# Conference call transcript

20 September 2021

## CAPITAL MARKETS DAY

**Mzila Mthenjane**

Good morning ladies and gentlemen and a warm welcome on this lovely Monday morning. I'm coming to you from our corporate office here in Centurion in South Africa for those who may be watching us from outside of the country. My name is Mzila Mthenjane and I am the Executive Head of Stakeholder Affairs at Exxaro Resources. It's a great pleasure for me and on behalf of the leadership of the company to welcome you on our capital markets day 2021. This is our third capital markets day and it's one with a slight difference. The first two capital markets days that we had were obviously physical and they involved site visits. And unfortunately this being a hybrid event we're not going to have a site visit. However, we do have some videos for you, so something to look forward to there I guess.

It's always a pleasure to engage with yourselves, our institutional shareholders. But I must also extend a special welcome to our shareholders from Eyesizwe as well as representatives from our employee shareholder scheme as well as our community benefit scheme. It's a great pleasure to have you all here. My role here today will really be one of facilitating the question and answers at the end of the presentations that you'll be seeing here today. But before we get started let me just deal with some admin.

As I've mentioned, it's a hybrid event. We are here at the Centurion offices which we fondly refer to as the connection. And we have present here senior leadership of the company and the teams of each of the functional heads who will be presenting today who will also be contributing to the discussion and conversation. So from a bathroom perspective I would like to give you the benefit of the doubt that you all know where the bathrooms are, and then from an unforeseen incident in terms of fire that you are familiar with those procedures. So if we can then get started, I'm going to be doing quite a bit of work today with this clicker as well.

Let me perhaps start off by giving you some context. What you see from this slide is really a reflection of this tension between optimism and outrage. This is an expression that I'm picking up from a podcast that I was listening to earlier today, this optimism and outrage in relation to climate change. You will be hearing today from our management team led by CEO, Mr Mxolisi Mgojo. They will be taking you through a series of presentations on how the company really has begun – and I need to emphasise that – but they will also be taking you through in the presentations how Exxaro will continue in its response to the risks and opportunities presented by climate change. As you will all appreciate, this has increasingly become an imperative for change and transition for our business and especially for the stakeholders who depend on it.

So with this reference Exxaro's sustainable growth and impact strategy is an integrated, deliberate and a very well-considered strategy, if I may say so myself. And this has been absolutely critical given the current business model and the location of the company in South Africa. And here is why I say that. I'm going to read to you a paragraph that I came across from BUSA and NBI in terms of the business statement of South Africa's climate change and decarbonisation response and the pathways to net zero emissions by 2050. And it says: South Africa is highly vulnerable to the impacts of climate change and will need significant international support to build resilience, transition its economy and to decarbonise.

Furthermore, given the country's high rate of inequality and unemployment and the extent of dependence on a fossil fuel based energy system and economy, this transition must take place in a way that is just, that leaves no one behind, and that sets the country into a new and more equitable and sustainable development path, one which aims to systematically reindustrialise the country and build new and green industries, value chains and jobs on the basis of a supportive and aligned policy.

This is the context within which we come in with this presentation of the sustainable growth and impact strategy. In addition to that, I would like to also remind you that prior to this Exxaro had actually initiated a survey amongst our shareholders in late 2019, early 2020 to understand shareholder views and expectations from Exxaro around this very concept of the just transition. And here is some of what you said to us. I'd like to highlight some of those excerpts in green. Maybe for the benefit of time I'll let you go through them yourselves. What is clear in terms of these excerpts is that shareholders were very clear in terms of what they expected from Exxaro, that Exxaro should consider all perspectives, not only emotional but really being pragmatic and practical and considering the need to balance the different perspectives from all our stakeholders.

And so what we have then prepared here today in terms of the programme you will notice that there's a change in the programme from what we had provided you earlier. How we will go about it is that rather than having Q&A at the end of each section or two sections as we previously had anticipated, we will go through all of the presentations starting first with a strategic overview from the CEO. And that will be followed by a deep dive into the renewable energy business on which there will be numerous questions since last year when we started talking about it. That will be followed by the minerals presentation.

And the renewable energy presentation will be presented by Roland Tatnall. And Dr Nombasa Tsengwa, our CEO designate and MD for Minerals will then present the minerals strategy. And the sequence is important and how we've packaged them together, because as I said earlier this is an integrated strategy. And hopefully you will be able to pick that up as we go through that. We will then follow that with capital allocation because these are strategies that have to be funded, and this has been one of the key questions from investors in terms of how we're going to fund this growth. Mxolisi will then come back and give some concluding remarks. And it will be at the end of that I'll be joined by the whole team here on stage where I will facilitate the questions and answers. So with that context I think I've been able to do well in terms of time. Let me hand over to our CEO, Mxolisi Mgojo, who will then take us through the strategic overview. Mxolisi, over to you.

**Mxolisi Mgojo**
Thank you very much, Mzila, and good day ladies and gentlemen and a warm welcome to all of you who have joined us today. In thinking through the decisions about our future we have been strongly influenced by our purpose to power better lives in Africa and beyond. We will fulfil this purpose through a strategy of remaining a central provider of the resources that are critical to the sustainable development of South Africa and other developing countries as the world shifts towards a low carbon future. The land we mine, the people who power our business and the funds invested have been entrusted to us by communities, shareholders and the country. To safeguard this value we need to accelerate change in our business guided by our values and culture.

It is a reality of our time that climate change poses a significant risk to business, capital markets, and has a negative impact on ecosystems and societies. As such stakeholder action is increasing in momentum. Investors are taking action to decarbonise their investment portfolios. Governments are increasing pressure on large emitters with various policies incentivising emission reduction. Competition between communities and industry for natural resources continues to grow. The best talent [?] is increasingly focusing on a company's externalities and impact on society. With these risks compounding, the world is now moving quickly and the net zero movement is gathering pace.

There is a narrow window to gain a foothold where we can create stakeholder value in the accelerating shift to a low carbon world. To miss and ignore that window as a predominantly fossil fuel producer is to be left largely with managing dynamic risks. We do see significant future opportunity for renewable energy in South Africa and beyond as well as availability and accessibility to develop minerals that are vital to a low carbon future. We have a clear duty to consider how the assets we operate can continue to create value for a broad range of stakeholders beyond current shareholders, management, employees and commercial partners. The choice we have made in the past like investing in renewables and the coal growth capex now provide us with the optionality as we embark on this transition to a low carbon economy. These earlier investments allow us the choice to manage instead of being faced only with the choice to divest or close the coal business. This choice to manage also enables the growth of Exxaro in new opportunities in a low carbon economy.

We have a coal business that is well positioned to maximise good returns. We have revaluated our reserves and taken deliberate steps to reduce the risk of stranded assets. We have increased the proportion of high quality coal in our product mix and we are continually improving our cost and resource efficiency. We are talking to you today because beyond the moral need to reduce coal in our country and the planet's energy mix we need to do more to manage these dynamic risks presented by climate change in order to create value over the long term. Our broad ambition is to remain central to the cleaner low carbon economy and the shifting energy demands through renewable energy and low carbon minerals.

In relation to renewables we have been deliberately building our capabilities in renewable energy starting with our investment in Cennergi. At the same time scaling our renewable energy business allows us to build on our position as a key anchor of energy security in South Africa and a significant contributor to renewable energy solutions in other markets. Roland will speak about this more on how we intend to scale our renewable energy business. In relation to the minerals business we have deep roots in mining with a track record of operational excellence and delivering value. Nombasa will speak about how we intend to leverage our mining capabilities to create a select portfolio of minerals critical to low carbon infrastructure.

We cannot talk about a transition to a low carbon economy without talking about a sustainable economy. We cannot embark on an unjust transition that leaves behind our communities. Our economy can be fully sustainable if it is equitable. Our journey to a low carbon economy must support our country and our communities. We are collaborating closely with communities, peers and experts to drive change at scale and improve the lives of people to ensure sustainable communities. In relation to decarbonisation we have a framework and targets for decarbonising our business. We have established a decarbonisation team that is working through our TCFD based approach to carbon neutrality and stress testing our reduction ambitions. At our March results we will provide a comprehensive group level report on progress and future guidance on our milestones and targets.

Exxaro's' strategic response builds on our previous objectives and our current capabilities. This anchors our ability to continue delivering value to our stakeholders. In terms of assets and operations we have a portfolio of quality assets with the flexibility to meet changing market demands. We were an early investor in renewable projects with strong availability and O&M services. In terms of people, experience and skills we are a learning organisation. In our long history we have built skills in mining, energy and ESG. And lastly, we have an ESG and impact focus. We have and will continue to create impact well beyond compliance as demonstrated by, amongst others, the following activities.

Firstly, our active participation on the regional collaboration platform called the Impact Catalyst which we have partnered with Anglo American, CSIR, World Vision, Zutari and the IDC for regional development and support of provincial economic development plans in Limpopo, Mpumalanga and Northern Cape along with other members of the Minerals Council of South Africa. Secondly, our partnership with NBI on a municipal capacity building programme which is an outcome of the President's Job Summit is to support the Waterberg district with their district development model. Thirdly, our enterprise and supplier development programme has been a key to supporting small businesses which have sustained the livelihoods of more than 2,500 employees and their households. We are recognised for our ESG, our brand and culture in the mining industry and beyond. Our community and employee ownership schemes bear testimony to our holistic approach to responsible and inclusive growth. It is a strong base upon which to scale our impact efforts through natural resource and carbon efficiency as well as applying science and nature based solutions as we transition to a low carbon future.

Looking ahead, our vision of a resilient portfolio is one where firstly we have diversified to robust growth opportunities that will evolve Exxaro beyond coal. Secondly, in positioning the business for a low carbon future we have leveraged our energy business to decarbonise and reduce our emissions. Thirdly, we have built an equitable and inclusive organisation to drive effective and efficiency governance, strategy and talent management through our diversity and inclusion strategy. priority areas for our leadership and staff in this regard include gender equality in terms of 50% women on management levels, fair pay targets achieved, new job opportunities created in energy, minerals and the digital areas, fully embedding the Exxaro leadership way across the business, and lastly, impact will continue to be at the heart of what we do through partnerships and facilitating meaningful impact funding to shape and scale sustainable development programmes.

Our proposition is that within ten years 70% of our earnings should be non-coal earnings. We should have reduced our emissions footprint by about 46% and therefore the portfolio will generate predominantly de-risked and predictable cash flows. The respective teams will take you through the detail of how we intend to get there. We are mindful that capital allocation is a contentious matter in our industry and that this strategic pivot makes that issue even more central. We have previously signalled that we are committed to rewarding investors for early value created. We are in a position to ensure a good balance between rewarding investors of our coal business while also investing in creating a diversified resources business.

Also key is the fact that we are building on lessons learnt from our past mistakes. Also key is that we are building on lessons that should enable us that we navigate our pathway in a responsible way. Koppies will take you through the detail of what that means in terms of capital allocation. But I believe that we are building a resilient and competitive portfolio for the present we are already in and the future that is yet to unfold. And with that I will now hand over back to Mzila who will take us through the rest of the programme.

**Mzila Mthenjane**
Thanks, Mxolisi, and thanks for a great and very insightful presentation. I'm sure there are a few questions that are already gathering from the webcast and Choruscall, but as I indicated, we will take those at the end. I'd like to hand over to Roland who will take us through the renewable energy business. Roland, are you ready?

***Video***
*Over the past 18 months Exxaro's energy ambitions have come to life with the creation of an energy business that supports our carbon reduction goals and our ambitions for sustainable growth, achievements that will be made possible by growing utility generation, distributed generation and providing asset management services and solutions. We are diligently*

*building an energy team with the goal of becoming a renewable energy solutions provider both locally and internationally by 2030. In 2012 Cennergi was formed in a joint venture with Tata Power and became a wholly owned subsidiary of Exxaro in April of 2020. It owns and operates two utility scale wind farms with an installed capacity of 229 MW, which makes us one of the largest SA owned IPPs. We expanded our footprint in 2018 with the construction of nine solar facilities totalling 2 MW and commenced studies in 2020 to establish a large-scale solar PV facility that will generate a further 70 MW of power at our Grootegeluk mine. As we build our renewable energy pedigree and mining heritage we continue to strengthen our networks and advance our energy strategy to open possibilities and power a clean world.*

**Roland Tatnall**
Thank you for that introductory video, Mzila. I think it gives a good but brief overview of the Exxaro renewable energy strategy and also the Cennergi business. I think it's important to note that this is not a new focus for Exxaro. This is a refocus on a strategy that was started over a decade ago. The strategy that we are about to unveil now has been the culmination of at least 18 months' work for the team even before I arrived, and particularly in the last six to nine months we've been focussing on starting to execute the strategy.

So obviously a key driver for us is making sure that we're working towards a sustainable growth in the decarbonised Exxaro. But our ambitions are not limited to Exxaro alone. We are aiming to take the existing business and growth path to become a leading international renewable energy solutions provider by 2030. Now, obviously our purpose is to drive carbon neutrality by 2050 and to provide better lives in Africa and beyond. We are also looking to power a clean world. So how are we going to go about this?

We've already commenced with our own generation projects and expanding our services business. We utilise the skills and networks developed at our mining and renewable cores. We want to develop partnerships and we are building on our skill base organically. We've already transitioned some of our mining colleagues through some renewable training so that they can integrate into the renewable team. We're looking to enter new markets in a low-risk way through either partnerships or acquisition. Possibly the last line is the most important line. Our strategy has been developed through rigorous discussion of what can and can't be achieved by Exxaro, and we will execute it with the same focus set out in this strategy with a disciplined approach to the decisions we take.

So how are we going about this? Obviously we're starting with our own generation needs. We are expanding our South African footprint in services and distributed generation. We will follow Exxaro into new markets and we will look at inorganic new market entry for distributed generation and utility. We're already an existing, stable, sizeable renewable platform and brand in South Africa. We are developing partnerships in our home country. We are also developing our skills internally. When we look to enter into new markets we will be acquiring new skills in order to help us formulate that growth path in the new market. And then of course we will be financing a large proportion of the growth strategy through debt finance. Much of our finance that we're looking to raise will be project finance which is non-recourse or limited recourse in a ring-fenced manner around particular projects. And this will enable us to make the best use of Exxaro's capital.

