FINANCE DIRECTOR'S PRE-CLOSE MESSAGE

1H ENDING 30 JUNE 2018

This message covers the expected operational and financial performances of the Exxaro group for the six-month period ending 30 June 2018 (1H18).

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 and financial matters, as well as progress on some of our strategic initiatives, without undermining the importance of other sustainability matters.

Dear stakeholder

We are pleased to provide the following update on the group's operational and financial performances as we approach the end of the six-month period ending 30 June 2018. Unless otherwise indicated, all comparisons herein are against 2H17.

We recorded a year-to-date lost-time injury frequency rate (LTIFR) of 0,10, an improvement compared to the 0,12 reported in FY17. The group reported zero (0) fatalities and five (5) high potential incidents during 1H18. Exxaro remains committed to its zero harm vision and efforts to reduce incidents through the safety improvement plan are in place.

During 1H18 mixed performance was evident for the different commodity markets. A relatively stable global economic environment was supportive, however, increasing geopolitical tension started to emerge. In respect of Exxaro's key commodities, for the period to 30 June 2018, the API4 coal export price index is expected to average US$96 per tonne for the period, free on board (FOB), and iron ore fines US$70 per dry metric tonne, cost and freight (CFR) China.

On the production front our coal business continued to be resilient with an increase of 1,7% forecast in production volumes (excluding buy-ins). We expect capex for our coal business to decrease by 16%, compared to 2H17, mainly due to the timing and some optimisation of sustaining capital. Further, the capital expenditure for FYE18 is expected to be 18% lower than the guidance provided in March 2018, mainly due to the timing on the GG6 expansion project and the delay in Thabametsi, as well as some optimisation and timing on sustaining capital in the Waterberg region.

As referred to in the announcement released on the Stock Exchange News Service (SENS) of the JSE Limited on 20 November 2017, relating to the results of the extraordinary general meeting of shareholders with respect to the implementation of the replacement BEE transaction, Exxaro agreed to certain undertakings, an update is provided later in the report.

We will provide a detailed account of 1H18 operational and financial performances when we announce our interim financial results on 16 August 2018.

Yours sincerely

Riaan Koppeschaar
Finance director

www.exxaro.com

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")

POWERING POSSIBILITY

TABLE 1: COAL PRODUCTION AND SALES VOLUMES ('000 TONNES)

	Production			Sales		
	1H18 Forecast[1]	2H17 Actual	FY17 Actual	1H18 Forecast[1]	2H17 Actual	FY17 Actual
Thermal	22 307	22 020	42 843	22 499	22 347	43 258
Tied[2]	3 662	3 858	7 400	3 662	3 860	7 403
Commercial: domestic[3]	18 645	18 162	35 443	14 891	14 270	28 243
Commercial: export				3 946	4 217	7 612
Metallurgical	1 193	1 063	2 132	619	624	1 190
Commercial: domestic	1 193	1 063	2 132	619	624	1 190
Total coal	23 500	23 083	44 975	23 118	22 971	44 448
Semi-coke	23	40	86	31	41	88
Total (excluding buy-ins)	23 523	23 123	45 061	23 149	23 012	44 536
Thermal coal buy-ins	549	399	504			
Total (including buy-ins)	**24 072**	**23 522**	**45 565**	**23 149**	**23 012**	**44 536**

[1] Based on latest internal management forecast assumptions. Final numbers may differ by ± 3%.
[2] Mines managed on behalf of and supplying their entire production to Eskom.
[3] Mafube trading division buy-ins of 329kt (2H17: 773kt; FY17: 1 660kt) from Mafube JV are included under thermal coal production.

GLOBAL ECONOMY AND COMMODITY PRICES

Global economic momentum is expected to **remain on track** to drive the **strongest annual growth** rate since 2010.

Barring any shock, further marginal increases are anticipated in global industrial production, trade and fixed investment during 2018 to support a real gross domestic product (GDP) growth level of around 3,4%, compared to 3,3% in 2017. The continuation of strong economic activity during 1H18 and the momentum of cost inflation in key commodity producing countries remained supportive to commodity markets.

China's supplyside reform initiatives continued throughout 1H18. From the beginning of 2018 global thermal coal supply fears, the reinstatement and the threat of further import restrictions in China, rising US-China trade tension, coupled with restocking for seasonal demand caused heightened interest in building up supplies and hence were the key drivers that supported thermal coal prices.

Chinese steel production remained strong, and combined with subdued iron ore supply during 1H18, lead us to anticipate a broadly balanced market for 2018 together with sustainable iron ore prices.

The improving and strong titanium dioxide (TiO_2) pigment market fundamentals continued during 1H18.

