

Capital Markets PRESENTATION

EXXARO COAL
9-10 Nov 2017

exxaro

POWERING POSSIBILITY



Disclaimer

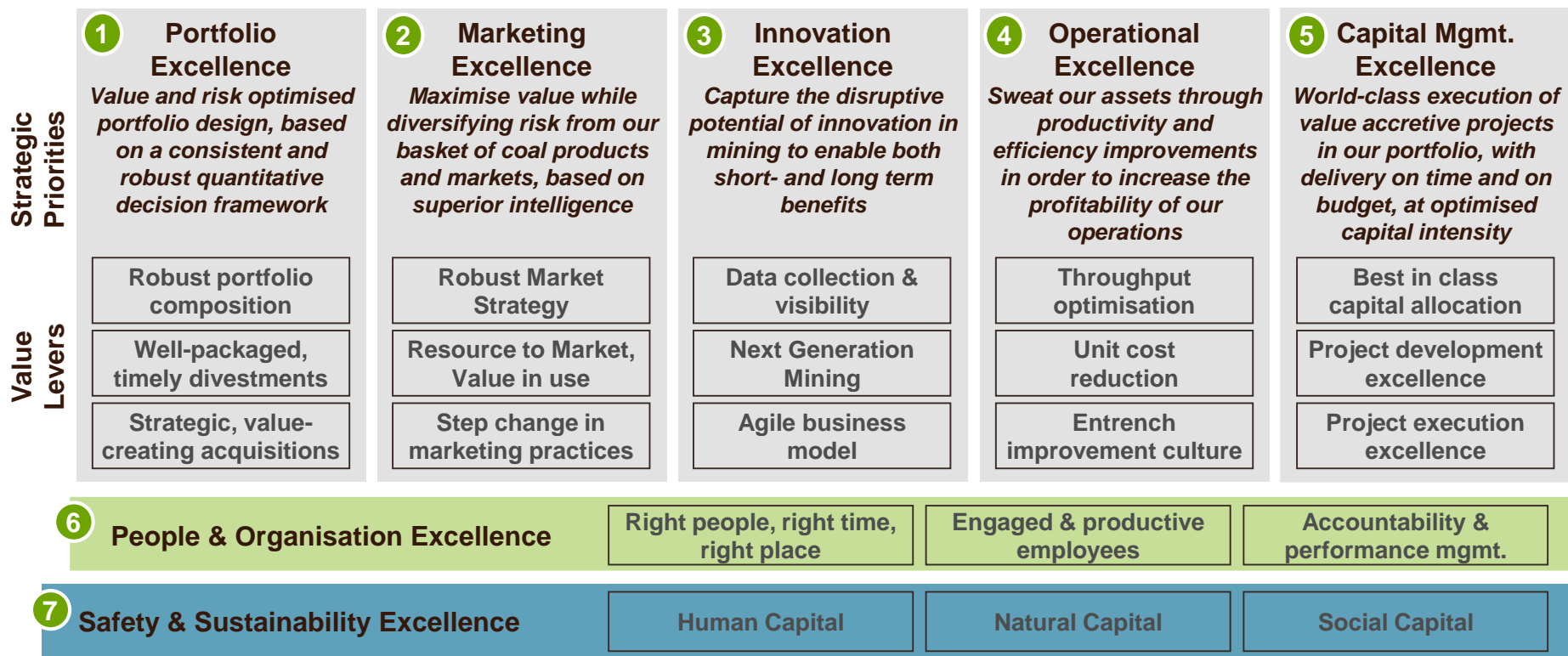
The operational and financial information on which any outlook or forecast statements are based has not been reviewed nor reported on by the external auditors. These forward-looking statements are based on management's current beliefs and expectations and are subject to uncertainty and changes in circumstances.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

Presentation outline

- 1 Coal strategy overview**
Nombasa Tsengwa, Executive Head - Coal Operations
- 2 Mpumalanga**
Bram van Stelten, GM Mpumalanga
- 3 Waterberg**
Johan Wepener, GM Waterberg
- 4 Marketing**
Jayshree Brijball, Manager– Domestic markets
- 5 Capital**
Mellis Walker, Group Manager – Financial performance

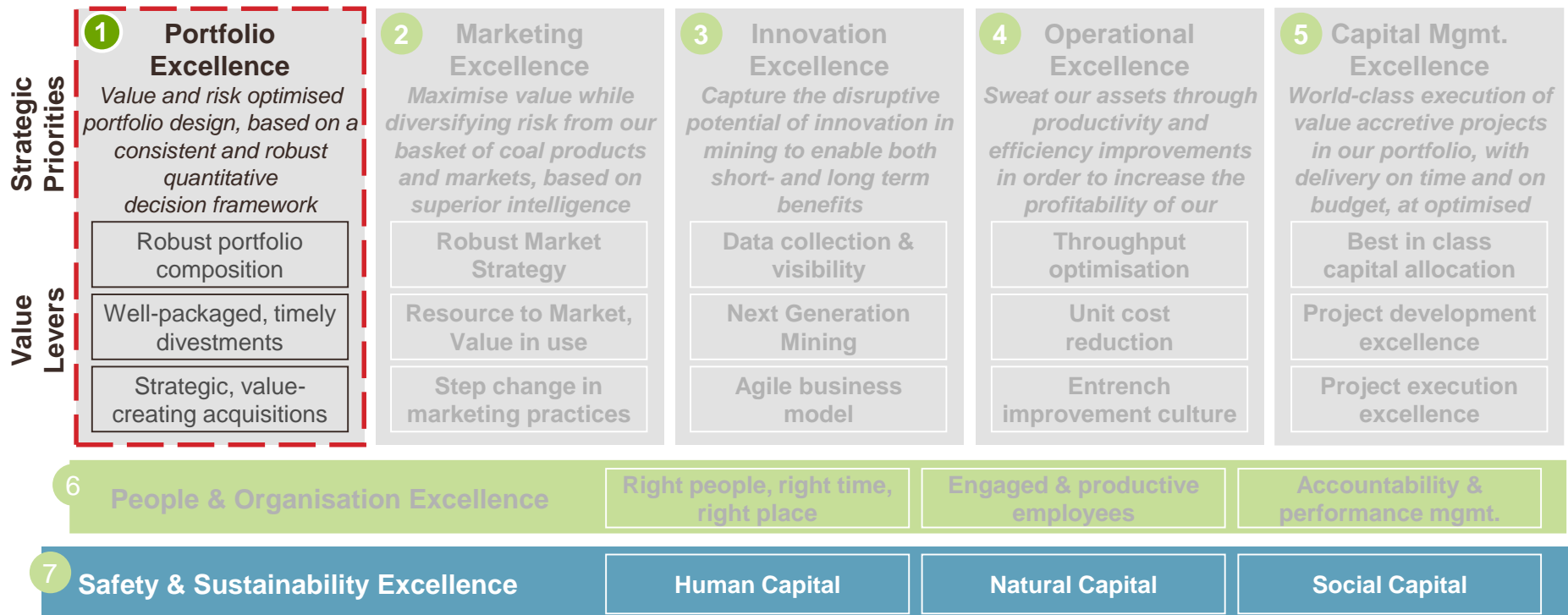
We further refined our strategy to make it even more actionable

We will be a modernised,
South African based coal producer
energising better lives in Africa and beyond



Portfolio Excellence requires key strategic decisions

We will be a modernised,
South African based coal producer
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Exxaro Coal's core beliefs serve as guiding principles in portfolio review

Our core beliefs ...

We believe that coal as a commodity has a **robust medium-term future**, however there are uncertainties in the market

Coal producers with mines in the **first quartile of the cost curve** are optimally positioned to withstand potential headwinds

Significant cash is needed to **fuel the growth of the "Exxaro of Tomorrow"** over the short and medium term

... and their implications

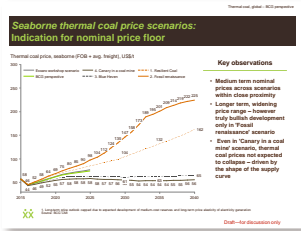
Exxaro Coal can still find **opportunities to capitalise** on this market with a **comprehensive strategy**

We must **create a robust portfolio** in order to achieve and sustain a highly **competitive cost position**

Coal needs to **continue to invest** in selected projects to **generate excess cash** and sustain itself as a standalone entity

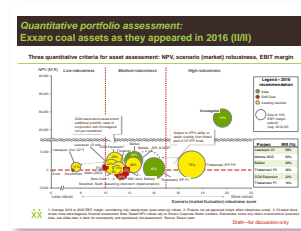
We continue to evaluate our portfolio to maximise value and capitalise on growth opportunities

A robust portfolio evaluation methodology



- **Updated view of coal market futures** to understand market movements in relation to our own portfolio of assets
- **Portfolio projections** to identify areas of change / growth and monitoring of assets enabling strategic portfolio assessments and decisions

..done continuously to evaluate opportunities



- **Continuous process** repeated once a year to evaluate and time decisions for investments and disposals

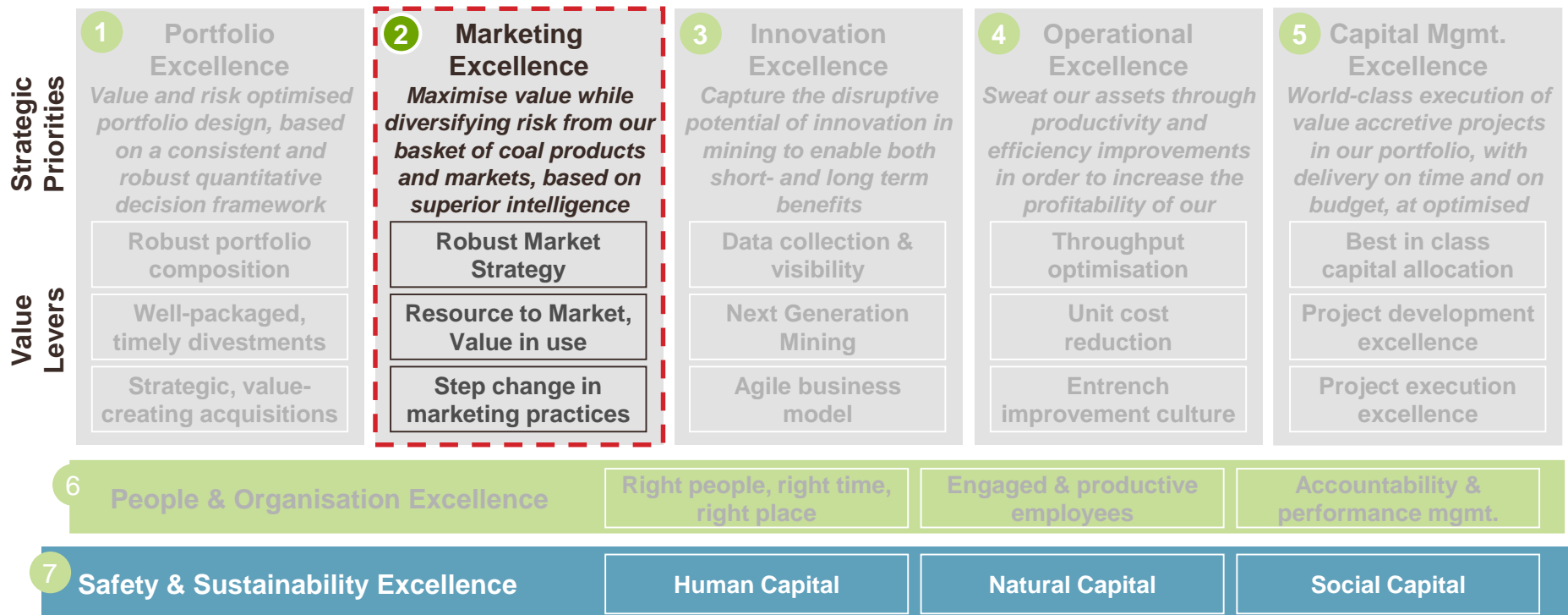
... to make informed decisions maximising portfolio benefit



- **Identified disposals** will enhance portfolio robustness, reduce operating cost and preserve capital
- The following operating businesses have been identified for disposal:
 - **Arnot**
 - **NBC**

Marketing Excellence was further refined to maximise value extraction from our assets

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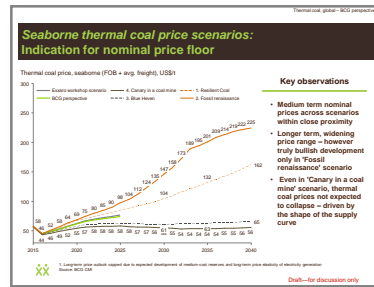
Marketing value generation through three key strategic levers

A robust market strategy



- **Market analysis and intelligence** to understand market growth trends, now and in future
- **Country and user analysis** developed to understand where to diversify and extract maximum market value through our complete mix of product

..maximising value extraction through market-to-resource optimisation



- **Market to Resource** optimisation at BU level, and at commodity level
- **Value in use** indicates which product attributes the market values differently than before

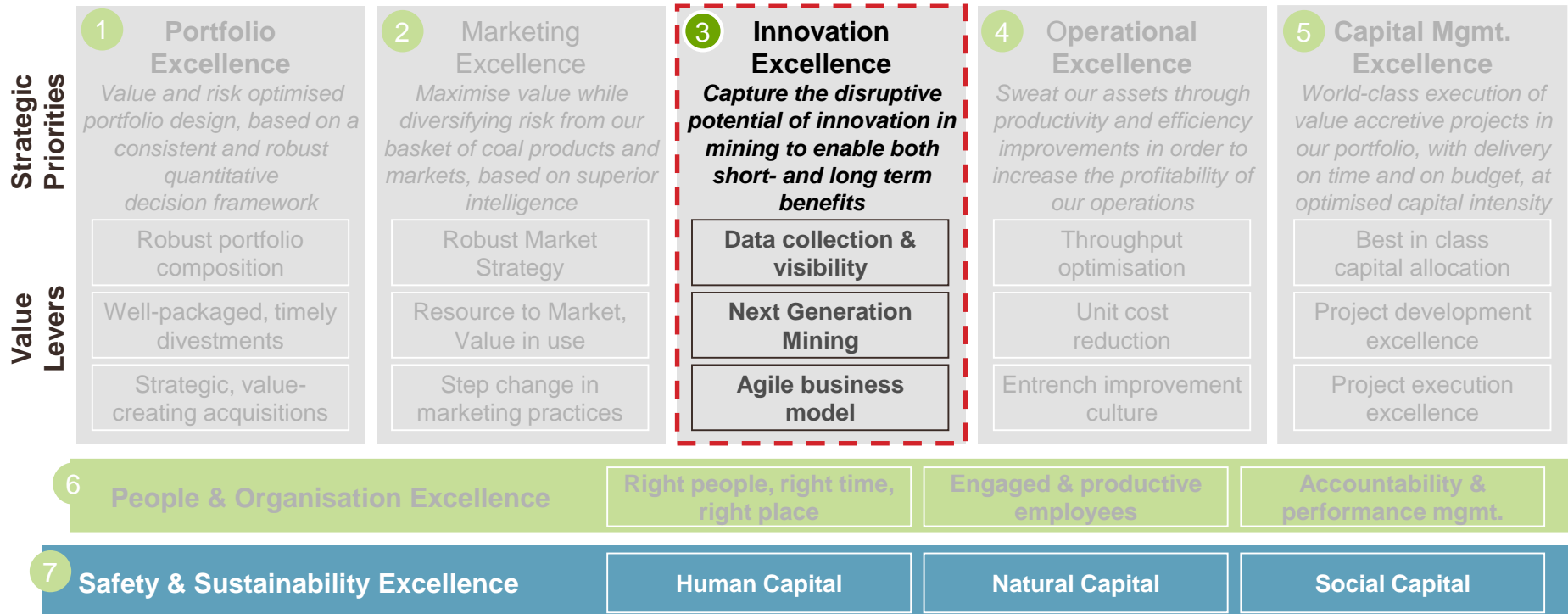
... supported by step change in marketing practices



- **Digitalisation** will unlock additional value in marketing through intelligence and simplified and improved processes

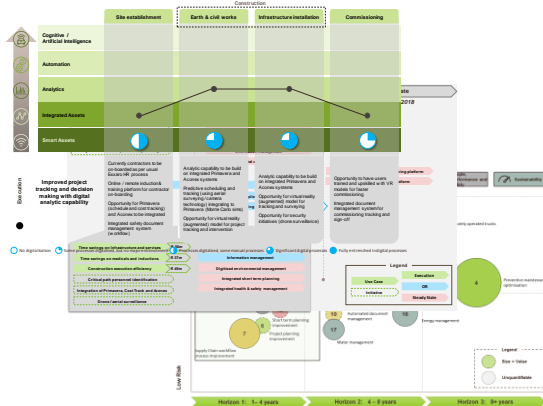
Innovation Excellence will create value through digitalisation

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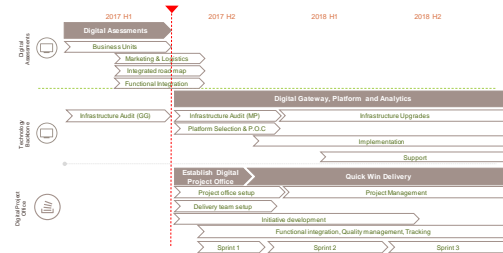
Exxaro coal is on a digitalisation journey to deliver on step change value

We have assessed our capabilities and aspiration



- **Business unit** digital assessments completed
- **Roadmap** developed to understand HOW we are going to deliver value

We will now rapidly deliver value...