So our goal is obviously to fast track decarbonisation for Exxaro. We're looking to deploy R15 billion of equity by 2030. We're looking to add an extra 3 GW of net renewable generating capacity. This is potentially up to 6 GW of catalysed renewable energy investments depending on our shareholding on the individual projects. And then our target returns are 15% on a portfolio basis. And all of this will generate an extra R6 billion of EBITDA by 2030. So in order to execute with a fast-growing start up culture we've already established a separate working structure with strong governance frameworks enabling a simple, lean, empowered and agile approach to this new business. Our three pillars are distributed generation, utility generation and services.

So this isn't the start of our renewable journey. Aspirations started in 2009, and gradually but continuously we've been developing the business and knowledge in the years since then. In 2009 we signed our first MOU to develop a wind farm. By 2012 we had created Cennergi in partnership with Tata Power and we bid into South Africa's renewable energy IPP programme. By 2016 we had 229 MW of renewable assets in operation, and in 2018 we started development of nine distributed solar facilities built through the Business of Tomorrow programme. Now, these are private to private businesses, so they were important for us to understand the regulatory process and how to enable us to develop a future pillar of the business.

Between 2019 and 2020 we bought out Tata's stake to become a 100% owner of the Cennergi platform. And then last year we started studies on our own generation and particularly our largest project, the Grootegeluk mine in Limpopo. This year in addition to executing on the strategy and developing our own generation we've been engaging with various mines in South Africa to provide them with bespoke renewable solutions. And over this whole period Cennergi has been managing our assets from 2012 when it oversaw the construction of the two wind farms through to now when it is also managing the nine distributed solar facilities. So the result is actually South Africa's second-largest locally owned renewable IPP developer. We have 231 MW of assets under management, about 200 net megawatts. We have two wind farms in the Eastern Cape and we have nine solar facilities that are distributed in the northern part of the country.

We obviously have a strategic role to play in the Exxaro context, transitioning us to a carbon neutral future. But we're not limited to what we can do for Exxaro. We wat to build on existing renewable asset bases and our competencies in South Africa, and ultimately we're looking to provide renewable energy solutions to the private and public sectors in select markets globally. And in order to do this we're obviously going to leverage Exxaro's unique networks and skills sets to deliver portfolio diversification and long-term stability to Exxaro's cash flows.

So the existing business has been reconfigured to focus on three pillars: distributed generation, utility generation and services. In distributed generation we already have the 2 MW under management, nine operating assets. We're developing three of our own projects for our three main mines. It's a sector that is a high growth subsector. It is still at a nascent stage in South Africa. But it is also a higher return environment. We're dealing with private to private transactions with bespoke solutions, and that necessarily involves higher returns than the utility generation pillar. We are targeting above 3 MW per project, scaling to over potentially 100 MW per project.

And then utility generation, we have our two assets, 229 MW. We are targeting opportunities above 20 MW and we are continuing to appraise the South African market. We looked at the REIPPPP bid window 5 and took a decision not to enter at this stage. We felt that the risk adjusted returns for REIPPPP bid window 5 did not meet our investment criteria. But we are continuing to appraise the South African market from a utility perspective. Now, utility is still the largest renewable subsector from an asset perspective. So we are assessing new markets for potential entry that closer meet our investment criteria.

And then services. We have 11 assets under management already. We're going to grow this business. The business itself adds value to the asset base, but it can potentially be its own standalone business. It enables us to seek new customers and to broaden our customer base and deliver new services beyond just our asset base. And ultimately in the future we're looking to further horizontal integration of additional services and potentially disrupted digital models as the distributed power base grows in South Africa and beyond. And across all three pillars we're looking at M&A activity. This will enable us to transition at speed and scale and will enable us to enter new markets in a low-risk way, acquiring the skills sets in order to do so. Now, the focus for M&A will evolve as the company matures, and we will talk about that in a little bit.

So we're looking to solve real needs, and those real needs for customers are really obviously the first one, emissions reduction with the renewable solutions we provide. Then poor grid. Energy security for companies. Particularly relevant to the South African context is expensive grid where our solutions can provide a cheaper alternative. And then in more limited cases, off-grid situations where assets or customers do not have access to the grid and they are seeking a holistic solution for their business. This off-grid solution situation has actually been pioneered in Africa and two of the first projects supplying mines with renewable solutions at scale were actually in West Africa.

So we're looking at proven technologies. There is going to be no piloting of technologies that are not commercially and technically proven. Fundamentally this means that we're focusing on solar PV, onshore wind and maybe at a later stage offshore wind, storage, and then hybrid solutions which are potentially a collection of any of the other solutions, and possibly also involving small amounts of thermal if we need to bridge the gap between a renewable solution for an off-grid customer.

Now, obviously we're providing a pathway to fast-track decarbonisation and diversity. We're going to enable Exxaro to be carbon neutral by 2050 and allow it to diversify away from a coal only business. But we want to capitalise on our existing business and knowledge base in a fast-growing market with many subsectors in which we think we have multiple competitive advantages. Just as an indication of the evolution of the market, maybe ten years ago the only opportunity for asset investment other than if you were a manufacturer in renewable energy was really to invest in utility-scale generation. That was the principal asset class for investment. Today there's an explosion in distributed generation across the globe with South Africa really at the tip of the iceberg of its potential in terms of distributed generation in this country.

As an example, Germany has around 50 GW of solar installed capacity, much of it distributed on rooftops and providing power directly to industrial customers. This is more than the entire installed capacity of South Africa's energy production. We're talking about nuclear; we're talking about coal, hydro, thermal and renewable energy. Germany has more distributed power than all of that put together in South Africa. In Vietnam last year 7 GW of distributed rooftop was put in place. So really this is a huge opportunity and particularly relevant to the mining industry in which we operate.

Now, tomorrow there's going to be increasing demand for services to manage this fundamental shift in how we consume electricity, so services is an important pillar for us. But we wouldn't be executing on this strategy if we weren't well placed to do so. We already have the skills, networks and relationships. Our existing business, as I've said, is South Africa's second-largest local IPP. We have a reputation in Exxaro and Cennergi for project execution. We're also actively participating in both the energy and mining Just Transition movement alongside government and our peers. And then of course adjacency. Now, this is just really a fancy word for saying that all Exxaro operations require renewable solutions. Our peers and our neighbours in the mining community also require renewable solutions. Cennergi will also follow Exxaro into new markets. Our projects, our distributed projects, are pathfinder projects in a South African context. And just as a reminder, we've done this nine times already. We have followed the regulatory process.

In a South African context we are really at a unique and exciting moment in time for renewable energy. This is a unique point where a number of changes and irrepressible forces are converging. Obviously we have the Eskom unbundling which is due to have completed by 2023. But in parallel with that we have the sector liberalisation. Just in July this year the licensing threshold for private to private sales of electricity was raised from 1 MW to 100 MW. Now, this is a massive statement of intent from the government. There are still some issues that need to be sorted out in exactly how departments work together to facilitate this in a fast-tracked way, but the raising of the license threshold from 1 MW to 100 MW was a massive milestone in South African renewables development. Just a few weeks later the gazetted announcement was amended to include for the first time expressly allowing wheeling to multiple parties on a private to private basis. This allows us to build a generation facility in one part of the country and direct that energy to customers, a single customer or multiple customers in another part of the country through Eskom's grid.

Then decarbonisation. There is pressure on every country in the world to fast-track its decarbonisation. But South Africa is one of the world's most carbon intensive markets. Indeed I think in the press it was announced that this week Eskom is receiving a delegation from developed countries to discuss about how the US, the UK, France and Germany can help Eskom decarbonise quicker. And then South Africa is an industrialised country with a significant installed base of industrialisation. 40% of the demand comes from industrial companies. Roughly a third of that 5 GW is from the mining industry. Then cost trajectory. South Africa reached parity from a renewables perspective with the grid a number of years ago. And whilst renewable costs, prices, tariffs are coming down, the gap between the grid and renewable tariff is growing even further.

And if we look at our resources, South Africa has some of the world's best solar resources and some great wind resources. And it has the land in which it can execute on those resources. Our Tsitsikamma project, for example, gives a great example of how communities and renewables can co-exist synergistically on the same land. Some countries have some of these factors occurring at this point in time, but for all of these factors to coalesce in South Africa at the same point in time really provides for a unique opportunity in the renewables market.

Now, in terms of demand our fellow emerging markets are also seeing strong growth. We are looking at CAGRs in the teens to 20s of percent. We're talking about 13% to 25% annual growth in wind and solar in most emerging markets. We are looking at an average fivefold increase over two decades of wind and solar installed capacity. We've gone from practically no wind and solar installed capacity in emerging markets to hundreds of gigawatts by 2030. And the growth is not projected to slow down. In fact, it seems to be increasing.

Now, on delivery we talked about our renewable pedigree. We talked about adjacency. We are a projects business. Complex capital projects are something that Exxaro has been doing since before it was even Exxaro. Cennergi is obviously a projects business. It has executed on renewable projects. We are perfectly positioned in South Africa. We're at the nexus of mining and renewables, and we have past or current partnerships with a number of international miners who have operations around the world. We are also actively engaged with governments and peers on the energy transition on the Minerals Council and the Energy Council and other bodies. In terms of our international credentials we have networks; we have executed projects or partnerships around the world. A prime example is Moranbah South in Australia, another country with vast mining opportunities that has similar characteristics to South Africa.

Finally, innovation is in our DNA. We were the first in South Africa to develop a digital mine. We developed the ultra-high dense medium separation technology that allowed Kumba Sishen to extend its life of mine. We've recently entered into collaboration with the University of Pretoria to develop extended reality technologies for the mining industry, in particular health and safety. And just this year our mining and energy teams have developed a digital renewables tool that will enable us to get a competitive advantage in the South African landscape. We will talk about RRODA in a few slides' time.

So our strategy is not just low hanging fruit and what is in front of us. Of course this is important and we're executing on that, but we're building strong foundations for the future where the investment mix is likely to be different as yields compress on the assets. We're looking at a phased approach. Our foundations are utility and distributed generation assets at home and abroad in select markets. Now, these are return on capital businesses much like the mining business that our investors are familiar with. Simultaneously though we are growing our asset management business, our services business which enables us to offer a complete cradle to grave solution to our customers. Now, capital-light businesses add margins to our assets and provide more direct customer interface and also different customer markets. So as our portfolio grows our focus transitions. The result is by 2030 we will have built a strong, stable balance sheet with yield generating assets, still growing but with increasing focus on capital-light services in order to maintain our return targets.

The RRODA technology is something that we have developed over the last nine months. We're just going to play you a short video to explain a little bit about how it works.

***Video***
*South Africa's open spaces are filled with opportunity. Its rays of sunshine and gusting winds are waiting to be harnessed to power our country's progress. Cennergi's vast experience and digital tools are redefining the way renewable energy sites are selected. By augmenting Exxaro's' mining capability we have developed an advanced integrated system that can remotely assess the feasibility of any location. Renewable energy risk and opportunity domain analysis, or RRODA, enables us to identify, screen and select a location that will maximise your energy yield and your dividend sustainably. Our proprietary algorithmic selection criteria combine inputs of above surface renewable data sets with our vast subsurface mining databases to provide an unparalleled view of how best to site your renewable energy solution.*

*Beyond the mining community RRODA provides an overview of your land, creating a digital terrain model that allows us to immediate calculate the levelised cost of electricity down to a single pixel. Our five step process takes every possible consideration into account including environmental conditions and local wildlife. The consolidated data produces a scale of sustainability which streamlines the site selection process by predicting its viability with astonishing accuracy. Cennergi Services' ground-breaking solutions are here to energise your investment in renewables.*

**Roland Tatnall**
Thank you for that video. I think it provides a good overview of RRODA. It's a complex model and it involves many parts, but I think if I were to summarise it in one sentence I'd say we think we're the only renewable developer to be able to combine mining and renewable data sets to optimise site selection. And as a result we can also provision for high level design parameters from the desktop, and this allows us to quantify tariffs and savings upfront. Examples of RRODA using our own mines are Grootegeluk, Matla and Belfast. RRODA plus our mining knowledge enables us to provide site selection and the input of mining tangibles, for example production, life of mine, the offtaker, the credit worthiness of the mine and the offtake duration.

The result is modelled renewable outputs that are customer specific, its likely demand profile, the cost savings based on the solution that we determine, and the tonnes of $CO_2$ saved. And this is all from the desktop in advance of approaching the customer. So if we just look at the maps here we're seeing the green boundaries of mining rights on the three mines. And the red areas are the RRODA defined optimal sites for renewable solutions. At Grootegeluk especially we have significant potential for high potential renewable development. This enables us to look not just at the mine itself but potentially at developing additional renewable sites for wheeling or provision to other customers. And this is really an example of how we're using the competencies across both our mining and renewables businesses.

So our existing businesses provide a great platform from which to expand our brand into South Africa. In distributed generation we have nine assets under management that have been through the regulation process. We have three projects that we're developing. And we are the only developer at the centre of the renewable and mining communities offering solutions to third parties. Now, this is a solutions driven business, and as I said, it's a higher return business than utility generation. And in South Africa we're now on the cusp of a gigawatt opportunity set. In services we already manage 11 assets, wind and solar. We have strong local and empowerment credentials. And this business is much more driven by brand and value driven. It's a margins business that adds value to our assets and adds a value to customers independently of our assets.

Now, in terms of utility generation in South Africa we analysed and spent a long time looking at the most recent bid window for the renewable energy IPP programme and we decided that the risk adjusted returns for this programme for this particular round were questionable from our perspective and didn't meet our investment criteria. So it's unlikely that we will be participating in bid window 5 for South Africa. However, we are looking at assessing other markets where we believe that we can get risk adjusted returns that will meet our investment criteria. And we will continue to assess and look at the South African market and appraise each round according to our investment criteria.

Our own generation projects, our internally generated solutions, Lephalale solar project is not just an internal project. We approach the project as we would with any other customer. Our energy teams and our coal team sat down together. We provided an initial assessment. We understood the needs of the customer. We provided options and ultimately agreed on a solution. Now, the characteristics of our customer in this case are a large, long-life mining customer. The requirements are a reduction of the cost of electricity, hedging of future potential grid tariff hikes, and the allowance for future storage to reduce costs and carbon emissions further. What was most important was to be able to execute on a project quickly in order to bring the benefits of those cost reductions and carbon reductions as quickly as possible.