Geopolitical factors significantly changed the market fundamentals for Brent crude oil towards the end of 1H18 with the reintroduction of United States sanctions on Iran and the collapse in Venezuelan output.

COAL COMMODITY UPDATE PRODUCTION AND SALES VOLUMES

Commercial mines

Thermal coal production from commercial mines is expected to increase slightly (1%), primarily due to higher production at Grootegeluk, in line with Eskom demand and strategic stockpiling for the implementation of the GG6 project.

Metallurgical coal is anticipated to increase by 12%, due to higher production at Grootegeluk following a stacker incident hampering production in 4Q17.

Coal buy-ins are expected to be 38% higher due to the unavailability of sufficient own coal, mainly at ECC, to fulfil contracts.

Export sales volumes are expected to decrease by 6% largely due to firstly, lower sales from ECC, resulting from contractor labour issues and some geological challenges and secondly, from Mafube due to end of current reserves. This was partly offset by higher volumes from Grootegeluk and Leeuwpan.

Sales to Eskom are expected to increase by 2% driven by higher sales from Grootegeluk, partly offset by lower sales from NBC as a result of the supply agreement for 352kt power station coal not being renewed by Eskom.

Domestic thermal coal sales, excluding sales to Eskom, are expected to increase by 11% mainly due to sales volumes from NBC being diverted to the domestic market, as opposed to Eskom, and slightly higher Leeuwpan volumes, partly offset by lower ECC sales.

COAL COMMODITY UPDATE PRODUCTION AND SALES VOLUMES

continued

Tied mines

Thermal coal production and sales are expected to decrease by 5% due to the Mine 2 wall coming to an end in the middle of March and Mine 3 having an extended move in the first part of 1H18 as a result of geological conditions.

Semi-coke

For 1H18, reductants production was 23kt but production ceased following a fire incident at the plant in March 2018. As a result, no additional production is expected for the remainder of 2018.

MAJOR CONTRACTS UPDATE: TIED MINES

Exxaro and Eskom are engaging through an arbitration process to resolve contractual arrangements at Arnot. The arbitration process is continuing and a decision is expected in 2H18. Large capital projects at Matla remain unfunded by Eskom, with Mine 1 not producing. The remaining mine shafts (Mine 2 and Mine 3) are forecast to produce 7 million tonnes (Mt) for FYE18 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 Exxaro to achieve its contractual production and sales volumes. Exxaro and Eskom are continuing engagement through an arbitration process to resolve the matter.

COAL MARKETS

Demand in the domestic market remained strong amidst supply shortages for higher quality product as producers leveraged the higher export prices. This is expected to continue into 2H18.

International coal prices remain strong as demand continues to outstrip supply. China introduced plans to curb its domestic prices to curtail dependence on coal imports, resulting in Indonesian and Australian coal being concentrated on South Korea, closing the arbitrage window for South African coal into South Korea. Coal stocks in India remained low in the first half of the year and hydropower generation decreased by 15%. As a result, low to mid-calorific value (CV) South African coal remained competitive in India.

Overall, we expect the international market to remain bullish as demand is still stronger than supply heading into 2H18.

CAPEX AND PROJECTS

Exxaro expects capital for its coal business to decrease by 16% compared to 2H17 mainly due to the timing of incurring sustaining capex spend. The expenditure for FY18 is expected to be 18% lower than guided in March 2018, largely attributable to the delay in spending sustaining capital in the Waterberg region as well as some optimisation benefits. Expansion capital is also expected to be lower than guided in March 2018, mainly due to the timing of the GG6 project and the delay in securing Thabametsi approvals.

TABLE 2: COAL CAPEX

Rm	1H18 Forecast[1]	2H17 Actual	FY18 Forecast[1]	FY18 Previous guidance[2]	FY17 Actual
Sustaining	**1 260**	1 994	3 240	3 711	3 203
Waterberg	**841**	1 707	1 946	2 430	2 687
Mpumalanga	**419**	287	1 294	1 281	516
Expansion	**837**	505	2 980	3 856	601
Waterberg	**586**	360	2 036	2 821	440
Mpumalanga	**251**	145	944	1 035	161
Total	**2 097**	2 499	6 220	7 567	3 804

[1] Based on latest internal management forecast assumptions and estimates, excluding tied operations. Final numbers may differ by ±5%.
[2] Provided in 31 December results presentation in March 2018.

WATERBERG

Total capex is expected to be 31% lower than 2H17, mainly due to timing and some optimisation on sustaining capital (trucks, shovels, stacker and reclaimers as well as the discard and backfill phase 2 project), partly offset by higher expansion capital (GG6).

FYE18 capex is expected to be 24% lower than the guidance provided in March 2018 primarily because of timing on the GG6 expansion and the delay in Thabametsi. Sustaining capital is also expected to be lower due to timing and optimisation.