- **High intensity, agile development** of quick wins and use cases to ensure value delivery in the medium term
- **Multi horizon step change for the next 5 years** unlocking fundamental value opportunities and digitising our business

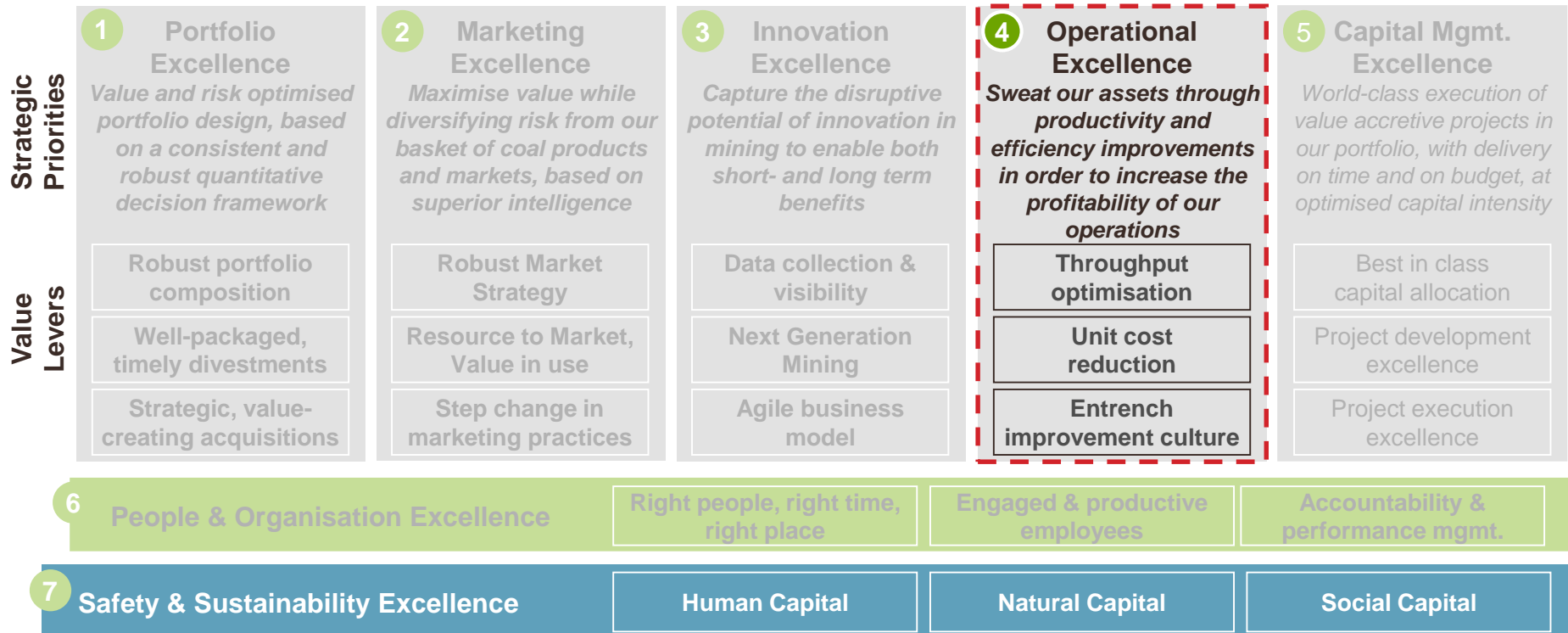
... to get to our future aspirations



- **Digitalisation** will continue unlocking value through technological advances and we will be leading value creators
- **Digitally enabled operations and processes** is the end goal.

Operational Excellence will capitalise on digitalisation

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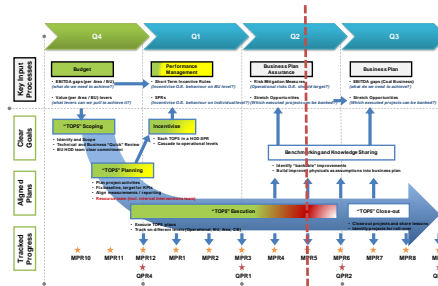
Our OE process has delivered substantial value – and will continue to do so, leveraging digital technology

Our O.E Process is delivering real results

#	Description	KPI	Value (FY16)	Target	Effort	Results	Comment
					Score	Score	
1	Increase Refractory Life (Increase the life of refractories to reduce costs and downtime due to refractory replacement)	Days per refractory	4.6	4.8	●●●●●○	●●●●●○	180 per refractory
2	Marketing 1: Develop cost and 2: Manage Dry market - operational formation	Days per \$M	9.5	10.0	●●●●●○	●●●●●○	187M/ Month
3	Marketing 2: Develop Diamond market - related (USD) formation	Days per \$M	8.8 (incl. 1.8)	9.0	●●●●●○	●●●●●○	5M/ Month
4	Marketing 3: Develop Chrome market - gas allowed formation	Days per \$M	8.8	9.0	●●●●●○	●●●●●○	11M/ Month
5	Cost Saving: Breakdown of savings in Fixed cost cost budget to baseline	Cost cost spend (\$)	10	10	●●●●●○	●●●●●○	Fixed 50Tn
6	Willing Optimisation: Increase production of metal products by making the volume produced in the plant	USD Metal PUP (\$/MTP)	0.45 (incl. 0.45)	0.45	●●●●●○	●●●●●○	2100Mtpa

- **TOP 5 Initiatives** at BU's delivered a 4% YoY cost reduction in FY16/17
- **O.E Process** focused on volume, cost and productivity improvements

The process is well integrated ... and will continue to add Value into the future



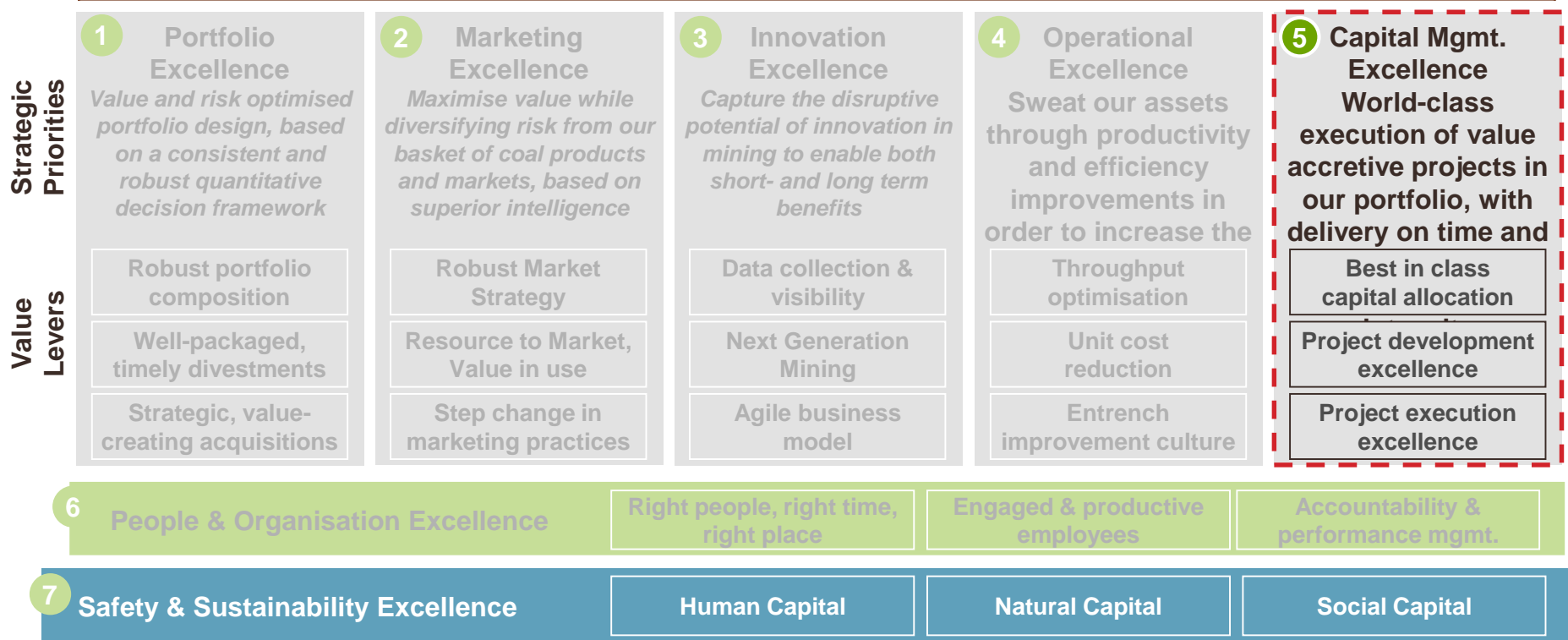
- **Integrated process** used as the basis of changing and improving business plans
- **Each B.U** defines top 5 Initiatives focussed on improving most sensitive KPI's and addressing key opportunities

- **Digitalisation** will be a key enabler of our O.E process delivering insight into areas of potential improvement
- **Processes** for analysis and reporting simplified through digitalisation



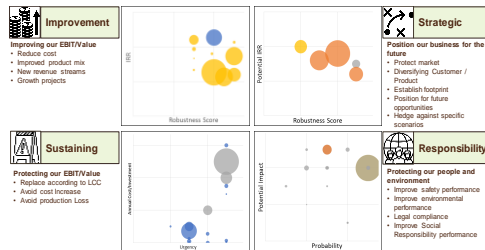
Capital management is world class in capital allocation, project development and execution

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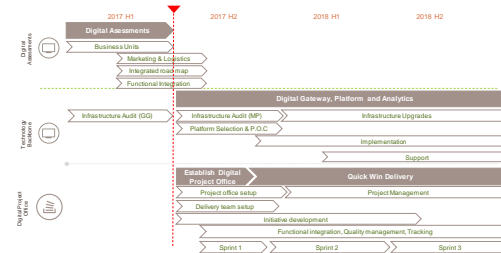
Our Capital Management process is evolving to enhance value delivery

Building a robust, optimised project portfolio



- **Our project portfolio** is developed to enhance robustness, sustainability and competitiveness
- **Optimisation** of our portfolio is done through best in class capital allocation methods

... through assurance and value engineering...



- **Value engineering** is done on all projects to ensure maximum value is unlocked and spend minimised
- **Assurance** processes are not only used for approvals, but also for reviewing and learning from projects delivered

... and continued project execution



- **Project delivery** is managed by a team of seasoned experts in project delivery
- **Exxaro** has a strong track record of delivering projects, utilising the latest proven technology to enable value delivery throughout the project lifecycle

People and organizational excellence are the foundation of our business

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Strategic
Priorities

Value
Levers

<p>1 Portfolio Excellence</p> <p><i>Value and risk optimised portfolio design, based on a consistent and robust quantitative decision framework</i></p> <p>Robust portfolio composition</p> <p>Well-packaged, timely divestments</p> <p>Strategic, value-creating acquisitions</p>	<p>2 Marketing Excellence</p> <p><i>Maximise value while diversifying risk from our basket of coal products and markets, based on superior intelligence</i></p> <p>Robust Market Strategy</p> <p>Resource to Market, Value in use</p> <p>Step change in marketing practices</p>	<p>3 Innovation Excellence</p> <p><i>Capture the disruptive potential of innovation in mining to enable both short- and long term benefits</i></p> <p>Data collection & visibility</p> <p>Next Generation Mining</p> <p>Agile business model</p>	<p>4 Operational Excellence</p> <p><i>Sweat our assets through productivity and efficiency improvements in order to increase the</i></p> <p>Throughput optimisation</p> <p>Unit cost reduction</p> <p>Entrench improvement culture</p>	<p>5 Capital Mgmt. Excellence</p> <p><i>World-class execution of value accretive projects in our portfolio, with delivery on time and</i></p> <p>Best in class capital allocation</p> <p>Project development excellence</p> <p>Project execution excellence</p>
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6	People & Organisation Excellence	Right people, right time, right place	Engaged & productive employees	Accountability & performance mgmt.
	7	Safety & Sustainability Excellence	Human Capital	Natural Capital

Our people are core to our success, and we are committed to a productive and engaged workforce, transforming the industry

Right people, right time, right place



- ***We are transforming our business*** We are committed to transformation and people development, employing only the best employees that are fit for the roles they fulfill
- ***Young talent*** is very important to us, and our one-of-a kind P.I.T programme develops young professionals

Engaged & productive employees



- ***We invest in our people*** Strong leadership and empowered employees are key to executing our strategy. We are one of the industry's leading trainers, annually investing more than 5% of payroll on training and people development.

Accountability & performance management



- ***World class*** performance management with incentivised employees working in safe and productive workspaces

Underpinned by our efforts to keep our people, and the people around us safe

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Strategic
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Value
Levers

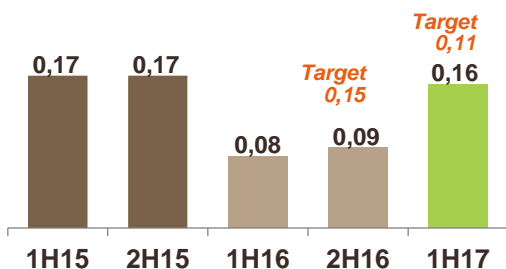
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Robust portfolio composition	Robust Market Strategy	Data collection & visibility	Throughput optimisation	Best in class capital allocation
Well-packaged, timely divestments	Resource to Market, Value in use	Next Generation Mining	Unit cost reduction	Project development excellence
Strategic, value-creating acquisitions	Step change in marketing practices	Agile business model	Entrench improvement culture	Project execution excellence

6	People & Organisation Excellence	Right people, right time, right place	Engaged & productive employees	Accountability & performance mgmt.

7	Safety & Sustainability Excellence	Human Capital	Natural Capital	Social Capital

Keeping our people and the environment safe whilst uplifting communities underpins our business strategy

Keeping our people safe



- **We are serious about safety** We have world class safety systems and practices, lowering our LTIFR from 0,29 in 2012 to 0.16 in 2017. We can still do better, targeting 0.11 and zero fatalities.

Source: Exxaro Coal Team

Protecting and developing our communities



- **We care for invest in our communities** As part of our SLP, we have invested more than R 0.6 Bn in the last 10 years, benefiting more than 12,000 people
- **We care for the environment** We have met all our water treatment and rehabilitation targets and obligations, and continue to do so

The economy we operate in



- **Ownership & empowerment** In process of implementing a 30% BEE transaction and we returned more than R 16 Bn in dividends to shareholders since 2006
- **Economic Contribution** We have spent more than R 44 Bn on HDSA suppliers since 2006

Mpumalanga

1

With our ideally positioned assets...



2

...and our focussed strategies...



3

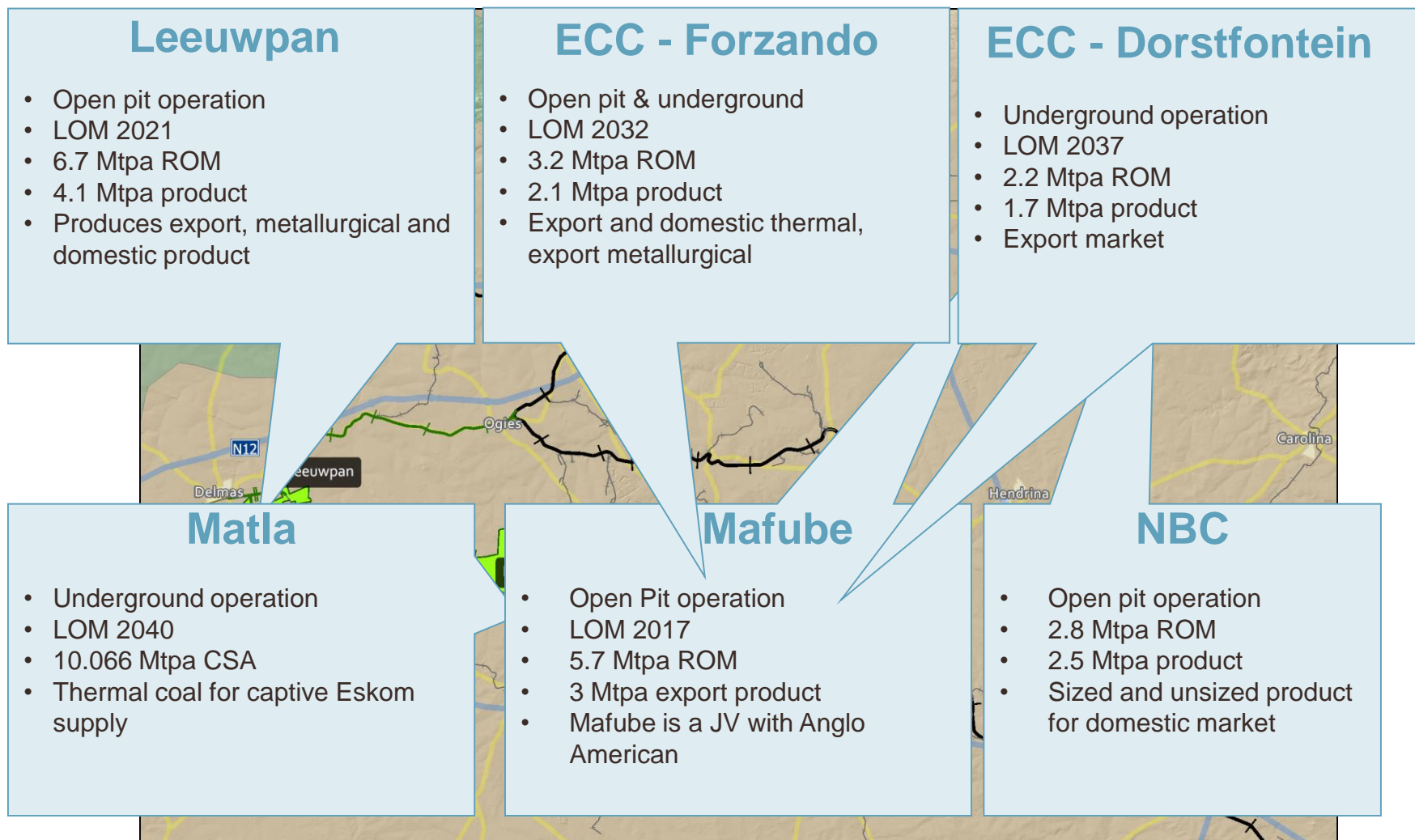
...we will deliver value into the future.

