



FINANCE DIRECTOR'S

1H ending 30 June 2017

Pre-close message

This message covers the expected operational performance of the Exxaro group for the six-month period ending 30 June 2017 (1H17). While we acknowledge and recognise the diverse stakeholders for our group, this message is targeted primarily at the financial and investor community with a distinct focus on operational matters, as well as progress on some of our strategic initiatives, without undermining the importance of other sustainability matters.



Dear stakeholder,

Below is an update on the group's operational performance as we approach the end of the six-month period ending 30 June 2017. Unless otherwise indicated, all comparisons are against 1H16.

We recorded a year-to-date lost-time injury frequency rate (LTIFR) of 0,19 compared to 0,09 reported in FY16. Tragically, an Exxaro employee lost his life on 1 March 2017 at Matla mine. Exxaro remains committed to the Zero Harm Vision and efforts to reduce incidents through the Safety Improvement Plans are under way.

Towards the end of 2H16 and beginning of 1H17 persistent strength in commodity prices and a strong USD were recorded. However, the commodity price correction became evident during 1H17 from the highs recorded towards the end of 2H16. In Exxaro's key commodities for 1H17, the API4 export index price is expected to average US\$79 per tonne and iron ore fines US\$75 per dry metric tonne, Cost and Freight (CFR) China.

On the production front our coal business continued to be resilient with a slight increase of 4,7% in production volumes forecast (excluding buy-ins). We expect coal capex to increase by 21%, mainly due to timing of expansion capex at Grootegeluk and Belfast. The expenditure for FYE17 is expected to be 10% lower than the guidance provided in March 2017, mainly because of the timing of sustaining capex.

Having concluded the staffing of the new organisational structures in terms of the Exxaro Improvement Project (EIP) solution, the focus during 2017 is on ensuring its effective implementation. Once fully implemented, the EIP solution will realise ongoing, sustainable savings of over R300 million per annum.

Exxaro is pleased to announce that good progress has been made finalising the Replacement BEE transaction and expects to make an announcement soon.

We will provide a detailed account of 1H17 operational and financial performances when we announce our interim financial results on the 17th of August 2017.

Yours sincerely

Riaan Koppeschaar
Finance Director



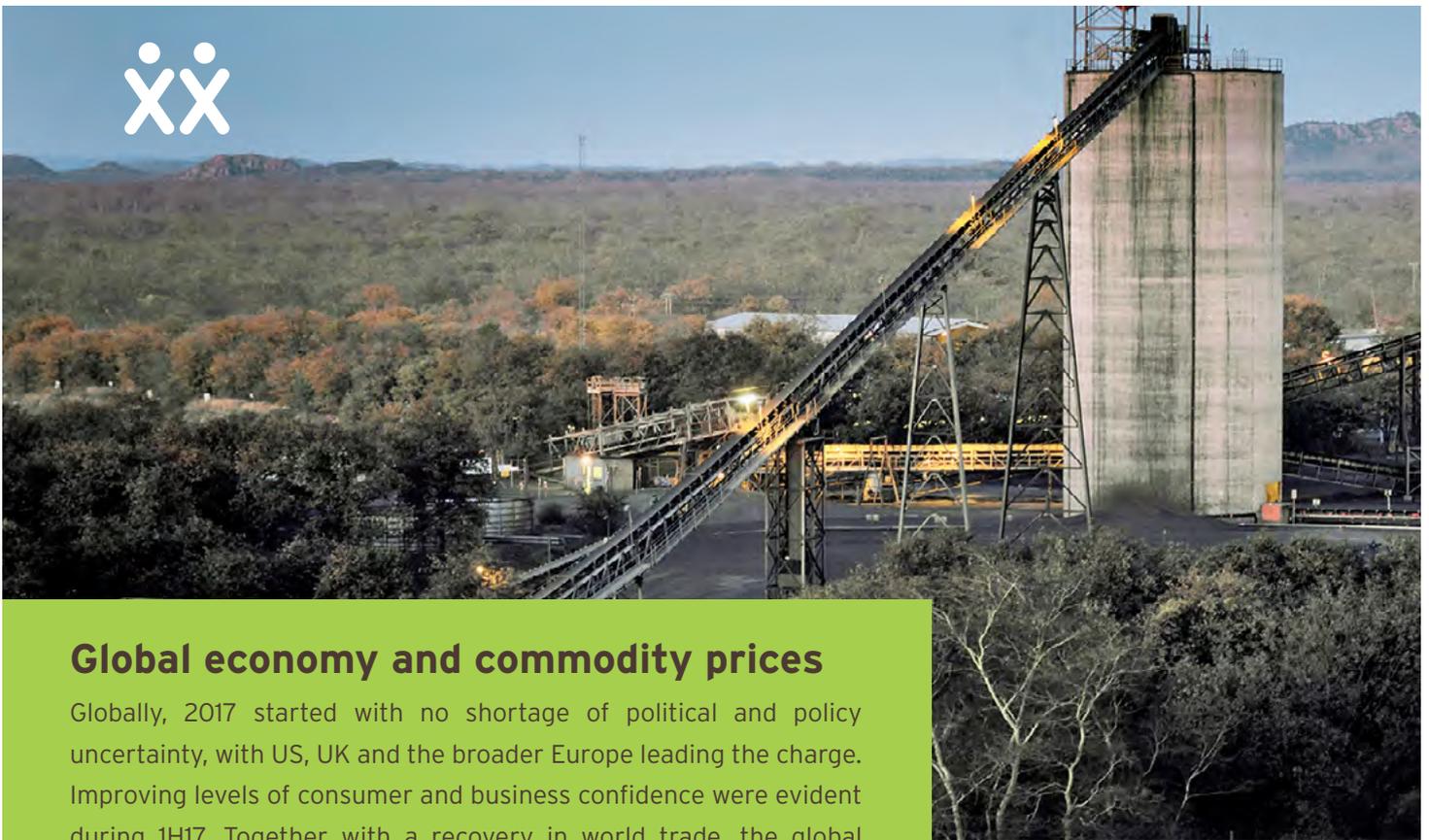
Table 1: Coal production and sales volumes ('000 tonnes)

