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
Exxaro Coal is continuing a long-term strategic journey

Prior to 2016
- Identified and created plan to execute on key strategic initiatives
  - Developed plan to unlock value in the Waterberg
  - Agreed on strategy of reducing Eskom exposure
  - Crafted logistics approach for TFR and RBCT

2016
- Developed holistic coal strategy house based on pillars of excellence
  - Created strategy based on concept of "Coal of today, fueling the Exxaro of tomorrow"
  - Identified 7 strategic pillars and formulated high-level initiatives
  - Focused on optimising portfolio based on scenario robustness and profit maximisation

Present
- Executing on strategic initiatives for long-term value realisation
  - Refreshed strategic house to reflect prioritised action items
  - Reviewed Portfolio Excellence in light of coal market changes and innovation potential
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

**Strategic Priorities**

1. **Portfolio Excellence**
   - Value and risk optimised portfolio design, based on a consistent and robust quantitative decision framework
   - Robust portfolio composition
   - Well-packaged, timely divestments
   - Strategic, value-creating acquisitions

2. **Marketing Excellence**
   - Maximise value while diversifying risk from our basket of coal products and markets, based on superior intelligence
   - Robust Market Strategy
   - Resource to Market, Value in use
   - Step change in marketing practices

3. **Innovation Excellence**
   - Capture the disruptive potential of innovation in mining to enable both short- and long term benefits
   - Data collection & visibility
   - Next Generation Mining
   - Agile business model

4. **Operational Excellence**
   - Sweat our assets through productivity and efficiency improvements in order to increase the profitability of our operations
   - Throughput optimisation
   - Unit cost reduction
   - Entrench improvement culture

5. **Capital Mgmt. Excellence**
   - World-class execution of value accretive projects in our portfolio, with delivery on time and on budget, at optimised capital intensity
   - Best in class capital allocation
   - Project development excellence
   - 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
Portfolio Excellence requires key strategic decisions

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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

- **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

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Seaborne thermal coal price scenarios: Indication for nominal price floor

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
<th>2035</th>
<th>2040</th>
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<tbody>
<tr>
<td>Price US$/t</td>
<td>56</td>
<td>56</td>
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<td>Price US$/t</td>
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</tbody>
</table>

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1. **Long-term price outlook capped due to expected development of medium-cost reserves and long-term price elasticity of electric power generation**

Source: BCG CMI

3. **Blue Heaven**

1. **Resilient Coal**

Exxaro workshop scenario

2. **Fossil renaissance**

4. **Canary in a coal mine**

---

Thermal coal, global – BCG perspective

Key observations

• Medium term nominal prices across scenarios within close proximity

• Longer term, expected to decline, driven by increasing availability of alternative energy generation

• Exxaro workshop scenario

• Even in ‘Canary in a coal mine’ scenario, thermal coal prices not expected to collapse – driven by the shape of the supply curve
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

The process is well integrated into our business

... and will continue to add Value into the future

- **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

- **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.
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

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

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<th>Value Levers</th>
<th>Description</th>
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| | | Best in class capital allocation |
| | | Project development excellence |
| | | Project execution excellence |
| | | Accountability & performance mgmt. |

Human Capital | Natural Capital | Social Capital
Our people are core to our success, and we are committed to a productive and engaged workforce, transforming the industry

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<th>Accountability &amp; performance management</th>
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<td>- <strong>We are transforming our business</strong> We are committed to transformation and people development, employing only the best employees that are fit for the roles they fulfill</td>
<td>- <strong>We invest in our people</strong> 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.</td>
<td>- <strong>World class</strong> performance management with incentivised employees working in safe and productive workspaces</td>
</tr>
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<td>- <strong>Young talent</strong> is very important to us, and our one-of-a-kind P.I.T programme develops young professionals</td>
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Underpinned by our efforts to keep our people, and the people around us safe

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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.

<table>
<thead>
<tr>
<th>1H15</th>
<th>2H15</th>
<th>Target</th>
<th>1H16</th>
<th>2H16</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.17</td>
<td>0.17</td>
<td>0.08</td>
<td>0.09</td>
<td>0.16</td>
<td>0.11</td>
</tr>
</tbody>
</table>

**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

Source: Exxaro Coal Team
Mpumalanga

1. With our ideally positioned assets...

2. ...and our focussed strategies...

3. ...we will deliver value into the future.
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.