Phase 1 is a behind the metre solution, a 70 MW solar plant that will provide power directly to the mine. But in terms of looking at the project we're not just looking at phase 1. We have designed for phase 2 which will incorporate storage, and we've also allowed in our design and permitting for an expansion of the site either for the mine's own use or to potentially wheel or provide to other customers. Now, the benefits to the customer are from a carbon reduction perspective up to 36% reduction in Scope 2 emissions for the mine itself. This is just from phase 1 before we add phase 2. From day one there will be a 12% cost reduction in terms of the cost of electricity for the mine, and this will only increase year on year as grid tariffs increase.

Now, Belfast is a different proposition. It's a smaller project, slightly shorter life of mine, and it presents us with different challenges. The customer requirements are basically the same, but we need a more creative approach in order to provide a solution here. The demand is around 3 MW and we've come up with two solutions. One is on site, similar to the Lephalale project behind the metre. It has the benefits of being a relatively simple project to provide to the customer. There is no wheeling involved. There are no extra agreements needed and no extra costs according to wheeling. But because of the size of the project it does have a higher capex, and that results in a higher tariff for the mine. So we're looking at solutions to potentially increase the size of the project to provide for other customers in the region.

Now, wheeling on the other hand is an offsite solution obviously. It will be a simple addition to the Lephalale solar project. It will be a bolt-on modular addition to that project. But it needs direct Eskom connection. Wheeling costs and risks are incurred, but the scale does reduce the cost of capex, providing for a lower tariff for the customer. However, wheeling is often not necessarily interpreted in the way that we think it should be in the South African context. There are three concerns and issues with wheeling, which doesn't mean to say that it's not a viable opportunity for many projects. But you incur additional risks, timelines; additional agreements need to be made. And who takes the risk for a failure of the transmission system between the generator and the customer? Eskom is not going to do that. The cost is also something that is often misrepresented. It is talked about in the low single digit sense, but in actual fact when you take into account all the costs that the generator and the offtaker incur it is more likely to be in the higher teens to 20c. We've done a lot of analysis on point to point opportunities in wheeling to really understand how we can provide the best solutions involving wheeling. And then finally, there is cost variability. The cost of wheeling is fundamentally a consequence of grid congestion which you can't predict in the long term.

So from a pipeline perspective we're not just looking at our own opportunities. We have the 93 MW that we're looking to develop. So that's Lephalale for Grootegeluk, we have Matla and we have Belfast, so 70 plus 20 plus 3. But this year we've been building on our relationships, discussing with other third party miners potential solutions. And the chart on the right shows some of the discussions that we're having at the moment. It's really describing quite nicely how we're approaching this distributed generation business. We're looking at providing a solution, not just a sale. The blue blocks are the immediate needs of the customer that can be implemented relatively quickly or easily. We can call it a plot or phase 1. The botted blocks are the ultimate demand that the customer requires and wants to solve for, but these may take time and introduce complexities. There may be wheeled solutions, grid constraints, the customer may require wind solutions which are offsite, storage pricing etc.

Our result and the way that we're approaching these discussions is a phased partnership approach where the customer learns, gets to know us, gets comfortable but also gets the benefit of more immediate cost savings and carbon reductions. The alternative for the customer is to go out on tender for a multi-year planning process to solve for what in effect is a mega project where a customer becomes locked in from an early stage with one partner into a project that potentially is relying on changes to regulation in the future or changes to the demand or the supply environment.

South Africa is a base for our ambitions, but we don't want to limit ourselves to South Africa for three fundamental reasons. The first is that exposure to a single country introduces a systemic risk to a strategy that is predicated on regulation in a regulated industry. Just ask the independent participants in bid window 5 in 2014/2015. The second is to achieve scale and become a meaningful player in the renewable energy industry and benefit from economies of scale in procurement and other economies of scale we need to look beyond the South African borders. And the third is that we obviously already have international footprint and relationships. I already mentioned Moranbah South.

So we developed a country selection framework that allows us to apply a rigorous approach to choosing countries that we feel are best suited to our ambitions. We excluded the most developed renewable energy markets because the competition there is too high. The returns are too low. And to the remaining 171 countries we applied effectively two filtering streams. The first you can consider to be the macroeconomic environment and the policy environment. We're looking at data sets that provide us information on, for example, currency volatility, the opportunity in the country, the auction processes that have gone before, and the potential for growth of renewables in those countries, the risks and obviously the returns. And then our second filter is to look at mining countries with large mining industries that have characteristics that are similar to the industry that we're targeting in South Africa. The result is 65 countries that we could take a look at, but we've taken the top 20 countries of those lists and we're looking to evaluate them further and looking at opportunities in those countries to narrow down the opportunity set that we want to target. Now, as we are assessing these markets and opportunities we're likely to enter new markets, as I've said before, through the lowest-risk approach we can, which is either partnership or acquisition.

Our targets: For 2030 we're looking to add an additional 3 GW net of renewable energy generating capacity – that's 15 times our existing installed capacity – and up to 6 GW potentially of installed capacity depending on our shareholding in the individual projects. We'll be looking to enter by 2030 three to five new markets. We're targeting an equity return across our portfolio of 15% in Rand terms. We're looking to deploy R15 billion of equity. And this means a total capital deployment of R45 billion if we assume a 66% leverage across the portfolio. The result of all of this is that by 2030 our peak EBITDA from the renewables business will be an additional R6.2 billion for Exxaro.

Obviously emissions are important for us as a target as well. But we're not solely looking at accelerating Exxaro's decarbonisation, although of course that is a priority. We will be a significant contributor to the world's decarbonisation efforts. If we look at Cennergi's existing assets, its two renewable wind farms, we are already displacing 700,000 tonnes of $CO_2$ per annum. Our own generation assets, the three mines I've talked about, just from a phase 1 perspective we will be looking to offset around 260,000 tonnes of $CO_2$ per annum for Exxaro.

And then if we look at the total ambition of 2 GW – and this is not including the potential for 6 GW. This is the 3 GW that we will invest into – depending on where we look we will be displacing between 1.6 million tonnes per annum for a low carbon environment like Latin America up to 8.3 million tonnes per annum in a carbon intensive environment like South Africa. And the result of this is that by 2030 we will have displaced on a per annum basis somewhere between 2.5 million and 9.2 million tonnes per annum of carbon dioxide. Obviously it's going to be neither of these numbers, but our carbon displacement will fall somewhere in between these two extremes. From an Exxaro perspective our current emissions from a Scope 1 and 2 perspective are around 1 million tonnes of $CO_2$ per annum. So just the phase 1 of our three projects that we've been talking about will offset roughly 25% of those emissions, 260,000 tonnes.

Now, the Just Energy transition is absolutely core to our strategy and our business case. We're developing an impact strategy that is aligned with Exxaro's goals but applicable to our situation. Multiple smaller sites spread across the country. We want to solve for four outcomes. We want to engage multiple dimensions within the communities that we involve. We want our solutions to be sustainable. We want them to continue to grow after we've left. We want them to be repeatable. And we want to crowd in other actors to achieve the greatest impact. So we're leveraging Exxaro's model of impact at scale to really provide game-changers in a South African context.

So what are we doing? In summary, we're building out our own generation portfolio. This last week we signed a term sheet between energy and coal that sets out the material terms on which a power purchase agreement will be ultimately concluded. We're in advanced stages on that project. We're developing the Belfast project and the options there. And we're looking at Matla and how we can introduce the renewables solution to Matla. We're leveraging our relationships in the mining sector to develop further opportunities. Multiple conversations and we're looking at solutions in a different way. We're looking to partnership with our mining colleagues.

We're growing Cennergi Services. It's a company that we want to roll out to third parties in the industry. And particularly with bid window 5 there's going to be an increased market for asset management services and a cradle to grave approach. We're assessing opportunities in other markets. We've developed our framework. We have a risk framework in which we're trying to understand the risks of particular markets that we want to enter. And we're looking for opportunities to enter those markets to further our ambitions and diversify our portfolio. And then of course we're developing partnerships to accelerate our growth.

So in summary our strategy is to accelerate a renewable energy value proposition that started in 2009. We will be future proofing Exxaro and enabling a sustainable future for our business. we will fast-track our decarbonisation and our investments will generate predictable long-term cash flows and increase portfolio diversification, and ultimately as the company matures provide potentially for a future value uplift. But put in another way, this is not a strategy developed in reaction to market sentiment. We're building on an existing successful platform leveraging our skills and differentiation with a long-term vision to develop a sustainable, growth-orientated, value-driven company, a leading international renewable solutions provider by the end of the decade. Thank you.

**Mzila Mthenjane**
Thank you very much, Roland. A fantastic presentation. I almost feel like giving you an applause, but I think I'll save that to the end. And what's interesting are some of the questions that I'm beginning to get which will really make for a fantastic discussion at the end given that we've changed the programme around and we'll have the whole team joining me on stage and we'll have quite an interactive discussion. And the questions range from just wanting to know about Exxaro's diversification, the issue of returns on investments, some really insightful questions that I'm looking forward to exploring later on. So we will now be joined by Dr Nombasa Tsengwa who will take us through her outlook on the minerals business.

**Nombasa Tsengwa**
Good afternoon ladies and gentlemen. I'm very excited to share the Exxaro Minerals strategy with you this afternoon. We have promised to share this with the market for some time now, and today we will demonstrate to you that there really is no better time to kick off this strategy than now. I'm sure that throughout this presentation you will share our confidence and excitement in the road that lies ahead. Before we get into the details I would like to give you a top down view of what we would like to present to you. This strategy sets out a bold and ambitious target to bring minerals into our portfolio. For Exxaro there is no better time than now as we build from our position of strength to execute a robust strategy which is fully aligned with Exxaro's core ambition as we've heard from Mxolisi earlier on.

I will also explain our plans to succeed along this journey and how we plan to continue to create value for our shareholders. And we plan to do this by making sure that we leverage our deep understanding of the market and fundamental drivers of the commodities we're targeting. This strength is based on our proven market to resource strategy that has seen us grow and diversify our markets over the years, along with an optimised thermal coal product mix. Using our track record and experience in creating value to leverage hard coded lessons that will guide this journey and ensure that it is a de-risked implementation process underpinned by a focussed and rigorous set of criteria to ensure that the selected commodities and targets are the right strategic fits for Exxaro. And lastly, in order to create or increase a likelihood of success we will be playing close to our core very deep from our roots by leveraging our strength and competencies as a coal miner rather than diversifying away from them.

So just capturing the journey as well for your own imagination, we've considered a lot of questions that we've been asked as we were introducing this topic in the last few months. And I will do this through four questions. The first question would be what is this ambition that we're talking about? The second question is why are we embarking on this journey? Thirdly, how are we going to win? And lastly, looking at the next steps for ourselves as a team and also you as our valued shareholders and stakeholders. The Exxaro Minerals journey is a measured one with a purposely driven target which is to build a minerals business that represents 50% of core EBITDA within the next decade. This is an aspiration we hold on to, however, not at all costs. Our ambition holds firm and is premised on two principles. Firstly, we aim to utilise our mining skills to supply minerals to power a cleaner world, and secondly, to provide our shareholders with superior returns while driving decarbonisation measures also mentioned by Mxolisi earlier.

We have strategically selected three minerals to start this journey, namely manganese, bauxite and copper. Later in this presentation I will explain to you how and why we selected these commodities. But what is important to note here is that these three commodities offer the best risk to reward ratios to deliver on our bold EBITDA target and even bolder ambition to power a cleaner world whilst helping us leverage off our core competencies as a bulk miner.

So now going to the second question as to why exactly we are embarking on this journey. To put it simply, there is no better time. Given our fiscal performance over the last five years Exxaro is in a position of strength. We ca only be usefully leveraged through an ambitious growth strategy. And if you look back we have outperformed our target of 20% in ROCE by achieving an average of 25% over the past four years. We have thus proven that we can create value. Additionally, over the same period we achieved an average net debt to equity ratio of 9% which proves that we have a healthy balance sheet with which to leverage our growth. So overall we are perfectly positioned to leverage up and exploit the minerals opportunity in front of us because Exxaro has proven that we can create this value and we're in a good financial position to grow from at this time.

Now, building on our strong fiscal position our foundation is solid. We have deep rooted competencies built over decades across a number of commodities, which I think some of you may recall, and we believe that this this experience we are strong to grow. We have established competencies as a coal miner. We are an experience bulk miner. We have mined mineral sands as well as base metals. We have previously operated iron ore mines you will recall at Sishen and Thabazimbi, Rosh Pinah mine and our Zincor primary smelter plant. We have an existing portfolio of quality operating assets with flexibility where Exxaro's acquisition of Cennergi, which is a renewable energy asset, affords us flexibility to enter the renewable energy market. And we've heard all of that from Roland.

If you look at roots number four and five we are expanding our geographic diversity and nourishing our project cost and capital management skills. And you know that we've allocated about R17 billion to grow capex in the coal space, and through that we've been able to generate the average ROCE of 25% since 2017. This has led to expansion successes and project execution experience where we've built a world-leading sands business in Tronox. We also demonstrated that we could exit this business successfully and distribute the value created to our shareholders. At the same time we have developed invaluable experience in JVs and other investments. not only have we excelled in creating monetary value, but Exxaro has also made the world a better place for all our stakeholders through our good track record on ESG that has been approved and also recognised by the market and our peers including the Best Sustainability Reporting Awards in the metals and mining category in the 2021 ESG Reporting Awards. We're very proud of this. And you will see in the backup slides we did unpack how we approach our ESG and the impact we sought and we are still looking at achieving. And all of these really lay a great foundation from which to grow.

At this point of the presentation I would like to challenge you to consider this question. If not from a position of strength while leveraging our core competencies, how else does a coal miner become a diversified player? We know that there are a lot of minerals that could power a cleaner world, but we are considering more than just their role in a cleaner future. Strategically Exxaro is starting with manganese, copper and bauxite to focus our journey. And this decision was not made lightly. We went through a rigorous screening of more than 30 minerals via a phased commodity prioritisation process where a variety of factors were considered from a supply and demand analysis to an entry opportunity assessment.

During each phase different factors were considered and minerals were excluded that did not qualify. It is important to know that we are not excluding the possibility of other minerals during this journey, but these three are deemed to be the most strategic to Exxaro at this moment in time. And as mentioned earlier, we've got to start somewhere and we've got to focus as we start this journey. Consequently, manganese, copper and bauxite have been selected at the start of our journey, and these minerals are set to benefit from the decarbonisation tailwinds. And as we will demonstrate, they score highly across the range of important criteria which have been selected on the next slide.