1

With our ideally positioned assets... MPUMALANGA COALFIELD



With a resource footprint of 1.6Bt and LOM beyond 2026, our current business is well established for value delivery



Matla, LP, Mafube, NBC, Belfast, ECC (Attributable tons in Mpumalanga)

- Resources 1.6Bt
- Reserves 0.47Bt

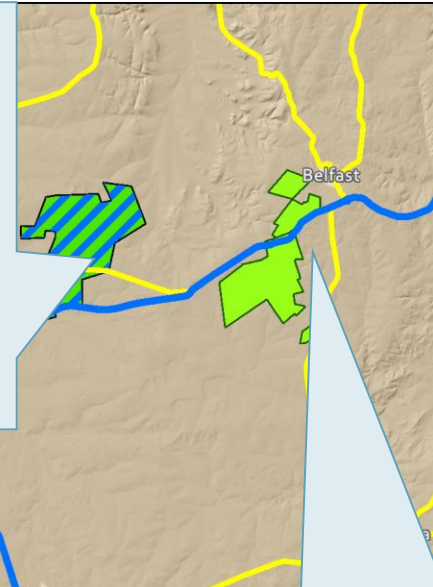
We continue to expand our value delivery footprint with both greenfield and brownfield projects

Leeuwanpan OI

- Life extension project, extending the life of mine past 2027
- Product increase of 1.2 Mtpa
- Existing infrastructure
- Capex: R0.5 bn

Mafube - Nooitgedacht

- Life extension project, extending life to 2032
- Production increase of 1.3 Mtpa ROM



Matla Mine Projects

- Projects consist of:
 - Mine 1 shaft
 - Interseam
 - Ventilation shaft
 - Shortwall replacement
- Capex: R3.8 bn

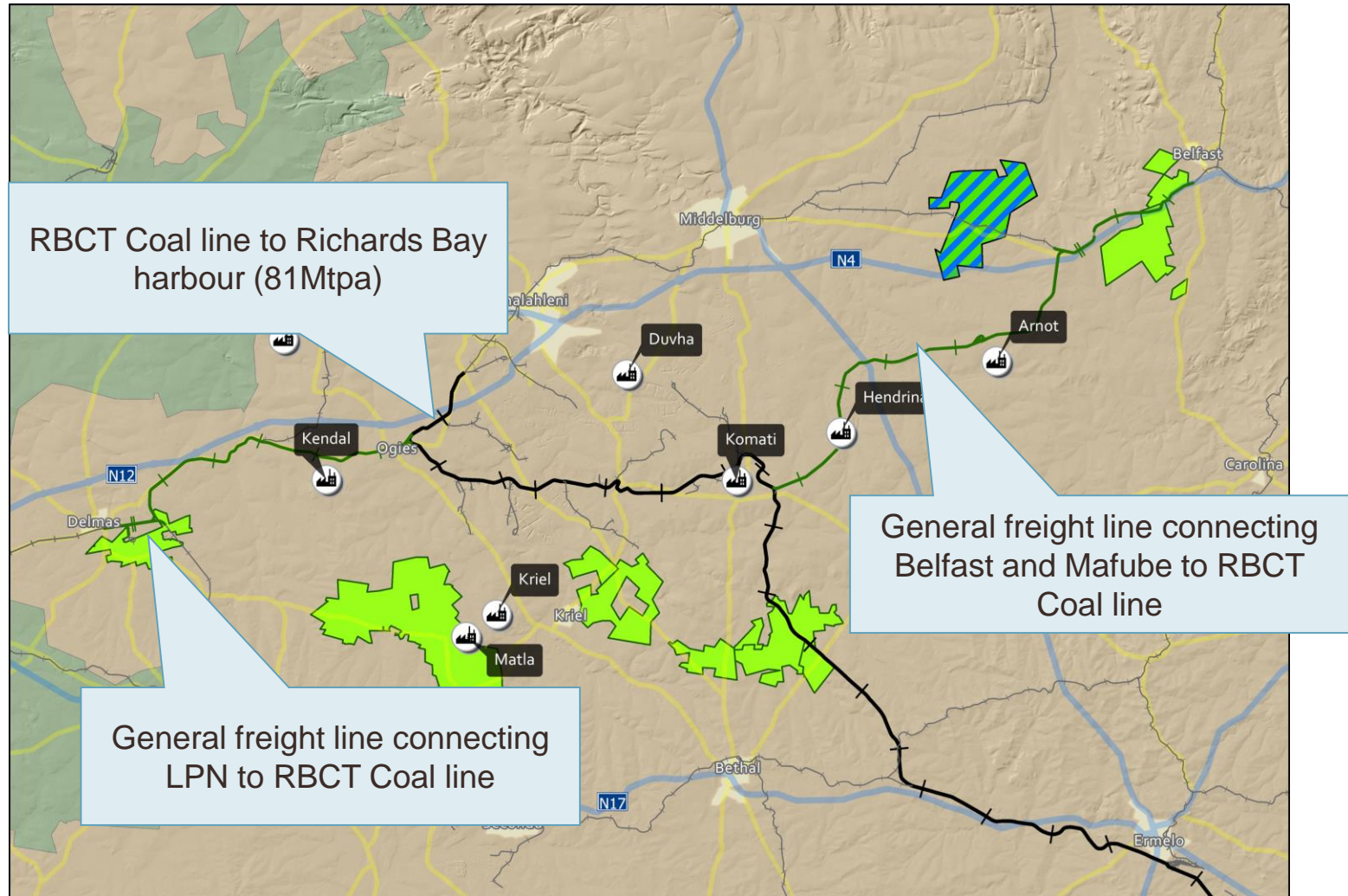
DCM West 4 Seam

- Life extension project, extending the life of mine with 7 years
- ROM of 1.5 Mtpa
- Capex: R0.3 bn

Belfast

- Greenfield open pit mine development
- 2 stage beneficiation facility
- 2.8 Mtpa export product
- Capex: R3.3 bn

...whilst our close proximity to railway infrastructure gives access to both local and international markets..



2

...and our focussed strategies...
Operational excellence & innovation



Our operational strategies are focused around operational excellence and innovation to further enhance value delivery

FOCUS



Cost



**Volume
and Mix**



**Life
Extension**

EXAMPLES

- ECC seam 4 project moves operation down the cost curve
- Contractor optimisation
- Fleet life extension

- Productivity projects
- Plant & product optimisation
- Inter-BU Optimisation
- Technology for operator assist and process improvement

- OI project at Leeuwan
- Nooitgedacht project at Mafube
- Matla capital projects

KEY ENABLERS

Capital Management

- Streamlined capital allocation and management
- Project development & optimisation

Digitalisation & Innovation

- BU digital initiatives run with dedicated agile teams
- Solutions focussed around cost reduction, decision enablement, process simplification

Operational Excellence

- Top 5 projects aligned to strategic objectives and opportunities
- Well established and embedded process

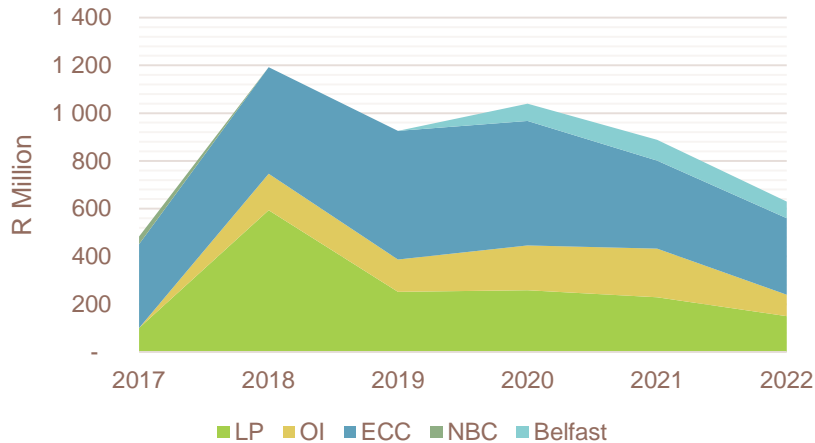
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.....we will deliver value into the future.
PHYSICAL & FINANCIAL OVERVIEW

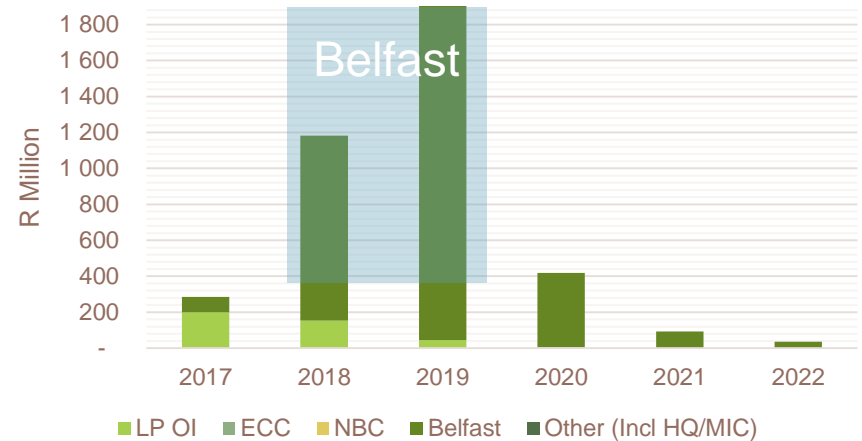


Our capital projects contribute towards our future growth and life of mine

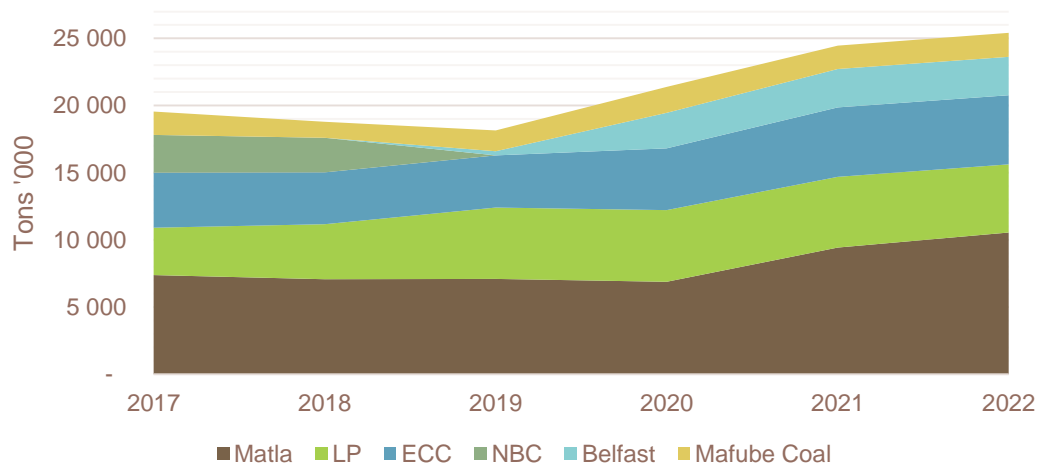
Sustaining Capital - Mpumalanga



Expansionary Capital - Mpumalanga



Saleable tons - Mpumalanga operations



Waterberg

1

The Waterberg is a very important component of South Africa's coal reserves

2

...and is being unlocked by Exxaro..

3

...to deliver value to all stakeholders.

1

The Waterberg is a very important component of South Africa's coal reserves



The Waterberg is important to many role players...



- NDP and SIP 1 references the Waterberg
- Social – Development of the 1st major post-apartheid new urban centre
- Economic impact stretches beyond the immediate area:
 - Largest remaining coal resource in Southern Africa
 - Power generations – IPP's
 - Gas potential Chemical industry
 - Regional development – Botswana coal / power
- Installed capacity of 9600 MW – 25% of SA's installed capacity
- Latest technology PowerStation's (FGD and SCB)
- Long term supply agreements > 30 years
- Consistent Volume, Quality and Price from a single source of supply
- Potential of future coal supply to Mpumalanga



- The Waterberg represents significant long term investment opportunities
- Grootegeluk Complex – established and proven operations over 30 years
- Multi-product operation with flexibility ensures sustainable earnings and dividend growth over the long term

Making up more than 50% of South Africa's remaining coal reserves

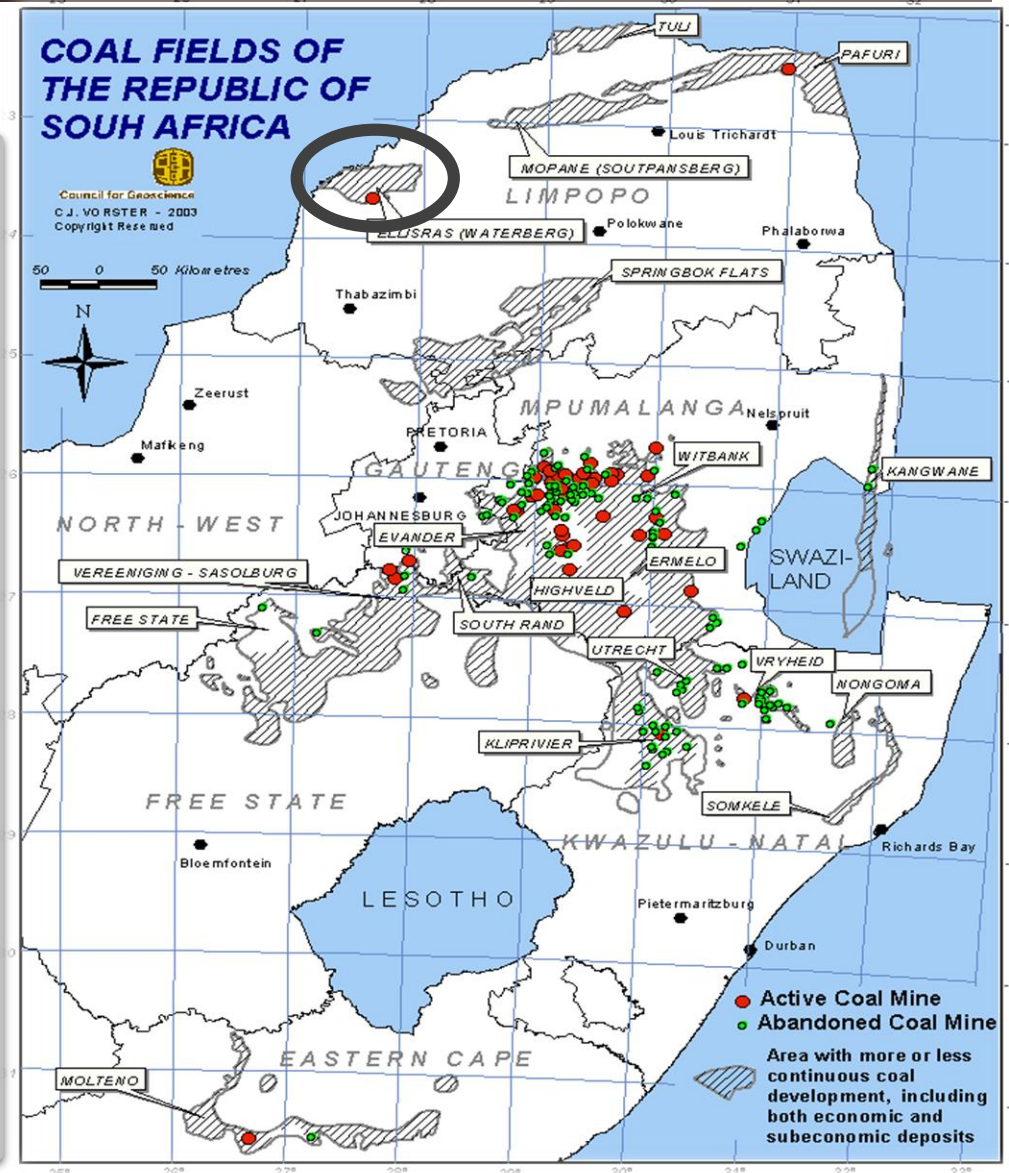
Key characteristics

Dimensions:

- Stretches 40kms from N to S and 88kms E to W
- Extends Westwards into Botswana

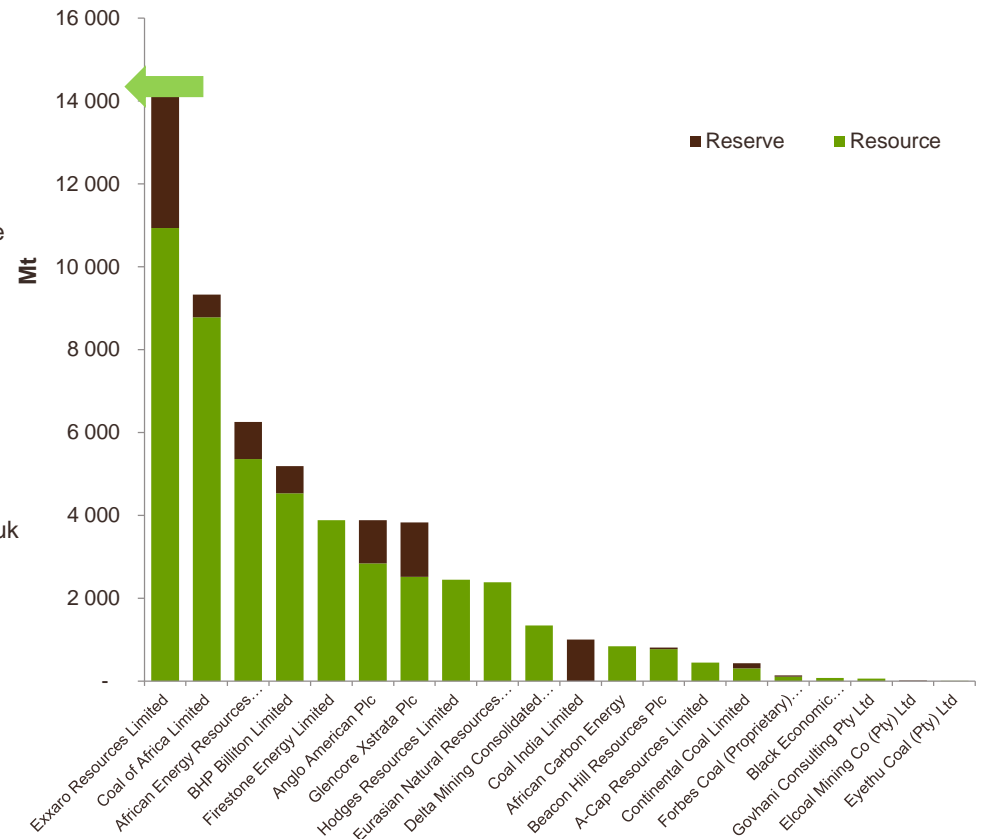
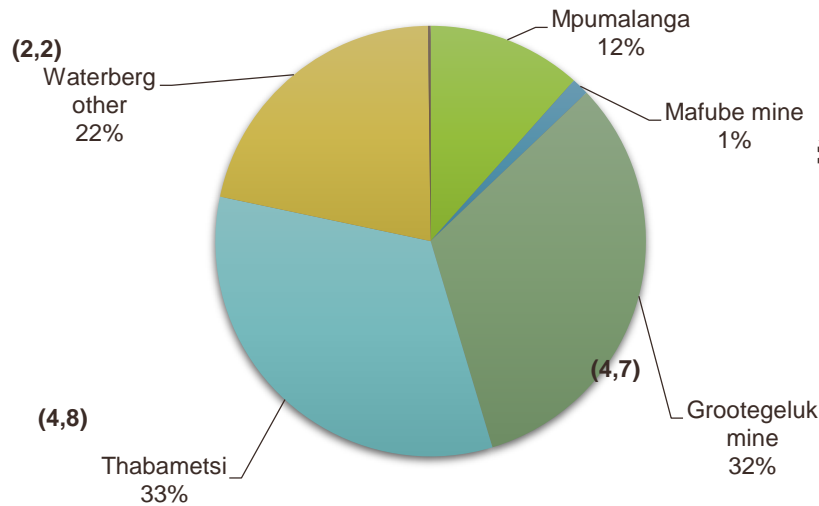
Geology:

- Ecca group of coal deposits
- 75,7 billion tons of in-situ inferred resources (Upper & Middle Ecca)
- Estimated to be more than 50% of the remaining coal reserves in RSA
- Stratigraphic thickness of 115 m contained in 11 coal bearing zones
- Mineable coal seams much thicker than Mpumalanga Coalfields



...and represents 87% of the resource base of Exxaro

Exxaro is well positioned in the South African coal market and has the largest resource base with 87% of its resources situated in the Waterberg

