Hedge ineffectiveness on cash flow hedges		18	13		
General items and expenses					
Loss on disposal of subsidiary	8.3				42
Loss on dilution of investment in associate	9.5		2		
Write-off of other current assets		32		5	
Net losses on disposal of property, plant and equipment		57	97	36	9
Movement in indemnification asset		5	(5)		
Expenses relating to short-term leases		567	342	1	1
Expenses relating to variable lease expenses of right-of-use assets		75	5		
Operating lease income		(36)	(36)	(7)	(7)
(Gain)/loss on termination or modification of lease			(3)	2	
Loss on termination of right-of-use asset			1		
Research and development costs		2	1		
Own work capitalised[1]		(434)	(396)		
General charges		1 671	1 275	151	233
Total operating expenses		28 071	30 148	1 895	1 761

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

6.1 OPERATIONAL PERFORMANCE continued

6.1.3 Operating expenses continued

The following operating expense items have been further disaggregated:

For the year ended 31 December	Note	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Staff costs		6 091	5 862	804	945
– Salaries and wages		5 312	5 104	629	744
– Share-based payment expense		212	207	129	129
– Termination benefits		23	46	4	30
– Pension and medical costs		544	505	42	42
Consultancy fees[1]		284	265	64	80
Auditor's remuneration[1]		33	29	14	11
– Audit fees		30	27	11	11
– Other services		3	2	3	
Depreciation and amortisation		2 715	2 681	199	179
– Depreciation of property, plant and equipment	10.1.3	2 483	2 457	137	125
– Depreciation of right-of-use assets	11.3	57	58	52	52
– Amortisation of intangible assets	10.2.3	175	166	10	2
Fair value (gains)/losses recognised on financial instruments at FVPL		(588)	228	(3)	(1)
– Derivative financial instruments		(278)	229		
– Debt investments: environmental rehabilitation funds		(216)	(6)	(3)	(1)
– Debt investments: portfolio investments		(4)	5		
– Debt investments: deposit facilities		(90)			
Currency exchange differences		(124)	(777)	(5)	(113)
– Net realised gains		(78)	(809)	(21)	(125)
– Net unrealised (gains)/losses		(46)	32	16	12

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

6.1 OPERATIONAL PERFORMANCE continued

6.1.3 Operating expenses continued

For the year ended 31 December	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
ECLs on financial assets at amortised cost (impairment loss/(reversal of impairment loss)):	21	79	328	29
Non-current				
Other financial assets at amortised cost	(3)	(2)		
– Performing	(3)	(2)		
ESD Loans	44	(2)	44	(2)
– Performing		1		1
– Non-performing	44	(3)	44	(3)
Lease receivables		(1)		
– Performing		(1)		
Vendor finance loan		(7)		(7)
– Performing		(7)		(7)
Current				
Trade and other receivables	(45)	26	(1)	(1)
Trade receivables	(5)	5		
– Performing	(6)	5		
– Non-performing	1			
Other receivables	(40)	21		
– Non-performing	(40)	21		
Indebtedness by subsidiaries			(1)	(1)
– Performing			(1)	(1)
Non-interest bearing loans to subsidiaries			(5)	5
– Performing			(9)	5
– Non-performing			4	
Other financial assets at amortised cost	(2)	(3)	(2)	(3)
– Performing	(2)	(3)	(2)	(3)
ESD loans	28	66	28	66
– Performing	(1)		(1)	
– Non-performing	29	66	29	66
Vendor finance loan	(1)	2	(1)	2
– Performing	(1)	2	(1)	2
Treasury facilities with subsidiaries at amortised cost			265	(31)
– Performing			(2)	(31)
– Non-performing			267	

6.2 WORKING CAPITAL

6.2.1 Accounting policies relating to working capital

Inventories

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

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

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

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

Trade receivables

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

Trade payables

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

Cash and cash equivalents

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

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

6.2.2 Inventories

	Group		Company	
At 31 December	**2023 Rm**	**2022 Rm**	**2023 Rm**	**2022 Rm**
Non-current				
Finished products		176		
Total non-current inventories		176		
Current				
Finished products[1]	1 480	1 041		
Work-in-progress	12	12		
Raw materials	2	3		
Plant spares and stores	768	667	10	6
Merchandise[2]	8	5		
Total current inventories	2 270	1 728	10	6
Total inventories	2 270	1 904	10	6

[1] *Includes inventory carried at net realisable value amounting to nil (2022: nil).*
[2] *Included in merchandise are biological assets classified as inventories.*

No inventories were pledged as security for liabilities in 2023 nor 2022.

6.2.3 Trade and other receivables

	Group		Company	
At 31 December	**2023 Rm**	**2022 Rm**	**2023 Rm**	**2022 Rm**
Trade receivables	3 829	4 124		
– Gross	3 850	4 150		
– Impairment allowances	(21)	(26)		
Other receivables	48	75	10	7
– Gross	55	122	11	8
– Impairment allowances	(7)	(47)	(1)	(1)
Indebtedness by subsidiaries			140	276
– Gross			140	277
– Impairment allowances				(1)
Total trade and other receivables	3 877	4 199	150	283

6.2 WORKING CAPITAL continued

6.2.3 Trade and other receivables continued

6.2.3.1 Impairment allowances and write-offs

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

At 31 December	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Trade receivables				
Opening balance	(26)	(21)		
– Performing	(26)	(21)		
Movement in impairment allowances	5	(5)		
– Performing	6	(5)		
– Non-performing	(1)			
At end of the year	(21)	(26)		
– Performing	(20)	(26)		
– Non-performing	(1)			
Other receivables				
Opening balance	(47)	(26)	(1)	(1)
– Non-performing	(47)	(26)	(1)	(1)
Movement in impairment allowances	40	(21)		
– Non-performing	40	(21)		
At end of the year	(7)	(47)	(1)	(1)
– Non-performing	(7)	(47)	(1)	(1)
Indebtedness by subsidiaries				
Opening balance			(1)	(2)
– Performing			(1)	(2)
Movement in impairment allowances			1	1
– Performing			1	1
At end of the year				(1)
– Performing				(1)

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

For the year ended 31 December	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Trade receivables		(1)		
Other receivables	(4)	(1)		(1)
Indebtedness by subsidiaries				(2)
Total write-off of trade and other receivables	(4)	(2)		(3)

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

6.2 WORKING CAPITAL continued

6.2.4 Trade and other payables

	Group		Company	
At 31 December	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Non-current				
Other payables – retention creditors	42	25		
Total non-current other payables	42	25		
Current				
Trade payables	1 893	1 559	95	77
Other payables	1 463	1 781	128	119
– Retention creditors	189	283		
– Accruals and other creditors	1 274	1 498	128	119
Total current trade and other payables	3 356	3 340	223	196
Total trade and other payables	3 398	3 365	223	196

6.2.5 Cash and cash equivalents

	Group		Company	
At 31 December	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Cash on hand and bank balances	10 672	5 540	9 375	5 241
Deposits	6 366	5 448	4 955	4 301
Money market funds	2 821	3 824	2 821	3 824
Cash and cash equivalents	19 859	14 812	17 151	13 366

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

6.3.1 Cash generated by operations

		Group	
For the year ended 31 December	Note	**2023 Rm**	**2022 Rm**
Profit before tax		17 934	22 292
Adjusted for:			
– Finance income	12.1.2	(1 570)	(694)
– Finance costs	12.1.2	1 252	1 052
– Dividend income from financial assets		(2)	(6)
– Share of income of equity-accounted investments		(6 987)	(6 477)
– Impairment charges of equity-accounted investments			53
Net operating profit		10 627	16 220
Non-cash movements:			
– Depreciation and amortisation	6.1.3	2 715	2 681
– ECLs on financial assets at amortised costs	6.1.3	21	79
– Write-off of trade and other receivables and ESD loans	6.1.3	6	4
– Write-off of other current assets	6.1.3	32	
– Movement in provisions	6.1.3	70	474
– Movement in retirement employee obligations	6.1.3	11	9
– Net currency exchange differences		(46)	32
– Fair value adjustments on financial instruments		(284)	(51)
– Gain on termination of lease			(3)
– Loss on termination of right-of-use asset			1
– Net losses on disposal of property, plant and equipment	6.1.3	57	97
– Loss on disposal of subsidiary			1
– Loss on dilution of investment in associate	6.1.3		2
– Indemnification asset movement	6.1.3	5	(5)
– Share-based payment expense	6.1.3	212	207
– Hedge ineffectiveness on cash flow hedges	6.1.3	18	13
– Translation of net investment in foreign operations			(8)
– Translation of foreign currency items		(85)	(351)
– Amortisation of transaction costs prepaid		4	4
– Non-cash recoveries		23	(194)
– Non-cash deposit facilities		(373)	
– Non-cash management fees on deposit facilities		53	
– Other non-cash movements		8	5
Cash generated by operations before working capital movements		13 074	19 217
Working capital movements			
– (Increase)/decrease in inventories		(212)	1
– (Decrease)/increase in trade and other receivables		449	(1 312)
– Increase in trade and other payables		68	999
– Utilisation of provisions	13.3	(72)	(42)
Cash generated by operations		13 307	18 863

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

6.3.1 Cash generated by operations continued

		Company	
For the year ended 31 December	Note	**2023 Rm**	**2022 Rm**
Profit before tax		8 002	11 807
Adjusted for:			
Items separately presented:			
– Finance income	12.1.2	(1 313)	(566)
– Finance costs	12.1.2	1 543	3 517
– Dividend income from financial assets			(1)
Non-cash movements:			
– Dividend revenue from subsidiaries		(4 405)	(5 619)
– Depreciation and amortisation	6.1.3	199	179
– Interest income accrued not yet received		(2)	
– Impairment charges of investments in associates	8.4		143
– Impairment charges of investments in subsidiaries	8.4	32	
– Write-off of other current assets		5	
– ECLs on financial assets at amortised costs	6.1.3	328	29
– Write-off of trade and other receivables and ESD loans	6.1.3	2	5
– Movement in provisions	6.1.3	(1)	7
– Net currency exchange differences		16	12
– Fair value adjustments on financial instruments		(3)	(1)
– Net losses on disposal of property, plant and equipment		36	9
– Net loss on disposal of subsidiary			42
– Share-based payment expense		129	129
– Amortisation of transaction costs prepaid		4	4
Cash generated by operations before working capital movements		4 572	9 696
Working capital movements			
– Increase in inventories		(3)	(1)
– Decrease in trade and other receivables		110	31
– Decrease in treasury facilities with subsidiaries at amortised cost (receivable)		163	4 275
– (Decrease)/increase in trade and other payables		(75)	21
– Increase in non-interest bearing loans from subsidiaries		685	9
– Increase in treasury facilities with subsidiaries at amortised cost (payable)		6 703	7 724
Cash generated by operations		12 155	21 755

CHAPTER 7:
Taxation

Chapter 7:
Taxation

7.1 ACCOUNTING POLICIES RELATING TO TAXATION

7.1.1 Income tax expense

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

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

7.1.2 Deferred tax

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

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

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

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

7.1.3 International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12 *Income Taxes)*

The group is within the scope of the Organisation for Economic Co-operation Development (OECD) Pillar Two Model Rules, being a multi-national enterprise with consolidated revenue in excess of €750 million. The group is in the process of assessing its exposure to the Pillar Two legislation. The group has determined that the global minimum top-up tax, which is required to be paid under the Pillar Two legislation, is an income tax in the scope of IAS 12. The group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred as provided for in the amendments to IAS 12, issued in May 2023. Under the Pillar Two legislation, the group may be liable to pay a top-up tax for the difference between its Global Anti-Base Erosion (GloBE) effective tax rate per jurisdiction and the 15% minimum rate. Therefore, even for those entities with an accounting effective tax rate above 15%, Pillar Two top-up tax implications may still arise. The group is currently engaged with tax specialists to assist with legislative interpretation. Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact cannot yet be estimated reasonably.

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

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

7.3 INCOME TAX EXPENSE

	Group		Company	
For the year ended 31 December	**2023 Rm**	**2022 Rm**	**2023 Rm**	**2022 Rm**
South African normal tax				
Current	(2 840)	(3 710)	(1)	(140)
– Current year	(2 637)	(3 716)		(139)
– Prior year[1]	(203)	6	(1)	(1)
Deferred	(333)	(512)	(3)	(15)
– Current year	(331)	(856)	(3)	(5)
– Prior year	(2)	28		(5)
– Reduction in tax rate[2]		316		(5)
Foreign normal tax				
Current	(28)	(54)		
– Current year	(28)	(54)		
Dividend withholding tax	(30)	(11)		
– Non-resident	(29)	(10)		
– Resident	(1)	(1)		
Total income tax expense through profit or loss	(3 231)	(4 287)	(4)	(155)

1 *Includes an amount of R113 million for matters which are being disputed with SARS.*
2 *The reduction of the statutory income tax rate from 28% to 27% was substantively enacted on 23 February 2022.*

Chapter 7:

Taxation continued

7.4 RECONCILIATION OF TAX RATES

For the year ended 31 December	Group 2023 %	Group 2022 %	Company 2023 %	Company 2022 %
Tax as a percentage of profit before tax	18.0	19.2	0.1	1.3
Tax effect of:				
– Net capital losses[1]	(0.1)		(0.1)	
– Impairments charges		(0.1)	(0.1)	(0.3)
– ECLs on financial assets at amortised cost[2]	(0.1)	(0.1)	(1.2)	(0.1)
– Expenses not deductible for tax purposes[3]	(0.4)	(0.6)		(0.2)
– Other deductible tax adjustments[4]	1.3	0.5	0.8	0.3
– Exempt income[5]	0.1	0.1	27.5	27.2
– Reduction in tax rate		1.4		(0.1)
– Post-tax equity-accounted income	10.5	8.1		
– Remeasurements of foreign normal tax	0.2	0.3		
– Dividend withholding tax	(0.2)	(0.1)		
– Prior year tax adjustments	(1.1)	0.2		(0.1)
– Deferred tax assets not recognised	(0.8)	(0.3)		
– Imputed income from controlled foreign companies and investments	(0.4)	(0.6)		
Standard tax rate	27.0	28.0	27.0	28.0
Effective tax rate, excluding income from equity-accounted investments	29.5	27.1		
[1] *Relates to disposals of property, plant and equipment.*				
[2] *Relates to ECLs on loans which do not qualify for section 11(j).*				
[3] *Expenses not deductible for tax purposes:*	*(0.4)*	(0.6)		(0.2)
– Consulting, legal and other professional fees	*(0.2)*	(0.1)		
– ESD grants		(0.1)		(0.2)
– Distribution to beneficiaries of Exxaro ESOP Trust	*(0.2)*	(0.4)		
[4] *Other deductible tax adjustments:*	*1.3*	0.5	*0.8*	0.3
– Share-based payments	*0.6*	0.2	*0.9*	0.3
– Other	*0.7*	0.3	*(0.1)*	

[5] *Group: Mainly relates to dividends received by Exxaro ESOP Trust and Exxaro Aga Setshaba NPC (tax exempt institutions). Company: Relates to dividend income received.*

7.5 DEFERRED TAX

At 31 December	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
The movements on deferred tax are as follows:				
At beginning of the year	(8 414)	(7 902)	234	195
Items charged to profit or loss	(333)	(512)	(3)	(15)
– Current year	(331)	(856)	(3)	(5)
– Prior year	(2)	28		(5)
– Reduction in tax rate		316		(5)
Items charged directly to equity	(84)	88	(51)	54
– Share-based payments movement	(83)	88	(51)	54
– Cash flow hedges	(1)			
Items charged directly to other comprehensive income	34	(88)		
– Cash flow hedges	22	(70)		
– Cost of hedging	3			
– Financial assets at FVOCI	9	(18)		
At end of the year	(8 797)	(8 414)	180	234
– Deferred tax asset	206	254	180	234
– Deferred tax liability	(9 003)	(8 668)		

7.5 DEFERRED TAX continued

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

	Group					
	Movement during the year			At 31 December 2023		
	Recognised in profit or loss Rm	Recognised in OCI Rm	Recognised directly in equity Rm	Assets Rm	Liabilities Rm	Total net liability Rm
Property, plant and equipment	(60)			(11)	(9 365)	(9 376)
Customer contracts	44				(559)	(559)
Right-of-use assets	17			(63)	(14)	(77)
Share-based payments			(83)	104	70	174
Other accruals and provisions	(60)			61	(72)	(11)
Bad debt reassessment	(7)				6	6
Restoration provisions	97			205	571	776
Decommissioning provisions	(13)			1	68	69
Leave pay accrual	5			9	59	68
Retention payables	(24)				25	25
Prepayments	16			(3)	(61)	(64)
Environmental rehabilitation funds	(66)			(12)	(662)	(674)
Income received in advance	1				9	9
Inventories	(55)			3	38	41
Lease receivables	2				(11)	(11)
Local tax losses carried forward	(70)			166	897	1 063
Revaluation of financial assets at FVOCI		9			(104)	(104)
Retirement employee obligations	4				48	48
Deferred tax assets not recognised or derecognised	(105)			(375)	(87)	(462)
Unclaimed donations	(24)				22	22
Lease liabilities	(8)			105	16	121
Cash flow hedge reserves	(13)	22	(1)	9	26	35
Cost of hedging reserve		3		3		3
Contributions to Exxaro ESOP Trust	(14)			4	77	81
Total	(333)	34	(84)	206	(9 003)	(8 797)

7.5 DEFERRED TAX continued

	Company			
	At 31 December 2022	Movement during the year		At 31 December 2023
	Total asset Rm	Recognised in profit or loss Rm	Recognised directly in equity Rm	Total asset[1] Rm
Property, plant and equipment	(12)	(2)		(14)
Right-of-use assets	(80)	13		(67)
Share-based payments	156	(1)	(51)	104
Other accruals and provisions	45	(24)		21
Bad debt reassessment	1	(1)		
Restoration provisions	13	1		14
Leave pay accrual	7			7
Environmental rehabilitation funds	(9)	(1)		(10)
Prepayments	(2)			(2)
Lease liabilities	112	(9)		103
Calculated losses		21		21
Contributions to Exxaro ESOP Trust	3			3
Total	234	(3)	(51)	180

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

Tax on calculated assessable losses

	Group	
At 31 December	2023 Rm	2022 Rm
Deferred tax assets not recognised, relating to:		
– Local accumulated tax losses	(237)	(206)
– Current year tax losses calculated	(42)	(38)

7.6 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO TAXATION

7.6.1 Tax paid

	Group		Company	
For the year ended 31 December	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Amounts (payable)/receivable at beginning of the year	(42)	(394)	5	(7)
Amounts charged to the statement of comprehensive income	(2 898)	(3 775)	(1)	(140)
Arising on translation of foreign operations	(4)	(6)		
Re-allocation of income tax liability to the royalty liability		12		
Interest accrued not yet paid	(4)			
Amounts payable/(receivable) at end of the year	345	42	6	(5)
Tax paid	(2 603)	(4 121)	10	(152)

7.7 TAX EFFECT OF OTHER COMPREHENSIVE INCOME

	Group							
	2023				2022			
For the year ended 31 December	Gross Rm	Tax Rm	NCI Rm	Net Rm	Gross Rm	Tax Rm	NCI Rm	Net Rm
Unrealised exchange differences on translation of foreign operations	88		(20)	68	34		(8)	26
Changes in fair value of equity investments at FVOCI	(40)	9	7	(24)	28	(18)	(2)	8
Remeasurement of retirement employee obligations					3		(1)	2
Cash flow hedges								
– Changes in fair value on cash flow hedges: interest rate swaps	(51)	14	10	(27)	156	(43)	(32)	81
– Recycling of changes in fair value adjustments on cash flow hedges: interest rate swaps	(20)	5	4	(11)	97	(27)	(19)	51
– Changes in fair value on cash flow hedges: FECs	(10)	3	2	(5)				
Cost of hedging								
– Changes in fair value on FECs	(12)	3	2	(7)				
Share of OCI of equity-accounted investments relating to:	211		(49)	162	156	(2)	(35)	119
– Unrealised exchange differences on translation of foreign operations	214		(50)	164	147		(34)	113
– Remeasurement of retirement employee obligations	3	(1)		2	1			1
– Cash flow hedge reserve movement	(6)	1	1	(4)	7	(2)	(1)	4
– Equity-settled reserve movement					1			1
Total	166	34	(44)	156	474	(90)	(97)	287

CHAPTER 8:
Business environment and portfolio changes

Chapter 8:
Business environment and portfolio changes

8.1 ACCOUNTING POLICIES RELATING TO BUSINESS ENVIRONMENT AND PORTFOLIO CHANGES

8.1.1 Impairment of non-current assets

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

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

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

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

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

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

IAS 36 *Impairment of Assets* (IAS 36)

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

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

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

Coal operations	2023	2022
Discount rate	14.30%	14.30%
Rand/US$ exchange rate	R17.90 to R18.10	R15.90 to R16.39
Coal API4 long-term price (per tonne)	US$86.00	US$82.00
Coal domestic selling price range (per tonne)	R1 000 to R1 500	R900 to R1 300

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

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

8.3 DISPOSAL OF SUBSIDIARY

For the year ended 31 December	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Loss on disposal of subsidiary per statement of comprehensive income:		(1)		
– Aquicure[1]		(1)		
Included in operating expenses[2]:				(42)
– Aquicure: Loss on disposal of subsidiary				(42)