	Production			Sales		
	1H17 Forecast ¹	1H16 Actual	FY16 Actual	1H17 Forecast ¹	1H16 Actual	FY16 Actual
Thermal	21 260	20 431	40 811	21 199	21 161	42 489
Tied ²	3 372	3 966	7 900	3 373	3 961	7 893
Commercial: domestic ³	17 888	16 465	32 911	14 149	13 116	26 738
Commercial: export				3 677	4 084	7 858
Metallurgical	1 112	970	1 985	577	738	1 298
Commercial: domestic	1 112	970	1 985	577	738	1 298
Total coal	22 372	21 401	42 796	21 776	21 899	43 787
Semi-coke	46	1	54	48	12	65
Total (excluding buy-ins)	22 418	21 402	42 850	21 824	21 911	43 852
Thermal coal buy-ins	51	577	606			
Total (including buy-ins)	22 469	21 979	43 456	21 824	21 911	43 852

1 Based on latest internal management forecast assumptions and estimates.

2 Mines managed on behalf of and supplying their entire production to Eskom.

3 Mafube trading division buy-ins of 944kt (1H16: 866kt; FY16: 1 760kt) from Mafube JV are included under thermal coal commercial production.



Global economy and commodity prices

Globally, 2017 started with no shortage of political and policy uncertainty, with US, UK and the broader Europe leading the charge. Improving levels of consumer and business confidence were evident during 1H17. Together with a recovery in world trade, the global economic outlook continues to improve to anticipated levels of global GDP growth closer to 3% for 2017. The latter remains supportive to commodity markets, however, political and policy uncertainty have the potential to limit and/or delay further investment into the sector.

China's supply-side reform initiatives, coupled with price management mechanisms, contributed to lower thermal coal prices. Iron ore fundamentals remain broadly positive during 1H17, however, fears for further credit tightening in China and a looser market outlook for 2H17 started to weigh negatively on prices towards the end of 1H17.

The improving and strong titanium dioxide (TiO₂) pigment market fundamentals bode well for the business for 1H17.

Coal commodity update

Production and sales volumes

Commercial mines

Thermal coal production from commercial mines is expected to increase by 9% primarily due to higher production at Grootegeluk. Full stockpiles in 1H16 impacted negatively on Grootegeluk production of Thermal and Metallurgical coal for that period.

Therefore metallurgical coal production volumes for 1H17 are expected to be 15% higher than 1H16.