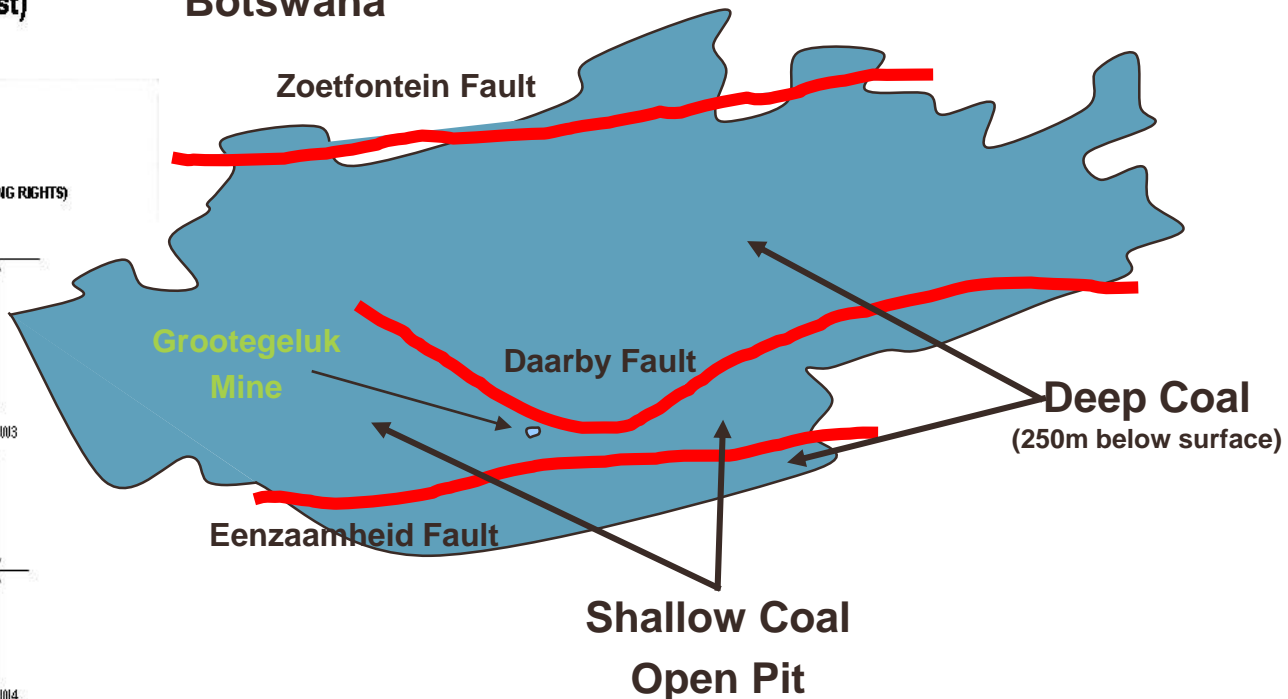
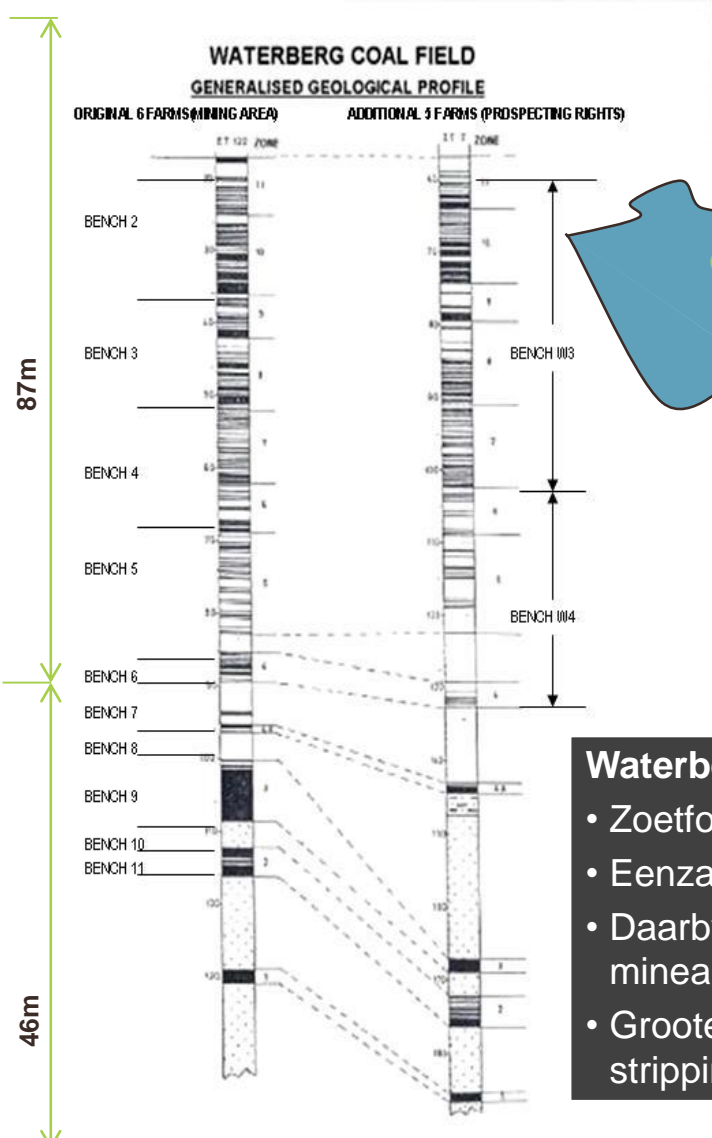


Exxaro is well situated in the Waterberg

Thabametsi (Grootegeluk West)

Botswana

Comparison of Mining Benches

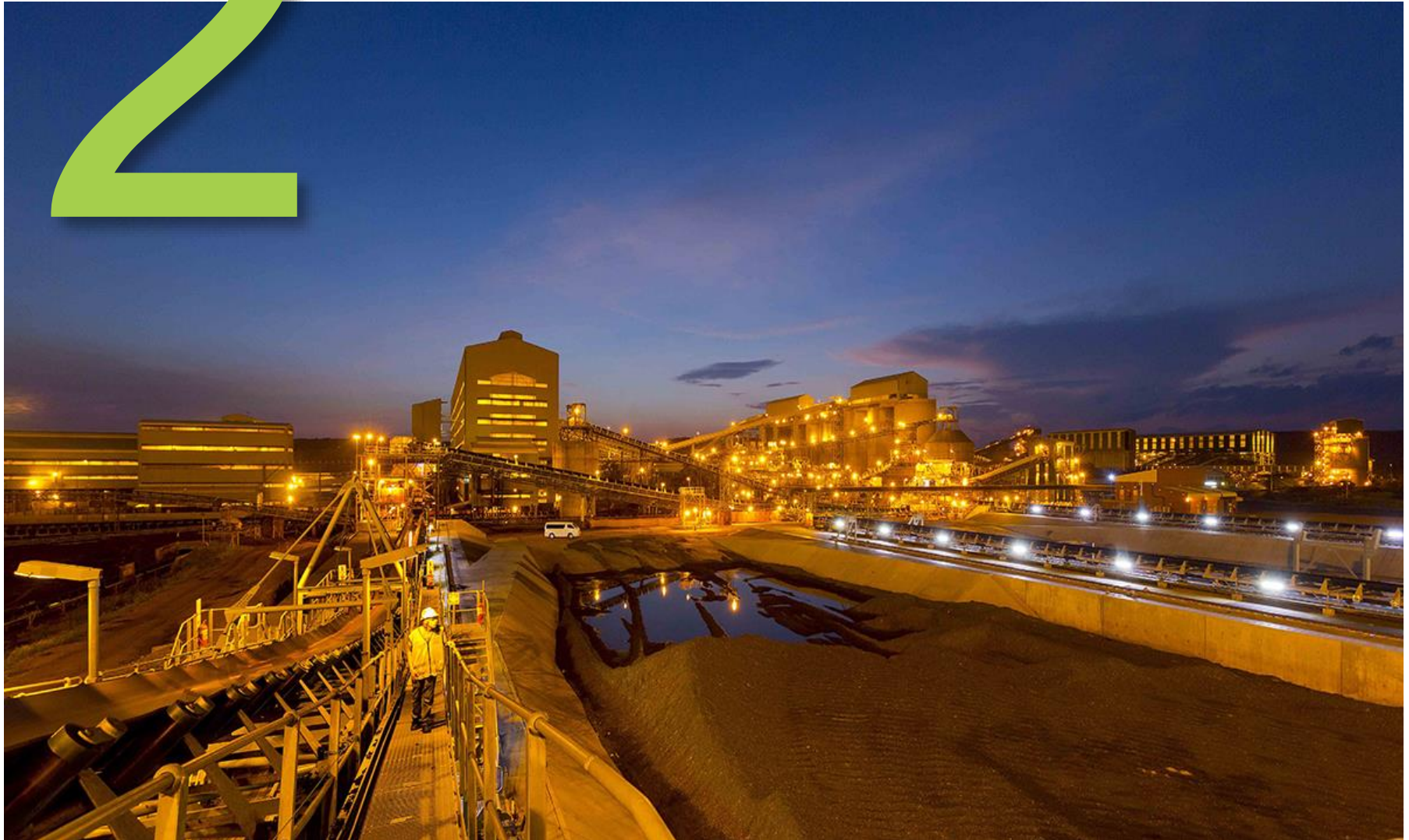


Waterberg Coalfield is fault bounded:

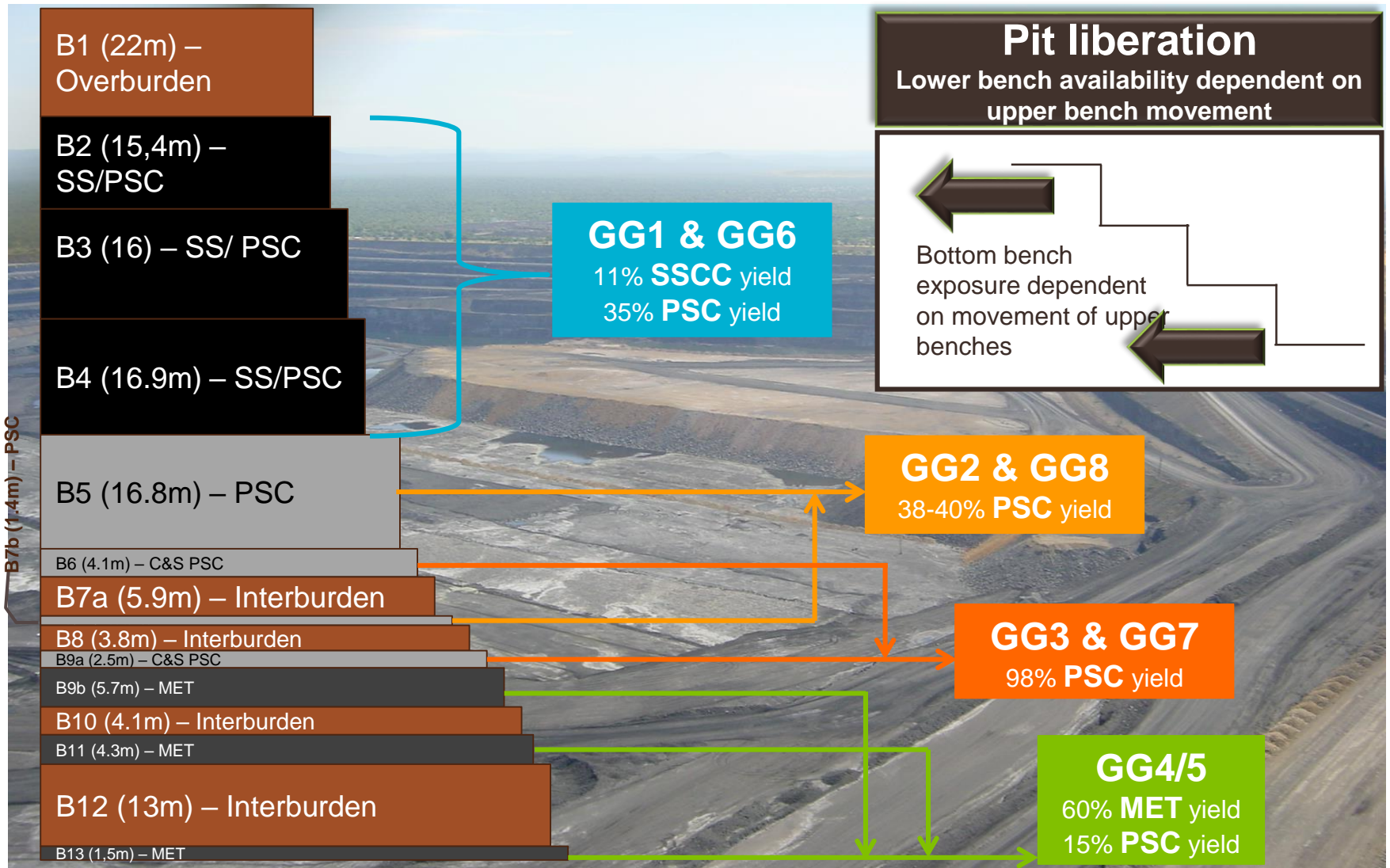
- Zoetfontein Fault along the Northern boundary
- Eenzaamheid Fault along the Southern boundary
- Daarby Fault divides the coal field into open-pit mineable and underground mineable reserves
- Grootegeluk is best positioned for growth and low cost production as stripping increases and quality decreases as mining commences to the west

2

...and is being unlocked by Exxaro.



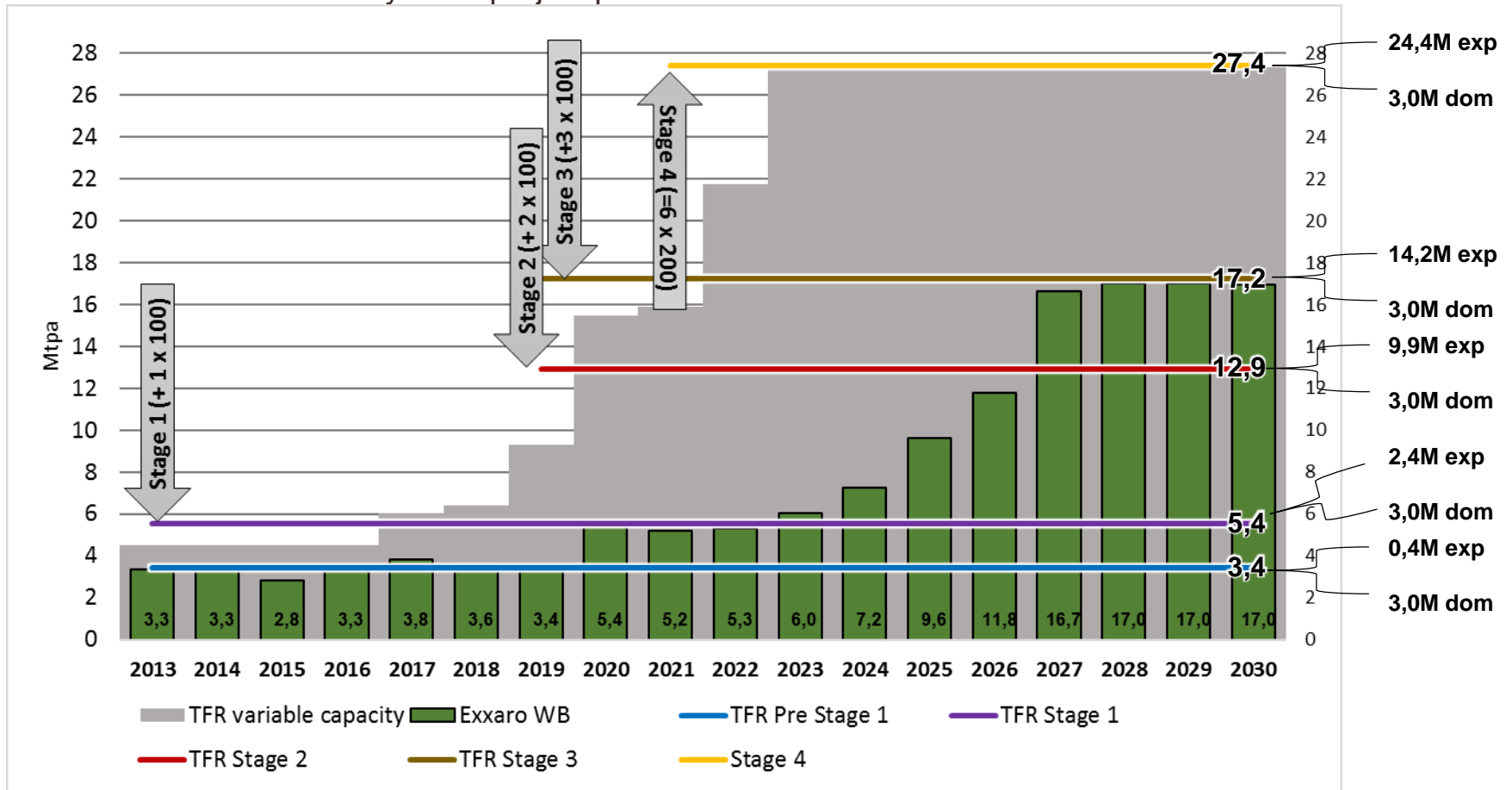
The Geology makes for a challenging mining environment which Exxaro understands and can unlock



Enabled by additional rail capacity made available

Exxaro Waterberg total coal rail volumes

- Timelines from TFR July 2017 project plans



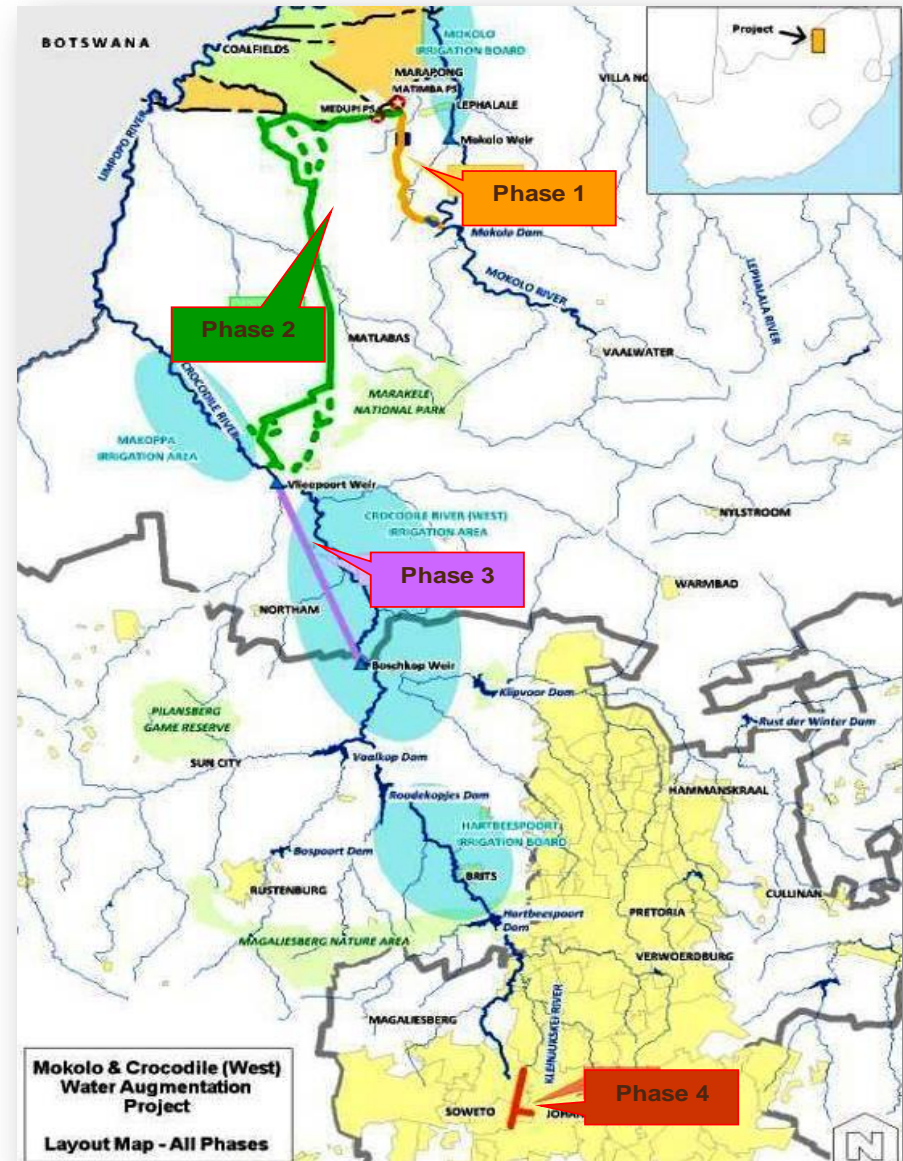
* 2018 Business Planning tonnages for 2018-22