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

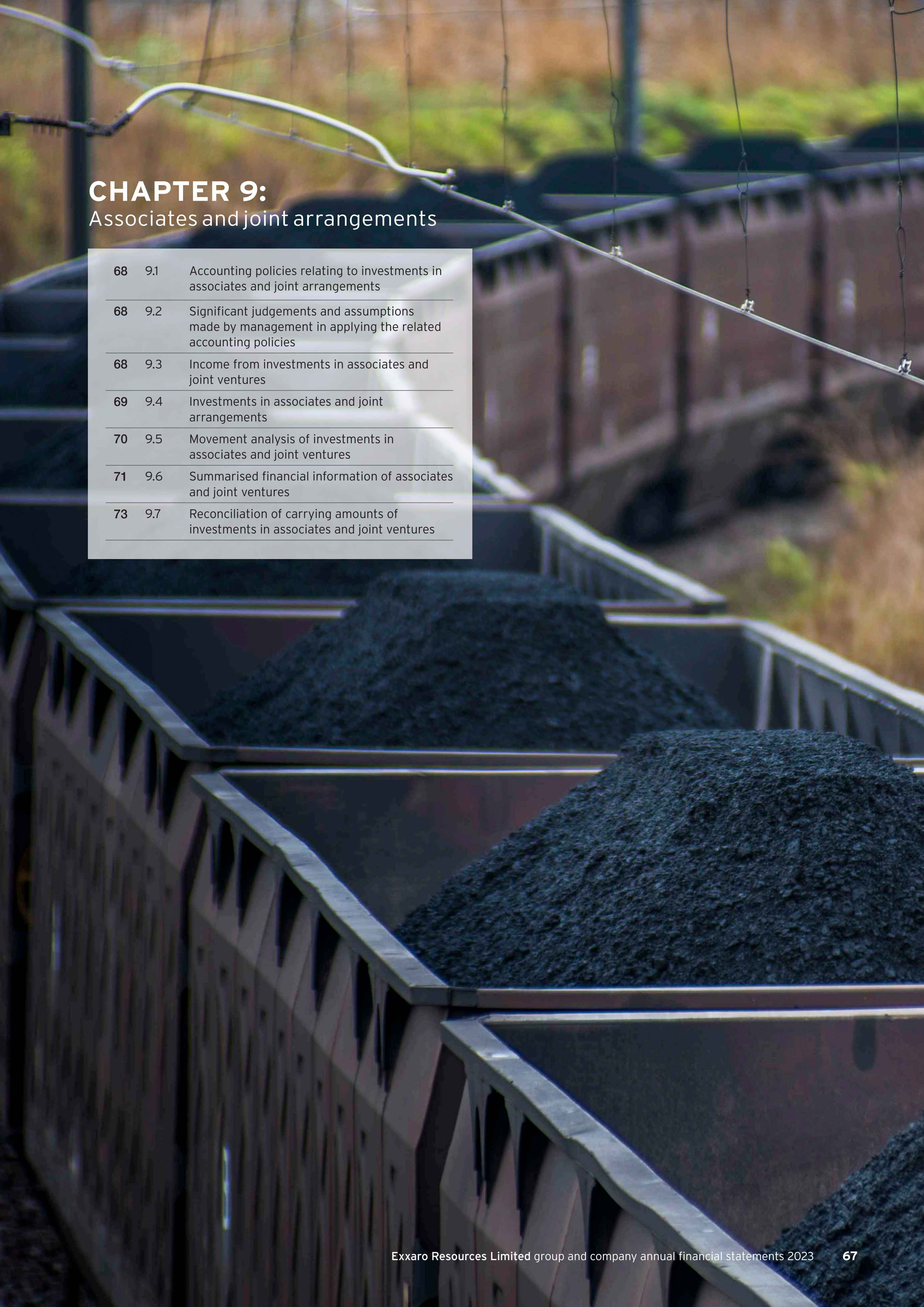
8.4 IMPAIRMENT CHARGES OF NON-CURRENT ASSETS

For the year ended 31 December	Group 2023 Rm	Group 2022 Rm
Investments in associates		
Impairment charges		(53)
– LightApp		(53)
Total impairment charges of equity-accounted investments		(53)
Net impairment charges of non-current assets		(53)
Net effect on attributable earnings[1]		(53)

[1] *Tax effect of nil.*

For the year ended 31 December	Company 2023 Rm	Company 2022 Rm
Investments in subsidiaries		
Impairment charges	(32)	
– Rocsi Holdings Proprietary Limited[1]	(6)	
– Exxaro Holdings Proprietary Limited[2]	(26)	
Total impairment charges of investments in subsidiaries	(32)	
Investments in associates		
Impairment charges		(143)
– LightApp		(143)
Total impairment charges of investments in associates		(143)
Net impairment charges of non-current assets[3]	(32)	(143)

[1] *On 31 December 2023, an impairment assessment was performed by comparing the carrying amount of the investment in Rocsi Holdings Proprietary Limited to its net asset value (the recoverable amount). As a result, an impairment of R6 million was recognised.*
[2] *On 31 December 2023, an impairment assessment was performed by comparing the carrying amount of the investment in Exxaro Holdings Proprietary Limited to its net asset value (the recoverable amount). As a result, an impairment of R26 million was recognised.*
[3] *Tax effect of nil.*



CHAPTER 9:
Associates and joint arrangements

Chapter 9:
Associates and joint arrangements

9.1 ACCOUNTING POLICIES RELATING TO INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

9.1.1 Investments in associates and joint arrangements

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

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

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

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

For group, the cost of investments in associates and JVs is the fair value at the date of acquisition.

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

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

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

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

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

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

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

In applying IAS 28 *Investments in Associates*, management has assessed the level of influence that the group has and in particular have concluded that significant influence exists on its 10.26% (2022: 10.26%) effective interest in RBCT as a result of Exxaro's representation on the board of directors of RBCT.

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

9.3 INCOME FROM INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Group	
For the year ended 31 December	**2023 Rm**	**2022 Rm**
Associates	6 479	4 575
SIOC	6 157	4 077
RBCT	(10)	(10)
Black Mountain	332	578
LightApp		(70)
Joint ventures	508	1 902
Mafube	508	1 902
Share of income equity-accounted investment	6 987	6 477

Chapter 9:

Associates and joint arrangements continued

9.4 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

At 31 December	Nature of business[1]	Country of incorporation	Percentage holding 2023 %	Percentage holding 2022 %	Group 2023 Rm	Group 2022 Rm	Fair value[2] 2023 Rm	Fair value[2] 2022 Rm
Unlisted								
Associates					18 356	15 061		
SIOC[3]	M	RSA	20.62	20.62	14 079	11 104	42 799	34 272
RBCT	T	RSA	10.26	10.26	2 014	2 024		
Black Mountain[4]	M	RSA	26.00	26.00	2 263	1 933		
Insect Technology[5]	WC	UK	25.85	25.85				
LightApp[6]	EN	Israel	28.01	28.01				
GAM[7]	EN	RSA	22.00	22.00				
Joint ventures					1 922	2 999		
Mafube	M	RSA	50.00	50.00	1 922	2 999		
Total investments in associates and joint ventures					20 278	18 060		
Unincorporated joint operations								
Moranbah coal project	M	AUS	50.00	50.00				

[1] *M – Mining, T – Export terminal, WC – Waste conversion, EN – Energy.*
[2] *Fair value represents the directors' valuation at the reporting date.*
[3] *The fair value of SIOC is determined by applying an adjusted equity valuation technique, based on the share price of KIO on 31 December 2023 of R614.78 per share (31 December 2022: R492.30 per share), adjusted for a liquidity discount rate of 20% (2022: 20%). The fair value of SIOC represents a Level 2 valuation, in terms of the fair value hierarchy. For company, the investment value is less than R1 million.*
[4] *Black Mountain's financial year end is 31 March and therefore not co-terminous with that of Exxaro. Financial information has been obtained from published information or management accounts as appropriate.*
[5] *The investment in Insect Technology was fully impaired in 2020.*
[6] *The investment in LightApp was fully impaired in 2022.*
[7] *The investment in GAM was fully impaired in 2019.*

Restrictions

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

Risks

Refer note 10.1.4 for details with regard to capital commitments relating to associates and JVs.
Refer note 13.4 for details with regard to contingent liabilities relating to associates and JVs.
There are no loan commitments with associates and JVs for 2023 and 2022.

Chapter 9:
Associates and joint arrangements continued

9.5 MOVEMENT ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

		Group					
		Associates		Joint ventures		Total equity-accounted investments	
At 31 December	Note	2023 Rm	2022 Rm	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Gross carrying amount							
At beginning of the year		15 676	16 104	2 999	1 780	18 675	17 884
Interests diluted[1]	6.1.3		(2)				(2)
Net share of results		6 470	4 573	448	1 969	6 918	6 542
– Share of income	9.3	6 479	4 575	508	1 902	6 987	6 477
– Elimination of intergroup profits		(9)	(2)	(60)	67	(69)	65
Dividends received[2]		(3 386)	(5 153)	(1 525)	(750)	(4 911)	(5 903)
Share of movement in reserves		211	154			211	154
At end of the year		18 971	15 676	1 922	2 999	20 893	18 675
Accumulated impairment							
At beginning of the year		(615)	(562)			(615)	(562)
Impairment charge[1]	8.4		(53)				(53)
At end of the year[3]		(615)	(615)			(615)	(615)
Net carrying amount at end of the year		18 356	15 061	1 922	2 999	20 278	18 060

[1] *Relates to LightApp.*
[2] *Relates to: SIOC of R3 386 million (2022: R5 153 million) and Mafube of R1 525 million (2022: R750 million).*
[3] *Accumulated impairments relate to: GAM R58 million, Insect Technology R504 million and LightApp R53 million.*

9.6 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES AND JOINT VENTURES

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

	Associates			Joint venture
	SIOC Rm	RBCT Rm	Black Mountain Rm	Mafube Rm
Statements of comprehensive income				
For the year ended 31 December 2023				
Revenue	86 234	1 493	9 135	3 713
Operating expenses	(45 281)	(1 354)	(7 551)	(2 696)
Net operating profit	40 953	139	1 584	1 017
Finance income	652		86	259
Finance costs	(836)	(270)	(38)	(48)
Profit/(loss) before tax	40 769	(131)	1 632	1 228
Income tax (expense)/benefit	(10 909)	35	(353)	(333)
Profit/(loss) for the year	29 860	(96)	1 279	895
Other comprehensive income/(loss)	1 036	(1)	(11)	
Total comprehensive income/(loss) for the year	30 896	(97)	1 268	895
Dividends paid to Exxaro	3 386			1 525
Statements of financial position				
At 31 December 2023				
Non-current assets	59 941	22 319	13 033	3 915
Current assets	38 938	643	1 250	1 680
Total assets	98 879	22 962	14 283	5 595
Equity and liabilities				
Total equity	68 337	19 627	8 703	3 843
Non-current liabilities	16 092	2 181	3 880	1 179
Current liabilities	14 450	1 154	1 700	573
Total equity and liabilities	98 879	22 962	14 283	5 595
Included above in JVs:				
Cash and cash equivalents				862
Depreciation and amortisation				234

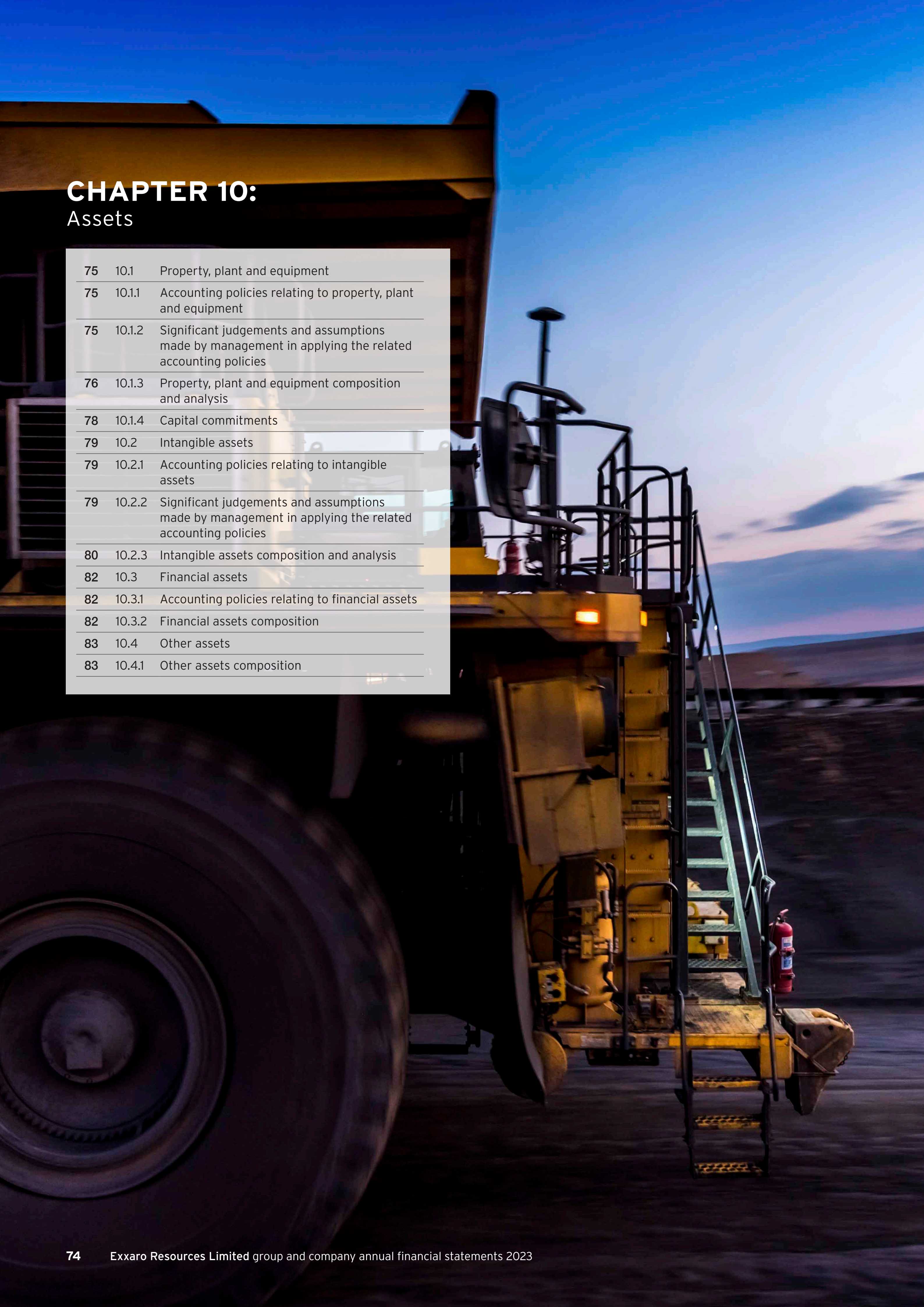
9.6 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES AND JOINT VENTURES continued

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

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

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

	Associates			Joint venture
Group	**SIOC Rm**	**RBCT Rm**	**Black Mountain Rm**	**Mafube Rm**
At 31 December 2023				
Closing net assets	68 337	19 627	8 703	3 843
Interest in equity-accounted investment (%)	20.62	10.26	26.00	50.00
Interest in equity-accounted investment	14 091	2 014	2 263	1 922
Unrealised profit in closing balances	(12)			
Carrying value	14 079	2 014	2 263	1 922
At 31 December 2022				
Closing net assets	53 865	19 724	7 435	5 998
Interest in equity-accounted investment (%)	20.62	10.26	26.00	50.00
Interest in equity-accounted investment	11 107	2 024	1 933	2 999
Unrealised profit in closing balances	(3)			
Carrying value	11 104	2 024	1 933	2 999



CHAPTER 10:
Assets

Chapter 10:
Assets

10.1 PROPERTY, PLANT AND EQUIPMENT

10.1.1 Accounting policies relating to property, plant and equipment

Property, plant and equipment

Land and assets under construction are stated at cost and are not depreciated. Buildings, including certain non-mining residential buildings, and all other items of property, plant and equipment are reflected at cost less accumulated depreciation and accumulated impairment losses. The cherry trees qualify as bearer plants under the definition of IAS 41 *Agriculture* and are therefore accounted for under the requirements of IAS 16 *Property, Plant and Equipment*. The cherry trees are classified as immature until the produce can be commercially harvested, at which point depreciation commences. Immature cherry trees are measured at accumulated cost.

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

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

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

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

	Units of measure	Coal		Energy		Ferrous		Other	
		2023	2022	2023	2022	2023	2022	2023	2022
Mineral properties	Years	1 to 25	1 to 25						
Residential buildings	Years	1 to 40	1 to 40						
Buildings and infrastructure	Years	1 to 40	1 to 40	26.3 and 26.4	26.3 and 26.4	10 to 20	10 to 20	20 to 25	20 to 25
Machinery, plant and equipment	Years	1 to 40	1 to 40	3 to 26.4	3 to 26.4	5 to 25	5 to 25	1 to 20	1 to 20
	Hours ('000)	13 to 120	13 to 50						
	Tonnes (Mt)	1 300	1 300						
Site preparation and mining development	Years	1 to 25	1 to 25						
	Tonnes (Mt)		72.7						
Bearer plants (mature)	Years							7	7

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

Exploration costs

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

Development costs

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

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

Depreciation and useful lives

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

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

Chapter 10:
Assets continued

10.1 PROPERTY, PLANT AND EQUIPMENT continued

10.1.3 Property, plant and equipment composition and analysis

At 31 December 2023	Note	Land Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site preparation and mining development Rm	Bearer plants Rm	Assets under construction Rm	Total Rm
		Group								
Gross carrying amount										
At beginning of the year		526	1 109	784	9 984	38 092	656	2	1 172	52 325
Additions					487	1 021	20		969	2 497
Changes in decommissioning assets	13.3				12	(10)				2
Borrowing costs capitalised	12.1.2								17	17
Transfer to intangible assets	10.2.3					(930)			(24)	(954)
Transfer from right-of-use assets	11.3					1				1
Disposals					(9)	(1 119)			(40)	(1 168)
Transfer from equity reserves[1]									2	2
Transfer between classes					192	503	48		(743)	
Exchange differences on translation		11								11
At end of the year		537	1 109	784	10 666	37 558	724	2	1 353	52 733
Accumulated depreciation										
At beginning of the year			(627)	(240)	(2 056)	(11 557)	(278)	(1)		(14 759)
Charges for the year	6.1.3		(43)	(26)	(437)	(1 901)	(76)			(2 483)
Transfer to intangible assets	10.2.3					749				749
Disposals					9	1 097				1 106
At end of the year			(670)	(266)	(2 484)	(11 612)	(354)	(1)		(15 387)
Accumulated impairment										
At beginning of the year					(32)	(87)			(1)	(120)
At end of the year					(32)	(87)			(1)	(120)
Net carrying amount at end of the year		537	439	518	8 150	25 859	370	1	1 352	37 226

[1] *Relates to hedging gains and losses and cost of hedging.*

Chapter 10:

Assets continued

10.1 PROPERTY, PLANT AND EQUIPMENT continued

10.1.3 Property, plant and equipment composition and analysis continued

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

10.1 PROPERTY, PLANT AND EQUIPMENT continued

10.1.3 Property, plant and equipment composition and analysis continued

		Company			
At 31 December 2023	Note	**Buildings and infra-structure Rm**	**Machinery, plant and equipment Rm**	**Assets under construction Rm**	**Total Rm**
Gross carrying amount					
At beginning of the year		1	972	145	1 118
Additions				20	20
Disposals			(76)	(40)	(116)
Transfer to intangible assets	10.2.3		(930)	(24)	(954)
Transfer between classes			94	(94)	
At end of the year		1	60	7	68
Accumulated depreciation					
At beginning of the year			(722)		(722)
Charges for the year	6.1.3		(137)		(137)
Disposals			78		78
Transfer to intangible assets	10.2.3		749		749
At end of the year			(32)		(32)
Net carrying amount at end of the year		1	28	7	36

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

10.1.4 Capital commitments

	Group		Company	
At 31 December	**2023 Rm**	**2022 Rm**	**2023 Rm**	**2022 Rm**
Contracted	4 115	3 749	1	7
Contracted for the group (owner-controlled)	2 115	1 614	1	7
Share of capital commitments of associates[1]	1 973	2 040		
Share of capital commitments of joint ventures[2]	27	95		
Authorised, but not contracted	2 287	2 322	179	67
Authorised but not contracted (owner-controlled)	2 287	2 322	179	67

[1] *31 December 2022 has been restated to include an amount of R1 173 million relating to Black Mountain.*
[2] *The share of capital commitments of equity-accounted investments line item has been represented to disclose the amounts on a disaggregated basis between associates and joint ventures. The share of capital commitments relating to Mafube was restated as it was not previously included in the aggregate amounts disclosed.*

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

10.2 INTANGIBLE ASSETS

10.2.1 Accounting policies relating to intangible assets

Goodwill

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

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

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

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

Patents, licenses, software and customer contracts

Patents, licenses, software and customer contracts are intangible assets with a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets under development are stated at cost and not amortised. On completion of development, all assets included in assets under development are reclassified to the appropriate class of assets.

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

	2023	2022
Customer contracts	16.3 and 16.4 years	16.3 and 16.4 years
Patents and licenses	1 to 25 years	1 to 25 years
Software	3 to 10 years	

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

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

Impairment testing of goodwill

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

The Cennergi CGU was assessed for impairment as at 31 December 2023 and 31 December 2022 as a result of the requirement to test goodwill annually for impairment. There were no indicators of impairment for the Cennergi CGU during the reporting period. No impairment charge was required as the recoverable amount, determined using fair value less costs of disposal, exceeded the carrying amount on 31 December 2023.

The recoverable amount was derived using a DCF model which is a Level 3 valuation technique in terms of the fair value hierarchy. The valuation has been performed in South African rand using the following information:
- Approved financial budgets covering a five year period
- Project financing models post the five year budget period up to the end of the contractual life of the power purchase agreements
- Extrapolated results for a further post contractual 10 year period, representing the expected additional economic life for which the wind farms are expected to operate.