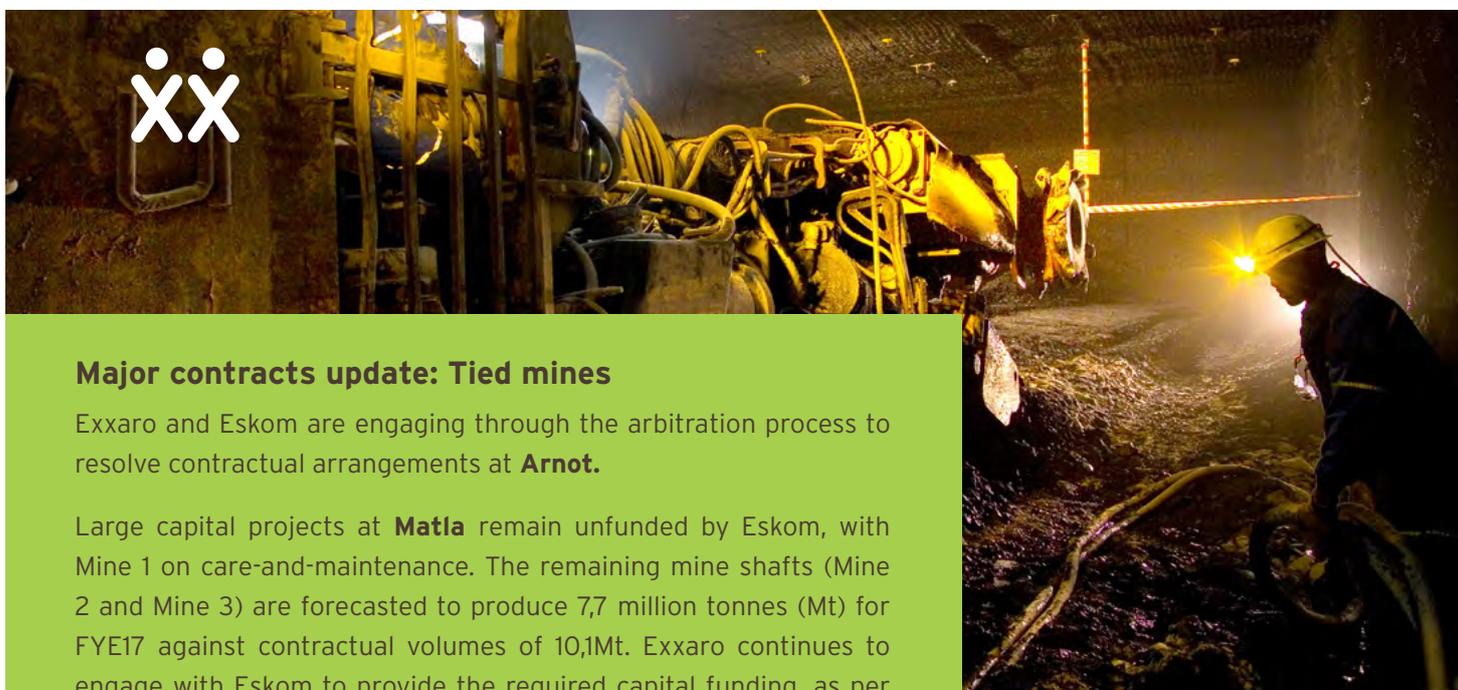
Coal buy-ins are expected to decrease by 91% due to the availability of sufficient own coal to fulfill contracts.

Export sales volumes are expected to decrease by 10% mainly due to lower buy-ins. Sales to Eskom are expected to increase by 3% mainly from higher sales from Grootegeluk, partly offset by lower sales from Leeuwpans mine where the contract to supply Eskom was not extended at the end of 1Q16, as well as lower sales from NBC.

Domestic thermal coal sales, other than sales to Eskom, are expected to increase by 37% driven by higher demand in the domestic market.

Tied mines

Thermal coal production and sales from tied mines are expected to decrease by 15% resulting from production challenges at Matla.



Major contracts update: Tied mines

Exxaro and Eskom are engaging through the arbitration process to resolve contractual arrangements at **Arnot**.