** Thabametsi total volumes (10,2Mtpa) dependent on offtake of Thabametsi Power Station Coal (IPPs, Eskom, exports or other)

...and adequate water available for growth

Mokolo & Crocodile River (West) Augmentation Project (MCWAP)

- ✓ **Phase 1:** completed but insufficient to enable the envisaged developments, but...
- ✓ Exxaro requirements for immediate growth is catered for in MCWAP 1
- ✓ **Phase 2:**
 - Expedite to enable other Waterberg developments
 - Alignment and collaboration between new users are imperative to achieve economies of scale
 - Planned completion by 2021/22



3

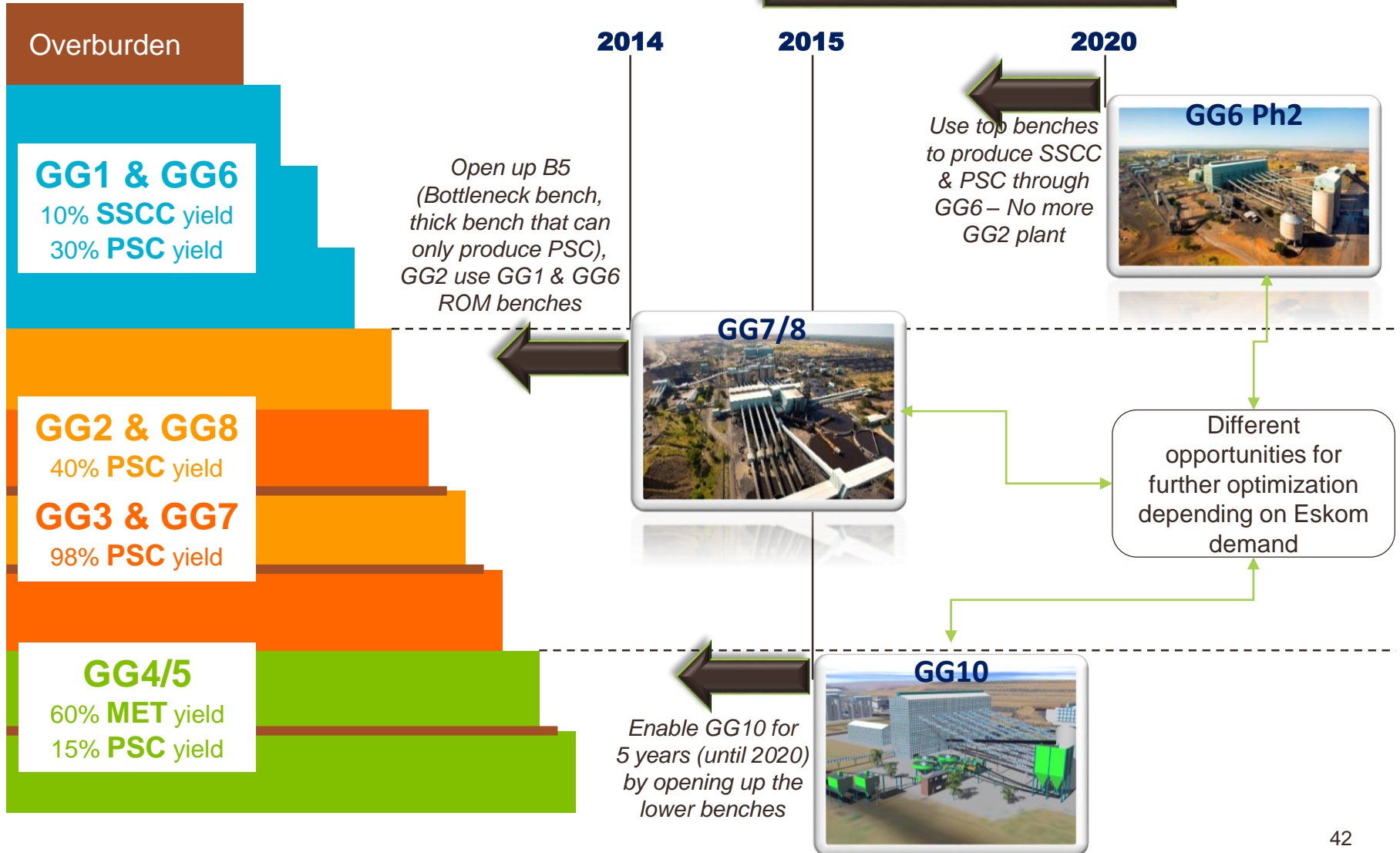
...to deliver value to all stakeholders.



We are developing and expanding our operations to cater for future demand

Key interdependency:
Pit liberation

42



We have invested for – sustainability, growth, cost reduction and product flexibility... resulting in...



Replacement and Expansion of Primary Mining Capacity



Improvement in maintenance facilities to accommodate the increasing mining fleet



Implementation of Semi-Mobile in-pit crushing technology to reduce traveling distances, cycle times and cost (Limits the number of units in the Truck fleet compared to conventional pit rim dumping)



Commissioning of GG10 to enhance product flexibility and to capitalize on pit liberation and enhance flexibility



Commissioning of the upper and lower in-pit discard backfill systems to reduce operating costs and long term environmental liabilities



Commissioning of the cyclic operated slurry ponds to increase product reclamation rate and re-use of water

... investment is supported by a solid drive for low cost operational excellence and continuous improvement ...

Focus Area

Cost reduction



Volume and Flexibility



Resource Exploitation and Capturing of Synergies through flexible operations



Examples

- Increased use of Panto Utilization
- Implementation of Semi Mobile IPCC
- Instantaneous backfill operations
- Reduction in process variables
- Semi automation and technology implementation towards operator assist program

- Implementation of Brownfield's growth projects (GG6 E)
- Extension of GG10 operation via B13 and Turfvlakte Mining
- GG7/8 Ramp-up to OL 2 (24Mtpa)
- Turfvlakte & B13 bridging the gap to Thabametsi Multi Product operation

- Optimized pit layout – yield and quality control
- Eskom variation in tonnages relative to GG6 Expansion - potential on Export Coal
- Reserve flexibility between GGC, Turfvlakte and Thabametsi
- Coal quality allows for downstream blending of Mpumalanga product

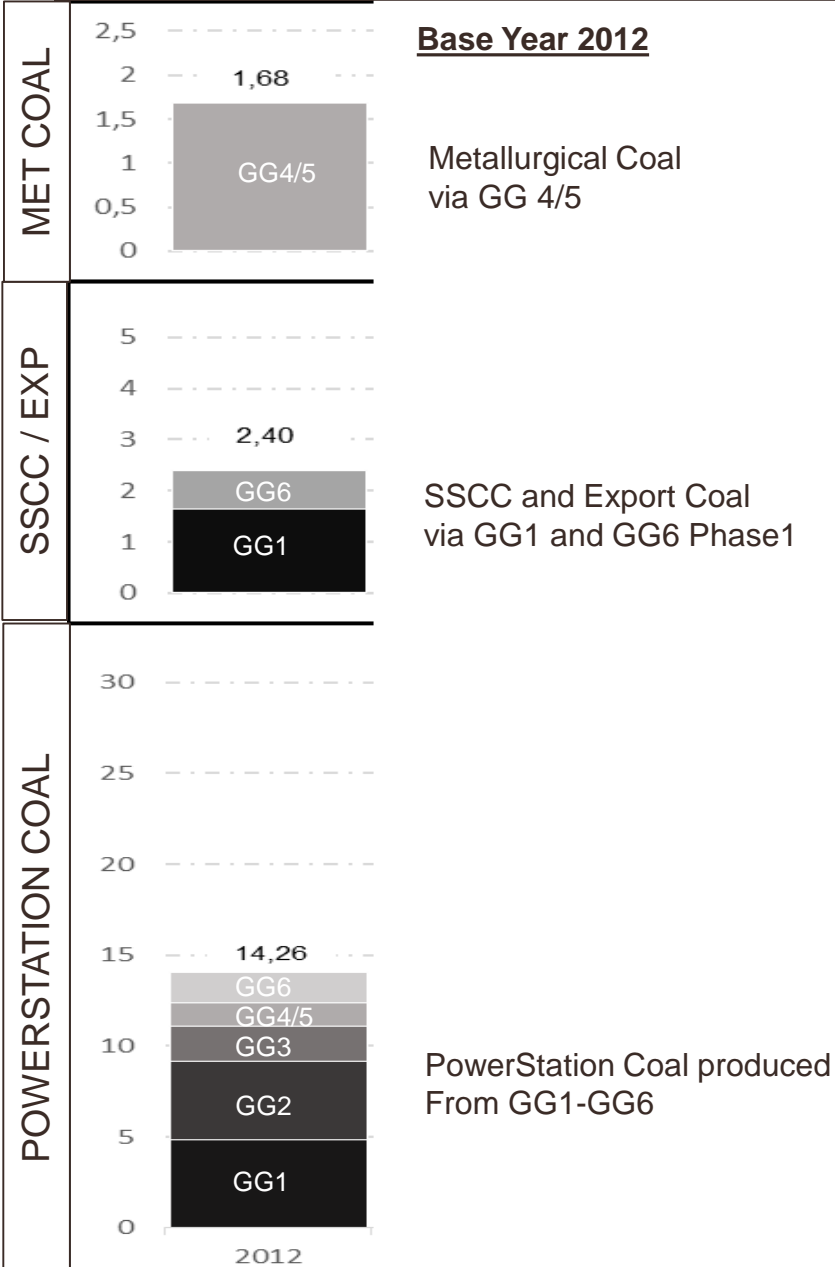
Enablers

- Continuous driving of top 5 focus areas.
- Reducing process variables through implementation of digitized and visualized variance monitoring
- Capitalizing on agile innovation sprints

- Optimized capital allocation and expenditure
- Best in class project selection
- Diligent project execution and post-implementation reviews

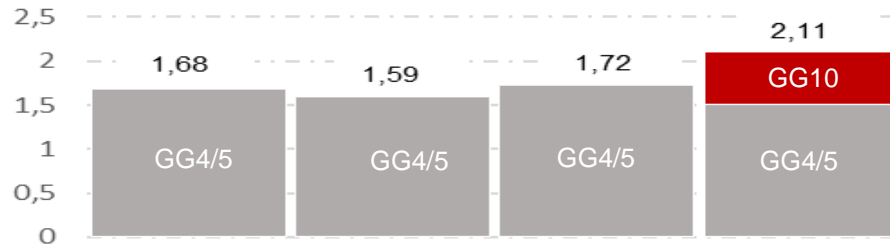
- Optimum Medium and Long term mine planning
- Real time deviation monitoring on planned to actual variances
- Ongoing optimization of resource to market, and market to resource

Project and volume ramp up explained



Project and volume ramp up explained

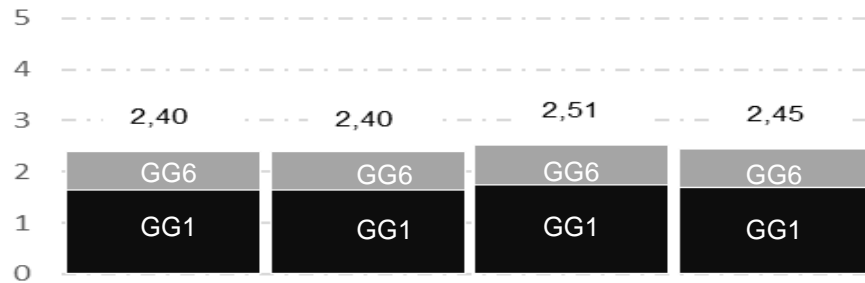
MET COAL



Current Profile 2017

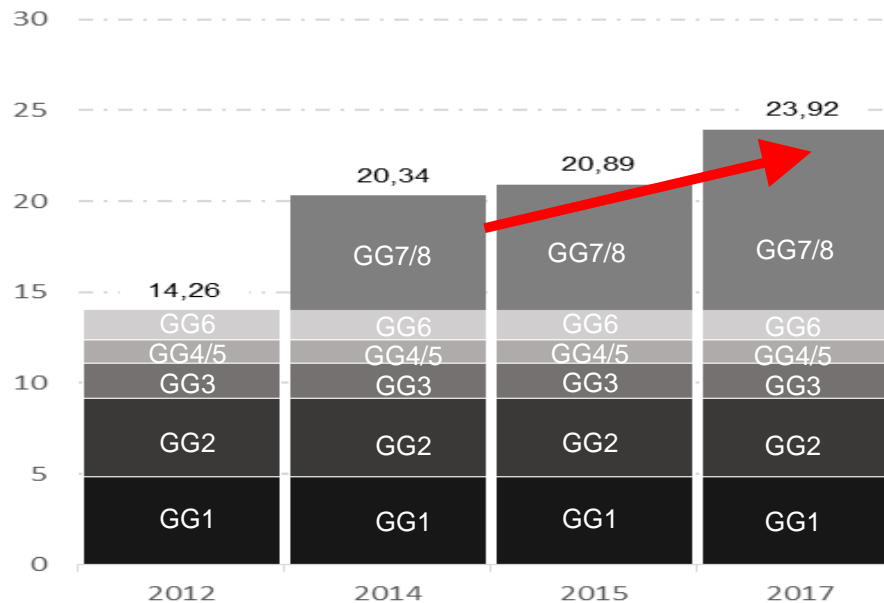
Metallurgical Coal Ramp-up due to Commissioning of GG10 in 2015 (5 year opportunity) whilst GG7/8 < OL1

SSCC / EXP



SSCC and Export Coal via GG1 and GG6 Phase1 Volumes largely unchanged

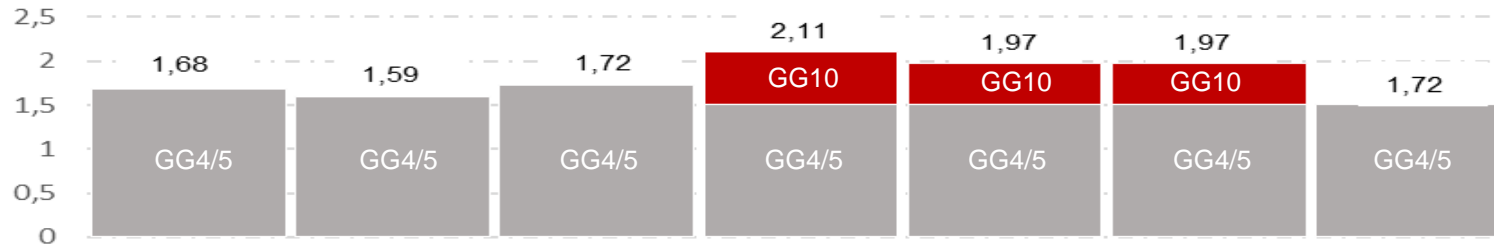
POWERSTATION COAL



PowerStation Coal Ramp-up from 2014 due to commissioning of GG7/8 and ramp-up to O/L1

Project and volume ramp up explained

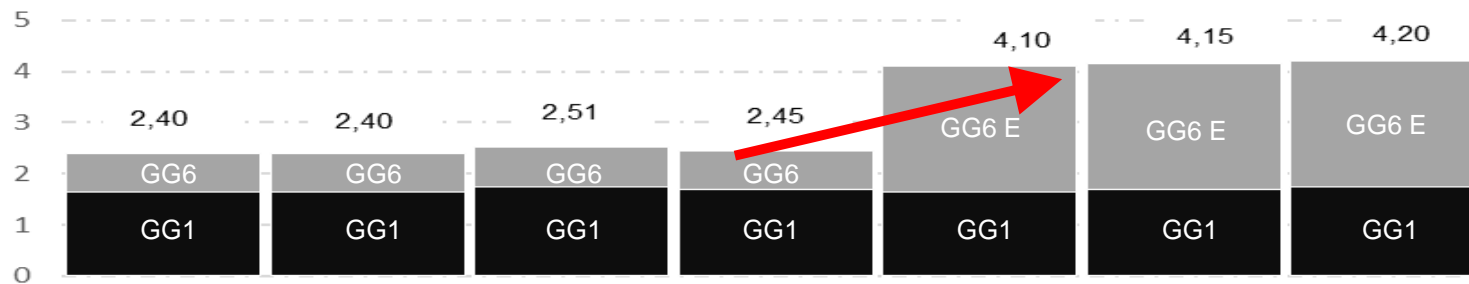
MET COAL



Future Profile 2023

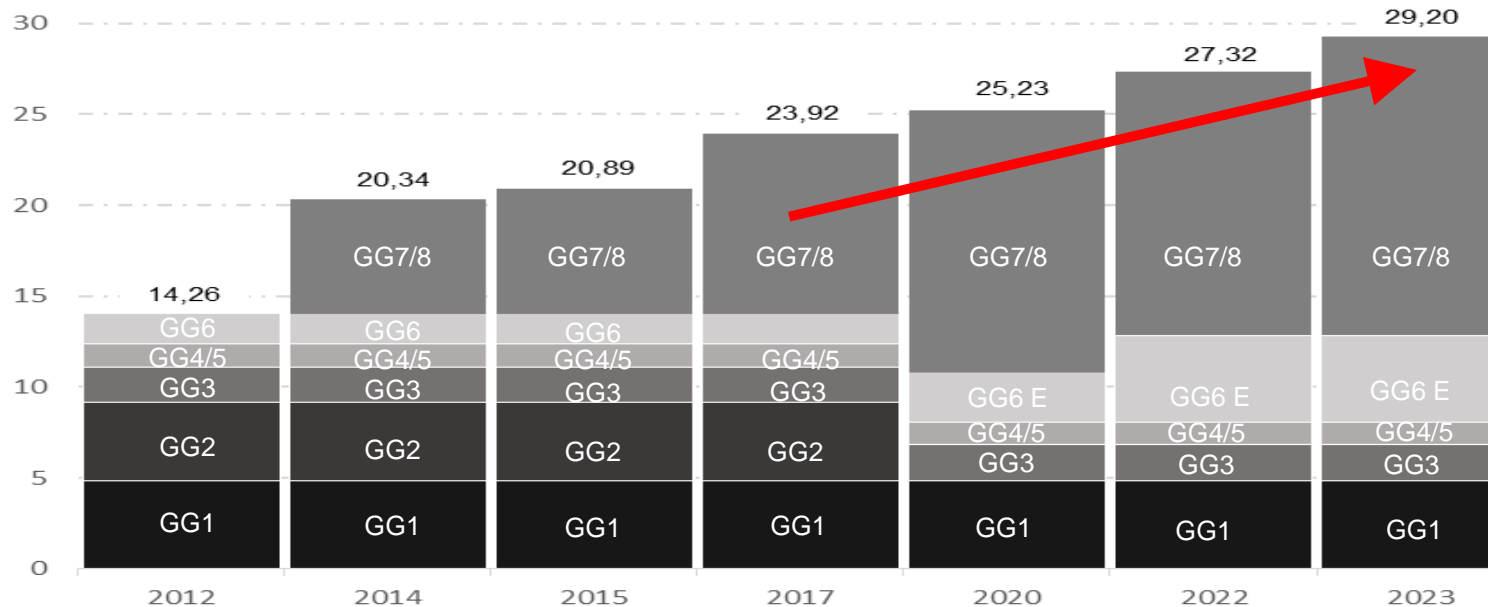
De-commissioning of GG10 when GG7/8 at O/L 2