10.2 INTANGIBLE ASSETS continued

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

Impairment testing of goodwill continued

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

Key assumptions	Management's approach used to determining the values	2023	2022
Discount rate:	Determined applying a risk free rate of return adjusted for risks inherent to the Cennergi CGU	10.53%	10.53%
Remaining life of Cennergi CGU:	The wind farms are expected to have a further operating capability of an additional 10 years post the existing power purchase agreements in accordance with technical engineering assessments. In addition, given the expected growth in demand for energy in South Africa, coupled with limited supply of energy, and in particular the worldwide drive towards energy supply to be from renewable sources, it is considered that there is a market with value post the existing power purchase agreements.	23.4 years	24.4 years
Gigawatt generation:	The Gigawatt generation assumption has been determined based on past experience, as well as environmental assessments of wind conditions and capability of the turbines.	668 GWh to 725 GWh	668 GWh to 730 GWh
Tariff escalation range:	The tariff is based on CPI escalation during the power purchase agreement term which has been determined based on past experience and from economist projected outlooks of CPI. For the post 10 year period the tariff has been set at a reduced constant expected CPI.	4.5%	4.5%

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

10.2.3 Intangible assets composition and analysis

		Group					
At 31 December 2023	**Note**	**Goodwill Rm**	**Customer contracts Rm**	**Patents and licences Rm**	**Software Rm**	**Intangible assets under development Rm**	**Total Rm**
Gross carrying amount							
At beginning of the year		521	2 685	36			3 242
Transfer from property, plant and equipment	10.1.3				930	24	954
Transfer between classes				5		(5)	
At end of the year		521	2 685	41	930	19	4 196
Accumulated amortisation							
At beginning of the year			(451)	(31)			(482)
Transfer from property, plant and equipment	10.1.3				(749)		(749)
Charges for the year	6.1.3		(164)	(3)	(8)		(175)
At end of the year			(615)	(34)	(757)		(1 406)
Net carrying amount at end of the year		521	2 070	7	173	19	2 790

10.2 INTANGIBLE ASSETS continued

10.2.3 Intangible assets composition and analysis continued

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

At 31 December 2023	Note	Company Intangible assets under development Rm	Software Rm	Patents and licences Rm	Total Rm
Gross carrying amount					
At beginning of the year				22	22
Transfer from property, plant and equipment	10.1.3	24	930		954
Transfer between classes		(5)		5	
At end of the year		19	930	27	976
Accumulated amortisation					
At beginning of the year				(20)	(20)
Charges for the year	6.1.3		(8)	(2)	(10)
Transfer from property, plant and equipment	10.1.3		(749)		(749)
At end of the year			(757)	(22)	(779)
Net carrying amount at end of the year		19	173	5	197

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

10.3 FINANCIAL ASSETS

10.3.1 Accounting policies relating to financial assets

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

10.3.2 Financial assets composition

		Group		Company	
At 31 December	Note	**2023 Rm**	**2022 Rm**	**2023 Rm**	**2022 Rm**
Non-current					
Financial assets at FVOCI		434	474		
Equity: unlisted – Chifeng[1]		434	474		
Financial assets at FVPL		3 839	2 607	38	35
Debt: unlisted – environmental rehabilitation funds		2 422	2 187	38	35
Debt: unlisted – portfolio investments		461	420		
Debt: unlisted – deposit facilities[2]		956			
Derivative financial assets designated as hedging instruments		2	11		
Cash flow hedge derivatives: interest rate swaps[3]		2	11		
Financial assets at amortised cost		341	447	3 214	4 395
ESD loans[4]		106	102	106	102
Vendor finance loan[5]		127	173	127	173
Interest-bearing loans to subsidiaries[6]	17.5			2 981	4 120
Other financial assets at amortised cost		108	172		
– Environmental rehabilitation funds		108	99		
– Deferred pricing receivable[7]			76		
– Impairment allowances			(3)		
Total non-current financial assets	16.3	4 616	3 539	3 252	4 430
Current					
Financial assets at FVPL		22	57		
Derivative financial assets		22	57		
Financial assets at amortised cost		188	319	1 976	1 997
ESD loans[4]		63	76	63	76
Vendor finance loan[5]		50	121	50	121
Interest-bearing loans to subsidiaries[6]	17.5			1 158	511
Non-interest-bearing loans to subsidiaries[8]	17.5			575	676
Treasury facilities with subsidiaries[9]	17.5			130	559
Other financial assets at amortised cost		75	122		54
– Deferred pricing receivable[7]		77	70		
– Deferred consideration receivable[10]			56		56
– Employee receivables		4	4	4	4
– Impairment allowances		(6)	(8)	(4)	(6)
Total current financial assets	16.3	210	376	1 976	1 997
Total financial assets		4 826	3 915	5 228	6 427

1 *Exxaro holds an 8.81% (2022: 8.81%) shareholding in Chifeng.*
2 *Deposit or credit facilities that are contractual arrangements with insurance providers with an initial five-year term and are used to cover insurance claims over the term of the contracts. The balance of the facility is refunded at the end of the term, net of fees, returns and claims incurred. Annual premiums are required to be placed in the facility over the term yielding returns on underlying fund portfolios.*
3 *Refer note 16.3.3.2.3.2.*
4 *Interest-free loans advanced to successful applicants in terms of the Exxaro ESD programme.*
5 *Vendor finance loan granted to Overlooked Colliery as part of the disposal of the ECC operation. The repayment terms were revised during 2022. The loan is unsecured, repayable from 1 October 2022 and bears interest at:*
– Prime Rate for the period 3 September 2021 to 30 September 2024
– Prime Rate plus 1 for the period 1 October 2024 to 30 September 2025
– Prime Rate plus 2 for the period 1 October 2025 to 30 September 2026
– Prime Rate plus 3 for the period 1 October 2026 to 30 September 2027.
6 *Includes back-to-back loans as well as other interest-bearing loans. Refer note 17.5 for details of the terms and conditions.*
7 *Relates to a deferred pricing adjustment which arose during 2017. The amount receivable will be settled over seven years (ending 2024) and bears interest at Prime Rate less 2%.*
8 *These loans are interest-free, unsecured and repayable on demand.*
9 *Treasury facilities with subsidiaries have no repayments terms and are repayable on demand. Interest is charged at money market rates.*
10 *Relates to deferred consideration receivable which arose on the disposal of the ECC operation.*

10.4 OTHER ASSETS

10.4.1 Other assets composition

	Group		Company	
At 31 December	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Non-current				
Reimbursements[1]	588	605		
Biological assets	33	38		
Lease receivables[2]	29	38		
Other	79	89	1	1
Total non-current other assets	729	770	1	1
Current				
VAT	37	31	4	
Diesel rebates	58	100		
Royalties	69	95		
Prepayments[3]	254	283	30	19
Lease receivables[2]	9	8		
Other	55	55	1	4
Total current other assets	482	572	35	23
Total other assets	1 211	1 342	36	24

1 Amounts recoverable from Eskom in respect of the rehabilitation, environmental expenditure and retirement employee obligation of the Matla operation at the end of LoM.
2 The lease relates to the upgrade of the Zeeland Water Treatment Works (in Lephalale, South Africa), of which Exxaro funds the capital for a period of 15 years. The municipality's share of the capital expenditure will be recovered through fixed monthly instalments over this period. The minimum lease instalments are payable monthly with no escalation and calculated at a rate of 14.3% (2022: 14.3%) per annum.
3 Includes an amount of R123 million (2022: nil) which relates to advance payments for assets under construction.

CHAPTER 11:
Leases

Chapter 11:
Leases

11.1 ACCOUNTING POLICIES RELATING TO LEASES

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

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

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

As lessee

a) Recognition

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

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

b) Measurement

i) Initial measurement

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

ii) Subsequent measurement

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

Useful lives	2023	2022
Land and buildings	10 to 30 years	10 to 30 years
Residential land and buildings	2 years	2 years
Buildings and infrastructure	3 to 10 years	3 to 10 years
Machinery, plant and equipment	3 to 5 years	3 to 5 years

Incremental borrowing rates	2023	2022
Lease term: greater than 12 but less than 18 months:		
Local	11.75%	7.85%
Foreign	1.35%	1.35%
Lease term greater than 18 months	10.25% to 10.87%	8.97% to 10.43%

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

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

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

a) Incremental borrowing rates

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

b) Extensions and termination options

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

11.3 RIGHT-OF-USE ASSETS

		Group				
At 31 December 2023	Note	**Land and buildings Rm**	**Residential land and buildings Rm**	**Buildings and infrastructure Rm**	**Machinery, plant and equipment Rm**	**Total Rm**
Gross carrying amount						
At beginning of the year		58	2	513	2	575
Additions	11.4			1	1	2
Remeasurement adjustments[1]	11.4	3		9		12
Lease expiry and terminations			(2)			(2)
Lease modification				1		1
Transfer to property, plant and equipment	10.1.3				(1)	(1)
At end of the year		61		524	2	587
Accumulated depreciation						
At beginning of the year		(5)	(2)	(215)	(1)	(223)
Charges for the year	6.1.3	(3)		(54)		(57)
Lease expiry and terminations			2			2
Lease modification				(1)		(1)
At end of the year		(8)		(270)	(1)	(279)
Net carrying amount at end of the year		53		254	1	308

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

		Group				
At 31 December 2022	Note	**Land and buildings Rm**	**Residential land and buildings Rm**	**Buildings and infrastructure Rm**	**Machinery, plant and equipment Rm**	**Total Rm**
Gross carrying amount						
At beginning of the year		54	2	511	3	570
Remeasurement adjustments[1]	11.4	4		6		10
Lease expiry and terminations				(4)	(1)	(5)
At end of the year		58	2	513	2	575
Accumulated depreciation						
At beginning of the year		(3)	(2)	(162)	(2)	(169)
Charges for the year	6.1.3	(2)		(56)		(58)
Lease expiry and terminations				3	1	4
At end of the year		(5)	(2)	(215)	(1)	(223)
Net carrying amount at end of the year		53		298	1	352

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

Chapter 11:
Leases continued

11.3 RIGHT-OF-USE ASSETS continued

At 31 December 2023	Note	Company Buildings and infrastructure Rm	Company Total Rm
Gross carrying amount			
At beginning of the year		497	497
Remeasurement adjustments[1]	11.4	7	7
Lease modification		(2)	(2)
At end of the year		502	502
Accumulated depreciation			
At beginning of the year		(201)	(201)
Charges for the year	6.1.3	(52)	(52)
At end of the year		(253)	(253)
Net carrying amount at end of the year		249	249

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

At 31 December 2022	Note	Company Buildings and infrastructure Rm	Company Total Rm
Gross carrying amount			
At beginning of the year		491	491
Additions	11.4	1	1
Remeasurement adjustments[1]	11.4	5	5
At end of the year		497	497
Accumulated depreciation			
At beginning of the year		(149)	(149)
Charges for the year	6.1.3	(52)	(52)
At end of the year		(201)	(201)
Net carrying amount at end of the year		296	296

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

11.4 LEASE LIABILITIES

At 31 December	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Non-current	400	438	336	376
Current	51	40	47	37
Total lease liabilities	451	478	383	413
Summary of lease liabilities by period of redemption[1]:				
Less than six months	24	19	22	17
Six to 12 months	27	21	25	20
Between one and two years	62	51	59	48
Between two and three years	76	62	73	60
Between three and four years	81	66	80	65
Between four and five years	98	81	97	80
Over five years	83	178	27	123
Total lease liabilities	451	478	383	413

[1] *Refer note 16.3.3.3 for details of the undiscounted contractual cash flow maturities.*

At 31 December	Note	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Analysis of movement in lease liabilities					
At beginning of the year		478	504	413	438
New leases	11.3	2			
Lease terminations			(3)		
Lease remeasurement adjustments	11.3	12	10	7	5
Interest not paid (accrued)	12.1.2		1		
Other					(1)
Capital repayments		(41)	(34)	(37)	(29)
– Lease payments		(89)	(83)	(78)	(73)
– Interest charges	12.1.2	48	49	41	44
At end of the year		451	478	383	413

CHAPTER 12:
Funding

Chapter 12:
Funding

12.1 DEBT

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

Borrowing costs, finance income and other financing expenses

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

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

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

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

Fees and commission

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

Loans and borrowings

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

12.1.2 Net financing income/(costs)

		Group		Company	
For the year ended 31 December	Note	**2023 Rm**	**2022 Rm**	**2023 Rm**	**2022 Rm**
Finance income		1 570	694	1 313	566
Interest income relating to:		1 579	699	1 313	566
– Financial assets at amortised cost		42	70	24	26
– Cash and cash equivalents		1 439	612	1 288	540
– Financial assets at FVPL		61	10		
– Non-financial assets		31		1	
– Finance leases		6	7		
Reimbursement of interest income on environmental rehabilitation funds		(9)	(6)		
Commitment fee income			1		
Finance costs		(1 252)	(1 052)	(1 543)	(3 517)
Interest expense relating to:		(1 068)	(833)	(1 533)	(3 508)
– Interest-bearing borrowings		(982)	(765)	(439)	(366)
– Financial liabilities at amortised cost		(14)			
– Bank overdrafts			(1)		(1)
– Non-financial liabilities		(24)	(17)		
– Indebtedness by subsidiaries	17.3			(1 053)	(3 097)
– Lease liabilities	11.4	(48)	(50)	(41)	(44)
Net fair value gains/(losses) on interest rate swaps designated as cash flow hedges: recycled from OCI		20	(97)		
– Realised fair value loss		(44)	(163)		
– Unrealised fair value gain		64	66		
Unwinding of discount rate on rehabilitation costs	13.3	(244)	(228)	(5)	(3)
Recovery of unwinding of discount rate on rehabilitation costs		28	30		
Amortisation of transaction costs		(5)	(6)	(5)	(6)
Borrowing costs capitalised[1]	10.1.3	17	82		
Total net financing income/(costs)		318	(358)	(230)	(2 951)
[1] *Borrowing costs capitalisation rate:*		*9.93%*	*6.09%*		

Chapter 12:
Funding continued

12.1 DEBT continued

12.1.3 Interest-bearing borrowings

At 31 December	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Non-current[1]	7 480	8 378	2 945	4 034
Loan facility	2 945	3 391	2 945	3 391
Project financing[2]	4 535	4 344		
Bonds[3]		643		643
Current[4]	1 443	715	1 153	505
Loan facility	507	502	507	502
Project financing[2]	290	210		
Bonds[3]	646	3	646	3
Total interest-bearing borrowings	8 923	9 093	4 098	4 539
Summary of interest-bearing borrowings by period of redemption[5]:				
Less than six months	1 074	377	930	283
Six to 12 months	369	338	223	222
Between one and two years	794	1 361	446	1 089
Between two and three years	2 948	795	2 499	446
Between three and four years	556	2 947		2 499
Between four and five years	682	554		
Over five years	2 500	2 721		
Total interest-bearing borrowings	8 923	9 093	4 098	4 539
[1] The non-current portion represents:	*7 480*	*8 378*	*2 945*	*4 034*
– Capital	*7 497*	*8 387*	*2 950*	*4 043*
– Reduced by the amortisation of transaction costs	*(17)*	*(9)*	*(5)*	*(9)*
[2] Interest-bearing borrowings relating to the energy operations.				
[3] The R643 million senior unsecured floating rate note will mature in June 2024.				
[4] The current portion represents:	*1 443*	*715*	*1 153*	*505*
– Capital	*1 379*	*657*	*1 093*	*450*
– Interest capitalised	*69*	*63*	*64*	*60*
– Reduced by the amortisation of transaction costs	*(5)*	*(5)*	*(4)*	*(5)*
[5] Refer note 16.3.3.3 for details of the undiscounted contractual cash flow maturities.				

At 31 December	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Analysis of movement in interest-bearing borrowings				
At beginning of the year	9 093	10 255	4 539	5 555
Interest-bearing borrowings raised	489			
Interest-bearing borrowings repaid	(658)	(1 181)	(450)	(1 032)
Interest expense	982	765	439	366
Interest paid	(975)	(752)	(435)	(356)
Capitalisation of transaction costs	(13)			
Amortisation of transaction costs	5	6	5	6
At end of the year	8 923	9 093	4 098	4 539

12.1 DEBT continued

12.1.4 Salient terms and conditions of interest-bearing borrowings

Borrower	Instrument		Security	Interest payment basis	Debt assumed date
Loan facility					
Exxaro	Bullet term loan	2023	Unsecured	Floating	26 April 2021
		2022			
	Amortised term loan	2023	Unsecured	Floating	26 April 2021
		2022			
	Revolving credit facility	2023	Unsecured	Floating	26 April 2021
		2022			
Project financing					
Amakhala SPV	Term loan and reserve facility	2023	Secured	Floating	1 April 2020
		2022			
	Term loan	2023	Secured	Fixed	1 April 2020
		2022			
Tsitsikamma SPV	Term loan and reserve facility	2023	Secured	Floating	1 April 2020
		2022			
LSP SPV	Term loan and reserve facility	2023	Secured	Floating	11 July 2023
	Revolving credit facility	2023	Secured	Floating	11 July 2023
DMTN Programme (bonds)					
Exxaro	R643 million senior unsecured floating rate note	2023	Unsecured	Floating	13 June 2019
		2022			

Financial covenants

Loan facility

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

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

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

Project financing

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

The project financing is subject to the following financial covenants which have been achieved for both 2023 and 2022:

Tsitsikamma SPV

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

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

Borrower	Maturity date	Carrying value (Rm)	Undrawn portion (Rm)	Interest rate Base rate	Interest rate Margin	Effective rate for transaction costs
Loan facility						
Exxaro	26 April 2026	2 539	nil	3-month JIBAR	240 basis points (2.40%)	0.11%
		2 529	nil		240 basis points (2.40%)	0.11%
	26 April 2026	913	nil	3-month JIBAR	230 basis points (2.30%)	0.10%
		1 364	nil		230 basis points (2.30%)	0.14%
	26 April 2026	nil	3 250	1-month JIBAR	265 basis points (2.65%)	N/A
		nil	3 250		265 basis points (2.65%)	N/A
Project financing						
Amakhala SPV	30 June 3031	2 504	273	3-month JIBAR	371 to 683 basis points (3.71% to 6.83%)	N/A
		2 611	273		371 to 685 basis points (3.71% to 6.85%)	N/A
	30 June 3031	135	nil	9.46% up to 30 June 2026, thereafter 3-month JIBAR	360 to 670 basis points (3.60% to 6.70%)	N/A
		141	nil		360 to 670 basis points (3.60% to 6.70%)	N/A
Tsitsikamma SPV	31 December 2030	1 709	155	3-month JIBAR	277 basis points (2.77%)	N/A
		1 802	137		278 basis points (2.78%)	N/A
LSP SPV	31 December 2042	463	803	3-month JIBAR	250 to 360 basis points (2.50% to 3.60%)	0.01% were applicable
	31 December 2024	14	36	3-month JIBAR	180 basis points (1.80%)	N/A
DMTN Programme (bonds)						
Exxaro	13 June 2024	646	nil	3-month JIBAR	189 basis points (1.89%)	N/A
		646	nil		189 basis points (1.89%)	N/A

Amakhala SPV

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

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

LSP SPV

There are no financial covenants to be reported on at 31 December 2023 as the LSP project is in the construction phase. Financial covenants will become effective on the Commercial Operations Date.

12.1 DEBT continued

12.1.5 Net cash/(debt)

Net cash is presented by the following items on the statement of financial position:

	Group	
	2023 Rm	2022 Rm
Non-current interest-bearing debt	(7 880)	(8 816)
Interest-bearing borrowings	(7 480)	(8 378)
Lease liabilities	(400)	(438)
Current interest-bearing debt	(1 494)	(755)
Interest-bearing borrowings	(1 443)	(715)
Lease liabilities	(51)	(40)
Cash and cash equivalents	19 859	14 812
Cash and cash equivalents	19 859	14 812
Total net cash	10 485	5 241

12.1 DEBT continued

12.1.5 Net cash/(debt) continued

Analysis of movement in net cash/(debt):

	Group			
		Liabilities arising from financing activities		
	Cash and cash equivalents/ (overdraft) Rm	Non-current interest-bearing debt Rm	Current interest-bearing debt Rm	Total Rm
Net debt at 31 December 2021	7 041	(9 725)	(1 034)	(3 718)
Cash flows	7 783	225	990	8 998
Operating activities	14 410			14 410
Investing activities	3 990			3 990
Financing activities	(10 617)	225	990	(9 402)
– Interest-bearing borrowings repaid	(1 181)	225	956	
– Lease liabilities paid	(34)		34	
– Dividends paid to owners of the parent	(6 686)			(6 686)
– Dividends paid to NCI BEE Parties	(2 237)			(2 237)
– Dividends paid to NCI of Tsitsikamma SPV	(37)			(37)
– Distributions to NCI share option holders	(1)			(1)
– Shares acquired in the market to settle share-based payments	(441)			(441)
Non-cash movements		684	(711)	(27)
Amortisation of transaction costs			(6)	(6)
Interest accrued		(1)	(13)	(14)
Lease remeasurements and modifications		(7)		(7)
Transfers between non-current and current liabilities		692	(692)	-
Translation difference on movement in cash and cash equivalents	(12)			(12)
Net cash at 31 December 2022	14 812	(8 816)	(755)	5 241
Cash flows	4 946	(462)	685	5 169
Operating activities	11 129			11 129
Investing activities	2 045			2 045
Financing activities	(8 228)	(462)	685	(8 005)
– Interest-bearing borrowings raised	489	(475)	(14)	
– Interest-bearing borrowings repaid	(658)		658	
– Transaction costs paid on interest-bearing borrowings raised	(13)	13		
– Lease liabilities paid	(41)		41	
– Dividends paid to owners of the parent	(5 505)			(5 505)
– Dividends paid to NCI BEE Parties	(1 831)			(1 831)
– Dividends paid to NCI of Tsitsikamma SPV	(24)			(24)
– Shares acquired in the market to settle share-based payments	(645)			(645)
Non-cash movements		1 398	(1 424)	(26)
Amortisation of transaction costs			(5)	(5)
Interest accrued			(7)	(7)
Lease remeasurements, modifications and new leases		(14)		(14)
Transfers between non-current and current liabilities		1 412	(1 412)	
Translation difference on movement in cash and cash equivalents	101			101
Net cash at 31 December 2023	19 859	(7 880)	(1 494)	10 485

12.1 DEBT continued

12.1.5 Net cash/(debt) continued

Net cash is presented by the following items on the statement of financial position:

	Company 2023 Rm	Company 2022 Rm
Non-current interest-bearing debt	(3 281)	(4 410)
Interest-bearing borrowings	(2 945)	(4 034)
Lease liabilities	(336)	(376)
Current interest-bearing debt	(1 200)	(542)
Interest-bearing borrowings	(1 153)	(505)
Lease liabilities	(47)	(37)
Cash and cash equivalents	17 151	13 366
Cash and cash equivalents	17 151	13 366
Total net cash	12 670	8 414

Analysis of movement in net cash/(debt):

	Company			
		Liabilities arising from financing activities		
	Cash and cash equivalents/ (overdraft) Rm	Non-current interest-bearing debt Rm	Current interest-bearing debt Rm	Total Rm
Net debt at 31 December 2021	4 867	(5 112)	(880)	(1 125)
Cash flows	8 511	225	836	9 572
Operating activities	18 671			18 671
Investing activities	861			861
Financing activities	(11 021)	225	836	(9 960)
– Interest-bearing borrowings repaid	(1 032)	225	807	
– Lease liabilities paid	(29)		29	
– Dividends paid	(9 669)			(9 669)
– Shares acquired in the market to settle share-based payments	(291)			(291)
Non-cash movements		477	(498)	(21)
Amortisation of transaction costs			(6)	(6)
Interest accrued			(10)	(10)
Lease remeasurements		(5)		(5)
Transfers between non-current and current liabilities		482	(482)	-
Translation difference on movement in cash and cash equivalents	(12)			(12)
Net cash at 31 December 2022	13 366	(4 410)	(542)	8 414
Cash flows	3 731		487	4 218
Operating activities	11 951			11 951
Investing activities	630			630
Financing activities	(8 850)		487	(8 363)
– Interest-bearing borrowings repaid	(450)		450	
– Lease liabilities paid	(37)		37	
– Dividends paid	(7 961)			(7 961)
– Shares acquired in the market to settle share-based payments	(402)			(402)
Non-cash movements		1 129	(1 145)	(16)
Amortisation of transaction costs			(5)	(5)
Interest accrued			(4)	(4)
Lease remeasurements		(7)		(7)
Transfers between non-current and current liabilities		1 136	(1 136)	
Translation difference on movement in cash and cash equivalents	54			54
Net cash at 31 December 2023	17 151	(3 281)	(1 200)	12 670