So we've mentioned these three minerals that were subject to a rigorous selection process. So what exactly what the selection based on? If we had to summarise our selection process, these three commodities scored the highest according to our ten element risk and reward criteria. These elements were determined to be of most value to us and subsequently the minerals selection process was partly based on it. Five elements of these rated the financial and strategic opportunity of each commodity, whilst the remaining five ranked the commercial risk. You will notice that manganese, copper and bauxite not only offer a good market outlook – that is in large size or strong demand – but also offer low price risk exposure. We did not only consider the fundamentals related to our selected minerals, but we also analysed the distinct characteristics of the segments within each of these selected minerals and we matched those to our Exxaro competencies to ensure that Exxaro is best positioned for success.

So now you know what our targets were and are and why we are starting this journey. The next question is how we are going to win. The decision to select these minerals to launch the strategy was not taken lightly. We have done our homework. And we understand the fundamentals within each of these three minerals. We assessed the value chain of each commodity market to understand where the opportunity lies as well as how Exxaro can make a successful entry into each market. And this is where we spent most of our time, doing this homework. So let's share with you our view of how we see the market playing out.

The key for us in manganese as we start with the minerals is that amidst an impending supply shortfall Exxaro could capitalise on an opportunity in our own back yard with South Africa firmly in the production driver's seat. Manganese offers sustained market potential through its anchor application in steel and upstart growth potential due to its broad applicability across different battery technologies, especially as the electric vehicle market continues to develop. Over 90% of manganese demand stems from the steel industry, and with the steel demand set to grow by 0.7% average growth on a year on year basis over the long term this provides the anchor for manganese demand. Manganese is not substitutable in the production of steel, which is good news.

China is the largest consumer and importer of manganese ore and reliance on imports has increased over the last decade as China's own domestic ore quality has deteriorated. Other importers of manganese ore include India, South Korea, Japan and Europe. Rising prices coupled with an impending shortfall in the medium term and a high percentage of reserves in South Africa presents a key opportunity in our backyard as South Africa sits with 75% of global manganese resource. South Africa is a supplier of medium grade and high grade ore. On top of this, manganese has attractive margins, and as production migrates to underground reserves, new price floors will be set driven by the South African producers which we believe will sustain attractive margins into the future. Unlocking rail capacity in South Africa will be key to capitalising on this opportunity, and obviously remaining cost competitive as well. However, we realise unlocking rail capacity does not come without its challenges. But we believe our experience in 2015 and 2016 when we were trying to unlock the volumes of the Waterberg will really come in handy in this journey.

Looking at copper, we have listened to a lot of comments around copper and how this space is playing out in terms of the majors holding onto some of the tier one assets. But we had to think very carefully about how we enter this space where we thought consolidation of emerging players could allow us to capitalise on attractive margins particularly in the second and third quartile of the cost curve. Copper is one of the most diverse metals with application in construction, utilities as well as machinery and transportation. This industrial underpin to demand is set to grow exponentially as the drive to renewable energy and green infrastructure and vehicles accelerates. The expected growth in copper demand related to green energy is forecast to rise by 16.4 times by 2030 and 22% by 2050, driving growth in long-term refined copper consumption by 1.7% average growth year on year with the copper concentrate market segment growing at 2%.

China accounts for over 50% of global refined copper consumption with the bulk of their demand being satisfied by imports from South America and Africa, with both these regions gaining importance given the current impasse related to Australian copper concentrate in China. China consumes some 13 million tonnes per annum of copper, which is set to rise to 16 million tonnes per annum by 2035, with the bulk of the supply coming from South America – which is about 7 million tonnes – and 4.1 million tonnes from Africa. The lack of project pipeline and the increased demand from not just China but the rest of the world related to the transition to green energy and electric vehicles will see this industry struggling to meet its increased demand, driving copper prices higher. Exxaro is well positioned to capitalise on opportunities related to tier two assets, as I've mentioned earlier, and capitalise on the attractive margins that these assets generate through the cycle. The fragmented nature of the copper supply market and the availability of opportunities well positioned in the second and third quarter of the cost curve provides de-risked entry into the copper market.

Now looking at bauxite, we believe there is an opportunity and the headline for us here is the fact that there is declining supply in China. Aluminium has a diversity of end uses ranging from building and construction to transportation and electrical infrastructure, which underpins demand. Looking ahead demand will be driven by the packaging sector as plastic is substituted for more environmentally-friendly alternatives such as aluminium which can be recycled indefinitely. Furthermore, bauxite has strong market links to the sustainability sector where we see demand being driven by two elements – decarbonisation, which will drive demand from the transportation and electrical sector and obviously renewable energy, which will then drive demand led by the solar PV market. Based on these drivers bauxite demand is set to increase by 1.5 times by 2050. This demand coupled with declining Chinese supply presents an attractive opportunity for Exxaro to enter this sector.

Over 80% of all global seaborne bauxite is imported by China from Guinea, Australia and Indonesia. Bauxite imports currently account for 59% of total Chinese bauxite demand, and in the long term the expectation is that this figure will increase to over 77% as Chinese own supply reduces, reaching approximately 139 million tonnes by 2029. Over the long term new bauxite mining capacity to fill the third party supply deficit will be located in Guinea, Australia and Indonesia as these areas are richest in gibbsite and will meet the demand for low temperature alumina refining in China. Exxaro understands the geographic risk of key supply regions, in particular Guinea, and therefore country risk assessment and timing will be critical in entering the bauxite market. We will ensure that any entry will only be considered if fully aligned with our strategic investment criteria and risk management reviews.

Now we have considered the outlook of the market, so this journey is not new to us as Exxaro. As we have said, we have created value and learnt from previous M&A that we have gone through in the past, which has assisted us in guiding and informing our approach as to how we should execute this strategy. So let's look into this. Over the last 14 years we've made multiple investments that have given us extremely valuable experience in M&A, a digital transformation and value creation. As diversified asset owners we have made some notable acquisitions in bulk, base minerals and mineral sands including the buying of ECC, renamed from Total Coal South Africa in 2015, and the subsequent sale thereof a few months ago, the Namakwa Sands acquisition which later supported the integration into Tronox limited – this is a success story which I will unpack later in this presentation – and lastly, the Black Mountain mining acquisition of which Exxaro currently owns 26%.

As leaders in digital mining we have completed a range of digital projects over the years including the construction of the digitally integrated Belfast mine in 2017, and that's where we had our last CMD, as well as other digital projects we can unpack in the future. But one of our greatest stories is the creation of our ops eye, which we call the middle eye, sitting on the fifth floor of this building where we can view the full value chain of our mining activities of every mine and we get a single point of truth from that digital eye and making sure that we are able to visualise the mass flow of our coal from pit to port. We are very proud of all of these. And therefore as asset operators we have achieved great success in unlocking the Waterberg in 2016. We have just completed our GG6 plant soon to be commissioned. A common theme that can be identified through our history of investment is that of a good track record in deploying capital very well. We are seasoned operators with core mining competencies across different commodities, and we optimise our assets to create value for all our shareholders.

Now that we have displayed our M&A, capital allocation and digital experience, let's walk through hour experience in numbers. We have a proven track record of deriving returns from allocated capital. For example, I've mentioned the 25% return on capital expenditure in 2020. We have spent R17 billion on coal between 2017 and 2020. We also concluded six mining purchase deals since 2006 including Black Mountain, Namakwa Sands, African Iron Ore, Total Coal South Africa, Moranbah South and Cennergi. In terms of exits we have concluded five, namely NCC, Inyanda, Zincor, Rosh Pinah, NBC and recently ECC. Furthermore, we have worked hard on maintaining our operational efficiencies and have curtailed cost increases to below mining inflation rate between 2017 up to 2020. And we've been recognised for our digitalisation and innovation journey by winning the 2019 South African National Business Award. All of the above supports the notion that we have the ability to generate value and we will continue to do so going forward.

Now we come to the great lessons that we have experienced. And when it comes to the execution of our minerals strategy we need to be solid and alert in our approach. If you look back I can say that these many lessons of the last years will come in very handy. And three major lessons have become the backbone of our strategy. The first lesson we've learnt is that good data equals good decisions equals good deals. For example, we underestimated the difficulty of doing business in West Africa. If we had more boots on the ground we could have predicted the infrastructure and bureaucratic hurdles. Looking back on how we assessed the asset, we were probably over-optimistic in our assumptions, especially the first mover advantage.

The second lesson is that we have to stick to our roots. But we can't stop there. We also need to nourish these roots too, meaning we have to further develop any competency we build. Looking at our investments into mineral sands, we deeply integrated ourselves into the assets we purchased, and as a result we nourished our roots enough to invest in new assets such as Namakwa Sands in 2011. And I will expand a bit in the slides to come. The last lesson we learnt is that timing is very critical. Knowing when to buy, when to sell and when to walk away is of the most importance. We managed to do that obviously with Tronox where we bought it at a low price, we knew when to buy there, and sold it for a profit and knew when at exit at that point.

These lessons presented to you were used to shape our three investment principles. Principle one is to align each opportunity to our growth strategy, meaning we want to invest in assets with proven and long-term earnings. Principle two is to set up our Exxaro Minerals business close to our roots. We want to leverage what we're good at and not let it go to waste. The last guiding principle is to have the discipline to walk away if the proposed deal does not meet our minimum criteria. We are not afraid to say no. And if you push us we can answer the question as to when we walk away. Our operator investor framework gives life to these principles by setting our investment criteria and key processes as seen on the right of the slide. Looking at our key processes we will complete further country risk parameter assessments as well as a multi-party and multi-disciplinary due diligences to ensure that we have the necessary information to walk away from an investment if it does not make sense. We will also perform multi-layered integration processes from strategy to culture to systems to ensure that our investment remains as close to Exxaro's core as possible. All things considered we have incorporated all our lessons and established a de-risked framework.

To ensure we remain focussed in our target selection, we created a set of well-defined criteria that guides our assessment of targets. A qualifying target for Exxaro will need to be sizeable enough to contribute more than 20% of Exxaro's volume measured on an equivalent unit of production basis with a life of mine greater than ten years. The asset needs to be a key contributor to the earnings of Exxaro with returns needing to be WACC times 1.5x and contribute more than 30% of Exxaro Coal EBITDA by year five. Furthermore, a qualified target will need to be close to our core with a key focus on open pit and/or bulk mining. We also want to ensure that the best ownership model for Exxaro is selected based on the level of technical fit with the target. And lastly, we aim to de-risk our investment by investing in operational assets as well as balanced geographic risk with ease of doing business to ensure we have the best chance of success. In summary, we are focussed and are aiming for the best risk to reward options out there.

So when it comes to executing this framework we are taking a phased and de-risked approach. To demonstrate one of our highly successful investments I would like to use our Tronox purchase phased approach as a case study. In executing the first phase we stayed close to our roots as a mining operator and we purchased a mining asset which was a running asset. This operating asset was Ticor Limited, a mineral joint venture with Tronox Western Australia. In the second phase we nourished our roots. We were patient and measured and we created a deep and multi-layered integration where we integrated skills with the culture, marketing and system of the two parties. We also established KZN Sands, a greenfields expansion, and created Ticor South Africa. This helps us further develop our competency in mineral sands. Ultimately our roots became stronger. As a result we gained market and business knowledge which we used as a stepping stone for further growth. In phase there we established a global vertically integrated pigment producer through the purchase of Namakwa Sands and successfully integrated this into Tronox Limited. And we along with our shareholders reaped the rewards as the Tronox sale generated over R9.7 billion in distributed shareholder value.

So to increase our likelihood of success we are targeted de-risked returns. Here we also review not just operational risks but ESG risk as well. So we don't want to make investments with a low chance of success. And we keep on repeating this because it's very important to us. So by targeting assets in the operational stage with proven value we are actively de-risking our returns by sticking to what we're good at. We buy assets to optimise them. We return value. These operational assets will typically have a life of mine of ten years. However, given our operational strength as well as our proven ability to create value, we can access these opportunities that require last mile funding that is largely de-risked from a discovery perspective. Our ambition does not stop there. Once Exxaro has established its competence in the commodity we will look at opportunities to expand our operational assets by focusing on assets across the lifecycle that present specific synergies to our existing operations. We believe we can develop these competencies to add value across the value chain, but we will remain patient and measured in doing so.

So these three minerals play to the recipe that has made Exxaro successful in the past and today. We don't just want to stay close to our core because it's safe. We plan to capitalise off our core because we're good at it. Subsequently bauxite, manganese and copper have been prioritised to increase our likelihood of success given our ability to leverage our core competencies within each asset. With bauxite there are parallel capabilities in the mining and logistics of bauxite and that of thermal coal that we can exploit. That's why many bauxite producers are thermal coal producers, and we can see this in Rio Tinto. Regarding manganese Exxaro is well positioned to leverage its bulk mining capabilities and experience in mining logistics. We have a history of this. Furthermore, Exxaro's strong balance sheet provides ability to enter this sector during low profitability and gain exposure to price upside, making manganese a very attractive mineral to consider. And with copper we have base metals experience through our stake in Black Mountain and we can leverage off our experience in zinc concentrate as well and the smelting thereof. Additionally, Exxaro's mining skills and logistics capability is proven and well suited to producing copper concentrate.

So where does this leave us and what are our next steps? Exxaro has already begun engaging with the market and started preliminary due diligences on targets. Once target pass this space we aim to go through a rigorous due diligence process in as far as technical, financial, ESG and commercial assessment. Of course we are not afraid to say to any asset which does not pass our minimum threshold during these phases. And once targets pass our DD we aim to move into acquisition and multi-layered integration. On Moranbah South we have agreed with Anglo American, as we have reported to you before, to complete our PFS to enable us to decide on our way forward. And we believe this would be around the second half of next year. So this is not a linear process. We remain open to the idea that new opportunities will arise at different times, and we will make sure we are ready to be in the driver's seat once an opportunity presents itself.

So now that we have gone through the next steps for Exxaro, what is the next step for our shareholders? To put it simply, your next step is to support us to create value for you. This strategy offers greater scale and geographic minerals and market diversity. In addition, we facilitate shareholders' investment in a cleaner future. Furthermore, we are offering strong growth prospects underpinned by strong fundamentals enabled by de-risked investment criteria. And I still want to repeat this. We understand the markets of these three minerals. Our market to resource has worked for us very well in the past in terms of how we've played with the product, and we have the capability to do the same with these minerals. So this is all underpinned by competent leadership of many years driving operational excellence while applying responsible fiscal policies when it comes to capital allocation.