SSCC / EXP



Increase in SSCC/Export production with GG6 being commissioned and ramped up

POWERSTATION COAL



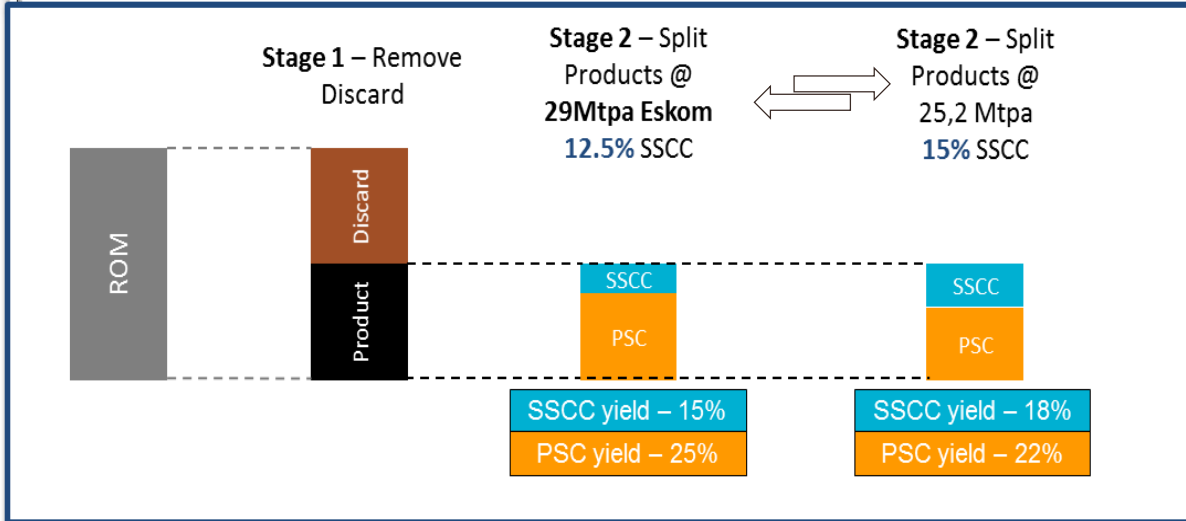
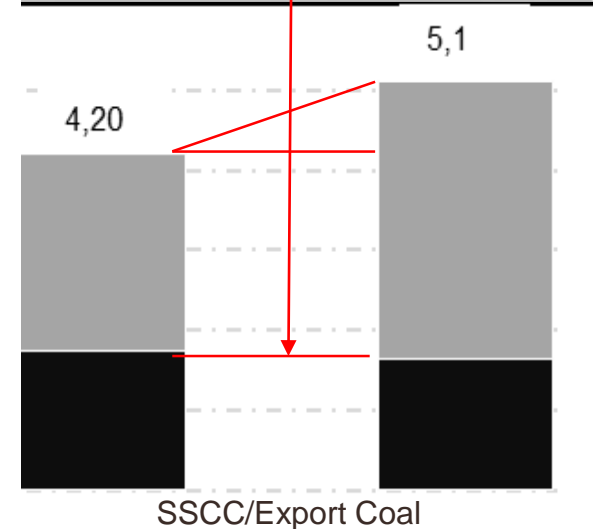
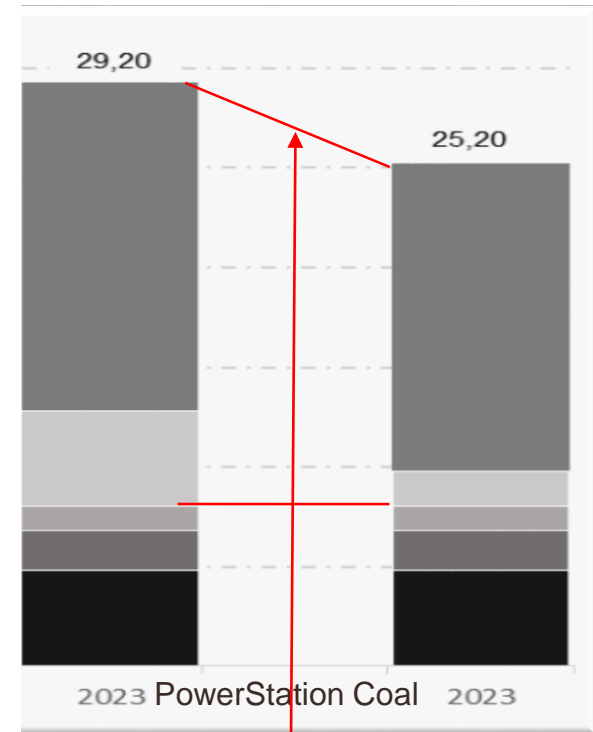
De-Commissioning of GG2 to Enable GG6 Expansion

GG7/8 increases production to operating level 2 in Eskom 29,2Mtpa scenario

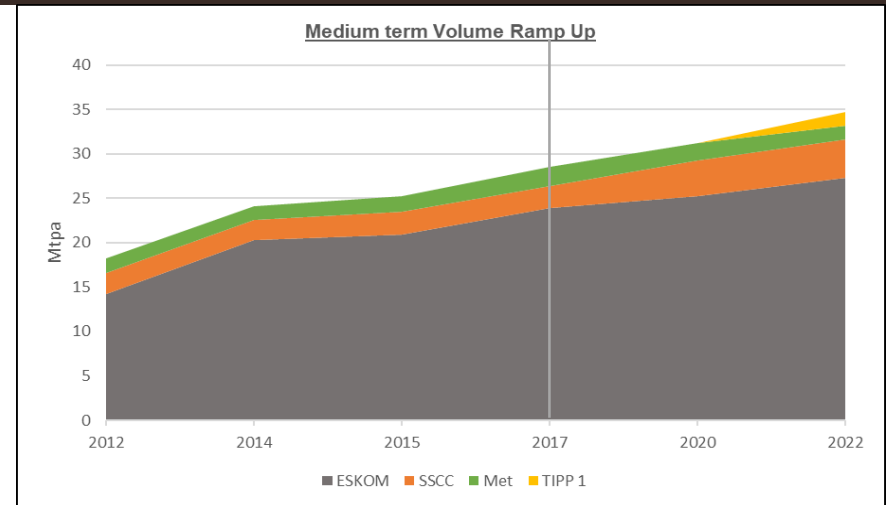
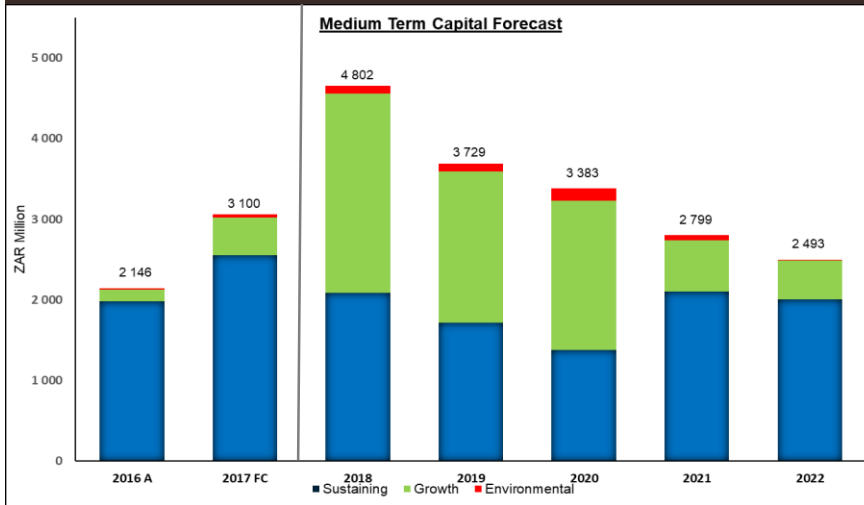
GG6 Project – Quality and Volume sensitivity explained

GG6 Expansion – opportunities available depending on Eskom offtake of variable tonnages:

- Contractual minimum tonnages – 25,2 Mtpa
- Variable tonnages on Eskom call – 4,0 Mtpa
- GG6 Expansion adds value in both cases



Our capital investment is reflected in continued growth...



- Continuation of truck replacement strategy
- Implementation of GG6 Expansion Project
- Completion of Rapid Load-out-Station
- Continuation of Electrical / Water reticulation program
- Development of Thabametsi reserve for TIPP 1
- Turfvlakte reserve as interim into the development of Thabametsi underground and potential GG9 development

- Continued Ramp-up of GG7/8 to O/L 2
- GG6 Expansion for increased Export Volumes
- Development of Turfvlakte in 2020
- Thabametsi TIPP1 production and supply in 2021
- Development of Thabametsi Underground in 2023 with potential development of GG9

1

Coal markets going forward are challenging, but exciting

2

A robust market strategy built on a robust supply base

3

Exxaro will be positioned to compete throughout cycles and into the future

1

Coal markets going forward are challenging, but exciting

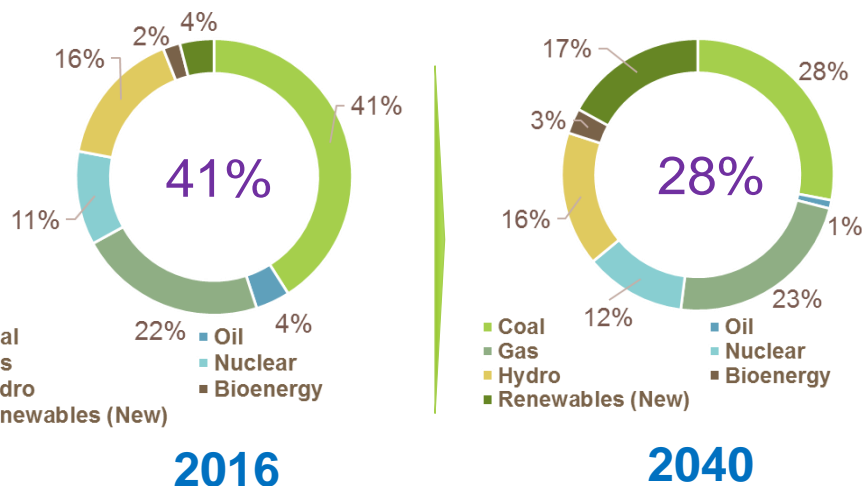


Exxaro believes that international coal demand will be robust for the medium term ...

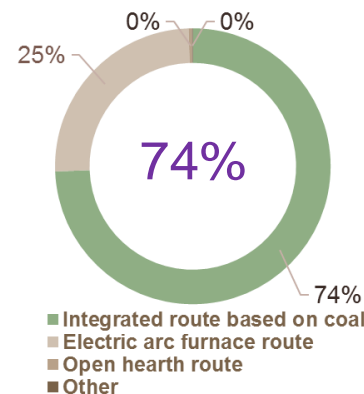
- ▶ Coal as an energy source, will have competition from nuclear, gas and renewables.
- ▶ Whilst the percentage contribution of coal to the global mix is expected to reduce, the absolute volumes remain stable as other technologies supply the increasing global energy mix.

- ▶ In non-electricity energy supply, urbanisation is expected to have a multiplier effect, leading to increased steel and cement demand.
- ▶ This means coal has a role beyond electricity as steelmaking, food production and cement will rely on coal as a primary energy source.

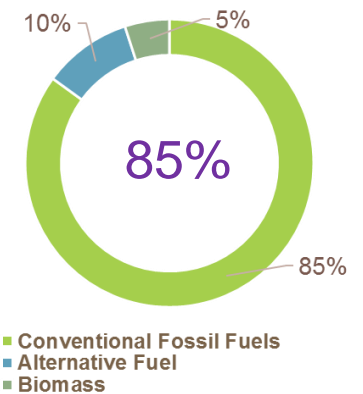
Global Energy Mix



Steel Production



Cement Production



... however, as always, there are uncertainties

Thermal Coal Market Drivers

Chinese regulations - China aims to regulate production of coal, impacting on the Pacific coal flows and will have a key role in setting thermal coal prices, increasing forecast risk.

Indian production - India has ambitious growth targets. However, if not successful, then India will import more coal, supporting international prices.

Shale-gas competition – This has affected demand in the United States and United Kingdom, and to some extent in Europe. With an LNG oversupply developing and relatively high coal prices, shale-gas competition represents a downside risk for coal demand.

New growth in coal-fired generation - New capacity in North Africa, Pakistan and South-East Asia will ensure robust demand from these regions for the next two decades as a minimum.

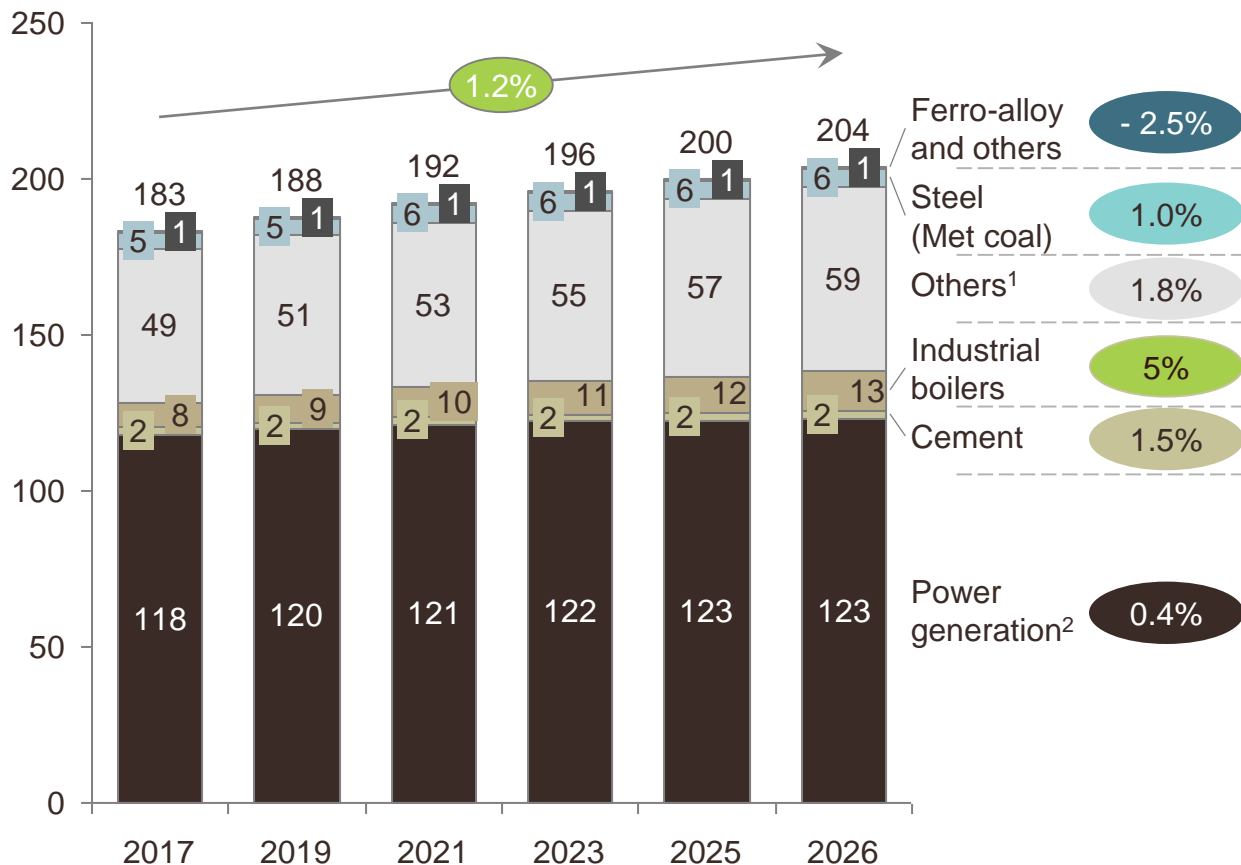
3D Printing - There is speculation that in future, we could see the potential displacement of steel/cement as 3D printing becomes the new face of construction projects.

The domestic market will depend on coal as the key energy source in the medium term

Domestic coal use forecast by segment until 2026

Key Takeaways

Coal vol. (Mt)



- Overall **low growth** in the **domestic** coal market.
- All segments except boilers expected to grow at <2%pa.
- The growth in the boiler industry is supported by potential additional capacity in the food and chemical spaces.