12.1 DEBT continued

12.1.6 Notes to the statements of cash flows relating to net financing costs received/(paid)

For the year ended 31 December	Note	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Interest received		1 525	650	1 315	566
Finance income	12.1.2	1 570	694	1 313	566
Non-cash flow items					
– Interest income accrued not yet received		(48)	(43)	2	
– Reimbursement of interest income on environmental rehabilitation funds	12.1.2	9	6		
– Finance lease interest income adjustment	12.1.2	(6)	(7)		
Interest paid		(1 100)	(982)	(1 529)	(3 498)
Finance costs	12.1.2	(1 252)	(1 052)	(1 543)	(3 517)
Non-cash flow items					
– Unwinding of discount rate on rehabilitation costs	12.1.2	244	228	5	3
– Recovery of unwinding of discount rate on rehabilitation costs	12.1.2	(28)	(30)		
– Amortisation of transaction costs	12.1.2	5	6	5	6
– Borrowing costs capitalised	12.1.2	(17)	(82)		
– Unrealised fair value gain on interest rate swaps designated as cash flow hedges: recycled from OCI	12.1.2	(64)	(66)		
– Finance costs capitalised to loans less finance costs paid and interest accrued not yet paid		12	14	4	10
Net financing costs received/(paid)		425	(332)	(214)	(2 932)

12.1.7 Financial liabilities composition

At 31 December	Note	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Non-current					
Derivative financial liabilities designated as hedging instruments		127	112		
– Cash flow hedge derivatives: interest rate swaps[1]		127	112		
Total non-current financial liabilities	16.3	127	112		
Current					
Financial liabilities at FVPL			5		
– Derivative financial liabilities			5		
Derivative financial liabilities designated as hedging instruments		14			
– Cash flow hedge derivatives: FECs[1]		14			
Financial liabilities at amortised cost				15 606	12 059
– Non-interest-bearing loans from subsidiaries[2]	17.5			769	85
– Treasury facilities with subsidiaries[3]	17.5			14 837	11 974
Total current financial liabilities	16.3	14	5	15 606	12 059
Total financial liabilities		141	117	15 606	12 059

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

12.1 DEBT continued

12.1.8 Other liabilities composition

At 31 December	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Non-current				
Long-term incentives	10			
Income received in advance	25	26		
Total non-current other liabilities	35	26		
Current				
Leave pay	250	234	26	25
Bonuses	280	362	73	161
VAT	99	61		5
Royalties	40			
Carbon tax	3	3		
Customer advance payments	4	3		
Other	111	107	15	29
Total current other liabilities	787	770	114	220
Total other liabilities	822	796	114	220

12.2 EQUITY

12.2.1 Accounting policy relating to share capital

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

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

12.2.2 Share capital

At 31 December	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Authorised				
500 000 000 (2022: 500 000 000) ordinary shares of R0.01 each[1]	5	5	5	5
Issued and fully paid				
349 305 092 (2022: 349 305 092) ordinary shares of R0.01 each	3	3	3	3
Share premium	11 224	11 224	11 224	11 224
Treasury shares held by Eyesizwe	(10 242)	(10 242)		
Treasury shares held by Kumba Resources Management Share Trust	(2)	(2)		
Total share capital	983	983	11 227	11 227
[1] *Authorised unissued ordinary shares at year end (number of shares)*			*150 694 908*	*150 694 908*

Treasury shares in issue	Group Number of shares 2023	Group Number of shares 2022
Held by Kumba Resources Management Share Trust	158 218	158 218
Held by Eyesizwe	107 612 026	107 612 026
Treasury shares in issue at end of the year	107 770 244	107 770 244

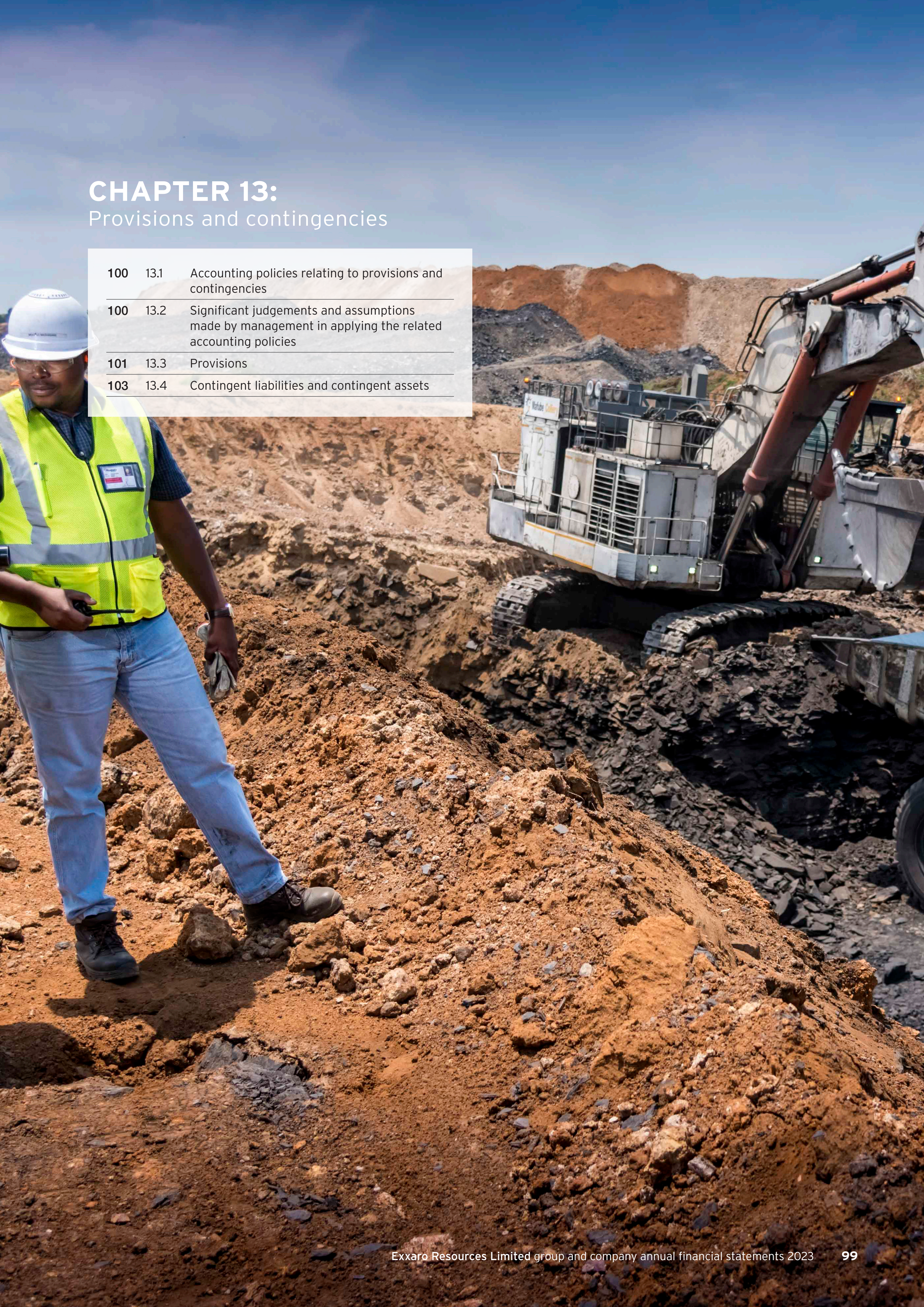
Exxaro's issued ordinary shares, net of treasury shares were 241 534 848 on 31 December 2023 (2022: 241 534 848).

Refer to the notice of the AGM for resolutions pertaining to the unissued ordinary shares under the control of the directors until the forthcoming AGM.

Exxaro has no unlisted securities.

12.2.3 Share repurchases

Exxaro had no share repurchase transactions during 2023 nor 2022.



CHAPTER 13:
Provisions and contingencies

Chapter 13:
Provisions and contingencies

13.1 ACCOUNTING POLICIES RELATING TO PROVISIONS AND CONTINGENCIES

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

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

Environmental rehabilitation

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

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

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

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

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

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

Other site closure cost

The provision includes estimates for cost at mines in closure, expected to be incurred in supporting execution of rehabilitation activities as per the approved rehabilitation plan for each site.

Key assumptions

	At 31 December	
	2023	**2022**
Long-term PPI (%)	4.8	4.8
Risk-free discount rate[1]		
– Period of discounting: 1 to 5 years (%)	8.98	8.91
– Period of discounting: 6 to 15 years (%)	12.26	11.08
– Period of discounting: 16 to 35 years (%)	12.53	11.60
LoM (years)	0 to 34	0 to 35

[1] *Excluding post-closure cost discounting.*

Sensitivities

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

	At 31 December	
	2023 Rm	**2022 Rm**
Increase/(decrease) in net operating profit:		
Resulting from a 1% increase in discount rate	156	195
Resulting from a 1% decrease in discount rate	(169)	(218)
Increase/(decrease) in environmental rehabilitation provisions:		
Resulting from a 1% increase in discount rate	(225)	(300)
Resulting from a 1% decrease in discount rate	249	338

Chapter 13:

Provisions and contingencies continued

13.3 PROVISIONS

At 31 December 2023	Note	Group – Environmental rehabilitation – Restoration Rm	Decommis-sioning Rm	Residual impact Rm	Other site closure cost Rm	Other[1] Rm	Total Rm
At beginning of the year		1 682	305	832	118	4	2 941
Charge/(reversal) to operating expenses	6.1.3	10	(81)	122	19		70
Unwinding of discount rate on rehabilitation costs	12.1.2	178	32	24	10		244
Provisions capitalised to property, plant and equipment	10.1.3		2				2
Utilised during the year		(47)		(3)	(20)	(2)	(72)
Total provisions at end of the year		1 823	258	975	127	2	3 185
Non-current		1 692	257	908	106		2 963
Current		131	1	67	21	2	222

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

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

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

13.3 PROVISIONS continued

At 31 December 2023	Note	Company Environmental rehabilitation Restoration Rm	Total Rm
At beginning of the year		49	49
Reversal to operating expenses	6.1.3	(1)	(1)
Unwinding of discount rate on rehabilitation costs	12.1.2	5	5
Total provisions at end of the year		53	53
Non-current		53	53

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

Funding

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

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

At 31 December	Note	Group 2023 Rm	2022 Rm
Total environmental provisions		(3 056)	(2 819)
Present value of unscheduled restoration and decommissioning costs discounted over LoM		(2 081)	(1 987)
Present value of unscheduled post-closure residual impact costs discounted over LoM and five years of rehabilitation		(975)	(832)
Environmental rehabilitation funds in trust[1]	10.3.2	2 530	2 286
Financial guarantees ceded to the DMRE	13.4.1	3 552	3 606
Current funding excess		3 026	3 073

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

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

At 31 December	Group 2023 Rm	2022 Rm
Estimated unscheduled restoration and decommissioning closure costs	(7 576)	(7 105)
Estimated unscheduled post-closure residual impact cost	(1 751)	(1 322)

13.4 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

13.4.1 Contingent liabilities

At 31 December	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Pending litigation and other claims[1]	112	313		
Operational guarantees[2]	4 183	3 834	608	206
– Financial guarantees ceded to the DMRE	3 552	3 606		
– Other financial guarantees[3]	631	228	608	206
Total contingent liabilities	4 295	4 147	608	206

[1] *Relates to commercial disputes of which the outcome is uncertain.*
[2] *Includes guarantees to banks and other institutions in the normal course of business from which it is anticipated that no material liabilities will arise.*
[3] *2023: Includes a guarantee of R405 million in relation to the LSP project.*

On 23 November 2023, Exxaro received service of an application seeking the permission of the High Court of South Africa to certify classes for purposes of a class action for damages against Exxaro and two of its subsidiaries, being Exxaro Coal Proprietary Limited and Exxaro Coal Mpumalanga Proprietary Limited, as well as its joint venture, being Mafube. The application is brought by 27 applicants, comprising of current and former mine workers who state they have contracted coal mine dust lung disease, alternatively, by the dependants of mineworkers whose deaths they state are probably attributable to coal mine dust lung disease, contracted on certain coal mines during specified time periods. They seek to hold the respondents liable on the basis that the respondents are alleged to have owned, controlled, managed or operated the mines or employed the mineworkers at those mines.

Following legal advice, Exxaro delivered its notice of intention to oppose the certification application. Exxaro will continue to address the claim in a responsible manner.

In August 2023, a farmer adjacent to the Durnacol mine-in-closure in Kwa-Zulu Natal reported white precipitate observed in the Kalbas river as well as in underground water surfacing in that area. After investigation by Exxaro internal specialists, it was confirmed that decanting commenced in that area. Even though an obligation to treat the water existed on 31 December 2023, the best water-treatment plan for Durnacol is still being investigated making the measurement and timing of the possible outflows uncertain.

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

Share of equity-accounted investments' contingent liabilities

At 31 December	Group 2023 Rm	Group 2022 Rm
Share of contingent liabilities of equity-accounted investments	1 427	1 354

13.4.2 Contingent assets

At 31 December	Group 2023 Rm	Group 2022 Rm
Back-to-back guarantees	134	134
Other[1]	54	117
Total contingent assets	188	251

[1] *Relates to performance guarantees issued to Exxaro in terms of various capital project agreements.*

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

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

CHAPTER 14:
People

Chapter 14:
People

14.1 ACCOUNTING POLICIES RELATING TO EMPLOYEE BENEFITS

14.1.1 Retirement employee benefits

Defined contribution plans

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

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

Defined benefit obligations

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

14.1.2 Short and long-term benefits

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

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

14.1.3 Termination benefits

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

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

14.1.4 Equity compensation benefits

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

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

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

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

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

IFRS 2 *Share-Based Payment*

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

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

IAS 19 *Employee Benefits*

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

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

14.3 EMPLOYEE BENEFITS

14.3.1 Retirement funds

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

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

- Exxaro Provident Fund (the previous Exxaro Pension Fund and Exxaro Provident Fund were consolidated into one fund during 2023)
- Mine Workers Provident Fund
- Sentinel Retirement Fund.

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

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

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

Defined contribution funds

Employer contributions to each fund were as follows:

	Group		Company	
	2023 Rm	**2022 Rm**	**2023 Rm**	**2022 Rm**
Exxaro Provident Fund	204	192	38	39
Mine Workers Provident Fund	63	60		
Sentinel Retirement Fund	81	76	4	3
Total employer contributions	348	328	42	42

14.3.2 Medical aid

Contributions are made to defined contribution medical aid schemes for the benefit of permanent employees and their dependants who choose to belong to one of a number of employer accredited schemes. The contributions expensed in profit or loss amount to R198 million (2022: R181 million).

14.3.3 Incentive schemes

14.3.3.1 Short-term incentives

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

- Group incentive scheme (GIS)
- Line of sight (LOS) incentive scheme
- Energy business annual incentive scheme

GIS salient features

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

The scheme rewards the achievement of annual goals, which in turn are aligned to the medium and longer-term business strategy. All participants will receive payments that reflect annual achievements when performance targets and funding requirements are met. Annual goals are apportioned in the ratio of 80% to business performance (based on financial, operational and strategic, as well as safety and climate change KPIs) and 20% to individual performance.

Participants are paid annually.

LOS salient features

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

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

14.3 EMPLOYEE BENEFITS continued

14.3.3 Incentive schemes continued

14.3.3.1 Short-term incentives continued

Energy business annual incentive scheme

Participants include the employees of the energy business. The scheme rewards the achievement of strategic objectives of the business by measuring certain strategic and financial targets. All participants will receive payments that reflect annual achievements when performance targets and funding requirements are met.

Participants are paid annually.

14.3.3.2 Long-term incentives

The following long-term incentive scheme is in place:
- Energy business value appreciation rights plan (VARP)

Energy business VARP

The scheme aims to incentivise the executive to middle management level employees of the energy business to drive particular financial measures linked to value creation, encourage long-term focus on sustainable growth and to attract the right talent.

The scheme vests in tranches of a third, annually in years three, four and five. The vesting of each tranche is subject to meeting conditions of employment and a performance milestone relevant for each portion thereof.

14.3.4 Equity compensation benefits

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

LTIP

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

Participants in the 2023 and 2022 LTIP grant obtained the right (provided performance conditions are met) to receive a number of Exxaro shares. The vesting of the award is based on:
- 33.33%: ROCE of the group and is calculated for a minimum and maximum performance condition
- 33.33%: The TSR of the group and is calculated for a minimum and maximum performance condition
- 33.34%: The achievement of ESG targets based on the FTSE Russel Index.

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

DBP

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

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

14.3 EMPLOYEE BENEFITS continued

14.3.4 Equity compensation benefits continued

Details of the schemes:

Number of instruments		LTIP 2023 '000	LTIP 2022 '000	DBP 2023 '000	DBP 2022 '000
Outstanding at beginning of the year		7 354	8 376	133	191
Issued during the year		2 367	2 002	53	41
Exercised during the year		(3 334)	(1 868)	(59)	(75)
Lapsed/cancelled during the year		(667)	(1 156)	(16)	(24)
Outstanding at end of the year		5 720	7 354	111	133
Terms of outstanding instruments at end of the year	Expiry date				
	2023		3 426		60
	2024	1 878	2 104	41	45
	2025	1 646	1 824	23	28
	2026	2 196		47	
		5 720	7 354	111	133
Total value of shares outstanding (Rm)		1 170	1 596	23	29

Fair value of equity compensation instruments

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

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

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

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

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

The key assumptions are summarised as follows:

	2023	2022
Average fair value for grants during the year (Rand per grant):		
LTIP	112.11	136.46
DBP	130.14	148.67
Inputs to the valuation models for:		
LTIP		
– Share price at valuation date (Rand per share)	186.55	230.23
– Weighted average option life (years)	3	3
– Semi-annual dividend yield (%)	4.23 to 6.96	5.08 to 6.75
– Risk-free interest rate (%)	7.76	6.39
– Exxaro equity equally weighted volatility (%)	39.67	40.53
– TSR peer companies equally weighted volatility (%)	42.49	50.24
DBP		
– Share price at valuation date (Rand per share)	186.55	212.28 and 221.53
– Weighted average option life (years)	3	3
– Semi-annual dividend yield (%)	4.23 to 6.96	5.19 to 7.03
– Risk-free interest rate (%)	7.76	6.24 to 6.39

14.4 RETIREMENT EMPLOYEE OBLIGATIONS

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

Exxaro Coal Mpumalanga Proprietary Limited's contribution to the retirement healthcare benefit of employees for the year ended 31 December 2023 amounts to R9.4 million (2022: R8 million).

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

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

		Group	
At 31 December	Note	**2023 Rm**	**2022 Rm**
At beginning of the year		165	159
Charge to operating expenses	6.1.3	11	9
– Current and past service costs		2	(1)
– Interest expense		20	20
– Expected employer benefit payments		(11)	(10)
Remeasurements[1]			(3)
At end of the year		176	165

[1] *Tax on remeasurements amounts to nil (2022: nil).*

The defined benefit medical obligation is composed by country as follows:		
– RSA	176	165
Present value of unfunded obligations	176	165
The actuarial assumptions were as follows:		
Discount rate (%)	12.8	12.8
Healthcare cost inflation (%)	8.8	8.8
Expected retirement age (years)	60	60

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

14.5.1 Remuneration policy

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

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

14.5.2 Summary of remuneration

	NCOE/guaranteed remuneration plus circumstantial			Short term incentives	Long term incentives
2023	Basic salary R	Benefits and allowances[1] R	Retirement fund contributions R	Performance bonuses[2] R	Gains on management share schemes R
Executive directors					
N Tsengwa	7 942 454	307 754	640 422	4 359 964	12 352 870
PA Koppeschaar	5 978 529	230 784	493 080	2 364 604	16 841 852
Total executive directors' remuneration	13 920 983	538 538	1 133 502	6 724 568	29 194 722
Prescribed officers					
H Bhola[8]	2 151 310	271 685	197 875		3 373 356
AS de Angelis[9]	1 919 566	43 633	137 638	618 150	6 727 930
L Groenewald[10]	4 483 150	145 844	441 921	3 203 299	6 905 039
RE Lilleike[11]	1 065 395	13 339	77 304		
PK Masia	5 060 073		408 165	1 929 194	
JG Meyer	4 073 907	346 513	389 933	1 357 674	5 036 546
MI Mthenjane[12]	2 558 475	65 396	209 949		7 848 945
AT Ndoni	2 825 232	71 386	196 748	797 073	
JA Rock[13]	875 923		63 136		
M Veti	4 072 757		373 354	1 254 870	7 725 257
Total prescribed officers' remuneration	29 085 788	957 796	2 496 023	9 160 260	37 617 073

2023	Fees for services R	Benefits and allowances[14] R	Fees for services rendered to subsidiaries R	Total R
Non-executive directors				
GJ Fraser-Moleketi	1 423 075			1 423 075
KM Ireton	800 011			800 011
B Magara	897 586			897 586
B Mawasha	885 625			885 625
IN Malevu	685 337			685 337
L Mbatha	681 040		70 068	751 108
M Medupe[15]	829 565			829 565
P Mnganga	1 001 950			1 001 950
VZ Mntambo	684 262			684 262
LI Mophatlane[16]	525 499			525 499
MLB Msimang	851 536			851 536
V Nkonyeni[16]	462 885			462 885
CJ Nxumalo	1 072 369			1 072 369
MG Qhena (Chairman)	2 301 119			2 301 119
PCCH Snyders	1 238 558	8 541		1 247 099
Total non-executive directors' remuneration	14 340 417	8 541	70 068	14 419 026

Other				Long-term incentives			
Exit payment paid[3] R	Recognition[4] R	Other[5] R	Total remuneration R	VARP expense[6] R	Share-based payment expense[7] R	Gains on management share schemes R	Total remuneration expense R
	63 460		25 666 924		10 200 448	(12 352 870)	23 514 502
	2 760		25 911 609		5 623 616	(16 841 852)	14 693 373
	66 220		51 578 533		15 824 064	(29 194 722)	38 207 875
	2 760	291 182	6 288 168		1 307 136	(3 373 356)	4 221 948
1 771 596	3 760	208 186	11 430 459		2 261 770	(6 727 930)	6 964 299
	2 760		15 182 013	3 276 180	1 892 191	(6 905 039)	13 445 345
		1 200 000	2 356 038		308 287		2 664 325
	2 314		7 399 746		3 686 001		11 085 747
	2 760		11 207 333		2 826 144	(5 036 546)	8 996 931
	3 760	492 862	11 179 387		(1 561 347)	(7 848 945)	1 769 095
	2 760	722 290	4 615 489		1 261 745		5 877 234
		2 766 357	3 705 416		167 556		3 872 972
	63 460		13 489 698		2 969 195	(7 725 257)	8 733 636
1 771 596	84 334	5 680 877	86 853 747	3 276 180	15 118 678	(37 617 073)	67 631 532

1 *Includes leave days purchased as well as travel and acting allowances.*
2 *All incentive schemes are performance based and were approved by the board of directors.*
3 *Includes severance package.*
4 *Includes long service awards and LTIFR rewards.*
5 *Includes leave encashments, sign-on bonuses and retention allowances.*
6 *Relates to the energy business VARP long-term incentive.*
7 *Amount recognised for share-based payment expenses, in terms of IFRS 2, in respect of equity-settled share-based payment schemes for services rendered during the year. The employee will only be entitled to the options once all vesting conditions have been met.*
8 *Ceased to be acting executive head: human resources on 16 October 2023. Remuneration information relates to the period until resignation on 30 November 2023.*
9 *Accepted a voluntary severance package on 31 July 2023*
10 *Appointed as managing director: energy on 1 April 2023 after acting in the position since 16 August 2022. Remuneration information relates to the full year.*
11 *Appointed as chief growth officer on 1 October 2023.*
12 *Resigned on 18 August 2023.*
13 *Appointed as chief people and performance officer on 16 October 2023.*
14 *Traveling reimbursements for visiting various operations of the company during the year.*
15 *Appointed on 3 January 2023.*
16 *Retired on 18 May 2023.*

Retirement amounts relate to defined contribution retirement funds.

