

Exxaro's medium term capex programme

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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

- Coal strategy house overview
- Capital strategy
- Coal capital expenditure pipeline
- Capex approval governance process
- Capex projects & results
- Concluding remarks
- Q & A

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

1 Portfolio
Excellence
Value and risk optimised
portfolio design, based
on a consistent and
robust quantitative
decision framework

Strategic Priorities

Value Levers Robust portfolio composition

Well-packaged, timely divestments

Strategic, valuecreating acquisitions 2 Marketing Excellence

Maximise value while diversifying risk from our basket of coal products and markets, based on superior intelligence

> Robust Market Strategy

Market to Resource, 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

Systematic approach to capital allocation

Project development excellence

Project execution excellence

People & Organisation Excellence

Right people, right time, right place

Engaged & productive employees

Accountability & performance mgmt.

Safety & Sustainability Excellence

Human Capital

Natural Capital

Social Capital

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



The Exxaro coal capital pipeline contains projects from all business areas

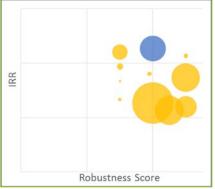


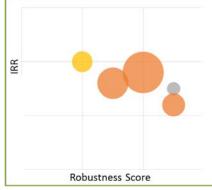
Improvement

Improving our EBIT/Value

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

46% of our 2022 pipeline in this half





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Strategic

Position our business for the future

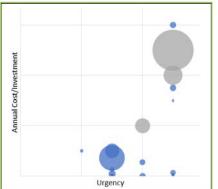
- Protect market
- Diversifying customer / product
- Establish footprint
- Position for future opportunities
- Hedge against specific scenarios

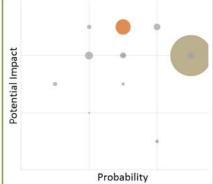


Sustaining

Protecting our EBIT/Value

- Replace according to LCC
- Avoid cost increase
- Avoid production loss
- Based on improving certain KPI's
- Includes ongoing investment for top half projects





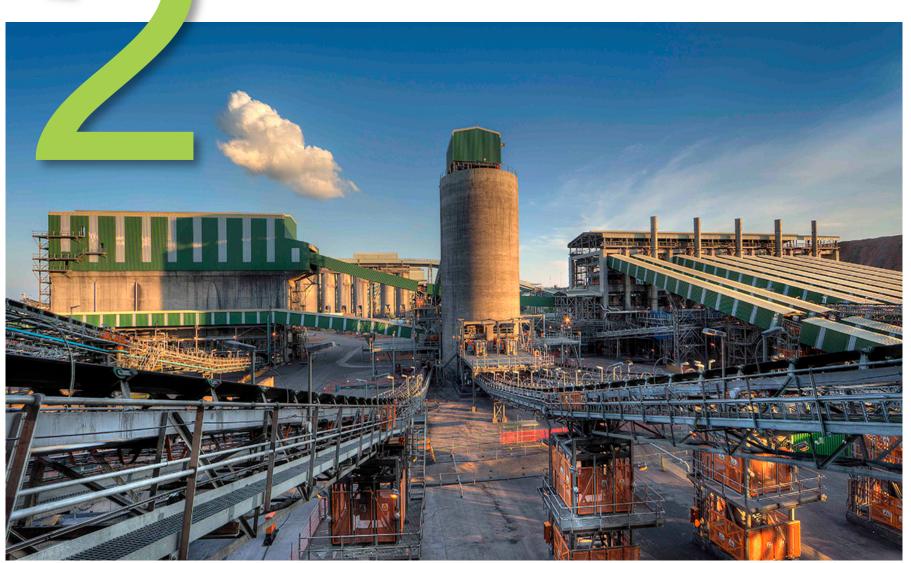
54% of our 2022 pipeline in this half

Responsibility

Protecting our people and environment

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





A robust capital delivery strategy ensures an optimised portfolio

Objectives

Optimal capital allocation

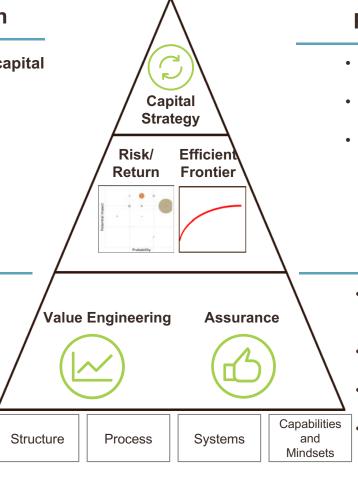
Translating strategic objectives into capital allocation for project portfolio