1. Others include Coal to Liquid

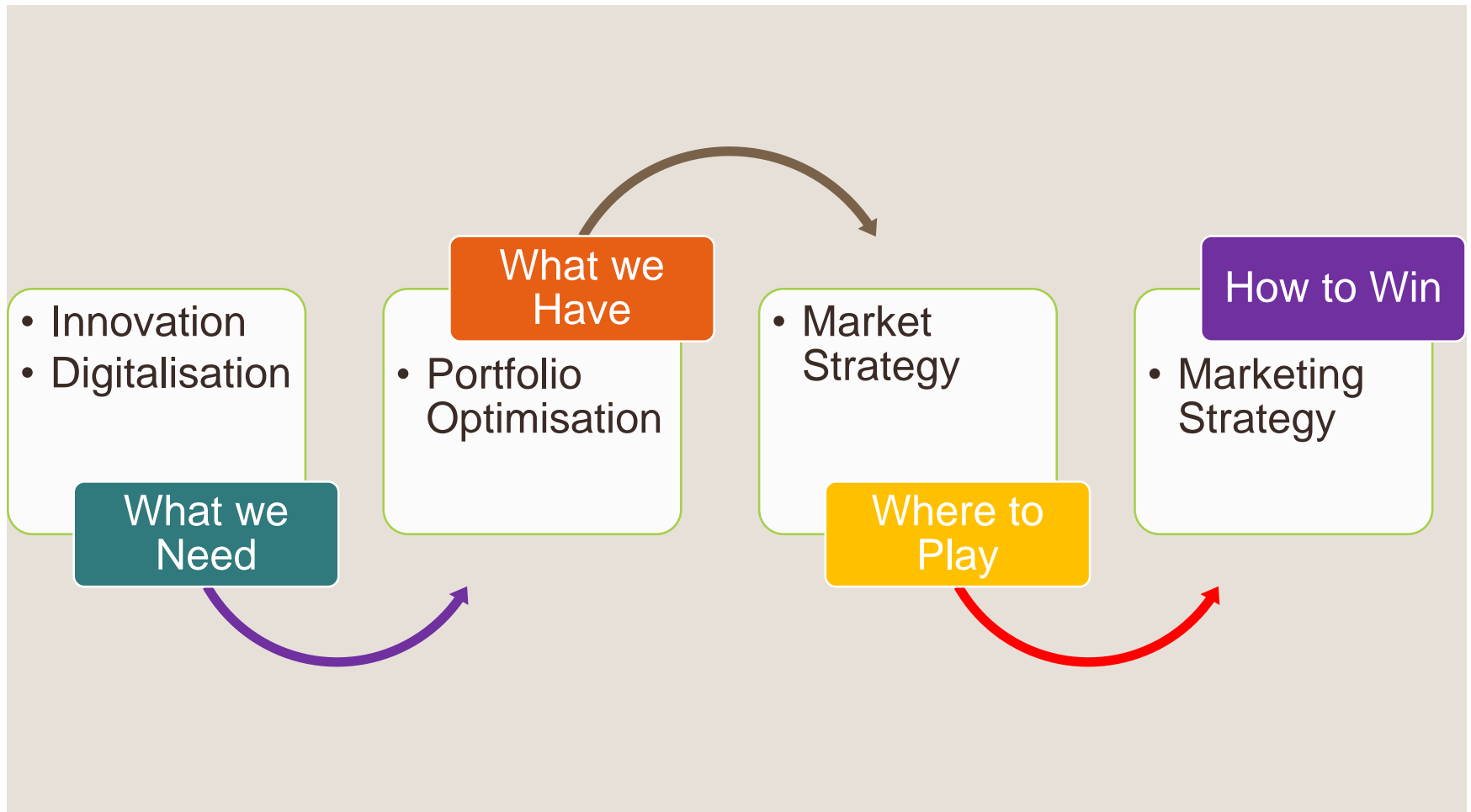
2. Include coal-fired IPPs

Source: Exxaro Analysis (2017)

A robust market strategy built on a robust supply base



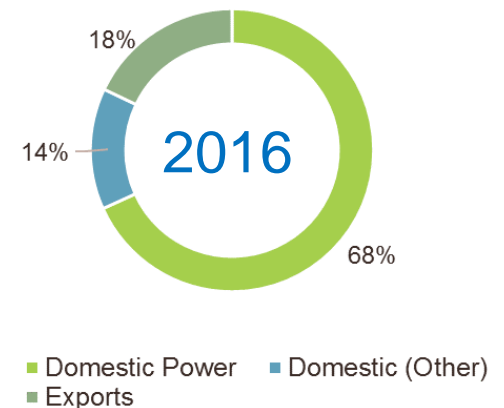
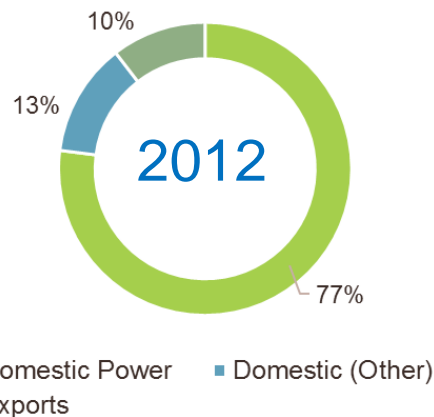
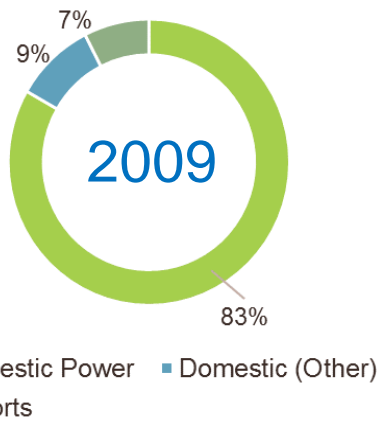
Our marketing philosophy will allow us to maximize returns whilst managing risk



We understand and extract **full value from our resources whilst ensuring robustness and flexibility** – *Market-to-Resource Optimisation*

Market Strategy – Where to play

- ▶ Exxaro was historically a domestic market player with little export entitlement.
- ▶ Exxaro wants to maintain presence in both the domestic and international markets as this combination provides the most revenue consistency.
- ▶ Exxaro now has more freedom with additional export entitlement to leverage and optimise market positions.
- ▶ Even though total sales volumes have not changed drastically since 2009, Exxaro has demonstrated over time that it continuously optimises its product mix and market position to supply higher value segments and customers.

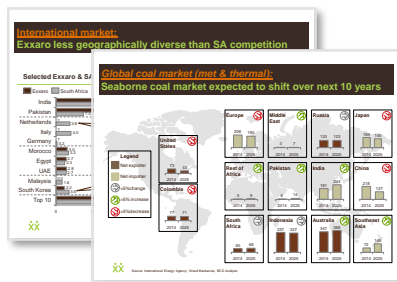


Market Strategy – Where to play (International Markets)

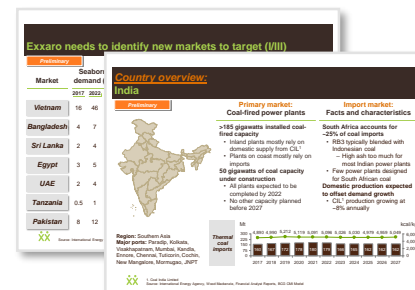
Key Considerations

- We understand where demand is now and growing into the future.
- We understand how competitive we are in these geographies/markets.
- We are deliberate in our efforts to obtain a diversified market position.
- Growth in RB1/RB2 markets expected at 4% pa up to 2026, and 3% for RB3 and lower qualities.
- We have identified the markets in which we can compete from a product and profitability perspective.
- We target optimal diversification levels, and deliberately do not sell into every market.

Selection of target countries

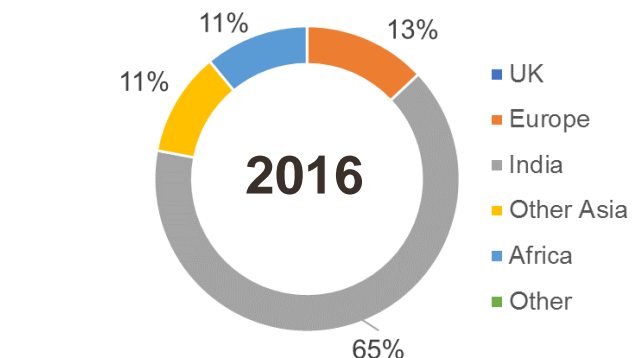
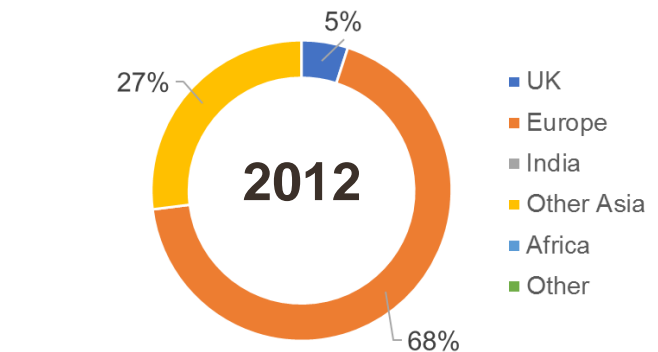
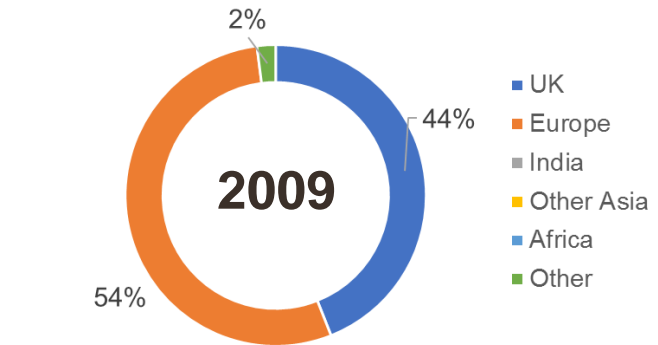


Country-level analysis



Market Strategy – Where to play (International Markets)

- Exxaro were early in our recognition of coal demand migrating from West to East.
- Smaller percentage of coal going to Europe.
- Africa coming off a small base but growing.
- Africa, Middle East, Pakistan and India in the sweet spot.
- South-East Asia presenting exciting growth opportunities.
- Exxaro can sell coal profitably anywhere in the world, but the Indian Basin encompasses most of our logical playing field due to proximity to market, product mix and market attractiveness.

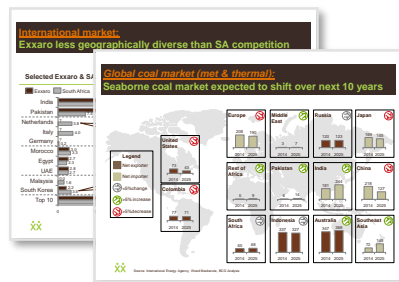


Market Strategy – Where to play (Domestic Markets)

Key Considerations

- We play in markets that compliment our resources
- Single customer dependency
- We are deliberate in selecting our customers and marketing directly to end consumers.
- With its diversified product portfolio, Exxaro can and should play in all domestic segments.
- Eskom & AMSA – manage exposure strategically.
- We place our products with customers that can extract the full value from it and use traders where they add strategic value.

Selection of target segments

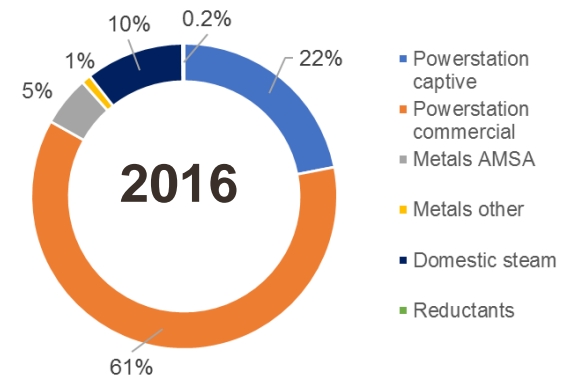
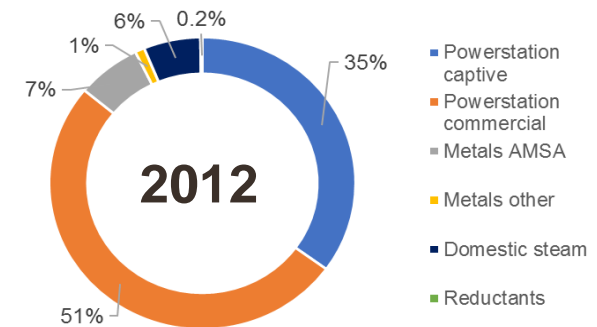
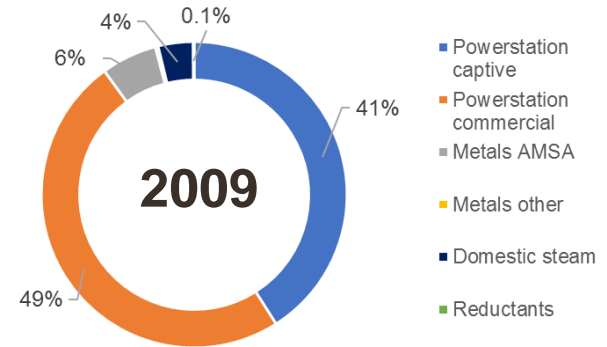


Customer-level analysis



Market Strategy – Where to play - Domestic Markets

- Continuous repositioning in markets to ensure we extract full value of the products.
- Estimated 30% market share in boiler market.
- Estimated 40% share of kiln (cement) market.
- Biggest player in metals market with unique product portfolio.
- Support Eskom market with supply from GG, NBC and Matla mines.



3

Exxaro is positioned to compete throughout cycles and into the future



We understand and extract full value from our resources: Market to Resource Optimisation

Product Attributes

- Understand VIU of our products in the market place

Resource Attributes

- Characterisation into downstream processing

BU Optimisation

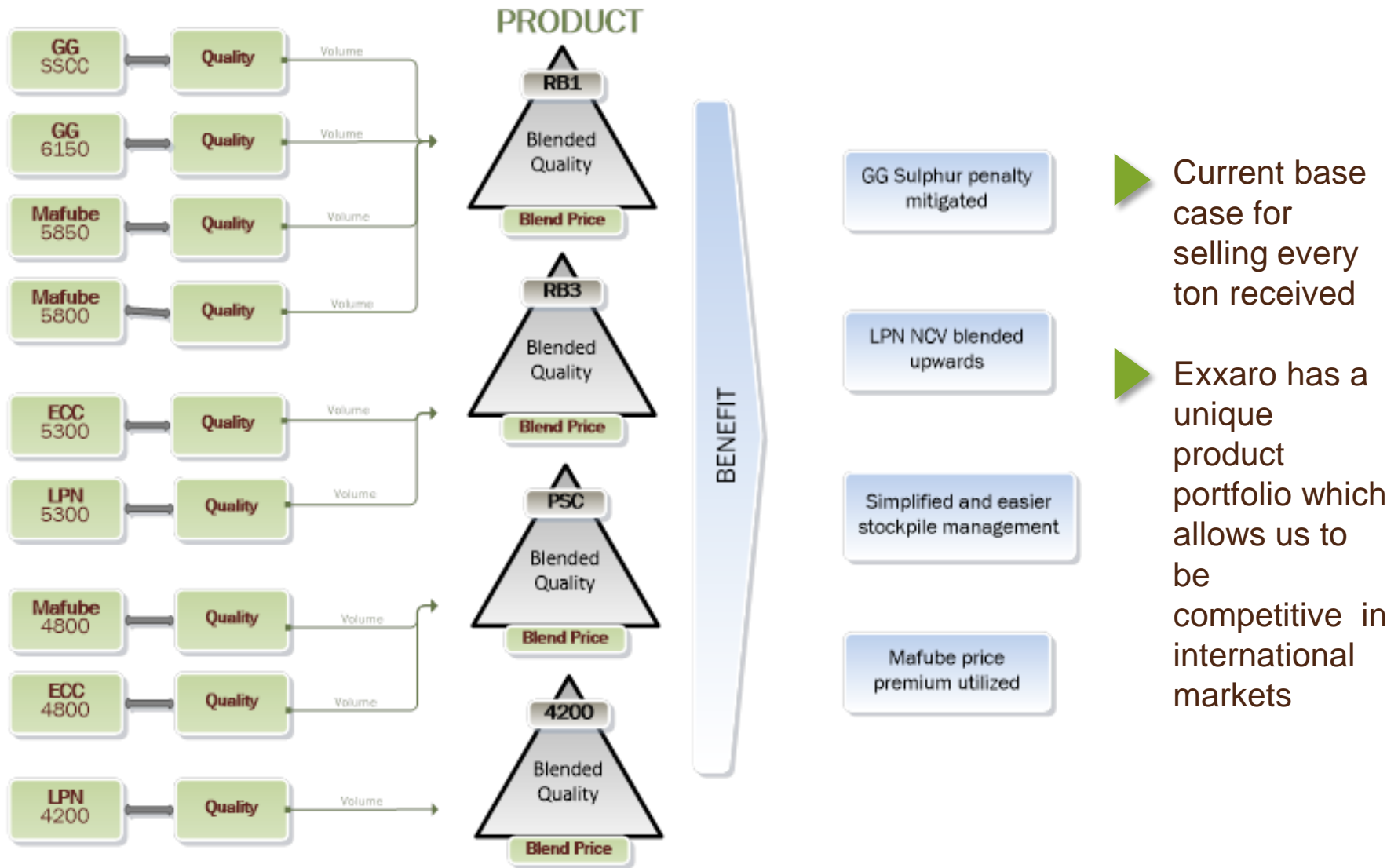
- Iterative cycles of planning, improvements and developments

Commodity Optimisation

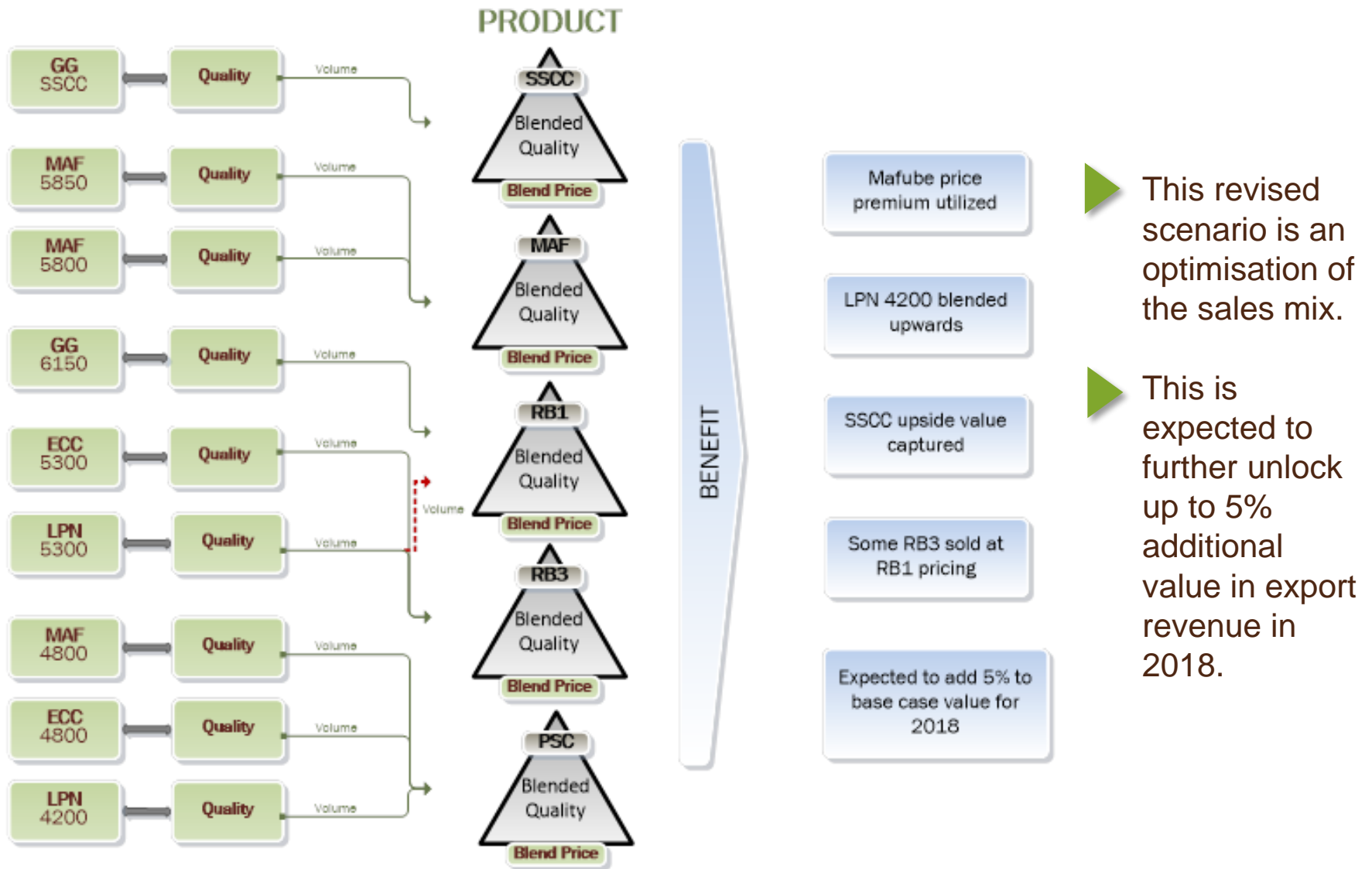
- Realising maximum value for Exxaro

MARKET TO RESOURCE OPTIMISATION

Market to Resource Optimisation case study: RBCT Product



Market to Resource Optimisation case study: RBCT Product



► This revised scenario is an optimisation of the sales mix.