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.2 Summary of remuneration continued

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

2022	Fees for services R	Benefits and allowances[13] R	Fees for services rendered to subsidiaries R	Total R
Non-executive directors				
GJ Fraser-Moleketi	1 341 322			1 341 322
KM Ireton[14]	550 142			550 142
B Magara[14]	550 577			550 577
B Mawasha[14]	655 316			655 316
IN Malevu	629 194			629 194
L Mbatha	652 318		88 136	740 454
P Mnganga[14]	662 442			662 442
VZ Mntambo	652 754		116 696	769 450
LI Mophatlane	1 217 826	3 253		1 221 079
MLB Msimang	848 293			848 293
EJ Myburgh[15]	527 452			527 452
V Nkonyeni	1 067 868			1 067 868
CJ Nxumalo	1 028 084			1 028 084
MG Qhena (Chairman)	2 198 914	22 168		2 221 082
PCCH Snyders	1 177 614			1 177 614
Total non-executive directors' remuneration	13 760 116	25 421	204 832	13 990 369

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

Retirement amounts relate to defined contribution retirement funds.

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

14.5.3 Interests in Exxaro shares

(i) Number of shares

Directors at 31 December	2023 Direct	2023 Indirect	2022 Direct	2022 Indirect
Beneficial interests				
PA Koppeschaar	74 446	1 774	68 846	7 374
VZ Mntambo		4 448 839		4 448 839
N Tsengwa	135 712	3 359	100 361	3 777

(ii) Percentages (direct and indirect)

Directors at 31 December	2023 %	2022 %
PA Koppeschaar	0.02	0.02
VZ Mntambo	1.27	1.27
N Tsengwa	0.04	0.03

There have been no changes in the directors' interests in Exxaro shares between the end of the financial year 2023 and the date on which the annual financial statements were approved, except as issued on SENS.

14.5. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 Share options and restricted share awards

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

Management share scheme - LTIP

2023	Rights held at 31 December[1] Number	Exercisable period	Proceeds if exercisable at 31 December[2] R	Pre-tax gain if exercisable at 31 December[2] R	MSR election[3] Number	Options exercised during the year Number	Shares forfeited[4] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors										
N Tsengwa		01/04/2023				65 405	884	187.75	12 279 789	01/04/2023
	80 115	01/04/2024	16 381 915	16 381 915						
	14 224	01/04/2025	2 908 524	2 908 524						
	78 093	01/04/2025	15 968 457	15 968 457						
	112 157	01/04/2026	22 933 863	22 933 863						
	284 589		58 192 759	58 192 759		65 405	884		12 279 789	
PA Koppeschaar		01/04/2023				83 938	1 134	187.75	15 759 360	01/04/2023
	49 954	01/04/2024	10 214 594	10 214 594						
	41 816	01/04/2025	8 550 536	8 550 536						
	51 829	01/04/2026	10 597 994	10 597 994						
	143 599		29 363 124	29 363 124		83 938	1 134		15 759 360	
Prescribed officers										
H Bhola		01/04/2023				16 838	227	187.75	3 161 335	01/04/2023
		01/04/2024					10 447			
		01/04/2025					8 828			
		01/04/2026					10 920			
						16 838	30 422		3 161 335	
AS de Angelis		01/04/2023				32 965	445	187.75	6 189 179	01/04/2023
	19 066	01/04/2024	3 898 616	3 898 616						
	15 960	01/04/2025	3 263 501	3 263 501						
	19 822	01/04/2026	4 053 203	4 053 203						
	54 848		11 215 320	11 215 320		32 965	445		6 189 179	
L Groenewald		01/04/2023				32 562	440	187.75	6 113 516	01/04/2023
	19 175	01/04/2024	3 920 904	3 920 904						
	16 832	01/04/2025	3 441 807	3 441 807						
	36 007		7 362 711	7 362 711		32 562	440		6 113 516	
RE Lilleike	38 223	01/10/2026	7 815 839	7 815 839						
	38 223		7 815 839	7 815 839						
PK Masia	34 170	01/04/2025	6 987 082	6 987 082						
	34 170	01/04/2025	6 987 082	6 987 082						
	42 264	01/04/2026	8 642 143	8 642 143						
	110 604		22 616 307	22 616 307						
JG Meyer		01/04/2023			21 798	21 798	589	187.75	4 092 575	01/04/2023
	25 214	01/04/2024	5 155 759	5 155 759						
	21 107	01/04/2025	4 315 959	4 315 959						
	26 308	01/04/2026	5 379 460	5 379 460						
	72 629		14 851 178	14 851 178	21 798	21 798	589		4 092 575	
MI Mthenjane		01/04/2023			4 109	36 985	555	187.75	6 943 934	01/04/2023
		01/04/2024					23 767			
		01/04/2025					19 895			
		01/04/2026					24 608			
					4 109	36 985	68 825		6 943 934	
AT Ndoni	12 165	01/11/2024	2 487 499	2 487 499						
	9 296	01/04/2025	1 900 846	1 900 846						
	11 499	01/04/2026	2 351 316	2 351 316						
	8 481	01/09/2026	1 734 195	1 734 195						
	41 441		8 473 856	8 473 856						
JA Rock	24 928	16/10/2026	5 097 277	5 097 277						
	24 928		5 097 277	5 097 277						
M Veti		01/04/2023				40 532	548	187.75	7 609 883	01/04/2023
	23 442	01/04/2024	4 793 420	4 793 420						
	19 623	01/04/2025	4 012 511	4 012 511						
	24 271	01/04/2026	4 962 934	4 962 934						
	67 336		13 768 865	13 768 865		40 532	548		7 609 883	

[1] *Option strike price is nil.*
[2] *Based on a share price of R204.48 which prevailed on 31 December 2023.*
[3] *Election to transfer shares arising from the vested options to the MSR portfolio.*
[4] *Shares forfeited due to performance conditions not being fully met and shares forfeited due to resignation during the year.*

14.5. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 Share options and restricted share awards continued

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

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

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 Share options and restricted share awards continued

Management share scheme – DBP

2023	Rights held at 31 December[1] Number	Exercisable period	Proceeds if exercisable at 31 December[2] R	Pre-tax gain if exercisable at 31 December[2] R	Options exercised during the year Number	Shares forfeited[3] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
N Tsengwa		31/08/2023			432		169.17	73 081	31/08/2023
	589	19/03/2024	120 439	120 439					
	2 770	31/03/2024	566 410	566 410					
	3 359		686 849	686 849	432			73 081	
PA Koppeschaar		31/03/2023			4 778		191.01	912 646	31/03/2023
		31/08/2023			1 004		169.17	169 847	31/08/2023
	750	21/09/2024	153 360	153 360					
	1 024	04/03/2025	209 388	209 388					
	1 774		362 748	362 748	5 782			1 082 493	
Prescribed officers									
H Bhola		31/03/2023			1 110		191.01	212 021	31/03/2023
		19/03/2024				137			
		31/03/2024				778			
		31/08/2024				159			
		04/03/2025				394			
		31/03/2025				584			
		31/03/2026				1 996			
					1 110	4 048		212 021	
AS de Angelis		31/03/2023			1 092		191.01	208 583	31/03/2023
		31/08/2023			466		169.17	78 833	31/08/2023
	202	19/03/2024	41 305	41 305					
	1 269	31/03/2024	259 485	259 485					
	227	21/09/2024	46 417	46 417					
	2 491	31/03/2026	509 360	509 360					
	4 189		856 567	856 567	1 558			287 416	
L Groenewald		31/03/2023			3 655		191.01	698 142	31/03/2023
		31/08/2023			552		169.17	93 382	31/08/2023
	200	19/03/2024	40 896	40 896					
	1 275	31/03/2024	260 712	260 712					
	409	21/09/2024	83 632	83 632					
	1 004	04/03/2025	205 298	205 298					
	1 845	31/03/2025	377 266	377 266					
	4 733		967 804	967 804	4 207			791 524	
JG Meyer		31/03/2023			4 942		191.01	943 971	31/03/2023
	301	21/09/2024	61 548	61 548					
	301		61 548	61 548	4 942			943 971	
AT Ndoni	96	04/03/2025	19 630	19 630					
	1 676	31/03/2026	342 708	342 708					
	1 772		362 338	362 338					
M Veti		31/08/2023			682		169.17	115 374	31/08/2023
	449	19/03/2024	91 812	91 812					
	3 180	31/03/2024	650 246	650 246					
	278	21/09/2024	56 845	56 845					
	7 230	31/03/2026	1 478 390	1 478 390					
	11 137		2 277 293	2 277 293	682			115 374	

[1] *Option strike price is nil.*
[2] *Based on a share price of R204.48 which prevailed on 31 December 2023.*
[3] *Shares forfeited due to performance conditions not being fully met and shares forfeited due to resignation during the year.*

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 Share options and restricted share awards continued

Management share scheme – DBP continued

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

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

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 Share options and restricted share awards continued

MSR portfolio shares

2023	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December[1] R	Pre-tax gain if exercisable at 31 December[1] R	MSR election during the year Number	MSR exercised during the year Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Prescribed officers									
AS de Angelis						1 638	153.44	251 335	18/08/2023
						1 638		251 335	
JG Meyer	10 796	30/06/2026	2 207 566	2 207 566					
	21 798	30/06/2026	4 457 255	4 457 255	21 798				
	32 594		6 664 821	6 664 821	21 798				
MI Mthenjane						2 035	147.30	299 756	21/08/2023
					4 109	4 109	147.30	605 256	21/08/2023
					4 109	6 144		905 012	
AT Ndoni	1 522	31/10/2026	311 219	311 219	1 522				
	1 522		311 219	311 219	1 522				
M Veti	433	30/06/2026	88 540	88 540					
	1 730	30/06/2026	353 750	353 750					
	2 163		442 290	442 290					

[1] *Based on a share price of R204.48 which prevailed on 31 December 2023.*

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

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

CHAPTER 15:
Related parties

Chapter 15:
Related parties

15.1 RELATED-PARTY TRANSACTIONS

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

Shareholders

The principal shareholders of the company at 31 December 2023 are detailed in chapter 19, annexure 1.

Directors

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

Senior employees

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

Key management personnel

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

Subsidiaries

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

Structured and special purpose entities

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

Entity	Nature of business
Exxaro Chairman's Fund[1]	Local social economic development
Exxaro Foundation[1]	Local social economic development
Exxaro Employee Empowerment Participation Scheme Trust	Employee share incentive trust
Exxaro Employee Empowerment Trust	Employee share incentive trust
Exxaro Environmental Rehabilitation Fund	Trust fund for mine closure
Exxaro Insurance Company Limited	Captive insurance company that provides certain insurance cover to subsidiaries within the group
Exxaro Mountain Bike Academy NPC[1]	Local social economic development
Exxaro People Development Initiative NPC[1]	Local social economic development — bridging classes
Kumba Resources Management Share Trust	Management share incentive trust
Exxaro Employee Share Ownership Trust	Structured entity to hold shares in Exxaro ESOP SPV for the benefit of qualifying beneficiaries
Exxaro ESOP SPV RF Proprietary Limited	Structured entity to hold shares in Eyesizwe for the benefit of Exxaro ESOP Trust
Exxaro Aga Setshaba NPC[1;2]	Structured entity to benefit communities
Eyesizwe (RF) Proprietary Limited	Structured entity to hold the BEE shares
Matla and Arnot Rehabilitation Trust	Trust fund for mine closure

[1] *Non-profit organisations.*
[2] *Previously named Exxaro Matla Setshabeng Development NPC.*

Associates and joint ventures

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

	Group			
	Associates		Joint ventures	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Items of income/(expense) recognised during the year				
Sales of goods and services rendered	269	79	45	
Purchases of goods and services rendered	(146)	(166)	(1 851)	(4 374)
Outstanding balances at 31 December				
Included in trade and other receivables	31	23	4	
Included in trade and other payables	(7)	(14)	(155)	(852)

CHAPTER 16:
Financial instruments

Chapter 16:
Financial instruments

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS

16.1.1 Financial assets

(i) Classification

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

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

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

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

(ii) Measurement

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

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

Debt instruments

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

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

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS continued

16.1.1 Financial assets continued

(ii) Measurement continued

Equity instruments

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

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

(iii) Impairment

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

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

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

For trade receivables, the simplified approach permitted by IFRS 9 is applied, which requires lifetime ECLs to be recognised from initial recognition of the trade receivables. To measure the ECLs, trade receivables are grouped based on shared credit risk characteristics (corporate entities, SMEs and public sector entities) and the days past due to assess significant increase in credit risk. In addition, forward-looking macro-economic conditions and factors are considered when determining the ECLs for trade receivables, namely trading conditions in the relevant domestic markets and international coal market, relevant domestic prices and export coal prices as well as economic growth and inflationary outlook in the short term. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan and 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 ECL allowance or a lifetime ECL allowance. The 12-month ECL allowance is the portion of lifetime ECL allowances that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the ECL will be based on the lifetime ECL allowance.

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

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

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

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

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS continued

16.1.2 Derivative financial instruments

Derivative financial instruments, such as interest rate swaps and FECs, may be entered into to manage exposures to certain financial risks such as interest rate and foreign currency risks.

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

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

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

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

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

16.1.3 Hedge accounting

The group designate derivatives entered into under project financing arrangements as hedging instruments in respect of foreign currency risk and interest rate risk in cash flow hedges. Hedges of foreign exchange risk on such foreign firm commitments for capital purchases are accounted for as cash flow hedges.

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

The effectiveness of the hedging instrument offsetting changes in cash flows of the hedged item attributable to the hedged risk is assessed and documented at inception and on an ongoing basis. The hedge relationship is determined to be effective when all of the following requirements are met:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that is actually hedged and the quantity of the hedging instrument that is actually used to hedge that quantity of the hedged item.

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

The group designate only changes in the spot exchange rate as a hedged item for its foreign firm commitments. Changes in the forward element are recognised in OCI and accumulated in the cost of hedging reserve.

The full fair value of a derivative designated and found to be effective as a hedging instrument is classified as:

- A non-current financial asset or financial liability when the remaining maturity of the hedged item is more than 12 months or
- A current financial asset or financial liability when the remaining maturity of the hedged item is less than 12 months.

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

Amounts previously recognised in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged expected transaction results in the recognition of a non-financial asset, the gains and losses previously recognised in OCI and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset. This transfer does not affect OCI. Furthermore, if it is expected that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

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

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS continued

16.1.4 Loan commitments issued by the group and company

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

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

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

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

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

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

		Percentage of gross trade receivables %	PD %	LGD %
2023	Public sector entities	54	6.11	53.00
	Corporate entities	9	0.11 to 2.43	29.00
	SMEs	37	4.48	26.44
2022	Public sector entities	45	6.44	55.00
	Corporate entities	13	2.22 to 3.50	28.0 to 33.0
	SMEs	42	4.82	35.10

The following judgements and assumptions were applied for ESD loans:
The ESD loans are categorised as SMEs and the PD and LGD is determined on the basis similar to that of trade receivables for performing loans. ESD loans that are over 90 days outstanding are classified as non-preforming are provided for in full. These are non- interest bearing loans granted to ESD applicants.

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

		Percentage of ESD loans %	PD %	LGD %
2023	Performing	51	4.48	26.44
	Non-performing	49	100.00	100.00
2022	Performing	65	4.82	35.10
	Non-performing	35	100.00	100.00

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

16.3 FINANCIAL INSTRUMENTS

16.3.1 Carrying amounts and fair value amounts of financial instruments

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

	Group				
At 31 December 2023	**Financial assets at FVOCI Rm**	**Financial assets/ (liabilities) at FVPL Rm**	**Financial assets/ (liabilities) at amortised cost Rm**	**Derivative financial assets/ (liabilities) designated as hedging instruments Rm**	**Total carrying amount Rm**
Financial assets					
Non-current					
Financial assets, consisting of:	434	3 839	341	2	4 616
– Equity: unlisted – Chifeng	434				434
– Debt: unlisted – environmental rehabilitation funds		2 422			2 422
– Debt: unlisted – portfolio investments		461			461
– Debt: unlisted – deposit facilities		956			956
– Cash flow hedge derivatives: interest rate swaps				2	2
– ESD loans			106		106
– Vendor finance loan			127		127
– Other financial assets at amortised cost			108		108
Total non-current financial assets	434	3 839	341	2	4 616
Current					
Financial assets, consisting of:		22	188		210
– ESD loans			63		63
– Vendor finance loan			50		50
– Derivative financial assets		22			22
– Other financial assets at amortised cost			75		75
Trade and other receivables, consisting of:			3 877		3 877
– Trade receivables			3 829		3 829
– Other receivables			48		48
Cash and cash equivalents			19 859		19 859
Total current financial assets		22	23 924		23 946
Total financial assets	434	3 861	24 265	2	28 562
Financial liabilities					
Non-current					
Interest-bearing borrowings			(7 480)		(7 480)
Other payables			(42)		(42)
Financial liabilities, consisting of:				(127)	(127)
– Cash flow hedge derivatives: interest rate swaps				(127)	(127)
Total non-current financial liabilities			(7 522)	(127)	(7 649)
Current					
Interest-bearing borrowings			(1 443)		(1 443)
Trade and other payables			(3 356)		(3 356)
Financial liabilities, consisting of:				(14)	(14)
– Cash flow hedge derivatives: FECs				(14)	(14)
Total current financial liabilities			(4 799)	(14)	(4 813)
Total financial liabilities			(12 321)	(141)	(12 462)

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

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

Chapter 16:
Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 Carrying amounts and fair value amounts of financial instruments continued

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

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

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

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 Carrying amounts and fair value amounts of financial instruments continued

At 31 December 2023	Company Financial assets at FVPL Rm	Financial assets/ (liabilities) at amortised cost Rm	Total carrying amount Rm
Financial assets			
Non-current			
Financial assets, consisting of:	38	3 214	3 252
– Debt: unlisted – environmental rehabilitation funds	38		38
– ESD loans		106	106
– Vendor finance loan		127	127
– Interest-bearing loans to subsidiaries		2 981	2 981
Total non-current financial assets	38	3 214	3 252
Current			
Financial assets, consisting of:		1 976	1 976
– ESD loans		63	63
– Vendor finance loan		50	50
– Interest-bearing loans to subsidiaries		1 158	1 158
– Non-interest-bearing loans to subsidiaries		575	575
– Treasury facilities with subsidiaries		130	130
Trade and other receivables, consisting of:		150	150
– Other receivables		10	10
– Indebtedness by subsidiaries		140	140
Cash and cash equivalents		17 151	17 151
Total current financial assets		19 277	19 277
Total financial assets	38	22 491	22 529
Financial liabilities			
Non-current			
Interest-bearing borrowings		(2 945)	(2 945)
Total non-current financial liabilities		(2 945)	(2 945)
Current			
Interest-bearing borrowings		(1 153)	(1 153)
Trade and other payables		(223)	(223)
Financial liabilities, consisting of:		(15 606)	(15 606)
– Non-interest-bearing loans from subsidiaries		(769)	(769)
– Treasury facilities with subsidiaries		(14 837)	(14 837)
Total current financial liabilities		(16 982)	(16 982)
Total financial liabilities		(19 927)	(19 927)

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

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

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 Carrying amounts and fair value amounts of financial instruments continued

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

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

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

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 Fair values

16.3.2.1 Fair value hierarchy

Financial assets and financial liabilities at fair value have been categorised in the following hierarchy structure, based on the inputs used in the valuation technique:
Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities that can be accessed at the measurement date.
Level 2 – Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable.
Level 3 – Inputs that are not based on observable market data (unobservable inputs).

	Group		
2023	**Fair value Rm**	**Level 2 Rm**	**Level 3 Rm**
Financial assets at FVOCI	434		434
Equity: unlisted – Chifeng	434		434
Financial assets at FVPL	3 839	3 839	
Non–current debt: unlisted – environmental rehabilitation funds	2 422	2 422	
Non–current debt: unlisted – portfolio investments	461	461	
Non–current debt: unlisted – deposit facilities	956	956	
Derivative financial assets designated as hedging instruments	2	2	
Non–current cash flow hedge derivatives: interest rate swaps	2	2	
Derivative financial assets	22	22	
Current derivative financial assets	22	22	
Derivative financial liabilities designated as hedging instruments	(141)	(141)	
Non-current cash flow hedge derivatives: interest rate swaps	(127)	(127)	
Current cash flow hedge derivatives: FECs	(14)	(14)	
Net financial assets held at fair value	4 156	3 722	434

Reconciliation of Level 3 hierarchy	**Chifeng Rm**
At 31 December 2022	474
Movement during the year	
Loss recognised in OCI (pre-tax effect)[1]	(40)
At 31 December 2023	434

[1] *Tax on Chifeng amounts to R8.66 million.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 Fair values continued

16.3.2.1 Fair value hierarchy continued

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

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

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

2023	Company Fair value Rm	Level 2 Rm
Financial assets at FVPL	38	38
Non-current debt: unlisted – environmental rehabilitation funds	38	38
Net financial assets held at fair value	38	38

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

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

Chapter 16:
Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 Fair values continued

16.3.2.2 Transfers

Transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 and Level 2 nor between Level 2 and Level 3 of the fair value hierarchy.