In summary, our proposition is a simple one. We believe Exxaro Minerals is at the very core to our diversification as a miner. That is why we want to build a minerals business with 50% of coal EBITDA ten years from now. We are also in the perfect position to do so. Our healthy balance sheet and ROCE sets us up perfectly to leverage up and take advantage of the opportunity in front of us. And we are not going in this blindly. We are going to take this opportunity through our in-depth knowledge of the market, as I've mentioned before, and our phased approach that is closely linked to our deep rooted competencies. We've done our homework, we've learnt our lessons, and we are ready to implement through our acquired skills. I thank you, and over to you, Mzila.

**Mzila Mthenjane**
Thank you very much, Nombasa. I've got goose bumps sitting here. Following on from Roland's presentation I think really an exciting future that is being presented here, not just about Exxaro but I think about our stakeholders, and particularly our shareholders and the country. We are perhaps at a natural point where we could take a five minute leg stretch and bathroom break. We are actually also doing very well in terms of time. My clock shows me that we are exactly at 12:00. Perhaps what we could do is take a five minute leg stretch until 12:05. And then we will come back and take this forward

and listen to Riaan Koppeschaar as he takes us through his presentation on how this ambition is going to be funded. There were several mentions of a strong balance sheet. Let's see if this balance sheet will be able to withstand this ambitious growth. This that, ladies and gentlemen, we will see you at 12:06 because I've just wasted another couple of seconds talking. Thank you.

Thank you very much and welcome back. So we've heard from Mxolisi with a strategic overview where I think he provided a great framework as far as what the strategy is about, why we have actually embarked on this strategy. And I did say in my opening remarks that it's an integrated and well-considered strategy. And as strategies go one can have any strategy, but the bottom line is what's in it for me as any shareholder given the context of this discussion would ask. And this is where Riaan's presentation will come in in terms of giving you a sense of the capital allocation decisions that will be supporting this strategy. Riaan, if I can hand over to you.

**Riaan Koppeschaar**
Thanks. Good afternoon ladies and gentlemen. So taking into account the minerals and energy strategy I will give you some insight on how we envisage applying the capital allocation process in future. I will take you through our capital allocation framework, the potential sources of funding, how we intend allocating our free cash flow, the returns we're targeting as well as the investment process. On this slide we look at the capital allocation framework. You will recall introduced this framework in 2018 but have now refined it following the substantial completion of the R17 billion coal expansion projects, and by doing this ensuring that capital for growth in expansion is only allocated after paying our ordinary dividend. Also important to note, to the extent that we've got new investments in for instance minerals in future, the associated stay in business capital will then in future move into the sustaining capital bucket.

Our sources of free cash flow, that consists of the operational cash flow of the coal business and any future mineral and energy investments as well as dividends that we receive mainly from SIOC. From time to time we also receive proceeds from the disposal of non-core assets, and very importantly we will continue to apply a robustness test on the coal assets which I will highlight later on. So if you look at debt servicing it is still our intention to maintain a strong balance sheet with our net debt EBITDA ratio excluding project financing to be consistently below 1.5x cover. Coal remains an important strategic energy source and in all our markets over the short to medium term it will still be a key commodity. Therefore we are committed to prudently maximise and sustain the value of our coal business through spending stay in business capital.

The next bucket, the dividend, that presents the minimum return to shareholders you will foresee. You will recall we revised the policy in 2018, passing the full SIOC dividend through to shareholders and applying a cover ratio of between 2.5x and 3.5x on the coal earnings. In 2021 we've revised the policy, applying the cover ratio now to group adjusted earnings. So then after dividends we will then only look at growth and expansion. In these buckets obviously new investments in energy and minerals will be included, targeting the minimum returns that we will come to later on. Then the last bucket is the surplus cash. So to the extent that we don't have capital or growth opportunities that we can deploy the capital in, there could potentially be dividends or share buyback to shareholders.

If we look at the criteria for assessing the robustness of our coal portfolio, also importantly we use these criteria to decide whether we want to divest from non-core assets. We look at for instance the position on the cost curve, EBITDA margins where we are targeting margins above 20%, and also return on capital of above 20%. And very important in terms of our market to resource strategy, the product and market flexibility. In assessing the coal portfolio we also have secondary criteria including the life of mine, the payback period of investments, and possibly synergies with the rest of the business. And then lastly, also access to logistics, which is very pertinent taking into account our current TFR challenges.

If we look at the Exxaro balance sheet, the sources of cash, we've got a strong balance sheet. And on this slide we look at the liquidity position as well as our debt position. On the left-hand side you can see there we've got total available liquidity of R11.2 billion consisting of a combination of term loans and also a medium term note programme that we have not fully drawn down as yet. In addition to this we also have cash and cash equivalents of about R4 billion. On the right-hand side we set out the debt profile, and we are pleased to report that we have refinanced our debt facilities at very favourable terms during the course of the year. In one of the backup slides we also set out the maturity profile of Cennergi's loans extending to 2031.

If we look at the energy, Roland referred to project financing. I'm just going to give you a bit of insight what that might entail. So it is our intention to finance a big portion of the portfolio through limited recourse project finance as these assets are normally underpinned by long-term contractual cash flow with a high degree of cash flow predictability. If we look at the sources of funding that energy developers use, you will see the cost of each solution increases down the list. Normally large cap developers effectively finance from their balance sheets and they make use of green or vanilla bonds. So no or little project finance is used at the project level. So this is normally the cheapest option and provides for the lowest cost of capital and provides an advantage in highly competitive large volume auctions which we see in Europe and the United States.

So developers producing projects at the medium to large end of the spectrum – that's normally 10 MW plus – utilise non- or limited-recourse project financing at the project level. And then smaller projects in the commercial and industrial space, 1 MW to 5 MW, normally cannot afford the cost of project financing so they tend to equity finance with the intention of refinancing with portfolio debt at a later stage. New strategies or where timing is crucial sometimes call for an all equity funded approach, at least in the early part of construction, and then you can always refinance with limited recourse term loans at a later stage. So Exxaro Energy we look to utilise this full toolbox of funding and matching the type of funding to the specific needs of the project. So very important stuff like bonds will only really be applicable once our strategy reaches a level of maturity with considerable cash flow generation. We also have a portfolio approach to our projects which will diversify our risk base. We will typically require funding of between R150 million and R3 billion with the upper end project financeable and only the lower end requiring creative funding approaches. We've also seen during the recent years that the South African bank sophistication has improved when it comes to structuring innovative solutions.

Exxaro historically had strong cash flow generation, and here we illustrate how we intend to allocate our cash flow in future. So in the indicative range column the free cash flow includes the forecast cash generation from coal as well as new energy and minerals investments. So based on our internal projects we expect debt servicing to be about 10% to 15% of the free cash flow, sustaining capital between 15% and 20%. Please note that this will also include sustaining capital associated with new investments. And then our ordinary dividend will be in the range of 30% to 40% comprising a pass through of the SIOC dividend and applying our cover ratio of between 2.5x and 3.5x on adjusted group earnings to coal, new energy as well as minerals investments. Then on growth the forecast is between 30% and 40% which will include new energy and minerals investments. So if you look at the numbers they may not add up to 100%, implying that there may be surplus cash available for special distributions to shareholders.

If we look at the impact of our strategy on capital allocation, as pointed out the coal business is still paramount. So we will continue with the early value strategy ensuring we've got a robust coal portfolio with strong cash flow generation. We've now successfully exited the ECC investment and will continue with our disposal process of Leeuwpan. And to ensure the resilience of the coal business we will continue spending stay in business capital and we're targeting capital of between R2 billion to R2.5 billion per annum on average in real terms. As part of the early value strategy the GG6 expansion is now nearing completion and the last capital will be spent in 2022. On energy, as Roland pointed out, we're targeting additional capacity of 3,000 MW by 2030 with total capital deployment in the region according to our estimations of about R45 billion, with approximately a third of that equity contributions from Exxaro and two-thirds project financing, which could give us EBITDA of around R6 billion in real terms. And on this energy portfolio we're looking at equity returns on a portfolio basis of 15%.

So on the minerals side the growth in the selected minerals will continue over the next ten years and we aim to achieve 50% of the Exxaro coal EBITDA in ten years. So on this portfolio we are looking at returns of our cost of capital times 1.5x. When we look at our investments. SIOC we will continue to explore ways to maximise the value of the investment. And with Black Mountain as it remains non-core we will be looking at the most efficient process to dispose of our investment. To ensure we're able to deliver, the foundation for all of this will be strong governance processes and thorough project methodology to evaluate which I will discuss later on.

A very important metric will be the cost of capital for us in decision making, and we are currently reviewing the cost of capital for the minerals and energy business. But what we are very confident for the energy business it will be substantially lower due to the higher gearing potential associated with project financing. Energy also has a lower beta due to the higher predictability of cash flow, and we therefore expect the cost of capital for the energy business to be 3% to 5% lower compared to minerals. On the energy front as I pointed out we are looking at IRRs of 15% on the portfolio as it is underpinned by long-term, predictable cash flow and less volatile on a risk adjusted basis.

Minerals we're targeting 1.5x WACC on the portfolio as we are looking at commodities with favourable supply demand dynamics and we are not looking to be exposed to higher developmental risk. There also may be synergistic benefits associated with our coal business. However, we realise that the mineral business is a much more cyclical business with higher maintenance capital, therefore warranting higher returns. It is also worth noting especially on energy that returns are not the only metric we are considering as renewable companies are trading at substantially higher EBITDA multiples compared to minerals. And there are also societal returns and benefits like savings on carbon taxes and carbon reduction.

In Exxaro we've got a strict evaluation process for all our investments and projects. So all capital is allocated centrally and we have a stage gate process through a delegation of authority ensuring a robust review process is followed as we progress investments through the various stages. Reviews include both financial and technical reviews. Post implementation reviews against the original investment proposal are also conducted to ensure our learnings are applied across the organisation. A standardised evaluation process is in place for investments simulating the impact in our financial models in terms of affordability, the returns, bank covenant testing as well as our internal target of net debt to EBITDA not exceeding 1.5x excluding project finance. This is done for the base case as well as various scenarios. Inputs like macroeconomic and price forecasts are developed centrally under finance and reviewed at least biannually. All projects are also evaluated independently from the sponsor.

If we look at the group performance, this slide depicts our return on capital over recent years. You will recall that the ROCE is also one of the metrics in the long-term incentive scheme. Our target is 20%, and as you can see as a result of the robust portfolio we are exceeding the target. As we divest of the non-core coal assets we foresee that the ratio will improve, especially on the coal portfolio in future. Importantly, we don't think that return on capital will be an appropriate measure for energy. Therefore the energy business will be measured on the return on equity of 15% as I pointed out. However, in the medium term we expect ROCE on the overall Exxaro portfolio to still exceed the 20% target.

If we look at the dividend policy, as pointed out we expect the dividend policy to remain the same in future. So, on this graph we depict dividends we've paid historically as we progressed our policy to prioritise shareholder returns. We changed our policy from 2018 to pass through the full SIOC dividend to shareholders, resulting in the cover ratio improving substantially. From 2020 we've now also changed the policy and it is now not based on coal earnings anymore but on group adjusted earnings. As a result of these changes the overall cover ratio has improved from 2.9x to 1.3x cover. A detailed calculation is also included on the right illustrating how this new policy is then applied to our earnings. The last block in the capital allocation framework is applying surplus cash either to special dividends or share buybacks. From the proceeds of the Tronox divestment that Nombasa highlighted we've returned more than R9.7 billion to shareholders since 2018. Part of that we've also embarked on a share buyback programme and as at the end of June we've repurchased shares to the value of R960 million.

So in summary we've now successfully concluded the R17 billion coal growth programme on time and budget. We've got a very robust coal portfolio with high earnings potential and we've made very good progress on the disposal of the non-core assets, firstly the monetisation of Tronox, the disposal of ECC, and also good progress on the disposal of Leeuwpan. And as I pointed out, we will be relaunching the Black Mountain process. We've implemented the revised capital allocation framework in 2018 prioritising higher shareholder returns. We've got a robust process embedded to evaluate growth opportunities and also take into account the lessons that we've learnt from the past. And as a result of that we are confident that our dividend policy will remain unchanged. Thanks very much, Mzila.

**Mzila Mthenjane**
Thank you very much, Riaan. Really punchy and you have done us very proud in terms of your time as well. Thank you very much. I think continuing from the previous presentation a really exciting story from a financial performance perspective, and hopefully something that shareholders will look forward to. So we will now move to Mxolisi to then give us his concluding remarks. And as he takes position let me also let you know that what we'll do after he has concluded is take a lunch break of about 20 minutes, and then we will come back and provide for questions and answers. And hopefully that 20 minute break will give you time to reflect on even more questions that you can ask given what you would have heard. Mxolisi, if you're ready, please continue.

**Mxolisi Mgojo**
Thank you very much Mzila, and thanks very much to the team, Roland, Nombasa and Koppies, for well executed presentations. Now, just to summarise what we have shared with you today and add to what you see on the slide, here are my key messages. Climate change is accelerating and imposing the demand to change and shift to new business models for a low carbon future. Therefore our decision to change and shift is starting from a position of strength which has provided options for low carbon growth and an ability to transition. We believe in the options we have created and choices we have made to create a business portfolio of the future, thus maximising the value of the coal business, thus enabling the transition through creating a renewable energy business to provide energy security and reduce emissions, build on our minerals capability, a diversified minerals business.

Our approach to the transition will be responsible and accountable to our stakeholders, ensuring that we deliver financial value and empower people to create impact and create self-sustaining economic activity. Our impact strategy will ensure that communities that are dependent on coal are empowered for resilience and are able to transition as well. We do have a strong balance sheet and cash generative coal business, a strategy that builds off our core purpose and our core capabilities, and an executive and non-executive team that is fully aligned on the need to create a carbon resilient business that will create value over the long term. Our history and our purpose through our robust ESG framework will be at the heart of our governance and decision making and will guide our transition within the context of our local and global realities.

And so with that, ladies and gentlemen, let me just take the opportunity to thank you all for spending your day with us. I do hope that you would have found it worth your time to listen to our strategy. We look to the future with positive anticipation and conviction of our plans. And with that I will then now hand over to Mzila who will then give us a bit of guidance as he has already done in terms of how we will proceed further with regard to the Q&A session and the closure of the session. Thank you very much. Over to you, Mzila.