GG6 expansion

Construction on the small coal plant and the stockyard is progressing according to schedule while construction activities inside the existing GG2 plant will start in July 2018 (as planned). Phase 2 of the upgrade will focus on the existing GG6 plant and will commence in July 2019. The project will be completed and fully ramped up by December 2020. The main project risks relate to the performance of the main construction contractor on the plant and possible delays because of integration activities with existing operations. The risks are currently in hand and being managed on a continuous basis.

Thabametsi mine

Exxaro and Marubeni/Kepco (the lead developers of the Thabametsi IPP) continue to engage on the definitive CSA and associated infrastructure agreements. Financial close is expected during 4Q18 as the IPP is still awaiting license to operate approvals, which are a requirement for financial close. Certain agreements between Exxaro and the IPP were signed during the year. All outstanding agreements are expected to be in place before the end of 2018. The seven major construction tenders have been adjudicated and are ready for placement when notice to proceed is received, expected to be at the end of 2018.

MPUMALANGA

Belfast

Bulk earth and civil works are in full construction. The project is within budget and progressing on schedule and on track to deliver first coal (as planned) during 1H20.

Leeuwpan

Progress on the construction of the R50/TCM roads is slightly behind schedule due to rain and community action. The current completion date for the R50/TCM roads is estimated to be September 2018.

Progress on the box cut development is on schedule and within budget. First coal is planned for September 2018.

Mafube Nooitgedacht

The first coal was produced in May 2018 and the project is currently ramping up. All major deliverables are on track with some risk on the ancillary items. This is being managed actively with support from both shareholders, and the teams are optimistic that the project will be completed within schedule and budget.

LOGISTICS AND INFRASTRUCTURE

Transnet Freight Rail (TFR) railed 31,08Mt to Richards Bay Coal Terminal from January to May 2018, equivalent to an annualised rail tempo of 71,06Mtpa.

Grootegeluk Complex's rapid loadout station and rail yard upgrade project remains on schedule and within budget, and is still aligned with TFR's North-West Corridor expansion project. Joint operational readiness workshops have started to ensure commissioning of the upgraded rail capacity towards the end of 2Q19.

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 1H18 financial results.

TITANIUM DIOXIDE (TiO_2) AND ALKALI CHEMICALS

Tronox Limited (Tronox)

Exxaro obtained shareholder approval to sell the remainder of its shares in Tronox. The timing, minimum price and manner of sale have not been determined. We are continuing to monitor developments with Tronox, such as the proposed merger between Tronox and Cristal and its approval by the US and European competition authorities.

ENERGY

Cennergi Proprietary Limited (Cennergi)

The two windfarm projects, Amakhala Emoyeni (AE) and Tsitsikamma Community Wind Farm (TCWF), are running at slightly lower than planned capacity due to lower than anticipated wind speeds. The lower wind speed was partially offset by better than contracted equipment availability.

SALE OF NON-CORE ASSETS AND INVESTMENTS

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

As previously communicated, Exxaro intends to dispose of its interests in Arnot and NBC. On 2 March 2018, Exxaro concluded a sale of asset agreement for the disposal of the NBC operation. The sale will only be effective once the approval for the transfer is granted in terms of section 11 of the Mineral and Petroleum Resources Development Act (MPRDA), which is expected by the end of 2018.

Although Exxaro embarked on a process to divest from its interest in the Moranbah South coking coal project in Australia, bids received were not reflective of Exxaro's view of the value of the project. Exxaro, together with Anglo American, are in the process of reassessing the potential development plan for the project.

OTHER CONSIDERATIONS

Performance against new BBBEE codes and mining charter

We are pleased with the improvement in our recognition level, from level six (6) to level five (5), in terms of the scorecard of the Department of Trade and Industry Codes of Good Practice. This improvement is attributable to our initial efforts during 2017 in the enterprise and supplier development category, however, much work remains to achieve our goal of reaching level three (3) by 2019. We are confident that, with the plans we have in place, together with our intent to diversify our supply chain, enhance local economic development in the various communities of our operations and innovatively grow our business of tomorrow, we will achieve this goal.

We further note the publication by the Department of Mineral Resources (DMR) of a draft mining charter and the invitation for comment by stakeholders. We will need time to study the document and consult with the Minerals Council South Africa for a comprehensive view. We will continue to participate fully in the engagement processes led by the DMR, through the Minerals Council of South Africa, and we look forward to the planned summit where meaningful discussions will take place.