- 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

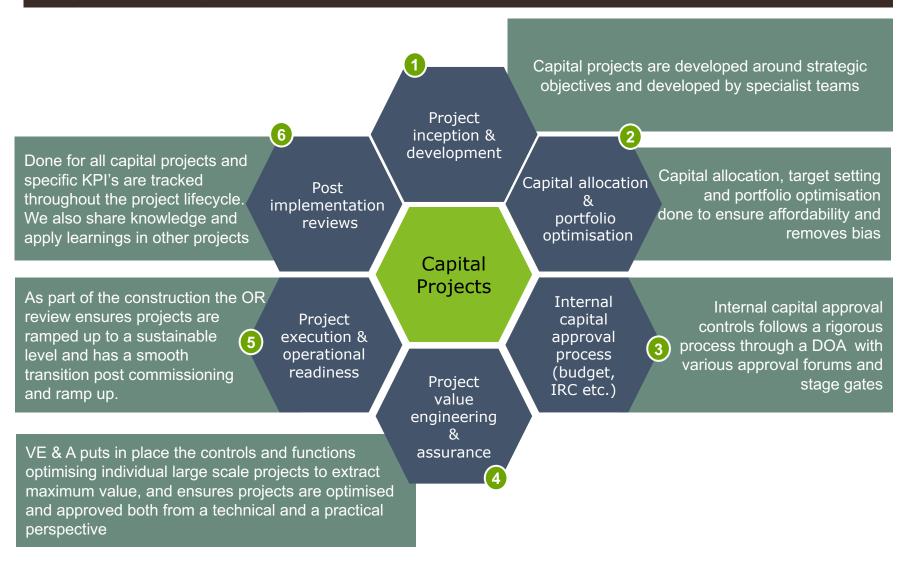
Portfolio Management

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

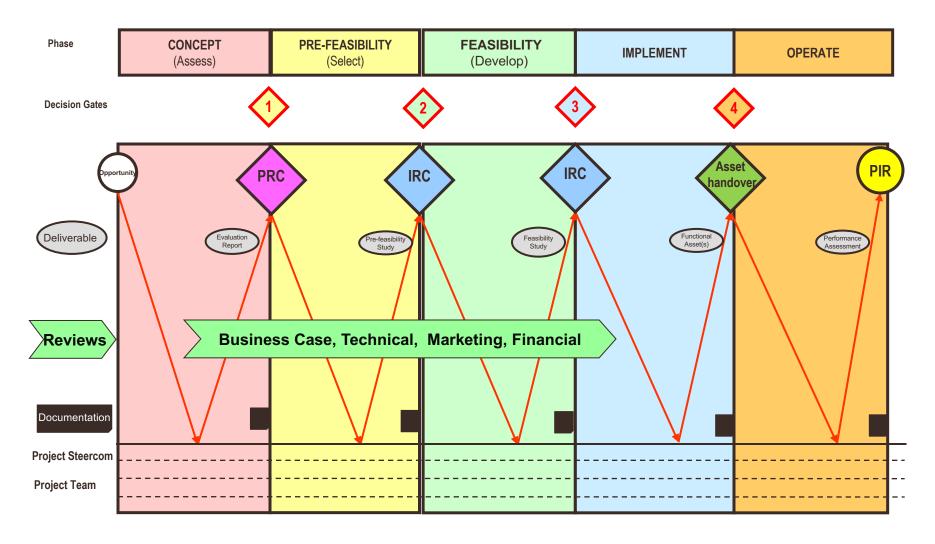
Project development

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

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



Project Life Cycle Process - Coal



Note: see additional slide for details

Approval Framework Summary

	Capital Projects for Sustaining (Improvement - including Brownfields expansion, Responsibility & Sustainability)		Capital Projects for Growth	
	Included in Budget R mil	Not included in Budget R mil	Included in Budget R mil	Not included in Budget R mil
Board	≥ 250	≥ 100	≥ 100	≥ 50
Exxaro Exco	≥ 150 < 250	≥ 75 < 100	≥ 50 < 100	≥ 30 < 50
Exxaro IRC	≥ 100 < 150	≥ 50 < 75	≥ 30 < 50	≥ 15 < 50
Coal Opco / IRC (EH Coal Operations)	< 100	< 50	< 30	< 15
GM Waterberg / IRC	< 70	< 30		
GM Mpumalanga / IRC	< 30	< 10		
BU Managers / IRC	< 10	< 1		

Purpose of the Investment Review Committee (IRC)

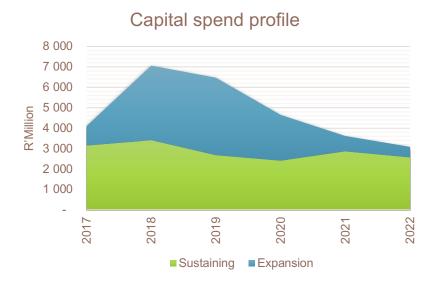
- Each project meets the strategic, technical and investment requirements of the company
- Critical business and project risks are adequately addressed before committing funds
- Review and approve, as well as recommend projects for approval by the EXCO / Board
- Review Post Implementation Review (PIR) results for feedback into the investment cycle (see additional slide for details)