**Mzila Mthenjane**

Thank you, Mxolisi, for those concluding remarks and key messages. Perhaps if I could take a facilitator's liberty and just give my own reflections from what I've seen now that we've come to the end of the presentations. And after the lunch as I said we will have an extensive amount of time to be able to go through these questions that have been put up on the webcast as well as questions that are awaiting us on the Choruscall. Some of my key take-aways, despite being part of the executive team and participated in the development of the strategy, it has been a different experience sitting here and listening to the presentations in sequence. Some key themes have come out for me. The first one is that we see the certainty of climate change but also have to accept the uncertainty of our future if you look at how it has manifested itself. But the strategy in my view and from what I've heard provides a sense of hopefulness, and particularly given its title of sustainable growth and impact strategy, a strategy which is starting from a strong base.

There is a recognition of the size of the challenge, or what I call the size of the task ahead of us. But the ambition that has been presented by the team strongly matches that. If you look at the balance sheet that has been presented, the skills and capability, and perhaps what is often not seen but experienced is the culture of the organisation. And what we haven't spoken about but we have made a remote reference to is land as a potential to be able to leverage for future social and societal benefit. What seems to be clear, Mxolisi, in terms of the strategy is that people are at the centre of this transition. We could transition as a business, but what you will know is the brand. It's about what's behind the brand in terms of the people of Exxaro and its stakeholders. So all in all what I'm seeing here is a strategy that is broad based in terms of its impact and therefore making Exxaro's reason for being impact at scale. It is about this integrated and deliberate strategy that will enable Exxaro to be able to have this impact at scale leveraging off all its resource and capabilities.

And then lastly from a shareholder perspective it's often said that ESG is a risk. And to a large extent what I've heard here we are aware of the material risks we need to respond to as a company. We have developed thinking and strategy, and some of those strategies will evolve and be shared with you in order to manage that risk. If I were to describe these risks as a dark cloud overhanging Exxaro, the strategy that we've presented to deal with ESG risks certainly opens up blue skies for returns to shareholders and our stakeholders by applying our critical skills and capabilities. But I think it's also worth mentioning that it's not a mere dealing of risks. It is the very response to these ESG issues that is providing societal solutions. And that is the essence of what I've heard from Exxaro's strategy today.

I'm not going to thank you as yet because we still have some time together. But we have now come to 12:37, and I think that provides for a good 20 minutes for us to grab lunch, and we will come back at 13:00. Thank you very much for that and we look forward to seeing you again at 13:00 when we go through our discussion and Q&A.

Thank you very much and welcome back, ladies and gentlemen. Hopefully you had a good bite to eat and a break and perhaps an opportunity to reflect on the presentation. We look forward to more of your questions coming through. We will spend the next hour going through the questions that we've received through the webcast. We also have an audience on the Choruscall. And on the occasion I will invite them to pose their questions. The questions are divided amongst broad strategy, specific to energy and specific to minerals, as well as some questions on the capital allocation. What I thought I would do perhaps just as an icebreaker is start off with the one question that has come up twice. This is the question around SIOC. I think it will be directed at you, Riaan. Where does the strategy place SIOC? What's going to happen to SIOC?

**Riaan Koppeschaar**
So one of the questions that I had a look at is whether SIOC is included in the EBITDA numbers. It's not. Remember SIOC is not part of the EBITDA. But as we said in the past, we will always assess SIOC to see how we can enhance or optimise the value of our investment in SIOC, and we will continue to do that.

**Mzila Mthenjane**
Great. Thank you very much. Hopefully that then settles that question. I will jump around between energy and minerals just so that we keep it live, and then I'll also come to you, Mxolisi, on some general comments. And if you wish to add to any of the responses that are provided, please feel free to do so. Maybe let me start off with the minerals because that's pretty fresh in our minds. Here is a question from your favourite analyst, Miss Thabang Thlaku from SBG. She says the minerals you have chosen are well positioned for the green economy. Have you identified potential geographies and assets for these? Would it be limited to mining or would you consider smelting and further beneficiation to capture a good portion of the value chain? And how do the developments in hydrogen steel making technology impact your view on Moranbah South? I think you can start with any one of those questions. Let me know if you want me to repeat them.

**Nombasa Tsengwa**
Thank you very much, Thabang. A very interesting question. In terms of geographies we believe it is still too early since we're just going out testing our criteria with the different targets that we see on the market. So it's very difficult to give you an answer as far as the geographies are concerned. We however do have geographies which we have identified as no-go, the DRC being one of them. We said that we're really keeping an eye on Guinea and we said that we will only make investments in that geography or area or country based on what we see from a risk perspective. So it's still very early. On the hydrogen and Moranbah, where is Sammy? Sammy can talk to that.

**Mzila Mthenjane**
Sammy, you can come and use this microphone. Maybe just introduce yourself and your role and just respond to the question.

**Samantha Maharajh**
Hi everyone. I'm Samantha Maharajh. I work in coal. I'm senior market analyst. Looking at the role of hydrogen in steel making technologies we have done some work on this, and we are aware of the hybrid process that is being tested in Sweden being in the pilot phase of test work and looking at a commercialisation journey that will look at a timeline of maybe over 20 years. There are significant technical challenges that will have to be overcome with this technology, and that is what is being tested in this space. But of course it is a technology that doesn't use hard coking coal in the production of steel, but of course one that needs to go through the paces in terms of testing. And also the initial indications are that it is one of the more costly technologies in terms of producing steel. And it will also require green

hydrogen. In terms of that process there is a route to go in terms of proving that we can produce significant quantities of green hydrogen and be able to store that in terms of producing your iron ore pellets and producing your green steel via the EAF [?] process. But of course that technology will not require hard coking coal. But still very much one that is in the pilot phase of testing and still a road to commercialisation.

**Mzila Mthenjane**
Thank you very much, Sam. I guess the bottom line there is that it's a technology that we're watching. It is still in its early stages. And it's a field that we will continue to observe as technologies evolve. This is just one of many technologies that is being considered in terms of decarbonisation. The other question was around whether we'd be limited to mining or would we consider the rest of the value chain in terms of smelting and further beneficiation to capture a good portion of that value chain.

**Nombasa Tsengwa**
The very simple answer on this one is where we want to enter is the space of our competence, which is mining at this stage. And we do not rule out any diversification if we feel that there is an opportunity and we can build those capabilities. But for now we enter on the mining side.

**Mzila Mthenjane**
Okay. And maybe one other question to deal with to bench it is that you did speak in the presentation about lessons learnt, particularly given our Mayoko experience. I think you specifically mentioned Mayoko. Is there anything in addition to what you said in the presentation that you'd like to add?

**Nombasa Tsengwa**
Thank you very much. Mohloana will deal with the Mayoko specific lessons.

**Mohloana Magwai**
Can you hear me? Okay. Good afternoon everyone. My name is Mohloana Magwai. With regards to the question around Mayoko you would have seen in the presentation that Nombasa gave that we spoke about the fact that we've got clear investment criteria. Those criteria are part of what we've incorporated as lessons learnt from the Mayoko experience. Part of the lessons learnt there is that there were no clear investment parameters upon which the investment was pursued. So that's something that we have incorporated. The second lesson worth talking about is about country risk and lack of experience in doing deals. That's something that we are approaching differently.

We also mentioned in the presentation that we will have a boots on the ground approach and on the ground analysis in terms of the way we do country risk analysis. But in addition to that, part of the approach we're taking now is leveraging partners in the way that we pursue countries but also in the way that we pursue M&A in that space. The other thing that came up in the Mayoko lessons learnt is the fact that there was a lack of independence and objectivity in the way that the due diligence was done and the way that the inputs and assumptions that came along were treated. Part of the way that we're approaching the due diligence is to make sure that those who propose the investment and those who actually assess that investment there is some independence. Those are two different parties within the organisation to make sure that we have that independent objectivity to vet inputs and assumptions that are included in the way that we assess the investment opportunity. And then the other lessons which I won't go through all the details, we've gone through all those lessons learnt and incorporated a lot of that in the way that we're approaching this journey that we're on. Thank you.

**Mzila Mthenjane**
Thanks Mohloana. That reality check is always an important part of the step. Mxolisi, would you like to add anything to that? You're fine with that.

**Mxolisi Mgojo**
No, I'm fine.

**Mzila Mthenjane**
Okay. Maybe if I can then go to Roland. Just one simple question around in terms of your mentioning of mining clients. Somebody has asked a specific question, if Kayo [?] is interested or you've had a discussion with Kayo regarding renewable energy solutions. They are part of the family. I guess we could talk about that.

**Roland Tatnall**
I think I can say every miner is a potential client. But I'm not sure we're in a position to talk about specific opportunities and discussions we're having at the moment unfortunately.

**Mzila Mthenjane**
No, I think that's a fair response. There were quite a few questions around the wheeling if maybe we can go into those. One is what are the preliminary risk management processes that we have considered to mitigate some of the wheeling risks? And at what wheeling charge does it become unprofitable for Exxaro to transport electricity to the buyer's location, and the implication of that for the overall renewable business?

**Roland Tatnall**
I'm glad you asked a simple question first. Gave my brain a bit of time to warm up. Risk management for wheeling, I think the first point to make is that it does add extra risk. I think on slide 20 when I talked about our pipeline I was talking about opportunities or solutions that we could enact more quickly. And those are typically solutions that don't involve wheeling because of the risks of wheeling. The wheeling regime has really got to develop a little bit until the country really opens up for massive wheeling opportunity. And so most of the opportunities that we're focussed on at the moment are on site opportunities with a phase 2 potentially of wheeling, unless a customer particularly requests or requires wheeling for a particular reason. Now, I did mention that for Belfast we were looking at wheeling as opposed to an on-site solution. But we were also looking at the on-site solution and trying to manage ways in which we could bring down the cost. So the risk management approach to wheeling in the current environment is a difficult one. Really it's a cost question and who bears the risk of the cost of potential outages of the transmission line. It's out of your control, so there is not a lot you can do other than factor it into the model and whether the offtaker bears the cost or the generator bears the cost.

**Mzila Mthenjane**
Maybe I'll come back to the second one. There is a related question in terms of the impact of the expected investment in the grid on the wheeling charge. Could that have an impact on the returns?

**Roland Tatnall**
So grid investment is typically the Eskom domain. Obviously we will invest in short lengths of potential transmission or distribution to clients. But the network in general falls under Eskom's purview. So it's not just about investment in the system, in the network, in the physical infrastructure itself. It's about investing in how that network is managed. It's a system overview of how that network is managed, particularly when wheeling becomes more prevalent. Because

obviously if you've got electrons flowing, turning on and off at different times, different customers requiring different types of solutions, it becomes a challenging environment in which the system operator has to operate. So these are some of the things that need to mature. It doesn't need to be a lot of maturity, but it needs to mature in order to enable wheeling to really be a fundamental game-changer to South Africa.

I think the other question was about at what point the cost of wheeling becomes unprofitable. Hopefully all my answers aren't being seen as evading the question, but it really depends. It depends on the point of origin and the point of delivery. So we've done a lot of modelling of effectively the whole system. It depends on the voltages of the lines. It depends on what you're adding into the system and what you're taking from the system. And it depends on where you are at each point as well. So there's a calculation for each of these variables. And so it's obviously project specific or customer specific, so it's not necessarily about one figure that makes a project uneconomical or makes the system uneconomical. It's about looking at the best location for a wheeled solution that minimises the wheeling cost but also minimises the cost of production of that electricity. And the two may not go together, so you may not get the optimal site for the production of electricity that coexists with the lowest cost of wheeling. So again there are multiple dynamics involved that you have to solve for. I think this is one of the things I was trying to highlight. Whenever we're sitting down with a customer we're looking at on-site solutions, whether it's wind or solar – rarely wind on-site – wheeled solutions or whether we're potentially providing to multiple customers. We have to look at all of these variables to make sure that we scenario plan for the right outcome. So it's not one figure. It's project specific.

**Mzila Mthenjane**
Maybe before I move over to the Choruscall questions, coming out of that response is this question around the extent to which wheeling or any other constraints could hamper your growth strategy.

**Roland Tatnall**
Wheeling isn't – we're not basing our growth strategy on wheeling. As I've said, a lot of certainly the initial projects that we're proposing, I think it was slide 20 where we had an example of the pipelines. And I talked about the immediate projects that could be delivered quickly, much like the Grootegeluk Lephalale solar project where we know we can implement the project quickly on site and we know that that will bring quick cost reductions and carbon footprint reductions to the customer. And then potentially wheeling is the next solution. So we're not reliant on wheeling for our strategy. And I also talked about the risk of being exposed to a single market in a regulated environment. This is precisely the kind of risk that I'm talking about. If we were reliant on wheeling to fulfil our strategy of 3 GW in the next nine years by the end of the decade, then we'd be placing our faith in changes in the system. But we know we're not solely focussed on South Africa, so we're going to give ourselves the opportunity to go into other markets where we can diversify and effectively allow that wheeling regime to mature.

**Mzila Mthenjane**
Okay great. Thank you very much. So I believe we've got some questions on Choruscall.

**Operator**
Yes sir. Thank you. The first question comes from Tim Clarke of SBG Securities.

**Tim Clarke**
Thank you very much. Good afternoon and congratulations. Thanks for outlining the strategy in quite a lot of detail not just for renewables, which I think we expected, but also for minerals which was pleasing. If I look at deals – and clearly you're

looking at a number of deals across both of those buckets – they take a long time and they're lumpy. There are two questions that come out of that. Firstly, Nombasa, just to bite the hook that you've put out there, which deals have you walked away from or what is your experience of walking away? Secondly, I just did some very basic maths on 20% of your copper equivalent volumes. It looked like a 90,000 ton copper mine equivalent. It's a significant investment. So that's going to be quite lumpy and it could take a long time to do. Does that mean that we should expect Exxaro – maybe it's a Riaan question – to build quite a significant war chest for lumpy deals that could come over the next nine to ten years?

**Nombasa Tsengwa**
Thank you very much. Whilst I call Marius to talk to that last question, Tim, you will recall that we were interested in South32 assets. And why we walked away, of course because those assets just did not fit our investment criteria. Are you happy that I've confirmed that?

**Tim Clarke**
All right.

**Nombasa Tsengwa**
Thank you. Marius.

**Marius**
Tim, in terms of deal size you have rightfully acknowledged that it is potentially lumpy. Having said that though, we've looked at the market carefully. Because of the fact that we've got more than one commodity that we are focussing on there are some opportunities within those commodities that are not necessarily that lumpy, that fulfil our investment criteria and that would be accretive from an Exxaro perspective. So the intention is not necessarily to wait for the lumpy opportunities but to scale in a very positive and sustained manner in terms of building that business because we've got long-term and medium-term targets in terms of the contribution that those businesses will make to the bigger Exxaro.