**Leeuwpan**
- Open pit operation
- LOM 2021
- 6.7 Mtpa ROM
- 4.1 Mtpa product
- Produces export, metallurgical and domestic product

**ECC - Forzando**
- Open pit & underground
- LOM 2032
- 3.2 Mtpa ROM
- 2.1 Mtpa product
- Export and domestic thermal, export metallurgical

**ECC - Dorstfontein**
- Underground operation
- LOM 2037
- 2.2 Mtpa ROM
- 1.7 Mtpa product
- Export market

**Matla**
- Underground operation
- LOM 2040
- 10.066 Mtpa CSA
- Thermal coal for captive Eskom supply

**Mafube**
- Open Pit operation
- LOM 2017
- 5.7 Mtpa ROM
- 3 Mtpa export product
- Mafube is a JV with Anglo American

**NBC**
- Open pit operation
- 2.8 Mtpa ROM
- 2.5 Mtpa product
- Sized and unsized product for domestic market
We continue to expand our value delivery footprint with both greenfield and brownfield projects

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

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

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

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..

RBCT Coal line to Richards Bay harbour (81Mtpa)

General freight line connecting Belfast and Mafube to RBCT Coal line

General freight line connecting LPN to RBCT Coal line
...and our focussed strategies...
Operational excellence & innovation
Our operational strategies are focused around operational excellence and innovation to further enhance value delivery.

### Focus

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<thead>
<tr>
<th>Cost</th>
<th>Volume and Mix</th>
<th>Life Extension</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECC seam 4 project moves operation down the cost curve</td>
<td>Contractor optimisation</td>
<td>Fleet life extension</td>
</tr>
<tr>
<td>Productivity projects</td>
<td>Plant &amp; product optimisation</td>
<td>Inter-BU Optimisation</td>
</tr>
<tr>
<td>Technology for operator assist and process improvement</td>
<td>OI project at Leeuwpan</td>
<td>Nooitgedacht project at Mafube</td>
</tr>
<tr>
<td></td>
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<td>Matla capital projects</td>
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</table>

### Examples

### Key Enablers

#### Capital Management

- Streamlined capital allocation and management
- Project development & optimisation

#### Digitalisation & Innovation

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

#### Operational Excellence

- Top 5 projects aligned to strategic objectives and opportunities
- Well established and embedded process
......we will deliver value into the future.

PHYSICAL & FINANCIAL OVERVIEW
Our capital projects contribute towards our future growth and life of mine 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.
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
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

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
...and is being unlocked by Exxaro.
The Geology makes for a challenging mining environment which Exxaro understands and can unlock.

- **B1** (22m) – Overburden
- **B2** (15.4m) – SS/PSC
- **B3** (16) – SS/PSC
- **B4** (16.9m) – SS/PSC
- **B5** (16.8m) – PSC
- **B6** (4.1m) – C&S PSC
- **B7a** (5.9m) – Interburden
- **B8** (3.8m) – Interburden
- **B9a** (2.5m) – C&S PSC
- **B9b** (5.7m) – MET
- **B10** (4.1m) – Interburden
- **B11** (4.3m) – MET
- **B12** (13m) – Interburden
- **B13** (1.5m) – MET

**Pit liberation**
- Lower bench availability dependent on upper bench movement
- Bottom bench exposure dependent on movement of upper benches

**GG1 & GG6**
- 11% SS yield
- 35% PSC yield

**GG2 & GG8**
- 38-40% PSC yield

**GG3 & GG7**
- 98% PSC yield

**GG4/5**
- 60% MET yield
- 15% PSC yield
With enabling projects like the new rapid rail load-out station

The new RLOS is currently under construction and has been detail designed for inclusion of future expansions including a future link for Thabametsi

- The new approach line and siding has the ability to stage 200 Wagon Trains
- Splitting into 100 Wagon Trains, and
- Loading simultaneously via inner and outer ring
- Allows 200 Wagon loading within 4 Hours

R 1.3 Billion Capex
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

Source: SIP01
...to deliver value to all stakeholders.
We are developing and expanding our operations to cater for future demand.

<table>
<thead>
<tr>
<th>Overburden</th>
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<tbody>
<tr>
<td>GG1 &amp; GG6</td>
</tr>
<tr>
<td>10% SSCC yield</td>
</tr>
<tr>
<td>30% PSC yield</td>
</tr>
<tr>
<td>GG2 &amp; GG8</td>
</tr>
<tr>
<td>40% PSC yield</td>
</tr>
<tr>
<td>GG3 &amp; GG7</td>
</tr>
<tr>
<td>98% PSC yield</td>
</tr>
<tr>
<td>GG4/5</td>
</tr>
<tr>
<td>60% MET yield</td>
</tr>
<tr>
<td>15% PSC yield</td>
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</tbody>
</table>

Key interdependency: Pit liberation

2014
- Open up B5 (Bottleneck bench, thick bench that can only produce PSC), GG2 use GG1 & GG6 ROM benches

2015
- Use top benches to produce SSCC & PSC through GG6 – No more GG2 plant

2020
- Different opportunities for further optimization depending on Eskom demand

Enable GG10 for 5 years (until 2020) by opening up the lower benches
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 ...