16.3.2.3 Valuation process applied

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

16.3.2.4 Current derivative financial instruments

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

16.3.2.5 Environmental rehabilitation funds, portfolio investments and deposit facilities

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

16.3.2.6 Non-current cash flow hedge derivatives: interest rate swaps

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

16.3.2.7 Current cash flow hedge derivatives: forward exchange contracts

Level 2 fair values for hedge accounted FECs are based on valuations provided by the financial institutions with whom the FECs have been entered into, and take into account credit risk. The valuations are assessed for reasonability by discounting the estimated future cash flows based on observable ZAR/US$ forward rates.

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

Chifeng

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

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

At 31 December 2023	Inputs	Sensitivity of inputs and fair value measurement[1]	Sensitivity analysis of a 10% increase in the inputs is demonstrated below[2] Rm
Observable inputs			
Rand/RMB exchange rate	R2.58/RMB1	Weakening of the rand to the RMB	43
RMB/US$ exchange rate	RMB6.22 to RMB6.76/US$1	Weakening of the RMB to the US$	118
Zinc LME price (US$ per tonne in real terms)	US$2 395.67 to US$2 500	Increase in price of zinc concentrate	118
Unobservable inputs			
Production volumes	447 719.5 tonnes	Increase in production volumes	25
Operational costs (US$ million per annum in real terms)	US$70.19 to US$74.43	Decrease in operations costs	(92)
Discount rate	10.54%	Decrease in the discount rate	(27)

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.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 Fair values continued

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

Chifeng continued

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

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

Inter-relationships

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

16.3.3 Risk management

16.3.3.1 Financial risk management

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

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

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

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

Capital management

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

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.2 Market risk management

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

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

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

16.3.3.2.1 Price risk management

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

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

16.3.3.2.2 Foreign currency risk management

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

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

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

The group maintains a fully covered exchange rate position in respect of foreign balances (if any) and imported capital equipment resulting in these exposures being fully converted to rand. Trade-related import exposures are managed through the use of economic hedges arising from export revenue as well as through FECs. Trade-related export exposures are hedged using FECs and currency options with specific focus on short-term receivables. Any open exposure to foreign currency risk on these balances is insignificant as the turnaround time is generally less than 30 days. Foreign denominated capital purchases funded by ZAR denominated project financing arrangements are hedged using FECs.

Uncovered cash and cash equivalents as at 31 December 2023 amount to US$38.92 million (2022: US$32.89 million).

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

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

The following significant exchange rates applied during the year:

	2023			2022		
	Average spot rate R	Average achieved rate R	Closing spot rate R	Average spot rate R	Average achieved rate R	Closing spot rate R
US$	18.45	18.94	18.30	16.37	16.63	16.98
€	19.94		20.19	17.19		18.10
AU$	12.26		12.46	11.34		11.49

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.2 Market risk management continued

16.3.3.2.2 Foreign currency risk management continued

Hedge accounting: Cash flow hedges – forward exchange contracts

FECs are designated as hedging instruments in cash flow hedges of expected capital purchases in US dollars. Additionally, cash held in US dollar for purposes of settling the final purchase transactions are designated as part of the hedging relationship. These transactions are highly probable, and relate to the group's commitments under construction projects subject to project financing arrangements.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the FECs match the terms of the expected highly probable expected transactions (ie, notional amount and expected payment date). The group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the FECs are identical to the hedged risk components. To test the hedge effectiveness, the group use the "dollar offset method" and compare the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. Hedge ineffectiveness can arise from:
i) Existence of day one fair value of the hedging instrument
ii) A significant change in the credit risk during the period of the hedge
iii) Changes in the amount or timing of the payments to the contractor
iv) The forward element inherent in each FEC and
v) Effects of foreign currency basis spread.

The group is holding the following FECs and US$ bank balances associated with the hedging relationship:

	2023		
	0 to 6 months	**6 to 12 months**	**Total**
US$ denominated cash and cash equivalents (in Rm)	151		151
FEC Notional amount (in Rm)	338	142	480
Average forward rate (ZAR/US$)	19.09	20.29	19.56

Financial performance effects of hedging recognised during the year:

		Group	
For the year ended 31 December	Line item in which recognised	**2023 Rm**	**2022 Rm**
Transfer to property, plant and equipment	Assets under construction	2	

Financial position effect of hedging instruments and hedging items:

	Group	
At 31 December	**2023 Rm**	**2022 Rm**
Hedging instruments: Outstanding US$ buy FECs and US$ cash available to settle the transaction		
Nominal amount	637	
Carrying amount	137	
– Current financial liability	(14)	
– US$ denominated cash and cash equivalents	151	
Cumulative loss in fair value used for calculating hedge ineffectiveness	(21)	
Hedged items: Cash flows on US$ capital purchases		
Nominal amount	637	
Carrying amount in cash flow hedge reserve	19	
Carrying amount in cost of hedge reserve	1	
Cumulative loss in fair value used for calculating hedge ineffectiveness	(21)	

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.2 Market risk management continued

16.3.3.2.2 Foreign currency risk management continued

Hedge accounting: Cash flow hedges – forward exchange contracts

Cash flow hedge reserve composition:

	Group			
	Cost of hedging reserve		Cash flow hedge reserves	
At 31 December	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Reserves relating to foreign currency risk exposure	(9)		(6)	
– Gross	(12)		(8)	
– Deferred tax thereon	3		2	
Cash flow hedge reserves relating to interest rate risk			12	64
– Gross			17	88
– Deferred tax thereon			(5)	(24)
Balance of share of movements of equity-accounted investees				5
Balance of NCI share of financial instruments revaluation reserve	2		(33)	(50)
Cash flows hedge reserve	(7)		(27)	19

Movement analysis of cash flow hedge reserves relating to foreign currency risk exposure:

	Gross			
	Cost of hedge Rm	Cash flow hedge – spot foreign exchange component Rm	Tax Rm	Net Rm
At 31 December 2022				
Movement during the year				
Change in fair value of FEC recognised in OCI	(12)	(10)	6	(16)
Transferred to property, plant and equipment		2	(1)	1
At 31 December 2023	(12)	(8)	5	(15)

16.3.3.2.3 Interest rate risk management

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

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

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

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.2 Market risk management continued

16.3.3.2.3 Interest rate risk management continued

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The group's main IBOR exposure at 31 December 2023 was indexed to JIBAR. The SARB indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa. The SARB has indicated their initial preference for the adoption of the South African Rand Overnight Index Average (ZARONIA) as the preferred unsecured candidate to replace JIBAR in cash and derivative instruments.

On 2 November 2022, the SARB commenced publishing ZARONIA primarily to allow market participants to observe its performance and consider the implications of adopting it as a replacement for the JIBAR. The observation period ended on 3 November 2023. Certain observation period statistics have been restated to reflect revisions that were processed post their publication. Market participants may use ZARONIA as a reference rate in financial contracts. The Market Practitioners Group has designated ZARONIA as the successor rate to replace JIBAR. There is still however uncertainty surrounding the timing and manner in which the transition would occur.

The group's strategic treasury function monitors and manages the group's transition to alternative rates. The group's strategic treasury function evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

Non-derivative financial liabilities

The group's IBOR exposures to non-derivative financial liabilities as at 31 December 2023 were the secured project financing and unsecured loan facility indexed to JIBAR as well as the unsecured bond indexed to JIBAR. Refer note 12.1.3.

Derivatives

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

Hedge accounting

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

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

16.3.3.2.3.1 Loan facility and bonds

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

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

	1 to 6 months Rm	Total borrowings Rm
At 31 December 2023		
Non-current interest-bearing borrowings: loan facility and bond	(2 945)	(2 945)
Current interest-bearing borrowings: loan facility and bond	(1 153)	(1 153)
Total interest-bearing borrowings: loan facility and bond	(4 098)	(4 098)
Total borrowings (%)	100	100
At 31 December 2022		
Non-current interest-bearing borrowings: loan facility and bond	(4 034)	(4 034)
Current interest-bearing borrowings: loan facility and bond	(505)	(505)
Total interest-bearing borrowings: loan facility and bond	(4 539)	(4 539)
Total borrowings (%)	100	100

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.2 Market risk management continued

16.3.3.2.3 Interest rate risk management continued

16.3.3.2.3.1 Loan facility and bonds continued

Interest rate sensitivity

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

	2023 Rm	2022 Rm
Impact on earnings: loss	(20)	(22)

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

16.3.3.2.3.2 Project financing

The group is exposed to the risk of variability in future interest payments on the project financing, attributable to fluctuations in 3-month JIBAR, during operations phase, and 1-month JIBAR during the construction phase . The designated hedged item is the group of expected floating interest rate cash flows arising from the project financing, up to the notional amount of each interest rate swap, over the term of the hedging relationship. The notional amounts per interest rate swap match up to the designated exposure being hedged.

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

The exposure profile is summarised as follows:

	Group			
	Percentage exposure			
At 31 December	**2023 %**	**2022 %**	**2023 Rm**	**2022 Rm**
Project financing nominal amount	100	100	(4 825)	(4 554)
– Linked to fixed rate	3	3	(135)	(141)
– Linked to floating rate	97	97	(4 690)	(4 413)
Project financing nominal amount linked to floating rate	97	97	(4 690)	(4 413)
Interest rate swap notional amount (swap floating rate to fixed rate)	(83)	(81)	4 002	3 691
Effective floating rate exposure on project financing	14	16	(688)	(722)

Interest rate sensitivity

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

Impact	**2023 Rm**	**2022 Rm**
Increase in finance costs	3	4
Increase in equity	41	54

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

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.2 Market risk management continued

16.3.3.2.3 Interest rate risk management continued

16.3.3.2.3.2 Project financing continued

Hedge accounting: Cash flow hedges - interest rate swaps

Hedge effectiveness:

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

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

Hedge ineffectiveness for interest rate swaps is assessed frequently. It may occur due to:
- The DVA on the interest rate swaps which is not matched by the project financing
- Differences in critical terms between the interest rate swaps and project financing
- Changes to amounts or timing of drawdowns during construction phase

The recognised ineffectiveness in 2023 amounted to R18 million (2022: R13 million) and is mainly as a result of the DVA. Credit valuation adjustments are not considered due to the terms of the underlying loans, which allow for set-off.

The interest rate swaps require settlement of net interest receivable or payable every six months during the operations phase, and every 1-month during construction phase. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

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

Financial performance effects of hedging recognised during the year:

		Group	
For the year ended 31 December	Line item in which recognised	**2023 Rm**	**2022 Rm**
Fair value losses resulting from hedge ineffectiveness	Operating expenses	(18)	(13)
Fair value gains/(losses) on settlement of underlying swap (reclassified)	Finance costs	20	(97)

Hedging instruments and hedged items

	Group	
At 31 December	**2023 Rm**	**2022 Rm**
Hedged items: Cash flows on floating rate project financing linked to JIBAR		
Nominal amount	4 002	3 691
Carrying amount in cash flow hedge reserve	17	88
Cumulative gain in fair value used for calculating hedge ineffectiveness	7	88
Hedging instruments: Outstanding receive floating, pay fixed contracts		
Nominal amount	4 002	3 691
Carrying amount	(125)	(101)
– Non-current financial asset	2	11
– Non-current financial liability	(127)	(112)
Cumulative loss in fair value used for calculating hedge ineffectiveness	(209)	(130)

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.2 Market risk management continued

16.3.3.2.3 Interest rate risk management continued

16.3.3.2.3.2 Project financing continued

Hedging reserves

Cash flow hedge reserve composition:

At 31 December	Group 2023 Rm	Group 2022 Rm
Cash flow hedge reserve – interest rate swaps	12	64
– Gross	17	88
– Deferred tax thereon	(5)	(24)
Cash flow hedge reserve – spot element of FECs	(6)	
– Gross	(8)	
– Deferred tax thereon	2	
Balance of share of movements of equity-accounted investees		5
Balance of NCI share of financial instruments revaluation reserve	(33)	(50)
Cash flows hedge reserve	(27)	19

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

	Gross Rm	Tax Rm	Net Rm
At 31 December 2021	(165)	46	(119)
Movement during the year			
Change in fair value of interest rate swaps recognised in OCI	156	(43)	113
Reclassified from OCI to profit or loss in finance costs	97	(27)	70
At 31 December 2022	88	(24)	64
Movement during the year			
Change in fair value of interest rate swaps recognised in OCI	(51)	14	(37)
Reclassified from OCI to profit or loss in finance costs	(20)	5	(15)
At 31 December 2023	17	(5)	12

16.3.3.3 Liquidity risk management

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

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

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

Chapter 16:
Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued
16.3.3 Risk management continued
16.3.3.3 Liquidity risk management continued
Borrowing capacity is determined by the board of directors, from time to time.

	Group 2023 Rm	Group 2022 Rm
Amount approved	65 309	58 524
Total borrowings	(8 923)	(9 093)
Unutilised borrowing capacity	56 386	49 431

The group's capital base and the borrowing powers of the company and the group were set at 125% of shareholders' funds (equity attributable to owners of the parent) for both the 2023 and 2022 financial years.

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

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

16.3.3.3.1 Maturity profile of financial instruments

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

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

Group			Maturity			
At 31 December 2023	Carrying amount Rm	Contractual cash flows Rm	0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
Financial assets						
ESD loans	169	169	63	49	57	
Vendor finance loan	177	216	64	60	92	
Other financial assets at amortised cost[1]	75	78	78			
Cash flow hedge derivatives: interest rate swaps	2	3	1	1	1	
Derivative financial assets	22	22	22			
Lease receivables	38	48	14	14	20	
Trade and other receivables	3 877	3 877	3 877			
Cash and cash equivalents	19 859	19 859	19 859			
Total financial assets	24 219	24 272	23 978	124	170	
Percentage profile (%)		100	98	1	1	
Financial liabilities						
Interest-bearing borrowings	(8 923)	(12 924)	(2 388)	(1 623)	(5 555)	(3 358)
– Loan facility	(3 452)	(4 183)	(852)	(743)	(2 588)	
– Project financing	(4 825)	(8 062)	(857)	(880)	(2 967)	(3 358)
– Bonds	(646)	(679)	(679)			
Lease liabilities	(451)	(668)	(95)	(101)	(325)	(147)
Non-current other payables	(42)	(44)		(16)	(28)	
Trade and other payables	(3 356)	(3 356)	(3 356)			
Cash flow hedge derivatives: interest rate swaps	(127)	(105)	(30)	(30)	(42)	(3)
Cash flow hedge derivatives: FECs	(14)	(21)	(21)			
Total financial liabilities	(12 913)	(17 118)	(5 890)	(1 770)	(5 950)	(3 508)
Percentage profile (%)		100	34	10	35	21
Liquidity gap identified[2]	11 306	7 154	18 088	(1 646)	(5 780)	(3 508)

[1] *Excludes the environmental rehabilitation funds at amortised cost of R108 million.*
[2] *The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.3 Liquidity risk management continued

16.3.3.3.1 Maturity profile of financial instruments continued

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

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

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.3 Liquidity risk management continued

16.3.3.3.1 Maturity profile of financial instruments continued

Company

At 31 December 2023	Carrying amount Rm	Contractual cash flows Rm	Maturity 0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
Financial assets						
ESD loans	169	169	63	49	57	
Vendor finance loan	177	216	64	60	92	
Trade and other receivables	150	150	150			
Cash and cash equivalents	17 151	17 151	17 151			
Non-interest-bearing loans to subsidiaries	575	575	575			
Interest-bearing loans to subsidiaries	4 139	4 931	1 540	750	2 641	
Treasury facilities with subsidiaries	130	130	130			
Total financial assets	22 491	23 322	19 673	859	2 790	
Percentage profile (%)		100	84	4	12	
Financial liabilities						
Interest-bearing borrowings	(4 098)	(4 862)	(1 531)	(743)	(2 588)	
– Loan facility	(3 452)	(4 183)	(852)	(743)	(2 588)	
– Bonds	(646)	(679)	(679)			
Lease liabilities	(383)	(505)	(85)	(92)	(301)	(27)
Trade and other payables	(223)	(223)	(223)			
Non-interest-bearing loans from subsidiaries[1]	(769)	(769)	(769)			
Treasury facilities with subsidiaries	(14 837)	(14 277)	(14 277)			
Total financial liabilities	(20 310)	(20 636)	(16 885)	(835)	(2 889)	(27)
Percentage profile (%)		100	82	4	14	
Liquidity gap identified	2 181	2 686	2 788	24	(99)	(27)

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

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.3 Liquidity risk management continued

16.3.3.3.1 Maturity profile of financial instruments continued

Company

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

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

16.3.3.4 Credit risk management

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

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

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

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

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

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

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk

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

Detail of the trade receivables credit risk exposure:

	Group	
At 31 December	**2023 %**	**2022 %**
By geographical area		
RSA	77	65
Europe	9	18
Asia	8	17
Australia	4	
USA	2	
Total	100	100
By industry		
Public utilities	54	47
Mining	5	8
Manufacturing	1	1
Merchants	28	37
Food and beverage	1	1
Steel	6	2
Cement	1	4
Other	4	
Total	100	100

Detailed impairment analysis of financial assets measured at amortised cost:

	Group			
At 31 December 2023	**Total Rm**	**Performing Rm**	**Under-performing Rm**	**Non-performing Rm**
ESD loans	169	169		
– Non-current – gross	156	107		49
– Non-current – impairment allowances	(50)	(1)		(49)
– Current – gross	181	64		117
– Current – impairment allowances	(118)	(1)		(117)
Vendor finance loan	177	177		
– Non-current – gross	127	127		
– Current – gross	51	51		
– Current – impairment allowance	(1)	(1)		
Other financial assets at amortised cost	183	183		
– Non-current – gross	108	108		
– Current – gross	81	77		4
– Current – impairment allowances	(6)	(2)		(4)
Lease receivables[1]	38	38		
– Non-current – gross	29	29		
– Non-current – impairment allowances	(1)	(1)		
– Current – gross	10	10		
Trade receivables	3 829	3 588	72	169
– Gross	3 850	3 608	72	170
– Impairment allowances	(21)	(20)		(1)
Other receivables	48	48		
– Gross	55	48		7
– Impairment allowances	(7)			(7)
Cash and cash equivalents	19 859	19 859		
Total financial assets at amortised cost	24 303	24 062	72	169

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

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk continued

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

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

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk continued

	Company		
At 31 December 2023	**Total Rm**	**Performing Rm**	**Non-performing Rm**
ESD loans	169	169	
– Non-current – gross	156	107	49
– Non-current – impairment allowances	(50)	(1)	(49)
– Current – gross	181	64	117
– Current – impairment allowances	(118)	(1)	(117)
Vendor finance loan	177	177	
– Non-current – gross	127	127	
– Current – gross	51	51	
– Current – impairment allowance	(1)	(1)	
Other financial assets at amortised cost			
– Current – gross	4		4
– Current – impairment allowances	(4)		(4)
Other receivables	10	10	
– Gross	11	10	1
– Impairment allowances	(1)		(1)
Indebtedness by subsidiaries	140	140	
– Gross	140	140	
Non-interest-bearing loans to subsidiaries	575	575	
– Current – gross	635	582	53
– Current – impairment allowances	(60)	(7)	(53)
Interest-bearing loans to subsidiaries	4 139	4 139	
– Non-current – gross	2 981	2 981	
– Current – gross	1 158	1 158	
Treasury facilities with subsidiaries	130	130	
– Gross	397	130	267
– Impairment allowances	(267)		(267)
Cash and cash equivalents	17 151	17 151	
Total financial assets at amortised cost	22 491	22 491	

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk continued

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

16.3.3.4.2 Trade and other receivables age analysis

	Group					
		Current		Past due		
At 31 December 2023	Total Rm	1 to 30 days Rm	31 to 60 days Rm	61 to 90 days Rm	91 to 180 days Rm	>180 days Rm
Trade receivables	3 829	3 475	177	73	104	
– Gross	3 850	3 495	178	73	104	
– Impairment allowances	(21)	(20)	(1)			
Other receivables	48	40	2	1		5
– Gross	55	41	2	1	1	10
– Impairment allowances	(7)	(1)			(1)	(5)
Total carrying amount of trade and other receivables	3 877	3 515	179	74	104	5

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.2 Trade and other receivables age analysis continued

Group

At 31 December 2022	Total Rm	Current 1 to 30 days Rm	Current 31 to 60 days Rm	Past due 61 to 90 days Rm	Past due 91 to 180 days Rm	Past due >180 days Rm
Trade receivables	4 124	3 889	196	8	31	
– Gross	4 150	3 913	197	8	32	
– Impairment allowances	(26)	(24)	(1)		(1)	
Other receivables	75	46	23		6	
– Gross	122	48	24	2	45	3
– Impairment allowances	(47)	(2)	(1)	(2)	(39)	(3)
Total carrying amount of trade and other receivables	4 199	3 935	219	8	37	

Company

At 31 December 2023	Total Rm	Current 1 to 30 days Rm	Current 31 to 60 days Rm	Past due 61 to 90 days Rm	Past due 91 to 180 days Rm	Past due >180 days Rm
Other receivables	10	4	2	1		3
– Gross	11	4	2	1		4
– Impairment allowances	(1)					(1)
Indebtedness by subsidiaries	140	140				
– Gross	140	140				
Total carrying amount of trade and other receivables	150	144	2	1		3

Company

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

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.3 Credit quality of financial assets

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

At 31 December	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Cash and cash equivalents				
Fitch ratings				
F1+	3 861	1 825	3 530	1 699
Standard & Poor's ratings				
A-1+	13 983	10 949	11 606	9 653
A-1		24		
Global credit rating				
AA(za)	1 007	1 007	1 007	1 007
AA+(za)	1 008	1 007	1 008	1 007
Total cash and cash equivalents	19 859	14 812	17 151	13 366

Fitch ratings

F1 Highest credit quality
"+" denotes any exceptionally strong credit feature

Standard & Poor's

A-1+ Highest certainty of payment
A-1 Very high certainty of payment

Global credit ratings

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

16.3.3.4.4 Collateral

No collateral was held by the group as security, nor any other enhancements over the financial assets during the years ended 31 December 2023 and 2022.

Guarantees

The group did not obtain financial or non-financial assets by taking possession of collateral it holds as security or calling on guarantees during the financial years ended 31 December 2023 and 31 December 2022. The guarantees issued relate to operational liabilities (refer note 13.4.1 on contingent liabilities).