► This is expected to further unlock up to 5% additional value in export revenue in 2018.

Outlook



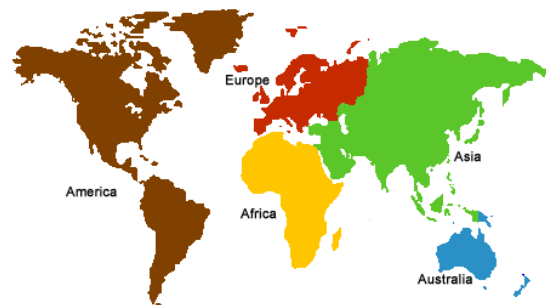
Diversified and Unique Product Portfolio

- Coking coal (semi-soft) and PCI.
- Full range of products (sized) for domestic markets.
- Low Sulphur and Phosphorus coal.
- Export Thermal coal (4200kcal/kg – 6000kcal/kg)



Adaptability

- Our ability to match our resources and beneficiation capabilities to constantly evolving market is world class.



Positioning

- Exxaro maintains an optimally diversified portfolio in geographies, markets, market segments and customers.

Capital projects – Strategic overview

1

The Coal strategy is enabled by a healthy capex project pipeline...

2

...managed through a robust selection and development process...

3

... protecting and growing business

1

Coal strategy enabled by a healthy capex project pipeline...



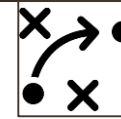
The Exxaro coal capital pipeline contains projects from all business areas



Improvement

Improving our EBIT/Value

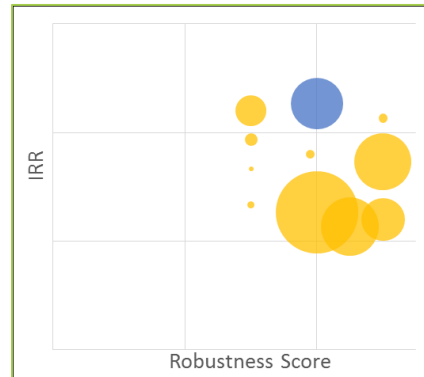
- Reduce cost
- Improved product mix
- New revenue streams
- Growth projects



Strategic

Position our business for the future

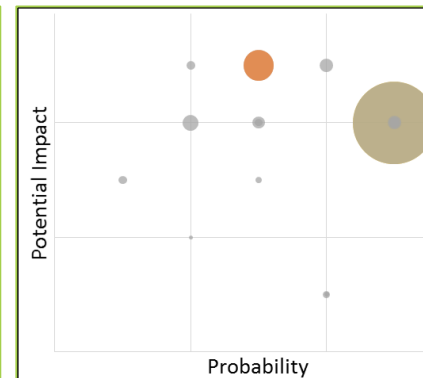
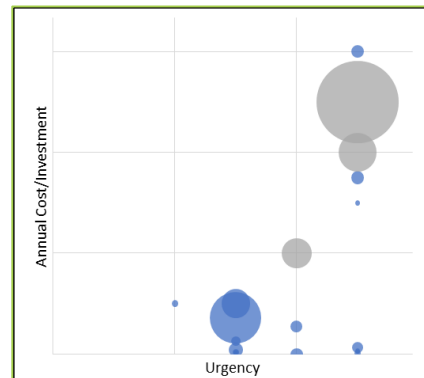
- Protect market
- Diversifying customer / product
- Establish footprint
- Position for future opportunities
- Hedge against specific scenarios



Sustaining

Protecting our EBIT/Value

- Replace according to LCC
- Avoid cost increase
- Avoid production loss
- Based on improving certain KPI's



Responsibility

Protecting our people and environment

- Improve safety performance
- Improve environmental performance
- Legal compliance
- Improve social responsibility performance

2

...managed through a robust selection and development process...



A robust capital delivery strategy ensures an optimised portfolio

Objectives

Mechanisms

1 Optimal capital allocation

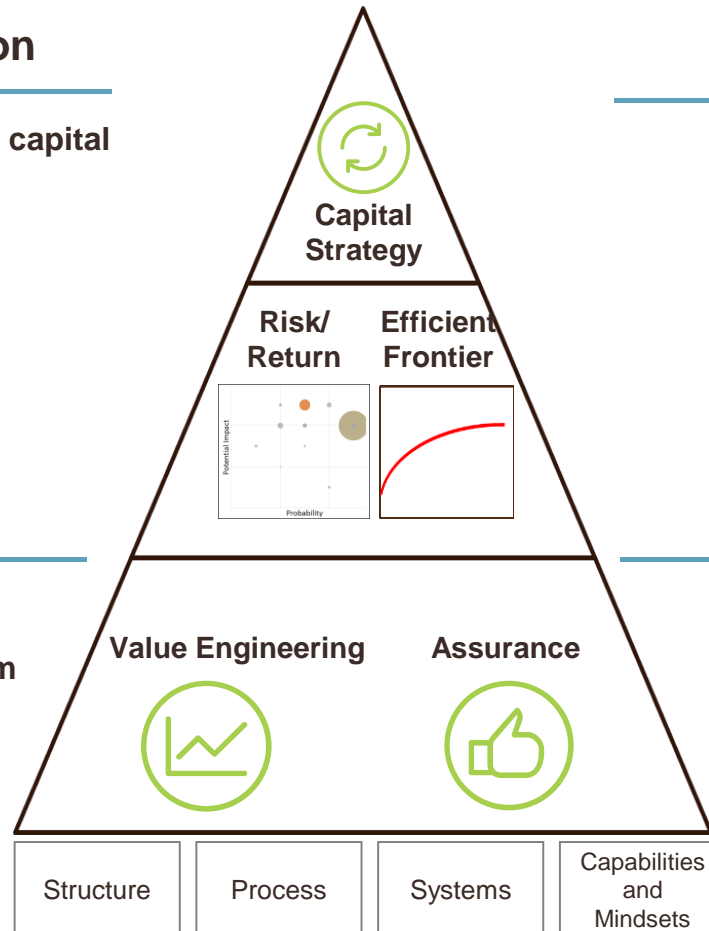
Translating strategic objectives into capital allocation for project portfolio

- Affordability
- Simulation of investment ideas
- Budget sizing and target setting
- Optimal project portfolio
- Balance risk and return of portfolio
- Resource allocation
- Cash flow smoothing

2 Project development

To ensure projects that make up portfolio are engineered for maximum value

- Ensure proposals are optimised
- Project review and stage gate management
- Ensure projects can deliver value within portfolio



Portfolio Management

- Ranking, prioritization and further enhancements to capital portfolio
- Sustaining profitable business, growing exports, diversifying market
- Modernize coal business, expansion and SIB spend

Project development

- Focus effort on achieving returns from sustaining and compliance projects
- Critical reviews of improvement projects
- Systematic application of 15 Value lenses to test value opportunities
- Build organization capability by focusing on a Lean capital drive

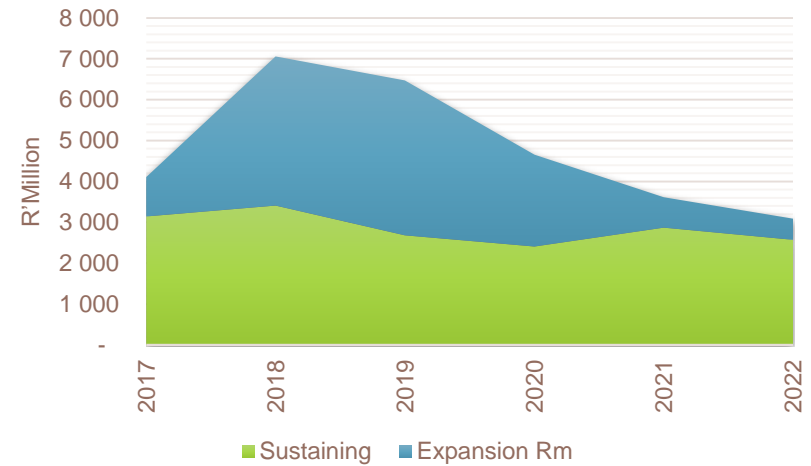
Project execution on R24 billion pipeline remains impressive

3 Project execution excellence

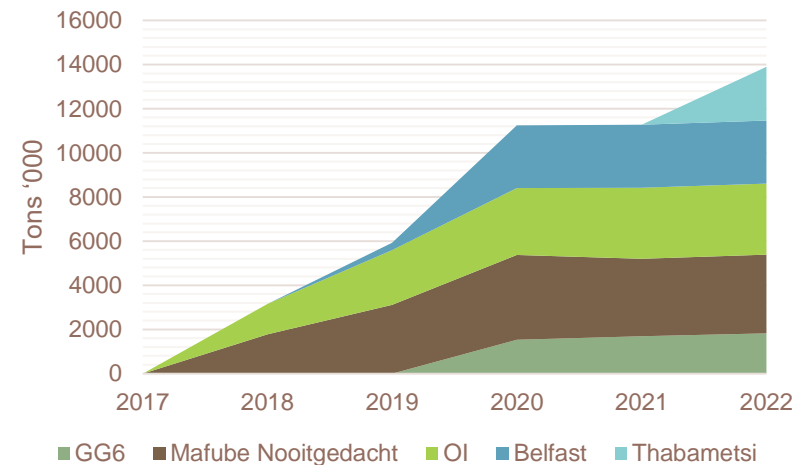
Executing the project pipeline

- Continued progress on capital execution excellence
- Strong execution team, well staffed and trained
- Projects on target and within budget

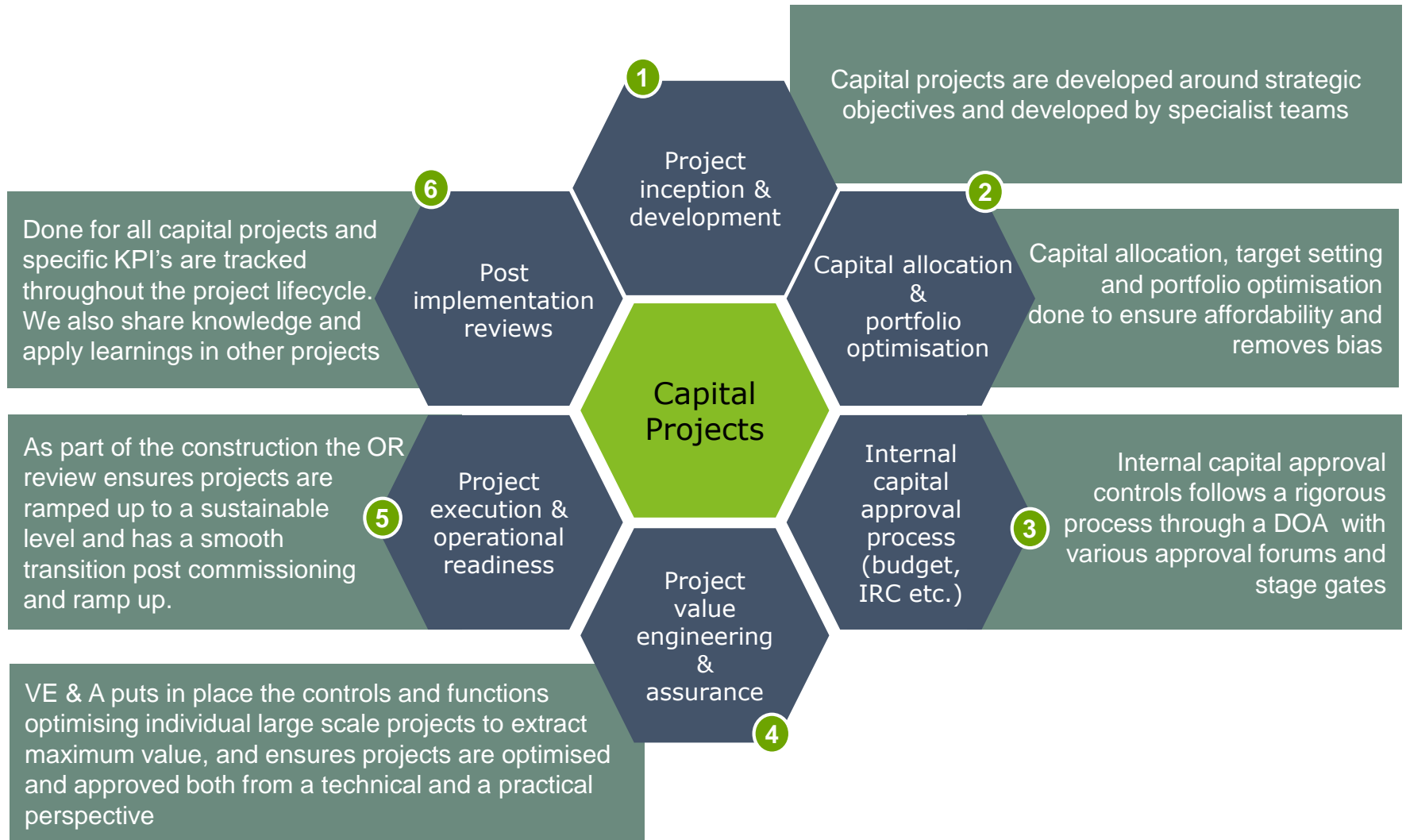
Capital spend profile



Saleable Tons from Expansion Capital



Internal processes not only geared for rigorous approval, but also post project learning



3

... protecting and growing business



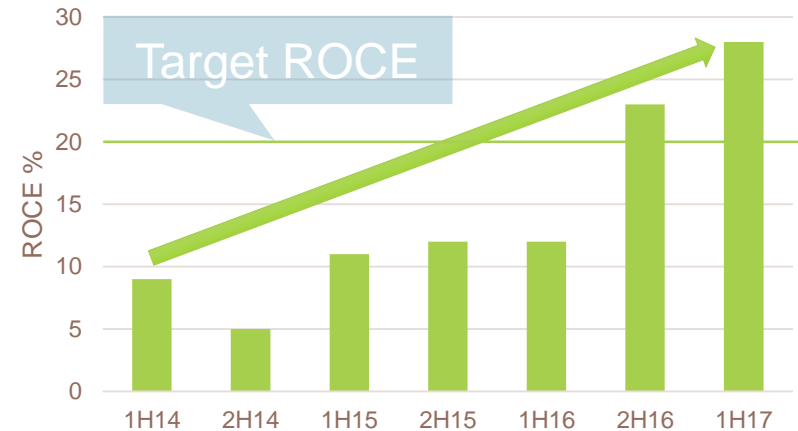
Our track record of delivering value is impeccable

Our track record

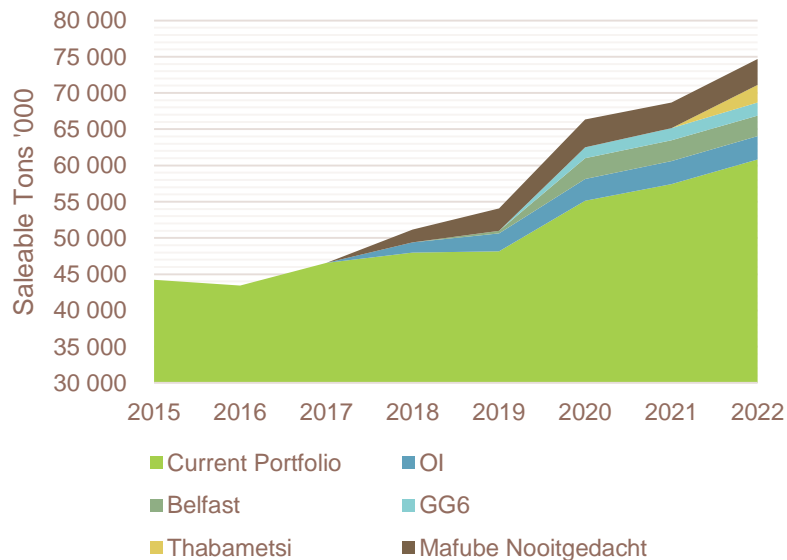
Translating strategic objectives into delivered results

- Exxaro more than doubled its ROCE in 3 years
- Capital projects delivered on time and within budget
- Proven methodologies, processes and controls

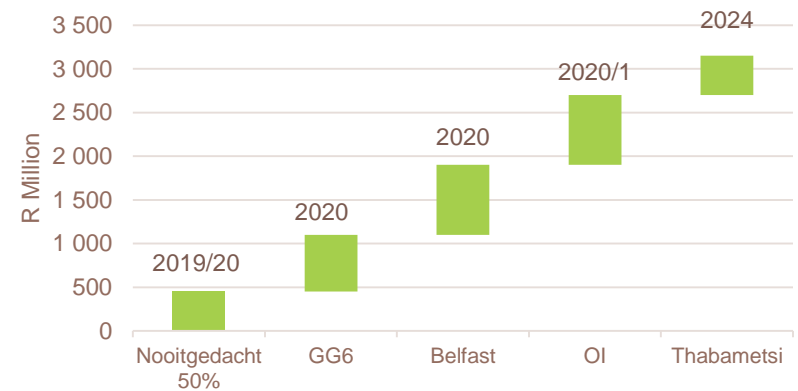
Exxaro ROCE Performance



Saleable Tons



Steady state EBITDA contribution



Q&A

Closing comments and Q&A Nombasa Tsengwa



A modernized coal producer, powering a better future