Large capital projects at **Matla** remain unfunded by Eskom, with Mine 1 on care-and-maintenance. The remaining mine shafts (Mine 2 and Mine 3) are forecasted to produce 7,7 million tonnes (Mt) for FYE17 against contractual volumes of 10,1Mt. Exxaro continues to engage with Eskom to provide the required capital funding, as per the tied mine coal supply agreement (CSA), which will enable the achievement of contractual production and sales volumes.

Coal markets

2017 got off to a good start with international thermal coal prices remaining as high as at the last quarter of 2016, though the major coal indices then softened on the back of reduced demand from the Far East, especially China.

There is consensus in the market that coal prices should decline in 2H17 due to a lack of structural support for prices in the mid-\$70/t range.

Domestic coal markets remained strong in 1H17 amidst decreasing international benchmark commodity prices in general. We see strong demand in all the domestic sectors and this is expected to continue into 2H17.

Capex and projects

Exxaro expects coal capex to increase by 21% compared to 1H16 mainly due to timing of expansion capex at Grootegeluk and Belfast. The expenditure for FYE17 is expected to be 10% lower than guided in March 2017, primarily as a result of the timing of sustaining capex.

Grootegeluk

Grootegeluk capex is expected to be 2% higher than that reported for 1H16. FY17 Grootegeluk capex for FYE17 is expected to be 10% lower than reported in March 2017 on lower sustaining capex.

All Medupi coal deliveries are in line with Addendum 9 to the Medupi coal supply agreement (CSA).

	1H17 Forecast ¹	1H16 Actual	FY17 Forecast ¹	FY16 Actual
Sustaining	1 044	981	2 880	2 380
Waterberg	727	791	2 128	1 940
Mpumalanga	317	190	752	440
Expansion	362	177	1 426	367
Waterberg	234	153	937	312
Mpumalanga	128	24	489	55
Total	1 406	1 158	4 306	2 747
Previous Guidance ²			4 810	

1. Based on latest internal management forecast assumptions and estimates, excluding tied operations.

2. Provided in 31 December 2016 results presentation in March 2017.



Thabametsi Mine

Earthlife Africa Johannesburg (ELA) was successful with its legal proceedings in the Pretoria High Court to set aside the environmental authorisation for the proposed 600MW Thabametsi coal-fired power station near Lephalale. Exxaro continues to monitor the progress of this legal procedure and any potential impact. The Minister of Environmental Affairs will consider the climate impact assessment report in making the revised environmental authorisation determination.

To protect the mining right, Exxaro commenced with certain activities in terms of its Mining Work Programme in May 2017.



Belfast

In April 2017 the leave to appeal relating to the rezoning appeal was heard in terms of the Spatial Planning and Land Use Management Act (SPLUMA), by the Nkangala District Municipality (NDM) and was dismissed with costs. This has delayed the commencement of the rezoning appeal hearing process by four months. NDM is yet to set down the appeal hearing dates. There is a high likelihood that the rezoning appeal process will only be finalised by the end of August 2017. Commencement of the construction phase will thus be delayed from July 2017 to September 2017.

Logistics and infrastructure

Transnet Freight Rail (TFR) railed 24,61Mt to Richards Bay Coal Terminal (RBCT) from January to April 2017, equivalent to an annualised rail tempo of 69,53Mt. As in 2016, the annual coal line shutdown will take place in July, but has been reduced from 10 to 7 days.

The new Grootegeluk Waterberg TFR agreement is being circulated amongst the parties for signature. Further details will be provided with 1H17 financial results.

Performance on the North West Corridor has remained at satisfactory levels with a year-to-date (Jan - May 2017) total strike rate of 98% being achieved (100% strike rate for export).

Ferrous commodity update

Sishen Iron Ore Company Proprietary Limited (SIOC)

Guidance on SIOC's equity-accounted contribution will be provided when we have reasonable certainty on its 1H17 financial results.

Titanium dioxide (TiO₂) and alkali chemicals

Tronox Limited (Tronox)

As announced, Exxaro is exploring alternatives for the monetisation of its shareholding in Tronox through an efficient staged sales process. This would likely not begin until 2H17.

Energy

Cennergi Proprietary Limited (Cennergi)

The two wind-farm projects, Amakhala Emoyeni (AE) and Tsitsikamma Community Wind Farm (TCWF), which have achieved Commercial Operation Date during 3Q16 are fully commissioned and running at planned capacity.