**Mzila Mthenjane**
Thanks Marius. Any other questions from Choruscall?

**Riaan Koppeschaar**
Perhaps I can just add. I don't think it's our intention to now hoard cash for the next nine or ten years. Part of our strategy will be to pursue opportunities. And as we pointed out, to the extent that there are no opportunities, then we've got surplus cash. I don't' think the intention is to sit on cash now for nine or ten years. If there are no opportunities we look to deploy surplus cash in the group.

**Mzila Mthenjane**
Okay, great. Thank you very much. We can take the next question from Choruscall.

**Operator**
Thank you. The next question comes from Brian Morgan of RMB Morgan Stanley.

**Brian Morgan**
Hi guys. Thanks very much. Just if I may ask on copper or potential copper acquisition that you talk about, you're dealing with a higher cost of capital in South Africa and it has maybe been higher by the fact that Exxaro is a coal producer. So it's

much higher than BHP's cost of capital or Rio Tinto, and they're both in the market for copper assets and have been buying copper assets for the last 12 months. And copper is incredibly popular out there. Everybody wants a copper asset. How do you compete with your high cost of capital against somebody who is paying with hard currency?

**Mzila Mthenjane**
Thanks, Brian, for that question.

**Marius**
Brian, indeed it is a congested market as far as copper assets are concerned. But there are also opportunities in the copper space. As you would have seen, the market is relatively fragmented and there is a broad range of assets in different phases of development. I think we are very well suited given our balance sheet strength and our core mining capabilities to look at assets in the tier two sector where the majors and some of the other players are not necessarily focussing their attention. And there are definitely assets there that we see comply with our investment criteria and that provide opportunities for us to do value accretive transactions.

**Mzila Mthenjane**
Thanks Marius. There is one other question before you walk away. This is from Gavin Rabbolini. Great to see you on board, Gavin. His relates to the Gravenhage manganese asset which was bought by Afrimat. And it sounded like it could have been a great fit in terms of the criteria that we've given. And he wants to know if we did participate. If not, why not?

**Marius**
Gavin, indeed it was one of the ones that we had a very quick look at. But you would have seen in terms of our investment criteria our focus on assets that are in that last mile of development or last mile of funding or operational. And the Gravenhage asset is a greenfields development and therefore did not fit our criteria in terms of our investment process.

**Mzila Mthenjane**
Thanks Marius. Maybe, Nombasa, to come back to you, this will not be a surprising question. Shuaib said the best acquisitions in the industry recently have been in the coal space with the majors disposing assets with very little sensitivity to price. Why not grow your coal portfolio further and add lower execution risk versus new commodities?

**Nombasa Tsengwa**
Thank you, Shuaib for the question. This is the question that we've been addressing quite a lot. Yearly we always evaluate the risks that are facing the coal business. And you would probably remember since about 2017 we've acknowledged the fact that climate change is really posing a significant risk to this business and we had to really look at our coal business differently and strategically. And when we did an assessment of where we think the growth is going to be and what kind of product, that led us to really look at our assets differently in terms of what we believe is going to be required and what we think the so-called coal runway is going to be. And we said, look, every year the so-called runway changes and shortens because as you would know from the markets that we've been targeting with our coal portfolio the programmes that are targeting coal fired power stations has completely changed.

The commitments of Southeast Asian countries have changed. We've seen that some of those power stations have not even been approved or they have been changed or even stopped. And we then came back and said just acquiring more coal assets, more of the same, we'd rather look at the assets we have and say how do we best service the markets with the assets we have. And we found that we have enough coal on the ground. We have a lot of RB1 material in our operations. We've got a new RB1 mine in Belfast as you know that we can really use as defence for as long as coal is still utilised in these markets. That's where our added value strategy was born to really prioritise high value, looking at robust assets that can give us volumes of RB1 material and some RB2 material obviously to play in the Indian market. And I think we've got enough of it given our intelligence of what we think the stretch of the coal runway is looking like. And we think that we will be able to service the Eskom market for our long-term contracts that we have in the Waterberg. No issues there, so we don't need more of that. And with the RB1 and RB3 between our Belfast mine and also with the GG and Mafube we think that we have enough and we do not want to really go and get more of the coal assets.

**Mzila Mthenjane**
Thank you very much. Very detailed response. Maybe a strategy question which, Mxolisi, you may respond or anyone on the platform. It's from Nkateko Mathonsi. She says what are the risks of Exxaro becoming a pure energy business with declining coal contribution as clean energy grows? Is the copper, manganese and bauxite space not becoming crowded? Maybe it's a two part question, the first one around energy.

**Mxolisi Mgojo**
Thank you very much, Mzila. I think both myself and probably also Koppies tried to give an overview highlight of what we see the portfolio of this business looking like by 2030. And to that extent it showed three areas of focus which we see are going to be very strong, which we see are going to really balance the portfolio in a manner that we are able to diversify in terms of those returns whereby coal still plays a very critical part of that but we also see a big contribution that's going to diversify those earnings in renewable energy and also on the mining side. So we do not see a business which will just ultimately become just a renewable energy business. obviously way down the future when these areas of focus become very strong, it is foreseeable later on once the portfolio of renewables is strong enough that it can actually stand on its own to be able to raise its own capital that talks to a particular investor focus could actually stand on its own. But it would have to actually gain a lot of traction in terms of proving its ability to have a robust renewable energy portfolio, but also the capabilities that we have to be building over time, and also the geographic representation with a good pipeline to enable a situation like that where you could possibly in the future list it separately. But that is still way long along the line. As we have presented today for 2030 we are going to have this balanced portfolio between these three focus areas.

**Mzila Mthenjane**
Thank you.

**Nombasa Tsengwa**
I think if you look at what we've said we've done our homework in terms of looking at the markets of the three commodities. And we've mentioned what we think the demand is going to be in the long term. And there is a lot of demand. So looking at investments going into new projects in these different spaces we don't see much of that. I think that's where we see opportunities. And we asked ourselves, given the skills that we have of mining and the opportunities that we see in the value chain, especially if you come to the bulk mining side of things, we think there are still a lot of opportunities there because there is a lot of scope, lots of copper that we're going to require by 2050. Where is it going to come from if we don't join this group of miners who are actually contributing to this cleaner world? So I think it's aligned to our ambition in terms of what we think we can do from an EBITDA point of view. It's aligned with our competencies. From what we see from the market Marius will tell you that we do see opportunities already. Obviously they've got to be in line with the criteria at the end of the day, but we really don't see the crowded space at this time.

**Mzila Mthenjane**
And the ability to compete with those capitalised projects as well.

**Mxolisi Mgojo**
I think another important aspect about this criteria being a really focal point of our decision making process is that we have seen and been presented even on the renewable energy side, which Roland could probably talk about, where there were opportunities where we walked away because they didn't meet our criteria. Maybe you could talk a little bit about that, because it's not that we have not seen opportunities and we have not been presented opportunities. But based on a very robust set of criteria – Roland, maybe you can just talk a little bit, not mentioning names but you can just highlight what made you walk away in those instances.

**Roland Tatnall**
I'm definitely not going to mention names. We drew up, as Mxolisi said, a robust set of investment criteria that really guide us in terms of what we're looking at and in terms of what we can do. We've looked at opportunities. The investment criteria obviously are financial in nature, but size and concentration limits, thresholds in terms of size and maximum size, various investment criteria. And we've looked at some opportunities. We are continuously looking at opportunities. But we have got close to some opportunities, one in particular where we felt it could add additionality to Cennergi Services. And we decided that it was too small and it was in a particular sector of the market where we wouldn't have sufficient pricing power. And then another opportunity we looked at, we spoke with everyone in terms of REIPPPP bid window 5, and again we screened not just the opportunities individually but the opportunity overall according to our investment criteria. And we turned down some opportunities to invest alongside some people who were bidding into REIPPPP bid window 5 or walked away from opportunities we could have negotiated further because we decided that that particular bid window didn't meet our investment criteria. I think even at this early stage we're trying to be disciplined in the way that we approach the opportunities that present themselves to us.

**Mzila Mthenjane**
Thanks Roland. Maybe while I have you then on the floor, just to go back to some of the questions around the energy business. The first one around the types of services that you envisage the services business to specialise in, maybe to elaborate on that.

**Roland Tatnall**
Cennergi Services at the moment is an asset manager for us internally. It manages our assets. And that's the offering that it's going to bring to the market. Now, the asset management business, our positioning in South Africa in terms of services, we're well positioned across two dimensions effectively. We're local obviously. We're empowered. But we also manage both types of technology, wind and solar, and own a significant number of assets. We have an asset base of 11. So Cennergi is particularly well positioned to enter that space in South Africa to offer to third parties. And when we go abroad Cennergi Services will follow us there. But in terms of other services it's a little bit too early to tell, but Cennergi Services as an asset manager can move slightly horizontally into different services that will complement what it does at the moment, but for the first step we thought it were a little bit too high risk for them. They've been managing our operational assets for five years now. So that was the place where we wanted to start, and then we'll expand on services as that momentum grows.

**Mzila Mthenjane**
Okay, great. And then here's an interesting question from Campbell. Just looking to 2030 in terms of your plans, do you have an outlook of the split between solar PV and wind, and do you have a sense of what the capital intensity is based on megawatts for each one of those in a South African context?

**Roland Tatnall**
The last part of the question is the easier one. The rule of thumb is it's a hard currency based asset class so it's $1 million per megawatt for both of them, give or take. There is some variance and it depends on the scale.

**Mzila Mthenjane**
Dollars.

**Roland Tatnall**
Million Dollars converted into Rand. That's how contracts tend to be worked. They tend to be converted at an exchange rate. In terms of the split nine years from now, I'm not sure. Our biggest asset class now is wind. And wind is an asset class that's slightly more complicated, and obviously you add additional complexity when you go offshore for wind, which is the next step for countries when they reach the limits of their onshore parameters. So I'd like to think that we'd have a significant component of wind because it is a little less competitive than the solar environment. But to be frank, I think in nine years' time there will be slightly different asset classes, not least battery storage that we talked about and maybe different types of battery storage. So in terms of the split it's a little difficult to say.

**Mzila Mthenjane**
And earlier on we discussed the concept that has been raised around crowdedness in the minerals sector. It is coming up again on the renewable energy side. Given that the question is it will be a competitive market, what makes Exxaro more competitive than other players in this environment and how will we diversify from Eskom as a customer particularly given that they're a big customer on the coal side? And obviously being a monopoly, if I can use that word, from an offtaker perspective they're the buyer of the renewable electricity as well.

**Roland Tatnall**
I'll answer the last question first again. If I understand that question correctly, we're supplying renewable energy to ourselves, and Exxaro is obviously supplying Eskom with coal. I think that's the question. We've got in phase one 93 MW for ourselves. Our target is 3 GW. So the simple answer is that there's 2,903 MW of diversification there I suppose. But in a South African context and as we're building the opportunity set we're looking to provide solutions on a distributed generation level, which is where we see our competitive advantage – which was part of the question – to initially and particularly other miners. They are obviously not all coal miners. That in itself provides diversification. But we're going to be going abroad. It's not just about supplying coal mines. It's not just about supplying ourselves. It's about building a diversified portfolio expressly to avoid that kind of concentration risk.

**Mzila Mthenjane**
Okay.

**Roland Tatnall**

I answered it a little bit, but we have our three pillars. And again the reason we have three pillars and not a single pillar is because we want to have the ability to grow in three areas. In distributed generation in particular – we had a video on it – we really think in the mining market it's not so much a cost of capital play in the distributed generation sector. It's about solutions, certainly at the large scale where we want to operate. We have a significant competitive advantage as a miner and as a renewable energy provider. We go into conversations understanding the other side of the table. I know we've been told by other miners who we've had conversations with that they don't get those kinds of approaches too often. We also go with a solution to potential mining customers using our RRODA tool and our knowledge of the mining sector, which again is not often provided by pure play renewable developers.

So in the distributed space that's why we're trying to build that platform and that brand in South Africa, particularly looking at miners, not just miners but large industrial players, but particularly miners that we can then take into other markets that have similarly large mining markets that we can leverage our networks in South Africa for and we can also build on our brand in other markets. In the utility space it's not so much about a competitive advantage. It is a cost of capital play and it's a risk reward play, which is why we've been very careful about where we go for the utility spectrum of our business. We will be looking at markets that fulfil our risk adjusted return requirements and we get a good risk reward.

**Mzila Mthenjane**

Okay. I'm going to give you a break now, but I'm going to come back to you. I don't know if we have any questions from Choruscall.

**Operator**

Yes we do, sir. The next question comes from Shilan Modi of HSBC.

**Shilan Modi**

Thanks for taking my questions. Thanks a lot for the very detailed presentation you've given us. Even though you did clarify your capital allocation framework, I've got further questions on that. I'm trying to understand how you decide when you're looking at capital that you're allocating to projects. How do you decide which projects to allocate capital to? And I'm asking when you compare minerals versus renewables if you have the same size type of acquisition or project, and if both meet all of your investment criteria, and assuming you can only proceed with one, how do you choose between the two? And also just on the minerals side, again if you had the same investment criteria fulfilled for all three, bauxite, copper and manganese, same investment size, how do you pick between the three? I'm just trying to get an idea of where your guys' heads are at and what is the likelihood of proceeding in a certain direction.

**Mzila Mthenjane**

So it's around that prioritisation given the options.

**Riaan Koppeschaar**

So it is also looking at the risk adjusted returns. As we pointed out, in certain instances the energy investments may be on a risk adjusted basis preferred. But I also think to be realistic in many occasions on the mineral side it's opportunity based. I don't think there is a constant pipeline of projects going to hit your table every day that you say this one I want to make an investment and this one I want to decline. So I think probably on the energy side it will be a lot more frequent, smaller investments whereas on the minerals side if we do something it will be a larger type of acquisition. But definitely looking at the risk, and then secondly also fulfilling your criteria of diversifying, also taking into account the previous question. You don’t want a situation where there were opportunities in the mineral space but we allocated all your capital to energy. So it’s getting that balance right

**Mzila Mthenjane**
Great. Thank you very much for that. Then I think whilst I have you on the floor, Riaan, there is a question here from Nkateko. In your presentation you gave a detailed discussion of the financing of the energy. And she is just asking a question in relation to the minerals in terms of how the financing of acquisitive growth is going to work out for minerals.