16.3.4 Loan commitments

Loan commitments have been granted to the following parties:

At 31 December	Group 2023 Rm	Group 2022 Rm	Company 2023 Rm	Company 2022 Rm
Total loan commitment[1]	12	96	12	96
ESD applicants[2]	12	96	12	96

[1] *The loan commitments were undrawn for the reporting periods.*
[2] *Loans approved and awarded to successful ESD applicants.*

CHAPTER 17:
Subsidiaries

Chapter 17:
Subsidiaries

17.1. ACCOUNTING POLICIES RELATING TO SUBSIDIARIES

17.1.1 Subsidiaries

The results of subsidiaries are included for the duration of the period in which the group exercises control over its subsidiaries. All intercompany transactions and resultant profits or losses between group companies are eliminated on consolidation. Where necessary, accounting policies for subsidiaries are changed to ensure consistency with the policies adopted by the group. If it is not practical to change the policies, the appropriate adjustments are made on consolidation to ensure consistency within the group.

The results of structured entities that, in substance, are controlled by the group, are consolidated.

The company carries its investments in subsidiaries at cost, including transaction costs and initial fair value measurements of contingent consideration arising on acquisition date, less accumulated impairment losses. Subsequent fair value remeasurements of the contingent consideration are recognised in profit or loss.

17.1.1.1 Changes in ownership interest(s) in subsidiaries without change in control

Transactions with NCIs that do not result in loss of control are accounted for as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired in the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on the acquisition of NCIs are also recognised in equity.

17.1.1.2 Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, JV or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss.

17.1.1.3 Foreign operations

The results and financial position of all the group entities (none of which have the currency of a hyper-inflationary economy at or for the year ended 31 December 2023 and 2022) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities at rates of exchange ruling at the reporting date
- Equity items are translated at historical rates
- Income, expenditure and cash flow items at weighted average rates
- Goodwill and fair value adjustments arising on acquisition at rates of exchange ruling at the reporting date.

Exchange differences on translation are accounted for in OCI. These differences will be recognised in profit or loss upon realisation of the underlying operation.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (ie the reporting entity's interest in the net assets of that operation), are taken to OCI. When a foreign operation is sold, exchange differences that were recorded in OCI are recognised in profit or loss.

17.1.1.4 Investments in share-based payments

Exxaro has an agreement with its subsidiary companies to charge the subsidiaries for the equity compensation share schemes (refer Chapter 14) granted to the subsidiaries' employees.

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

17.1.1.5 Business combinations involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

For common control transactions, the circumstances of each transaction are evaluated to determine whether either the acquisition or predecessor accounting method is most appropriate. When the transaction is between wholly owned companies the predecessor accounting method is applied. Under this method the assets and liabilities of the combining entities are not adjusted to fair value but are rather transferred at their carrying amounts at the date of the transaction.

For company, for common control transactions, in which a subsidiary (acquiree) is disposed of for no consideration (share for share transaction) to another subsidiary (the acquirer), the carrying value of the acquiree is derecognised and the increased investment in the acquirer recognised at the same value.

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

17.2.1 Control assessment for consolidation of subsidiaries

In applying IFRS 10 *Consolidated Financial Statements* management has applied judgement in assessing whether Exxaro has control over certain entities where the percentage shareholding does not provide control. Specifically:

Eyesizwe

Exxaro has control over Eyesizwe even though the group only holds a 24.9% (2022: 24.9%) equity interest in Eyesizwe which is made up of the company's equity interest of 14.9% and a further 10% held equally by Exxaro ESOP SPV and Exxaro Aga Setshaba NPC (previously named Exxaro Matla Setshabeng Development NPC). Eyesizwe was created and designed for the sole purpose of providing Exxaro with BEE credentials and as a structure to hold Exxaro shares. The implementation of the Replacement BEE Transaction protects the stability of Exxaro's operations reinforcing the sustainability of relationships with key stakeholders, equips Exxaro for growth by positioning Exxaro with market-leading empowerment credentials in the South African mining sector and creates long-term value for shareholders.

Exxaro is able to direct the strategic direction of Eyesizwe and, as per the transaction agreements, Eyesizwe's MoI may not be amended or replaced without Exxaro's prior written consent. All these points indicate that Exxaro has been involved from the inception of the Replacement BEE Transaction, to ensure that the design and operation of Eyesizwe achieves the purpose for which it was created. Eyesizwe can also not dispose of Exxaro shares without the prior consent of Exxaro. Exxaro has significant exposure to the variable returns of Eyesizwe, through the creation and maintenance of the BEE credentials during the lock-in period as well as through the equity investment held by Exxaro in Eyesizwe. All these factors have been considered in determining that, even though Exxaro does not have majority voting rights in Eyesizwe, it still has control over Eyesizwe and consolidates the results of Eyesizwe in the group results of Exxaro.

17.2.2 Non-controlling interests

Eyesizwe NCI

As part of the Replacement BEE Transaction, implemented in 2017, Eyesizwe was incorporated and established as the empowerment vehicle to hold 30% of Exxaro shares. A portion of the 30% acquired interest was financed by means of an issue of Eyesizwe preference shares to various financial institutions. The shares held by Eyesizwe in Exxaro were provided as security for these preference shares.

The outstanding preference share obligation was settled early by Eyesizwe during October 2019 as a result of the dividends which were received from Exxaro. This has resulted in Eyesizwe's other shareholders (IDC and Eyesizwe SPV Proprietary Limited) becoming true equity shareholders as they are now exposed to both upside and downside risk in relation to the Exxaro shares.

From an Exxaro group perspective this resulted in the recognition of NCIs for Eyesizwe's other shareholders. On initial recognition the NCI in Eyesizwe was recognised at the net asset value of the consolidated Eyesizwe results. Subsequent to initial recognition, the NCI's share in the movement of profit or loss and OCI.

Cennergi group NCI

In 2020, Cennergi, as the acquiree, had outstanding share-based payment transactions that Exxaro, as the acquirer, did not replace, cancel or exchange as part of the acquisition. The share-based payment transactions had vested and therefore accounted for as part of NCI in the Cennergi group acquisition and measured at their market-based measure in terms if IFRS 2 *Share-based Payment* (IFRS 2). These arrangements were viewed as in-substance share options with the minorities, as the minorities are not exposed to downside risk nor benefit, until such time as the underlying shareholder financing of the arrangements has been settled.

Subsequently the in-substance share option holders in Tsitsikamma SPV have become true equity shareholders as they are now exposed to both upside and downside risk in relation to the Tsitsikamma SPV shares. The NCI of Tsitsikamma SPV has been recognised at the net asset value of Tsitsikamma SPV at the date on which the in-substance share options were exercised. The remaining Amakhala SPV in-substance share option holders remain valued at the acquisition date valuation determined by applying a Monte-Carlo simulation Technique that used the following key assumptions:

- Risk-free curve - ZAR swap zero curve semi-annual: Year 1 to 5: 5.31% to 6.20%; Year 6 to 16: 7.03% to 10.28%
- Lock-in discount percentage: 33% for community BEE parties
- Standard deviation tolerance: 7%

Chapter 17:
Subsidiaries continued

17.3 TRANSACTIONS WITH SUBSIDIARIES
17.3.1 Revenue

		Company	
For the year ended 31 December	Note	**2023 Rm**	**2022 Rm**
Corporate management services rendered to the following subsidiaries:	6.1.2	1 543	1 753
Exxaro Coal Proprietary Limited		1 070	1 195
Exxaro Coal Mpumalanga Proprietary Limited		432	501
Other subsidiaries		41	57
Dividend revenue from the following subsidiaries:	6.1.2	4 767	6 323
Cennergi Proprietary Limited			261
Exxaro Coal Proprietary Limited[1]		3 910	5 420
Eyesizwe (RF) Proprietary Limited		362	443
Rocsi Holdings Proprietary Limited[1]		495	199
Interest revenue from the following subsidiaries:	6.1.2	463	3 432
From interest-bearing back-to-back loans receivable with:		443	370
– Exxaro Coal Proprietary Limited		443	370
From interest-bearing acquisition loans receivable with:		4	6
– Exxaro ESOP SPV RF Proprietary Limited			2
– Exxaro Aga Setshaba NPC		4	4
From treasury facilities receivable[2] with:		16	3 056
– Exxaro Coal Proprietary Limited			2 628
– Exxaro Coal Mpumalanga Proprietary Limited			399
– Other subsidiaries		16	29

[1] *Relates to dividends in specie.*
[2] *Change in terms since 1 January 2023 to consolidate treasury accounts on a monthly basis resulted in a decrease in interest revenue.*

Chapter 17:
Subsidiaries continued

17.3 TRANSACTIONS WITH SUBSIDIARIES continued

17.3.2 Finance costs

For the year ended 31 December	Note	Company 2023 Rm	Company 2022 Rm
Interest expense on treasury facilities payable[1] with:	12.1.2	(1 053)	(3 097)
Exxaro Coal Proprietary Limited		(964)	(2 830)
Exxaro Coal Mpumalanga Proprietary Limited		(88)	(256)
Other subsidiaries		(1)	(11)

[1] *Change in terms since 1 January 2023 to consolidate treasury accounts on a monthly basis resulted in a decrease in interest expense.*

17.4 SUMMARY OF INVESTMENTS IN SUBSIDIARIES

	Company					
	Gross carrying amount		Accumulated impairment losses[1]		Net carrying amount	
At 31 December	**2023 Rm**	**2022 Rm**	**2023 Rm**	**2022 Rm**	**2023 Rm**	**2022 Rm**
Unlisted subsidiaries equity shares	11 226	10 670	(2 776)	(2 744)	8 450	7 926
Share-based payments	279	441			279	441
Investments in subsidiaries	11 505	11 111	(2 776)	(2 744)	8 729	8 367

[1] *The accumulated impairment losses relates to (i) Exxaro Australia Holdings Proprietary Limited of R2 744 million (2022: R2 744 million) (ii) Exxaro Holdings Proprietary Limited of R26 million (2022: nil) and (iii) Rocsi Holdings Proprietary Limited of R6 million (2022: nil).*

17.5 SUMMARY OF INDEBTEDNESS BY/(TO) SUBSIDIARIES

		Company					
		Gross carrying amount		Impairment allowances		Net carrying amount	
At 31 December	Note	2023 Rm	2022 Rm	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Indebtedness by subsidiaries							
Non-current		2 981	4 120			2 981	4 120
Interest-bearing loans receivable[1]	10.3.2	2 981	4 120			2 981	4 120
Current		2 330	2 090	(327)	(68)	2 003	2 022
Interest-bearing loans receivable[1]	10.3.2	1 158	511			1 158	511
Non-interest-bearing loans receivable[2]	10.3.2	635	741	(60)	(65)	575	676
Interest-bearing treasury facilities receivable[3]	10.3.2	397	561	(267)	(2)	130	559
– ZAR treasury facilities receivable	10.3.2	397	561	(267)	(2)	130	559
Indebtedness by subsidiaries	6.2.3	140	277		(1)	140	276
Total indebtedness by subsidiaries		5 311	6 210	(327)	(68)	4 984	6 142
Indebtedness to subsidiaries							
Current		(15 606)	(12 059)			(15 606)	(12 059)
Non-interest-bearing loans payable	12.1.7	(769)	(85)			(769)	(85)
Interest-bearing treasury facilities payable	12.1.7	(14 837)	(11 974)			(14 837)	(11 974)
– ZAR treasury facilities payable	12.1.7	(14 277)	(11 974)			(14 277)	(11 974)
– US$ treasury facilities payable	12.1.7	(560)				(560)	
Total indebtedness to subsidiaries		(15 606)	(12 059)			(15 606)	(12 059)
Net indebtedness (to)/by subsidiaries		(10 295)	(5 849)	(327)	(68)	(10 622)	(5 917)

[1] *The credit risk relating to these subsidiary parties is considered very low and therefore seen as performing. There have been no changes to this assessment as these parties are continuously performing against contractual terms and are in a good liquidity position. The ECL has been considered to be immaterial.*
[2] *Relates mainly to impairment allowances on Gravelotte Iron Ore Company Proprietary Limited of R53 million (2022: R52 million) and Exxaro Base Metals and Industrial Minerals Holdings Proprietary Limited of R3 million (2022: R4 million).*
[3] *2023: Relates to an impairment allowance on Ferroland Grondtrust Proprietary Limited of R267 million (2022: R1 million). The lifetime ECL allowance basis was applied following a significant increase in credit risk.*

Terms and conditions of indebtedness

Non-interest bearing loans
The loans are unsecured, have no fixed terms of repayment and are repayable within one month of a demand notice.

Interest-bearing treasury facilities
Treasury facilities are unsecured, have no repayment terms and are repayable on demand. Interest is charged at money market rates.

Indebtedness (trade related)
Certain subsidiaries are charged corporate service fees which are repayable within 30 days.

Chapter 17:
Subsidiaries continued

17.5 SUMMARY OF INDEBTEDNESS BY/(TO) SUBSIDIARIES continued

Terms and conditions of indebtedness continued

Interest-bearing loans receivable

Interest-bearing loans receivable, and their redemption profiles, comprise of:

	Company					
	Acquisition loans receivable[1]		Back-to-back loans receivable[2]		Net carrying amount	
As at 31 December	**2023 Rm**	**2022 Rm**	**2023 Rm**	**2022 Rm**	**2023 Rm**	**2022 Rm**
Back-to-back loans receivable						
Exxaro Coal Proprietary Limited			4 108	4 554	4 108	4 554
Acquisition loans receivable						
Exxaro Aga Setshaba NPC	31	58			31	58
Exxaro ESOP SPV		19				19
Total unsecured loans	31	77	4 108	4 554	4 139	4 631
Summary by financial year of redemption:						
Less than six months			933	286	933	286
Six to 12 months			225	225	225	225
Between one and two years			450	1 093	450	1 093
Between two and three years			2 500	450	2 500	450
Between three and four years				2 500		2 500
Between four and five years						
More than five years	31	77			31	77
Total unsecured loans	31	77	4 108	4 554	4 139	4 631

[1] *The acquisition loans receivable are unsecured, are repayable by no later than 10 years of the loan being granted and bear interest at a rate of 70% of Prime Rate.*

[2] *The back-to-back loans receivable have similar terms as agreed with external lenders (excluding the project financing) except for interest, which is charged based on 3-month JIBAR plus a margin. Refer note 12.1.4 for detailed terms and conditions of the external borrowings, excluding the project financing. The fixed margin percentage at the end of the reporting period on the back-to-back loans is summarised as follows:*
Revolving credit facility: 2.76% (2022: 2.76%)
Bullet term loan facility: 2.51% (2022: 2.51%)
Amortised term loan facility: 2.41% (2022: 2.41%)
Bond R357 million: 1.65% (2022: 1.65%)
Bond R643 million: nil (2022: nil)

Chapter 17:
Subsidiaries continued

17.6 DETAILED ANALYSIS OF INVESTMENTS IN SUBSIDIARIES AND INDEBTEDNESS BY/(TO) SUBSIDIARIES

			Investment in subsidiaries			
			Investment in shares[1]		Investment in share-based payments	
	Country[2]	Nature of business[3]	2023 R	2022 R	2023 Rm	2022 Rm
DIRECT INVESTMENTS						
Cennergi Holdings Proprietary Limited[4]	RSA	H	2 437 330 416	2 437 330 416		
Colonna Properties Proprietary Limited	RSA	B	2 518 966	2 518 966		
Exxaro Australia Holdings Proprietary Limited[5]	AUS	H	765 066 307	710 080 074		
Exxaro Base Metals and Industrial Minerals Holdings Proprietary Limited	RSA	H	1	1		
Exxaro Chairman's Fund	RSA	S				
Exxaro Coal Proprietary Limited	RSA	M	1 868 325 864	1 868 325 864	78	207
Exxaro Employee Empowerment Participation Scheme Trust[6]	RSA	S				
Exxaro Employee Empowerment Trust[6]	RSA	S				
Exxaro Environmental Rehabilitation Fund	RSA	S				
Exxaro ESOP SPV RF Proprietary Limited	RSA	S	100	100		
Exxaro FerroAlloys Proprietary Limited	RSA	A	1	1	2	3
Exxaro Foundation[6]	RSA	S				
Exxaro Holdings Proprietary Limited[7]	RSA	H	433 575 451	459 517 297		
Exxaro Insurance Company Limited[8]	RSA	I	812 000 000	312 000 000		
Exxaro Aga Setshaba NPC[9]	RSA	S				
Exxaro Mountain Bike Academy NPC	RSA	E				
Exxaro People Development Initiative NPC[6]	RSA	E				
Exxaro Properties (Groenkloof) Proprietary Limited[6]	RSA	B	1	1		
Eyesizwe (RF) Proprietary Limited (2023: 14.86%) (2022: 14.86%)	RSA	S	1 482 907 923	1 482 907 923		
Ferroland Grondtrust Proprietary Limited	RSA	F	2	2	5	5
Gravelotte Iron Ore Company Proprietary Limited	RSA	B	1	1		
Kumba Resources Management Share Trust	RSA	S				
Rocsi Holdings Proprietary Limited[10]	RSA	H	647 948 268	653 722 945		
Total direct investments in subsidiaries			8 449 673 301	7 926 403 591	85	215
INDIRECT INVESTMENTS						
Amakhala Emoyeni RF Proprietary Limited (95%)	RSA	R				
Coastal Coal Proprietary Limited	RSA	MIC			1	3
Cennergi Proprietary Limited[4]	RSA	H				
Cennergi Services Proprietary Limited	RSA	C				
Lephalale Solar Proprietary Limited	RSA	R				
K2021699383 (South Africa) Proprietary Limited	RSA	R				
Exxaro Australia Proprietary Limited	AUS	M & P				
Exxaro Coal Mpumalanga Proprietary Limited	RSA	M			194	224
Exxaro International Trading AG	SW	C			(1)	(1)
Exxaro Reductants Proprietary Limited[6]	RSA	A				
The Vryheid (Natal) Railway Coal and Iron Company Proprietary Limited	RSA	MIC				
Exxaro Employee Share Ownership Trust	RSA	S				
Tsitsikamma RF Proprietary Limited	RSA	R				
Total indirect investment in subsidiaries					194	226
Total investment in subsidiaries			8 449 673 301	7 926 403 591	279	441

[1] At 100% holding except where otherwise indicated.
[2] Country of incorporation: RSA — Republic of South Africa, AUS — Australia, SW — Switzerland.
[3] M — Mining, B — Property, C — Service, E — Not for profit company, F — Farming, H — Holdings, I — Insurance, A — Manufacturing, P — Exploration, S — Structured entity, MIC – Mines in closure, R - Renewable energy.
[4] Exxaro sold its direct interest in Cennergi to Cennergi Holdings in an asset (investment in shares) for share transaction that was effective on 7 October 2022.
[5] Cash subscription and loan capitalisation in 2023.
[6] Entity in process of liquidation or deregistration.
[7] Impairment charge on investment in subsidiary of R26 million recognised in 2023.
[8] Share subscription for cash in 2023 of R 500 million.
[9] Previously known as Exxaro Matla Setshabeng Development NPC
[10] Impairment charge on investment in subsidiary of R6 million recognised in 2023.

	Type of indebtedness	Total indebtedness receivable/(payable): Total indebtedness by 2023 Rm	Total indebtedness by 2022 Rm	(Total indebtedness to) 2023 Rm	(Total indebtedness to) 2022 Rm
DIRECT INVESTMENTS					
Cennergi Holdings Proprietary Limited[4]	Non-interest-bearing	108	207		
Colonna Properties Proprietary Limited					
Exxaro Australia Holdings Proprietary Limited[5]					
Exxaro Base Metals and Industrial Minerals Holdings Proprietary Limited	Non-interest-bearing	216	216		
Exxaro Chairman's Fund					
Exxaro Coal Proprietary Limited	Total	4 198	4 730	(12 513)	(11 216)
	– Interest-bearing	4 108	4 554		
	– Treasury facility			(12 513)	(11 216)
	– Current indebtedness	90	176		
Exxaro Employee Empowerment Participation Scheme Trust[6]					
Exxaro Employee Empowerment Trust[6]					
Exxaro Environmental Rehabilitation Fund					
Exxaro ESOP SPV RF Proprietary Limited	Interest-bearing		19		
Exxaro FerroAlloys Proprietary Limited	Total	83	275		
	– Treasury facility	82	272		
	– Current indebtedness	1	3		
Exxaro Foundation[6]					
Exxaro Holdings Proprietary Limited[7]	Non-interest-bearing			(6)	(6)
Exxaro Insurance Company Limited[8]	Current indebtedness		1		
Exxaro Aga Setshaba NPC[9]	Interest-bearing	31	58		
Exxaro Mountain Bike Academy NPC					
Exxaro People Development Initiative NPC[6]					
Exxaro Properties (Groenkloof) Proprietary Limited[6]					
Eyesizwe (RF) Proprietary Limited (2023: 14.86%) (2022: 14.86%)					
Ferroland Grondtrust Proprietary Limited	Total	49	286		
	– Treasury facility	48	285		
	– Current indebtedness	1	1		
Gravelotte Iron Ore Company Proprietary Limited					
Kumba Resources Management Share Trust	Non-interest-bearing			(81)	(79)
Rocsi Holdings Proprietary Limited[10]	Non-interest-bearing		95	(646)	
Total direct investments in subsidiaries		4 685	5 887	(13 246)	(11 301)
INDIRECT INVESTMENTS					
Amakhala Emoyeni RF Proprietary Limited (95%)					
Coastal Coal Proprietary Limited	Total	184	109		
	– Treasury facility		1		
	– Non-interest-bearing	184	108		
Cennergi Proprietary Limited[4]					
Cennergi Services Proprietary Limited					
Lephalale Solar Proprietary Limited					
K2021699383 (South Africa) Proprietary Limited					
Exxaro Australia Proprietary Limited					
Exxaro Coal Mpumalanga Proprietary Limited	Total	48	95	(2 324)	(689)
	– Treasury facility			(2 324)	(689)
	– Current indebtedness	48	95		
Exxaro International Trading AG					
Exxaro Reductants Proprietary Limited[6]	Total			(36)	(69)
	– Treasury facility				(69)
	– Non-interest-bearing			(36)	
The Vryheid (Natal) Railway Coal and Iron Company Proprietary Limited	Total	67	51		
	– Treasury facility		1		
	– Non-interest-bearing	67	50		
Exxaro Employee Share Ownership Trust					
Tsitsikamma RF Proprietary Limited					
Total indirect investment in subsidiaries		299	255	(2 360)	(758)
Total investment in subsidiaries		4 984	6 142	(15 606)	(12 059)

17.7 NON-CONTROLLING INTERESTS

17.7.1 Composition and analysis of non-controlling interests

Subsidiaries with non-controlling interests	Nature of business	Principal place of business	Voting power of non-controlling interests 2023 %	2022 %
Subsidiaries with equity shareholders:				
Eyesizwe	BEE structured entity	Gauteng	75.14	75.14
Tsitsikamma SPV[1]	Renewable energy	Eastern Cape	25.00	25.00
Subsidiaries with share option holders:				
Amakhala SPV	Renewable energy	Eastern Cape	5.00	5.00

[1] *On 31 March 2022, the remaining 9% share option holder of Tsitsikamma SPV, exercised its share option becoming a true equity shareholder.*

	Profit allocated to NCI		OCI allocated to NCI		Dividends and distributions paid to NCI		Accumulated NCI	
	2023 Rm	2022 Rm	2023 Rm	2022 Rm	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Subsidiaries with equity shareholders:	3 411	4 179	44	97	(1 855)	(2 274)	14 119	12 519
Eyesizwe	3 399	4 164	47	85	(1 831)	(2 237)	13 841	12 226
Tsitsikamma SPV	12	15	(3)	12	(24)	(37)	278	293
Subsidiaries with share option holders:						(1)	41	41
Tsitsikamma SPV						(1)		
Amakhala SPV							41	41
Total NCIs	3 411	4 179	44	97	(1 855)	(2 275)	14 160	12 560

Movement analysis of NCI:	NCI equity shareholders 2023 Rm	2022 Rm	NCI share option holders 2023 Rm	2022 Rm	Total NCI 2023 Rm	2022 Rm
At the beginning of the year	12 519	10 412	41	136	12 560	10 548
Total comprehensive income	3 455	4 276			3 455	4 276
Share of profit for the year	3 411	4 179			3 411	4 179
Share of OCI for the year	44	97			44	97
Transactions with owners of subsidiary companies	(1 855)	(2 274)		(1)	(1 855)	(2 275)
Dividends paid	(1 855)	(2 274)			(1 855)	(2 274)
Distribution to NCI share option holders				(1)		(1)
Changes in ownership interest		105		(94)		11
Initial recognition of NCI equity shareholder[1]		105		(94)		11
– Derecognise share option[1]				(94)		
At the end of the year	14 119	12 519	41	41	14 160	12 560

[1] *On 31 March 2022, the remaining 9% share option holder of Tsitsikamma SPV, exercised its share option becoming a true equity shareholder.*

17.7 NON-CONTROLLING INTERESTS continued

17.7.2 Summarised financial information of non-controlling interests

The summarised financial information set out below relates to the subsidiaries in which NCI share.