Sale of non-core assets and investments

The group's interests in Black Mountain Mining Proprietary Limited and the Chifeng refinery remain non-core and Exxaro intends to divest from these investments.

Exxaro is busy with a disposal process to divest of its 50% interest in the Moranbah South coking coal project in Australia. It is envisaged that this process will be concluded towards the end of 2017.

We have also reviewed our coal portfolio as part of our optimisation programme, with specific focus on closure and/or divesting from assets that do not meet our expected value, robustness of earnings and net operating profit margins. Exxaro envisages commencing with this process in 4Q17.

Other considerations

Performance against new B-BBEE codes and mining charter

Exxaro has been audited against the amended Codes and verified as a Level 6 contributor. The primary area to focus on to raise the B-BBEE level is enterprise and supplier development. Exxaro has constituted an Enterprise and Supplier Development (ESD) forum to specifically focus on this in order to lift the performance in this area.

Exxaro, through the Chamber of Mines, participated with the mining industry to provide inputs to the Department of Mineral Resources (DMR) to revise the Mining Charter elements and targets. Exxaro supports the strategic intention of transforming the mining industry. The Mining Charter III was published and gazetted on 15th June 2017.

Exxaro will, through the Chamber, continue to engage with the DMR to address industry and market concerns on the new Mining Charter.

Carbon Disclosure Project (CDP)

The legislative changes around emission of greenhouse gases is becoming more onerous as the South African government implements the CoP-21 Paris Agreement. Exxaro has played an integral role in the business forum on engaging the government on the implementation of the carbon tax, carbon budget and greenhouse gases reporting regulations. This was to ensure that these do not result in significant impacts for our businesses. The CDP continues to be important for the organisation, as it provides us with the opportunity to highlight what we are doing to mitigate emissions of greenhouse gases and adapting to the changing climate, to the international investor community. We have made a strategic commitment to continue participation in CDP reporting for 2016/17 whilst we work towards setting Science Based Targets. Driving energy and water efficiency in our operation is paramount to ensure that we mitigate and adapt to climate change risks.

Exxaro Improvement Project (EIP)

Having concluded the staffing of the new organisational structures developed in terms of the EIP solution, the focus during 2017 is on ensuring the effective implementation of the overall EIP solution. Once fully implemented the EIP solution will realise ongoing, sustainable savings of over R300 million per annum.



Outlook for 2H17

We expect an improvement in the operational results of the coal business for 2H17 driven primarily by:

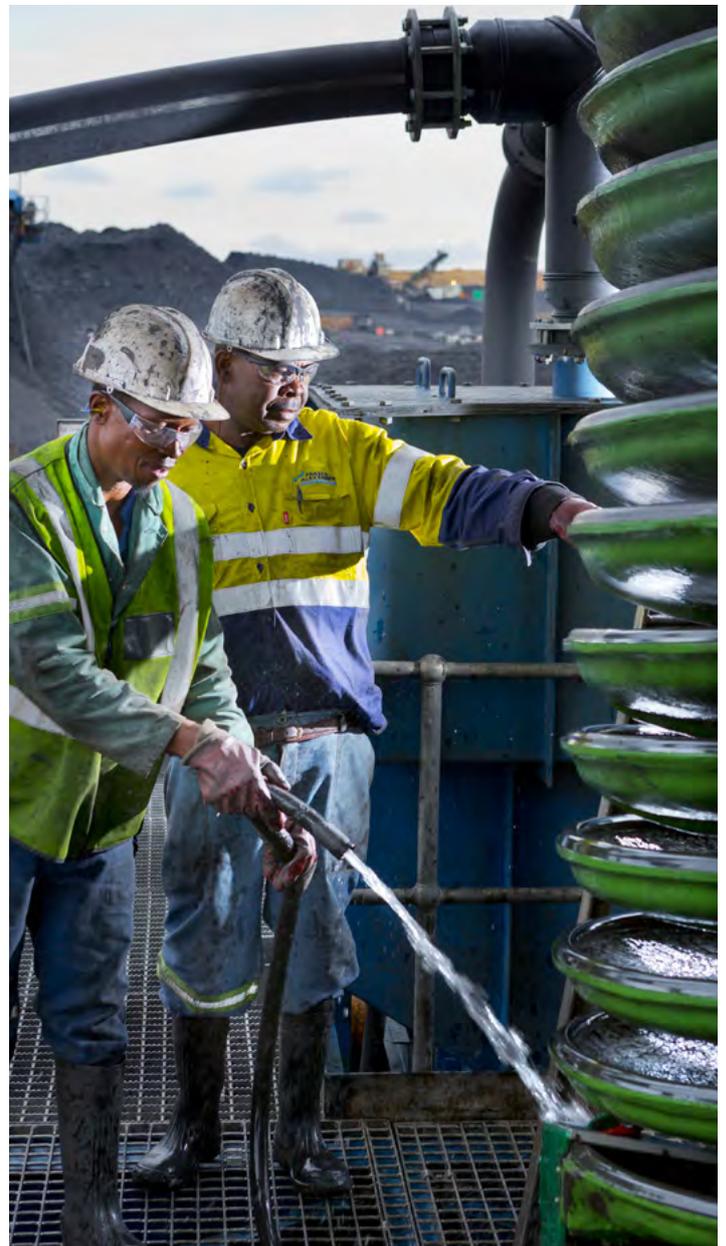
- Ongoing good demand in the domestic market, underpinning prices;
- Stable seaborne demand internationally, with the potential of oversupply remaining and possibly leading to softer prices in 2H17;
- Our operational excellence process delivering sustainable improved results. During 4Q17 we will re-focus initiatives based on 2017 performance; and
- Technology and innovation improvements are starting to contribute positively with the establishment of the digital project office.