**Riaan Koppeschaar**
So for minerals at this point in time it will be largely from your own generated cash flow, and then to some extent you may use debt facilities. I think the energy discussion why we specifically focussed on debt financing is just to highlight the opportunities associated with project financing. I don’t think that is pertinent in the minerals side of the business.

**Mzila Mthenjane**
Whilst on the minerals, are you able to share the long-term prices that you assumed for each of the mineral commodities?

**Nombasa Tsengwa**
I could do. Let’s talk to that. The bauxite, copper and manganese. We will start with Sibusiso on copper.

**Sibusiso**
On the copper side we do see in real terms $3.25 per pound and we are looking at $725 per ton. And that’s really driven by the energy transition, the supply gap that we see in the medium to long term, and as the world goes green so the copper market is looking quite bright. So those are the sorts of prices that we see for copper.

**Nombasa Tsengwa**
Thank you. And then bauxite.

**Mzila Mthenjane**
Ling-Ling will take us through the bauxite price outlook.

**Ling-Ling Mothapo**
Good afternoon. My name is Ling-Ling. I’m an analyst in minerals. On the bauxite side of things what we do understand is that there will be a very long term supply deficit and with that a very stable pricing environment. So what we are looking at is a bauxite price of $46 per ton in real terms. And what we also have noticed is that as the aluminium price fluctuates with the short-term volatility there will be a long-term deficit in terms of the aluminium. And bauxite miners due to the long-term underinvestment in bauxite stand to gain from the upside in the aluminium price. Thank you.

**Mzila Mthenjane**
Thank you Ling-Ling.

**Nombasa Tsengwa**
And lastly Manganese

**Samantha Maharajh**

Good afternoon again. On the manganese side in terms of long-term forecasts we are looking at a price increase. So, on the higher grade we're looking at above $6 per dmtu. And then in terms of the 36% to 38% manganese grade we're looking at just below $6. The graph is also provided in the pack. And what is driving those prices is the demand that comes from the steel sector. So in the long term demand is expected to increase and we are expecting a supply deficit that will drive those prices higher.

**Mzila Mthenjane**

Thank you Sam. We have a few questions remaining which if there are no other questions on the Choruscall will take us to the close. I want to finish off with a brief discussion on the capital allocation, but before I get there, some questions for Roland on the energy business. The first one is around the typical margins for the distributed generation business, because in your presentation you made reference to that business being characterised by higher margins. Let me let you finish the response to that, and then I'll come back to the second question.

**Roland Tatnall**

I think in the presentation I actually said that the asset based businesses are return on capital businesses, so we don't actually look at the margins in these businesses. They are typified by long-term contracts, so it is more about the cash generation, the IRRs that you can predict from the long-term contractual nature of the cash streams. But if we take the current Cennergi assets as an example, the EBITDA margin there is about 80%. But it's not a driver for an investment decision.

**Mzila Mthenjane**

Okay. I think a related question from Rowan Goeller where he asks if you can give a sense of the IRR for a self-developed project compared to an acquired project and if you will be able to achieve your IRR goal on acquisitive growth alone.

**Roland Tatnall**

The three pillars again are there for us to provide a blended IRR. And if you read between the lines of what I've said in the presentation, the utility generation projects will obviously provide – if you are looking at a spectrum of returns – the lower end of the spectrum. The bespoke solutions, the self-generation projects will be in the midrange. And the capital light businesses provide the highest returns. Those three pillars are there for a reason to enable us to deliver on a 15% portfolio IRR with different risk expectations for different types of businesses that we enter into. And then the question on can we fulfil our aspirations with acquisitions alone, I wouldn't say it's a certain no, but it's a pretty hard no. Obviously if you're buying into a developed project you're expected to pay a higher price and get a lower return than if you develop it yourself. So the acquisition side of our strategy is really to enable us to enter new markets in a de-risked way. What I mean by that is by acquiring a platform that has a team with assets that are either generating cash flow or close to generating cash flow, with a pipeline of opportunities so that you know that you're buying into a platform that is going to create value because it has created value in the past and you believe in the pipeline. So the acquisition itself is really for the market entry and the pipeline that it brings.

**Mzila Mthenjane**

I think that talks to Rowan's other question which was around your risk appetite in the whole development process. Was that the response, or is there anything else you would want to add to that?

**Roland Tatnall**
I saw that question. we've developed 11 projects that I spoke about and we have three under development, so 14 projects that we will have developed from start to finish. I think that answers the question that we're happy to be developing projects.

**Mzila Mthenjane**
Okay thanks. And then I'm going to come back to you on the mineral side. This is now getting into logistics. I think we expected this question given our experience on the coal side. To what extent does the diversification strategy take into account the possibility that TFR constraints may remain in place longer than expected given that they play in the manganese sector as well? And maybe you can talk to the extent to which we have plans to avert the potential impact of TFR issues.

**Nombasa Tsengwa**
The beauty of sitting here and there are people actually working with this stuff, and me looking at one of them I'm thinking should I answer or should he answer. I think he needs to answer that too. When I'm with the analysts one on one I answer all these questions. I think they must answer.

**Mzila Mthenjane**
Sakkie Swanepoel will contribute to that response. And Sakkie is responsible for logistics and marketing.

**Sakkie Swanepoel**
Thank you, Mzila. I think a lot of experience with Transnet over the years, and we do understand it's a big beast that sometimes has its own way. We are battling really currently in coal, and not just in coal – in chrome, in iron ore, in manganese. I think if we're going to start to believe that the TFR we know today is going to be the TFR of forever, we may as well close shop in South Africa. I think we truly believe that we will work through the issues that we do experience today and also that the engagement between TFR and industry will render new operating models, new commercial models, even new ownership models. Pulling that then back to the manganese space, I think it is already very clear in the manganese space with the development between Transnet and industry both in moving the current capacity out of Gqeberha to Coega and the ramping of Coega to 16 million tonnes, but at the same time even in Saldanha pushing that to the 6 million tonnes, I think that process is even further underway than for example in coal. Therefore, yes, our future considerations of any asset in that space will have to definitely take account of that. I think you will really not do your due diligence properly if you don't do that. But we must also just look beyond the issues of today and look as to what strategic processes are afoot to bring us to a better outcome in future.

**Mzila Mthenjane**
Thank you very much. Are you happy with that response?

**Nombasa Tsengwa**
Yes of course.

**Mzila Mthenjane**
Thanks. Any questions from Choruscall?

**Operator**
Yes sir. We have a follow-up question from Brian Morgan of RMB Morgan Stanley.

**Brian Morgan**
Hi. Thanks very much. Maybe a question to Roland. You spoke about some regulatory issues with regard to licensing up to 100 MW projects. Could you just run us through what the challenges are there?

**Roland Tatnall**
So the increase in the threshold from 1 MW to 100 MW is actually a positive thing because it means anything beneath 100 MW doesn't need to be licensed, which for our own projects is a big boon. But they still need to be approved by the regulatory authority, and that process is very close to a licensing process. It's just a licensing process takes an extra couple of months or so. The DMRE has announced this licensing threshold increase but it is not just DMRE that a project has to deal with. It has to deal with NERSA. It has to get its environmental approvals. And NERSA itself has stated very publicly that it's looking to streamline its permitting process and its licensing process with the ultimate goal of being able to do it online to shorten that process considerably. So I think the point I was making in the presentation is that the step up from 1 MW to 100 MW is a huge statement of intent. And the other departments are following suit to try and make sure that the private sector will have a smooth a process as possible to get projects permitted on a private to private basis.

**Mzila Mthenjane**
Thanks Roland. Quite encouraging actually to see how government is coming together to help that whole process. I have a question on the energy side. This looks like the last question for energy, you will be happy to know. It is from Kavi from Benguela. He says for Cennergi on the 3 GW generation target by 2030, is this a base case?

**Roland Tatnall**
It's the target. It's 3 GW net, potentially up to 6 GW gross. We are aiming to have invested in 3 GW of additional supply by 2030.

**Mzila Mthenjane**
Okay. And I think your previous response around the regulatory challenges answers his question of your confidence in achieving this target given the regulatory challenges. Okay. And then the last two questions. The second to last one is for you, Koppies, in terms of what is the maximum amount in Rand billions you see Exxaro looking to spend in terms of any acquisition. Is there a measure that you would calculate in terms of percentage of our current market cap, or what would that metric be?

**Riaan Koppeschaar**
Remember what we said is there are specific targets for minerals and also for energy. So as Roland also pointed out on the energy side, it is going to be smaller types of investments. I even mentioned in the presentation projects in the range R150 million. It could be up to R3 billion. So definitely smaller on the energy space. And then on the minerals space it's going to be more expensive because by the very nature of it if you want to buy a manganese or a copper mine it is going to require more capital. Obviously it will depend on what you pay on a multiple basis, where you are in the cycle, but as we also pointed out, we are looking not to do category one transactions. It's category two, smaller…

**Mzila Mthenjane**
In terms of the JSE.

**Riaan Koppeschaar**
JSE requirements.

**Roland Tatnall**
If I may just add to that from an energy perspective, there are really two types of investment for us. As Koppies said, our investment in the projects that we organically develop, that's quite predictable. You know when you start a project what the timelines are going to be and what the eventual cost of the project is going to be at financial close. But we will also potentially have lumpy investments from an M&A perspective. That speaks to the same answer that Koppies was saying for minerals.

**Mzila Mthenjane**
Great. Thanks for adding that. And I think I have actually covered all the questions that we've received her eon the webcast. Any questions on the Choruscall before this last question here?

**Operator**
No, sir. We have no further questions on the lines.

**Mzila Mthenjane**
All right. Thank you very much. This last question I've left for last because it's around governance and it covers some key themes that have come through in the presentation around M&A, the lessons from Mayoko. Shuaib has gone and dug out his archives to look at what we said at the time of investing in Mayoko. And his conclusion is that it sounds like it was a governance failure from the response which we gave in the previous question. Maybe it's a repeat, but perhaps it's worth repeating what we would have said before in terms of what changes we have made to our approval process to ensure greater robustness in the future.

**Riaan Koppeschaar**
So I think what we pointed out earlier is the project is being evaluated independently from the sponsor. So it's not the project sponsor presenting the project to the various approval authorities in the organisation. There is an independent team looking at it. And then independent due diligences from a technical and financial perspective and also a stage gate process.

**Nombasa Tsengwa**
And I think we have also really revisited our investment criteria to really have a balanced set of criteria that looks at risk. Another one looks more at commercial and opportunities. Better than we've done in the past.

**Mzila Mthenjane**
I think that was the extensive highlight from both presentations about that. And internally for those who don't know we coined an expression that I suppose every mining company has had is Mayoko moment. We've learnt from those moments, and that refers to those days of market exuberance you will recall. So, we've come to the end of our session. Sorry, Mxolisi.

**Mxolisi Mgojo**
I would just like to make probably a closing comment before you sign off. I think the one aspect that probably was not focussed on in any of the questions is around the impact side of our strategy. This really talks to the whole notion and the whole conversation around our Just Transition as a country. It also talks to the Just Transition as a company and it also talks to our purpose statement of powering better lives. It is an area which I think all of us as major CEOs from all sectors, whether you're talking mining, retail, if you are looking at and listening to the conversation that is taking place in BLSA, where they are talking about BUSA, it is around the fact that as we are responding as a country and as businesses to issues of climate change and the need to also transition to a greener economy into the future it cannot be done at the exclusion of taking everyone along that.

We have seen six or seven weeks ago what happened in this country as a consequence of not really paying serious attention to the real needs of the people on the ground. And we see now the cost of that to the economy, how that has regressed our growth, how it has contributed even further to higher unemployment rates, and the fact that it has really become a destabilising effect, which makes the country not sustainable from an investment point of view, which makes our businesses not sustainable if we don't address this. And so therefore it is a call on all of us in terms of how we are going to as we move forward as a country, as we move forward as business and broader society understand the high levels of inequality, the high levels of unemployment, the high levels of poverty if left not addressed are going to be the biggest risk of all, not only just in business.

It is something that we are going to have to really understand how we are going to work together collectively. That is what we are trying to look at, how we can really deal with the socioeconomic challenges of his country in an impactful way. But you have to partner and work with others in terms of collaborating around addressing these issues. It is not a cost, but it is in itself a risk mitigant for all of us. I just want us to understand that not doing it is probably the biggest risk and the biggest cost it's going to challenge us with going into the future. I just want us to understand that, because there is going to be more and more conversation from a country point of view and also from a business point of view in terms of how we're going to collectively deal with this high unsustainable way of going into the future if we don't address this. I just wanted us to understand that imperative. Thank you.

**Mzila Mthenjane**
Thank you very much, Mxolisi. I think those are very important words for us to remember in terms of why we are doing this. So in closing there are a few things that I wanted to say. The first one is that when we had our workshop last year one of the things that were mentioned by shareholders was acknowledging the fact that Exxaro was actually engaging shareholders on this very issue of the Just Transition. And there was a request to continue to take shareholders and stakeholders along on this journey. Since then, as you have seen from these presentations, the team has been working hard in terms of putting together the strategy to respond to the risks and opportunities of climate change, and in particular given attention to the very words that Mxolisi has just shared with us. And so we've reached a milestone in our journey of engagement and we have yet so many more milestones and journey that we will travel. And hopefully you will be with us on that.

The other thing is setting up a hybrid capital markets day is certainly new territory. I think I've done this in terms of results. But I can only refer to it as having been near perfect. One of the things I was requested by the team is let's maintain the human factor in that. We've seen examples of recorded events such as this. I hope you bear with us with the little glitches, if you experienced any. But I think overall we've tried to put in the best experience of this event. And I think to assure you that we are real as we sit here and what you're seeing of me is the real me and not an artificial creation of what you may have seen of me before with corn rows. Things have changed and we are all human as we sit here.

So it has been fun to get to this point. It has been a lot of work. And what remains is just to say thank you very much firstly to the team. You certainly make my job easy. This is all I had to do, sit here and click your presentation and compliment your skills and capabilities at presenting. But I think also to the teams that have really contributed to these presentations, I think there is some fantastic work that has been done. There is some fantastic knowledge and information that has been gained by everyone having been part of this. And then lastly to the team that made this event happen, it wasn't easy, we thought we wouldn't have enough time, but we were able to do it and we hope that we have delivered to your satisfaction. You all know my email address or the Exxaro investor relations address. If there are any other questions, please drop us an email or you can call me. Thank you very much, and be safe here on further.

END OF TRANSCRIPT