	Tsitsikamma SPV		Eyesizwe	
At 31 December	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Statements of financial position				
Non-current assets	3 157	3 335	18 164	16 185
Current assets	219	187	19	7
Total assets	3 376	3 522	18 183	16 192
Non-current liabilities	2 120	2 238		
Current liabilities	135	106	3	1
Total liabilities	2 255	2 344	3	1
Net assets	1 121	1 178	18 180	16 191
Accumulated NCIs	278	293	13 841	12 226

	Tsitsikamma SPV		Eyesizwe	
For the year ended 31 December	2023 Rm	2022 Rm	2023 Rm	2022 Rm
Statements of comprehensive income				
Revenue	557	514		
Net operating profit/(loss)	250	219	(5)	(1)
Income from equity-accounted investments			4 528	5 543
Net (finance costs)/income	(180)	(166)	1	
Income tax (expense)/benefit	(23)	6		
Profit for the year	47	59	4 523	5 542
Other comprehensive (loss)/income	(10)	55	63	114
Total comprehensive income for the year	37	114	4 586	5 656
Profit attributable to:	47	59	4 523	5 542
Owners of the parent	35	44	1 124	1 378
Non-controlling interests	12	15	3 399	4 164
Other comprehensive (loss)/income attributable to:	(10)	55	63	114
Owners of the parent	(7)	43	16	29
Non-controlling interests	(3)	12	47	85
Total comprehensive income attributable to:	37	114	4 586	5 656
Owners of the parent	28	87	1 140	1 407
Non-controlling interests	9	27	3 446	4 249
Statements of cash flows				
Cash flows from operating activities	218	208	(3)	(1)
Cash flows from investing activities			2 446	2 979
Cash flows from financing activities	(188)	(248)	(2 431)	(2 978)
Net increase/(decrease) in cash and cash equivalents	30	(40)	12	
Dividends paid to non-controlling interests:	(24)	(37)	(1 831)	(2 237)

CHAPTER 18:
Compliance

Chapter 18:
Compliance

18.1 BASIS OF PREPARATION

18.1.1 Statement of compliance

The group (consolidated) and the company (separate) annual financial statements as at and for the year ended 31 December 2023 have been prepared under the supervision of Mr PA Koppeschaar CA(SA), SAICA registration number: 00038621. The principal accounting policies of Exxaro Resources Limited (the company) and its entities (the group) as well as the disclosures made in these annual financial statements comply with International Financial Reporting Standards (IFRS® Accounting Standards) (as issued by the International Accounting Standards Board (IASB®)) and IFRIC® interpretations, effective for the financial year, as well as the SAICA Financial Reporting Guides (as issued by the Accounting Practices Committee), the Financial Pronouncements (as issued by the Financial Reporting Standards Council), the Companies Act (applicable to companies reporting under IFRS Accounting Standards) and the Listings Requirements.

18.1.2 Basis of measurement

The annual financial statements are prepared on the historical cost basis, except for the revaluation to fair value of financial instruments, share-based payments and biological assets. The annual financial statements are prepared on the going-concern basis.

The annual financial statements are presented in South African rand, which is the company's functional and presentation currency. However, the group measures the transactions of each of its material operations using the functional currency determined for that specific entity, which, in most instances, is the currency of the primary economic environment in which the operation conducts its business.

Management considers key financial metrics and loan covenant compliance in its approved medium-term budgets, together with its existing term facilities, to conclude that the going concern assumption used in compiling the annual financial statements is relevant.

The accounting policies applied for 2023 are consistent with those applied in 2022, except for the adoption of new or amended standards as set out below.

18.1.3 Basis of consolidation

The group annual financial statements present the consolidated financial position and changes therein, operating results and cash flow information of the company and its subsidiaries as those of a single entity.

18.1.4 Judgements and key assumptions made by management in applying accounting policies

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to exercise its judgement in the process of applying the accounting policies. Such judgements, apart from those involving estimates, have been made by management. Details of these judgements have been included within the relevant chapters. Additionally, the use of certain critical accounting estimates is required. Key assumptions concerning the future, and other key sources of estimation uncertainty at the financial year end, may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year if the assumption or estimation changes significantly. Details of key assumptions and key sources of estimation uncertainty have been included within the relevant chapters.

18.2 ADOPTION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

18.2.1 New, amended and revised standards adopted during 2023

Exxaro has applied changes to IFRS Accounting Standards that are mandatorily effective for reporting periods beginning on or after 1 January 2023. Additionally, Exxaro has early adopted the amendments to IAS 1 *Presentation of Financial Statements: Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current* (both mandatorily effective from 1 January 2024). The changes and their impact on Exxaro are summarised below. Overall, the adoption of these amendments did not impact the recognition nor measurement of the amounts reported in these financial statements.

Standard	Key requirements
IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* - Disclosure of accounting policies	The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments had an impact on the disclosures of accounting policies; the impacted policies have been updated. The amendments did not have an impact on the measurement, recognition nor presentation of any items in the financial statements.
IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* - Definition of accounting estimate	The amendments clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the financial statements.
IAS 12 *Income Taxes* - Deferred tax related to assets and liabilities arising from a single transaction	The amendments narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the financial statements.
IFRS 17 *Insurance contracts*	IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by: • A specific adaptation for contracts with direct participation features (the variable fee approach) • A simplified approach (the premium allocation approach) mainly for short-duration contracts. The new standard had no impact on the group's financial statements.

18.2 ADOPTION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS continued

18.2.2 New, amended and revised standards early adopted in 2023

Classification of liabilities as current or non-current as well as non-current liabilities with covenants

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition. A key requirement of the 2020 amendments was that entities with liabilities that are subject to covenants to be complied with at a date subsequent to the reporting period do not have the right to defer settlement of the liabilities at the end of the reporting period if they do not comply with the covenants at that date.

Under the 2022 amendments, only covenants of a liability arising from a loan arrangement, which an entity must comply with on or before the reporting date affect the classification of that liability as current or non-current. The amendments are linked to the requirements on disclosure about such liabilities. The IASB concluded that the amended classification requirements will provide useful information when considered together with the requirements to disclose information when considered together with the requirements to disclose information about non-current liabilities with future covenants in the notes.

The amendments are applied retrospectively with early application permitted.

On adopting the amendment to IAS 1 on 1 January 2023, Exxaro early adopted the subsequent amendments to IAS 1, effective 1 January 2024, regarding the classification of current and non-current liabilities. The adoption had no impact.

18.2.3 New, amended and revised standards not yet adopted

New accounting standards, amendments to accounting standards and interpretations issued, that are not yet effective on 31 December 2023, have not been early adopted. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date, except as noted under 18.2.2. The group continuously evaluates the impact of these standards and amendments. The effect of the implementation of the new, amended or revised standards are not expected to have a material impact, although assessments of the effect of the implementation of these new, amended or revised standards are ongoing.

Standard	Key requirements	Mandatory application date
IFRS 16 *Leases* – Lease liability in a sale and leaseback transaction	The amendment specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right-of-use it retains.	1 January 2024
IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* – Supplier Finance Arrangements	The amendments clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.	1 January 2024
IAS 21 *The Effect of Changes in Foreign Exchange Rates* – Lack of exchangeability	The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.	1 January 2025

18.3 EVENTS AFTER THE REPORTING PERIOD

Details of the final and special dividends declared are provided in note 5.5.

Subsequent to 31 December 2023, the following notable event occurred:

On 21 February 2024, the Department of Water and Sanitation filed a notice to appeal the order granted by the Water Tribunal for the water use licence application relating to the discard facility expansion project at the Mafube Coal mine. Construction is planned to commence in June 2024. The expanded discard dump will only be required in the second half of 2025. The actual appeal submission is still pending. Mafube management is currently engaging with the relevant authorities to resolve the matter.

Mafube Coal mine has all the requisite licences to operate, namely:
- mining right that is valid until 2030
- water use licence which expires in 2038.

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.

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

CHAPTER 19:
Annexures

Chapter 19:
Annexures

ANNEXURE 1: SHAREHOLDER ANALYSIS

2.1 Exxaro public and non-public shareholding 2023

Shareholder type	Number of shareholders	% of total shareholders	Number of shares	% of issued share capital
Non-public shareholders	17	0.076	108 189 255	30.98
Eyesizwe[1]	1	0.004	107 612 026	30.81
Kumba Management Share Trust	1	0.004	158 218	0.05
Directors				
– PA Koppeschaar[2]	1	0.004	76 220	0.02
– N Tsengwa[2]	1	0.004	139 071	0.04
Subsidiary directors	13	0.060	203 720	0.06
Public shareholders	22 579	99.924	241 115 837	69.02
Total	22 596	100.000	349 305 092	100.00

[1] *Includes indirect shareholding through Eyesizwe of the following directors:*				
– VZ Mntambo			*4 448 839*	*1.27*

[2] *Includes direct and DBP shareholding.*

2.2 Registered shareholder spread

In accordance with the Listings Requirements, the following table confirms the spread of registered shareholders at 31 December 2023:

Shareholder spread	Number of shareholders	% of total shareholders	Number of shares	% of issued share capital
1 to 1 000 shares	19 814	87.69	2 720 506	0.78
1 001 to 10 000 shares	1 820	8.06	5 895 156	1.69
10 001 to 100 000 shares	710	3.14	23 594 705	6.75
100 001 to 1 000 000 shares	211	0.93	60 408 183	17.29
1 000 001 shares and above	41	0.18	256 686 542	73.49
Total	22 596	100.00	349 305 092	100.00

2.3 Substantial investment management and beneficial interests above 5%

Through regular analysis of Strate registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held 5% or more (directly and indirectly) of the issued share capital as at 31 December 2023:

Shareholder spread	Number of shares	% of issued share capital
Investment management shareholdings		
Eyesizwe	107 612 026	30.81
Public Investment Corporation (PIC)	42 853 016	12.27
M&G investment Managers Proprietary Limited	30 010 368	8.59
Coronation Asset Management Proprietary Limited	22 569 851	6.46
Total	203 045 261	58.13
Beneficial shareholdings		
Eyesizwe	107 612 026	30.81
Government Employees Pension Fund	52 577 289	15.05
Total	160 189 315	45.86

ANNEXURE 2: SUPPLEMENTARY NON-IFRS FINANCIAL MEASURES

Management has presented the performance measure EBITDA because it monitors this performance measure at a consolidated level and it believes that this measure is relevant to an understanding of the group's financial performance. EBITDA is defined as net operating profit before interest, tax, depreciation, amortisation, impairment charges or impairment reversals and net losses or gains on the disposal of assets and investments (including translation differences recycled to profit or loss).

EBITDA is not a defined performance measure in IFRS Accounting Standards. The group's definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

	Group	
	2023 Rm	**2022 Rm**
Net operating profit	10 627	16 220
Add back:		
Depreciation and amortisation	2 715	2 681
Net losses on disposal of property, plant and equipment	57	97
Loss on disposal of subsidiary		1
Loss on dilution of investment in associate		2
EBITDA	13 399	19 001

ANNEXURE 3: DEFINITIONS

The following definitions are to be used in a group context.

Adjusted earnings

Group adjusted net profit after tax (excluding SIOC adjusted equity-accounted income) less NCI of Exxaro subsidiaries (excluding NCI of Eyesizwe).

Attributable cash flow per ordinary share

Cash flow from operating activities after adjusting for participation of NCIs therein, divided by the weighted average number of ordinary shares in issue during the year.

Capital employed

Total equity plus net debt minus non-current financial assets minus other non-current assets.

Cash and cash equivalents

Comprises cash on hand, current and call accounts in bank, net of bank overdraft, together with any highly liquid investments readily convertible to known amounts of cash and not subject to significant risk of changes in value.

Current ratio

Current assets divided by current liabilities.

Dividend cover

Adjusted attributable earnings per ordinary share divided by dividends per ordinary share.

Dividend yield

Dividends per ordinary share divided by closing share price per ordinary share.

Earnings per ordinary share

Attributable earnings basis

Earnings attributable to owners of the parent (Exxaro) divided by the weighted average number of ordinary shares in issue (net of treasury shares) during the year.

Headline earnings basis

Headline earnings divided by the weighted average number of ordinary shares in issue (net of treasury shares) during the year.

Effective interest rate

The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Financial cost cover

EBIT cover

Net operating profit before interest and tax, divided by net financing costs.

EBITDA cover

Net operating profit before interest, tax, depreciation, amortisation, impairment charges or impairment reversals and net losses or gains on the disposal of assets and investments (including translation differences recycled to profit or loss), divided by net financing costs.

ANNEXURE 3: DEFINITIONS continued

Good leavers

A participant whose employment with employer companies is terminated due to:
(i) the Participant's:
- retrenchment
- retirement
- death
- serious disability or incapacitation
- promotion out of the relevant qualifying category; or

(ii) the employer company ceasing to form part of the employer companies, provided that any transfer of employment by a participant to another employer company shall not be deemed to constitute any terminations of employment by a participant with the employer companies.

Headline earnings

Earnings attributable to owners of the parent (Exxaro) adjusted for gains or losses on items of a capital nature, recognising the tax and NCIs impact on these adjustments.

Headline earnings yield

Headline earnings per ordinary share divided by the closing share price on the JSE.

Interest-bearing debt

Sum of interest-bearing borrowings and lease liabilities. The calculations include the respective items classified as non-current liabilities held-for-sale.

Invested capital

Total equity, interest-bearing debt, non-current provisions and net deferred tax less cash and cash equivalents.

Materiality

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users of general purpose financial statements make, on the basis of those financial statements, which provide financial information about the reporting entity.

Materiality is determined on a case-by-case basis depending on the facts and circumstances pertaining to the item, transaction, adjustment, information or event (matter) taking into account both qualitative and quantitative factors.

Net assets

Total assets less total liabilities less NCIs which equates to equity of owners of the parent (Exxaro).

Net debt or cash

Net debt or cash is calculated as the sum of interest-bearing borrowings, lease liabilities and overdraft less cash and cash equivalents. The calculations include the respective items classified as non-current assets and liabilities held-for-sale.

Net debt to equity ratio

Interest-bearing debt less cash and cash equivalents as a percentage of total equity.

Net operating profit

Net operating profit or loss equals revenue less operating expenses, net expected credit losses, major once-off expense items and impairment charges of non-current operating assets, plus impairment reversals of non-current operating assets and major non-recurring income items. Major non-recurring items are presented separately on the statement of comprehensive income between operating profit or loss and net operating profit or loss which relate to significant corporate activities.

Non-core items

Gains and losses on transactions adjusted in the calculation of headline earnings.

Number of years to repay interest-bearing debt

Interest-bearing debt divided by cash flow from operating activities.

Operating margin

Net operating profit as a percentage of revenue.

ANNEXURE 3: DEFINITIONS continued

Operating profit

Operating profit or loss equals revenue less operating expenses before impairment charges or impairment reversals of non-current operating assets and major non-recurring items.

Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses; and whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources allocated to the segment and assess its performance; and for which discrete financial information is available.

Return on capital employed

Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments, as a percentage of average capital employed.

Return on invested capital

Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments, as a percentage of the average invested capital.

Return on net assets

Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments, as a percentage of the average net assets.

Return on ordinary shareholders' equity

Attributable earnings

Earnings attributable to owners of the parent (Exxaro) as a percentage of average equity attributable to owners of the parent (Exxaro).

Headline earnings

Headline earnings as a percentage of average equity attributable to owners of the parent (Exxaro).

Revenue per employee

Revenue divided by the average number of employees during the year.

Total asset turnover

Revenue divided by average total assets.

WANOS

The number of shares in issue at the beginning of the year, increased by shares issued during the year, decreased by share repurchases during the year and treasury shares, weighted on a time basis for the period in which they have participated in the earnings of the group.

In the case of shares issued pursuant to a share capitalisation award in lieu of dividends, the participation of such shares is deemed to be from the date of issue.

Chapter 19:
Annexures continued

ANNEXURE 4: ADMINISTRATION

Registered office
Exxaro Resources Limited
The conneXXion
263B West Avenue
Die Hoewes, Centurion, 0157
South Africa
Telephone +27 12 307 5000
Fax +27 12 323 3400

Exxaro Resources Limited
(Incorporated in the Republic of South Africa)
Registration number: 2000/011076/06
JSE share code: EXX
ISIN code: ZAE000084992
ADR code: EXXAY
Bond code: EXX05
ISIN No: ZAG000160334

Group company secretary
AT Ndoni

Independent external auditor
KPMG Inc.
KPMG Crescent
85 Empire Road
Parktown, 2913

Commercial bankers
ABSA Bank Limited

Corporate law advisers
Inlexso Proprietary Limited

United States ADR Depository
The Bank of New York Mellon
101 Barclay Street
New York NY10286
United States of America

Lead equity sponsor and debt sponsor
Absa Bank Limited (acting through its Corporate and Investment Bank Division)
Barclays Sandton North
15 Alice Lane
Sandton, 2196

Joint equity sponsor
Tamela Holdings Proprietary Limited
Ground floor, Golden Oak House
35 Ballyclare Drive
Bryanston, 2021

Transfer secretaries
JSE Investor Services Proprietary Limited
One Exchange Square
Gwen Lane
Sandown, Sandton
2196

Prepared under the supervision of:
PA Koppeschaar CA(SA)
SAICA registration number: 0038621

ANNEXURE 5: SHAREHOLDERS' DIARY

Financial year end	31 December
Annual general meeting	May
Reports and accounts published	
Announcement of annual results	March
Integrated report and annual financial statements	April
Interim report for the six months ended 30 June	August
Distribution	
Final dividend declaration	March
Payment	April/May
Interim dividend declaration	August
Payment	September/October

Glossary

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

Glossary continued

FOB	Free on board
FPR:2015	Financial provisioning regulations, 2015
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
GAM	Global Asset Management Limited
GIS	Group incentive scheme
GWh	Gigawatt hour
HDSA	The meaning given to it, or any equivalent or replacement term, in the broad-based socio-economic empowerment charter for the South African Mining Industry, developed under section 100 of the MPRDA, as amended or replaced from time to time
HEPS	Headline earnings per share
IAS	International Accounting Standard(s)
IASB	International Accounting Standards Board
IFRIC	IFRS Interpretations Committee
IFRS(s)	International Financial Reporting Standard(s) (as issued by the IASB)
Insect Technology	Insect Technology Group Holdings UK Limited
IoDSA	The Institute of Directors in South Africa
JIBAR	Johannesburg Interbank Average Rate
JORC	Joint Ore Reserves Committee Code
JSE	JSE Limited
JV	Joint venture
kcal	Kilocalorie
King IV™	King IV Report on Corporate Governance™ for South Africa, 2016[1]
KIO	Kumba Iron Ore Limited
KPI(s)	Key performance indicator(s)
KPMG	KPMG Inc.
LGD	Loss given default
LightApp	LightApp Technologies Limited
Listings Requirements	JSE Listings Requirements
LME	London Metal Exchange
LoM	Life of mine
LOS	Line of sight incentive
LSP	Lephalale Solar Photovoltaic Project
LSP SPV	Lephalale Solar Proprietary Limited
LTIFR	Lost-time injury frequency rate
LTIP	Long-term incentive plan
Mafube	Mafube Coal Proprietary Limited
MoI	Memorandum of Incorporation
MPRDA	Mineral and Petroleum Resources Development Act 28 of 2002
Mt	Million tonnes

Glossary continued

MSR	Minimum shareholding requirement
NCI(s)	Non-controlling interest(s)
NCOE	Notional cost of employment
NEMA	National Environmental Management Act, 1998
NPC	Not-for-profit company
OCI	Other comprehensive income
Overlooked Colliery	Overlooked Colliery Proprietary Limited
PD	Probability of default
PIC	Public Investment Corporation
PPI	Producer Price Index
Prime Rate	South African prime bank rate
PwC	PricewaterhouseCoopers Incorporated
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
ROCE	Return on capital employed
RSA	Republic of South Africa
SAICA	South African Institute of Chartered Accountants
SAMREC Code	The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves
SARB	South African Reserve Bank
SARS	South African Revenue Service
SENS	Stock Exchange News Services
SIOC	Sishen Iron Ore Company Proprietary Limited
SME(s)	Small and medium enterprise(s)
SPPI	Solely payments of principal and interest
SSCC	Semi-soft coking coal
STI	Short-term incentives
Thungela	"Thungela Resources Limited, through its subsidiary South Africa Coal Operations Proprietary Limited"
Tsitsikamma SPV	Tsitsikamma Community Wind Farm Proprietary Limited
TSR	Total shareholder return
UK	United Kingdom
US$	United States dollar
USA	United States of America
VARP	Value appreciation rights plan
VAT	Value Added Tax
WANOS	Weighted average number of shares

Bastion

exxaro
POWERING POSSIBILITY