During 2H17, the performance of our investment portfolio (Tronox and SIOC) will be influenced by the current price momentum in the TiO_2 industry and an anticipated softer iron ore market, respectively.

Relative stable commodity prices, receding deflationary pressures, declining political risks from specifically US and Europe, will continue to support global economic activity over the next six months. The Rand Dollar exchange rate remains extremely volatile, and subject to ongoing event risk, as the economic and political environment in South Africa remains a challenge.

Review of the update

The information in this update is the responsibility of the directors of Exxaro and has not been reviewed or reported on by Exxaro's external auditors.





Teleconference call details

A dial-in teleconference call on the details of this announcement will be held on Monday, 26 June 2017 at 13h00 (GMT+2:00).

Dial-in teleconference numbers:

Country	Access Number
Other Countries - International	+27 11 535 3600
Other Countries - International	+27 10 201 6800
South Africa - Johannesburg Neotel	011 535 3600
South Africa - Johannesburg Telkom	010 201 6800
UK - Toll-Free	0808 162 4061
USA and Canada - Toll Free	1 855 481 5362

Playback Access Numbers

Playback Code: 14615#

A playback will be available until 5 July 2017. To access the playback, dial one of the following numbers using the playback code 14615#

Country	Access Number
Australia - Toll Free	1 800 091 250
Other Countries - International	+27 11 305 2030
South Africa	011 305 2030
UK - Toll Free	0 808 234 6771
USA and Canada - Toll Free	1 855 481 5363

Editor's note

Exxaro is a diversified black-owned resources group with business interests in South Africa, Europe, the United States of America and Australia. Our asset portfolio includes coal operations and investments in iron ore, pigment manufacturing, renewable energy (wind) and residual base metals. www.exxaro.com

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Pretoria 26 June 2017

Exxaro Resources Limited

(Incorporated in the Republic of South Africa)
Registration number: 2000/011076/06
JSE Share code: EXX
ISIN: ZAE000084992
ADR code: EXXAY
("Exxaro" or the "company" or the "group")

Sponsor

Absa Bank Limited (acting through its corporate and investment banking division).

Legend

1H16 - Six-months period ended 30 June 2016
1H17 - Six-months period ending 30 June 2017
2H17 - Six-months period ending 31 December 2017
1Q16 - First quarter of 2016

FY16 - Financial year ended 31 December 2016
FYE17 - Financial year ending 31 December 2017
2H16 - Six-months period ended 31 December 2016
3Q16 - Third quarter of 2016

Commodity prices source

Coal - IHS Energy
Iron ore - MB Online
Mineral sands and pigments - TZMI

Disclaimer

The financial information on which any outlook statements are based have not been reviewed nor reported on by Exxaro's 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 operations, markets, products, services and prices. Exxaro undertakes no obligation to update or reverse the forward-looking statements, whether as a result of new information or future developments.