<table>
<thead>
<tr>
<th>Focus Area</th>
<th>Examples</th>
<th>Enablers</th>
</tr>
</thead>
</table>
| **Cost reduction** | • 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 | • Continuous driving of top 5 focus areas.  
  • Reducing process variables through implementation of digitized and visualized variance monitoring  
  • Capitalizing on agile innovation sprints |
| **Volume and Flexibility** | • 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 capital allocation and expenditure  
  • Best in class project selection  
  • Diligent project execution and post-implementation reviews |
| **Resource Exploitation and Capturing of Synergies through flexible operations** | • 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 | • 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

**Base Year 2012**

Metallurgical Coal via GG 4/5

SSCC and Export Coal via GG1 and GG6 Phase1

PowerStation Coal produced From GG1-GG6
Project and volume ramp up explained

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

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

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

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

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
Marketing – Strategic overview

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
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.


Source: World Coal Association (2016)
... however, as always, there are uncertainties

**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

<table>
<thead>
<tr>
<th>Year</th>
<th>Power generation</th>
<th>Steel (Met coal)</th>
<th>Ferro-alloy and others</th>
<th>Other Industrial</th>
<th>Others¹</th>
<th>Cement</th>
<th>Power generation²</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>118</td>
<td>49</td>
<td>2</td>
<td>2</td>
<td>192</td>
<td>55</td>
<td>183</td>
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<tr>
<td>2019</td>
<td>120</td>
<td>51</td>
<td>2</td>
<td>2</td>
<td>196</td>
<td>57</td>
<td>188</td>
</tr>
<tr>
<td>2021</td>
<td>121</td>
<td>53</td>
<td>2</td>
<td>2</td>
<td>200</td>
<td>59</td>
<td>192</td>
</tr>
<tr>
<td>2023</td>
<td>122</td>
<td>55</td>
<td>2</td>
<td>2</td>
<td>200</td>
<td>57</td>
<td>196</td>
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<tr>
<td>2025</td>
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<td>2</td>
<td>200</td>
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<td>200</td>
</tr>
<tr>
<td>2026</td>
<td>123</td>
<td>59</td>
<td>2</td>
<td>2</td>
<td>200</td>
<td>57</td>
<td>204</td>
</tr>
</tbody>
</table>

**Key Takeaways**

- 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.

- Innovation
- Digitalisation

What we Need

- Portfolio Optimisation

What we Have

- Market Strategy

Where to Play

- Marketing Strategy

How to Win

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.
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
Current base case for selling every ton received

Exxaro has a unique product portfolio which allows us to be competitive in international markets
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.
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.
The Coal strategy is enabled by a healthy capex project pipeline…

…managed through a robust selection and development process…

… protecting and growing business
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

**Sustaining**

**Protecting our EBIT/Value**
- Replace according to LCC
- Avoid cost increase
- Avoid production loss
- Based on improving certain KPI’s

**Strategic**

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

**Responsibility**

**Protecting our people and environment**
- Improve safety performance
- Improve environmental performance
- Legal compliance
- Improve social responsibility performance
...managed through a robust selection and development process...
A robust capital delivery strategy ensures an optimised portfolio

Objectives

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

Mechanisms

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](chart1)

![Saleable Tons from Expansion Capital](chart2)
VE & A puts in place the controls and functions optimising individual large scale projects to extract maximum value, and ensures projects are optimised and approved both from a technical and a practical perspective.

As part of the construction the OR review ensures projects are ramped up to a sustainable level and has a smooth transition post commissioning and ramp up.

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

Capital projects are developed around strategic objectives and developed by specialist teams.

Capital allocation, target setting and portfolio optimisation done to ensure affordability and removes bias.

Internal capital approval controls follows a rigorous process through a DOA with various approval forums and stage gates.

Done for all capital projects and specific KPI’s are tracked throughout the project lifecycle. We also share knowledge and apply learnings in other projects.
... 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
A modernized coal producer, powering a better future

1. **Our strategy**
   - A solid evolving strategy
     - Exxaro has a robust strategy focussed around creating an efficient platform for growth and flexibility, underpinned by operational excellence and innovation

2. **Our team & resources**
   - A Diversified resource base, well operated
     - Exxaro has great, low cost assets, with diversified markets and distribution channels. Managed and operated by experienced professionals

3. **Our flexibility**
   - A well developed and capable marketing team
     - Our marketing options in conjunction with our resource base gives us great flexibility in extracting maximum value regardless of market uncertainty

4. **Our future**
   - A world class capital project delivery team
     - Exxaro has a great coal growth pipeline, managed and delivered by world leading practices, positioning us for growth into the future