The youth employment services (YES) initiative

The YES initiative was pronounced by president Cyril Ramaphosa on 27 March 2018. YES is a partnership between government, business, labour and civil society and aims to see more than one million young South Africans, between the ages of 18 and 35, being offered paid work experience over the next three (3) years. We have committed to this initiative and envisage a minimum of 400 youth being part of the initiative. We will be partnering with service providers to implement and enable the programme of both skills and work experience for the youth.

MINING AND PROSPECTING RIGHTS

Exxaro has continued with the successful submissions of amendments to existing rights to protect Exxaro's interests or ensuring greater life of mine. This includes the submission of the application, in terms of section 11 of the MPRDA, for the sale of the NBC operations which is expected to be granted by the end of 2018.

In addition to the above, Exxaro has made slow progress with the mining right registrations of Matla, Arnot and Glisa (at the NBC operation). While there are still challenges pertaining to these registrations, Exxaro still expects the registrations to be concluded during 3Q18.

ADDITIONAL INFORMATION WITH REGARDS TO THE REPLACEMENT BEE TRANSACTION

As referred to in the announcement released on SENS of the JSE Limited on 20 November 2017 relating to the results of the extraordinary general meeting of shareholders with respect to the implementation of the replacement BEE transaction following the unwind of Main Street 333 Proprietary Limited, Exxaro provided certain undertakings:

Implementation of employee and community empowerment schemes

In order to ensure that the profile of NewBEECo is enhanced to be more broad based, and include new empowerment beneficiaries, Exxaro undertook to finalise appropriate employee and community empowerment structures by transferring no less than 10% of its equity holding in NewBEECo by 30 June 2018.

Implementation of employee and community empowerment schemes continued

Exxaro has made meaningful progress with respect to the conceptualisation of relevant employee and community empowerment structures in line with the abovementioned undertaking. In light of the recent developments regarding the revised mining charter released for public comment on Friday, 15 June 2018, the board of directors of Exxaro have resolved that the implementation of the relevant BEE structures be delayed to ensure regulatory compliance is achieved and the structures are optimised in this regard.

Exxaro remains fully committed in meeting the undertaking given in a manner which meets the objectives of all stakeholders including the shareholders as well as relevant Exxaro employees and communities.

Other undertakings

While progress has been made, Exxaro is in discussions with stakeholders to find an amicable solution in respect of the undertakings relating to the restructuring of the BEE shareholding and the potential listing of NewBEECo on a BEE exchange.

OUTLOOK FOR 2H18

For 2H18 we foresee a stable domestic market with the ability to take advantage of higher prices given the drive for exports and supported by the scarcity of A-grade coal.

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

- Ongoing good demand in the domestic market underpinning prices
- API4 index remaining strong at around US$100,00 per tonne
- Stable seaborne demand from traditional markets with seemingly tight supply
- Our business optimisation strategy driving operational and innovation excellence throughout the business with a strong focus on eliminating systemic waste
- Good progress being made on building key technology enabling infrastructure and the visualisation of business constraints, aimed at accelerating our innovation and technology implementation strategy.

During 2H18, the performance of our SIOC investment will be supported by a relatively stable iron ore fines price and lump premium, and continued strong demand for higher-grade products.

Relatively stable commodity prices coupled with accelerating growth in the United States and emerging markets, along with steady growth in China, will continue to support world economic activity over the next six months. The rand/dollar exchange rate is expected to remain volatile, and subject to ongoing event risk such as US Federal interest rate normalisation, geopolitical risks and emerging market sentiment.

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 Thursday, 28 June 2018 at 12:50 (GMT+2:00).

DIAL-IN TELECONFERENCE NUMBERS	
Johannesburg (Telkom)	010 201 6800
Johannesburg (Neotel)	011 535 3600
UK	0 333 300 1418
Australia (toll free)	1 800 350 100
USA and Canada	1 508 924 4326
Hong Kong	5808 4038
France	01 70 37 71 27

PLAYBACK

A playback will be available until 9 July 2018. To access the playback, dial one of the following numbers using the playback code 14359#:

South Africa	010 500 4108
UK	0 203 608 8021
USA	1 412 317 0088
International	+27 10 500 4108

SPONSOR

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

EDITOR'S NOTE

Exxaro is one of the largest South African-based diversified resources companies, with interests in the coal, titanium dioxide, iron ore and energy commodities.

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ENQUIRIES

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26 June 2018

LEGEND

FY17 – Financial year ended 31 December 2017
FYE18 – Financial year ending 31 December 2018
1H18 – Six-month period ending 30 June 2018
1H20 – Six-month period ending 30 June 2020
2H17 – Six-month period ended 31 December 2017
2H18 – Six-month period ending 31 December 2018
4Q17 – Fourth quarter of 2017
3Q18 – Third quarter of 2018
4Q18 – Fourth quarter of 2018
2Q19 – Second quarter of 2019

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.

28 June 2018