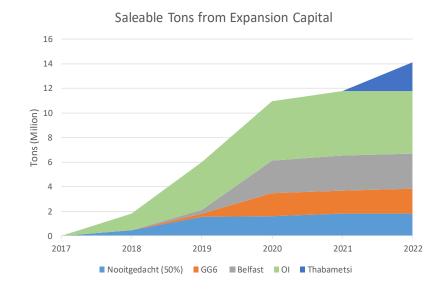
Project execution on R24 billion pipeline remains imperative (2018-2022)

3 Project execution excellence

Executing the project pipeline

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





Major Projects

Waterberg

Mpumalanga

GG6 Expansion

• Capex: R4,8bn

Product: Minimum 1,7Mtpa of semi-soft coking coal

In construction

• 1st production: FY20

Thabametsi Phase 1

· Capex: R3,2bn

• Product: 3,9Mtpa of thermal coal

1st production: FY21

Grootegeluk Rapid Load Out Station

Capex: R1,3bn

· Load capacity: 12Mtpa

In construction

Commissioning: 1H19

Grootegeluk Discard Inpit Phase 2

• Capex: R0,6bn

Commissioning

Belfast

• Capex: R3,3bn

Product: 2,7Mtpa of thermal coal

In construction

• 1st production: 1H20

Matla Mine 1 Relocation

· Capex: R1,8bn

Construction start pending Eskom approval

Leeuwpan Lifex*

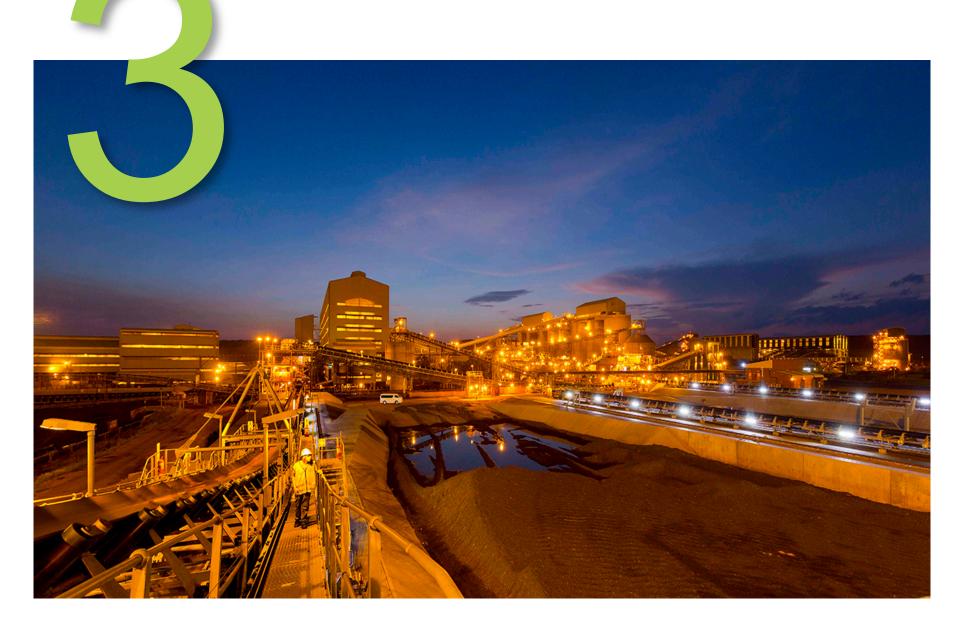
Capex: R0,6bn

• Product: 2,7Mtpa of thermal coal

In construction

• 1st production: 2H18

... protecting and growing business

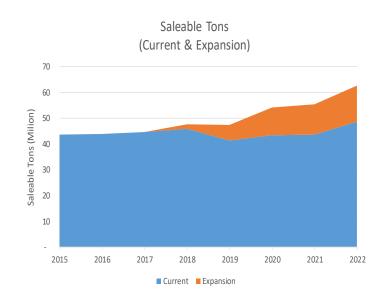


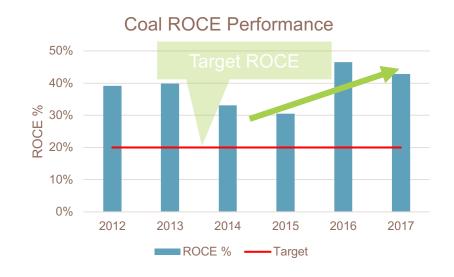
Our track record of delivering value is proven

Our track record

Translating strategic objectives into delivered results

- Proven methodologies, processes and controls
- Capital projects delivered on time and within budget
- Coal has consistently achieved the ROCE target over the last 6 years
- 33% volume growth from expansion capex over next 5 years – adding >R3bn in EBITDA







(2018 Real Terms, \$68/ton, R13,27/\$) 2024 3500 3000 2020/1 Rmillion 2500 2020 2000 2020 1500 1000 2019/202 500 Nooitgedacht GG6 **Belfast** 01 Thabametsi $(50\%)^*$ *Nooitgedacht is replacement

- 70% of OI is incremental



Closing comments and Q&A



A modernized coal producer, powering a better future



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



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

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



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

Additional slides



Project Life Cycle - details

PHASE	PHASE 1 POTENTIAL	PHASE 2 PRE-	PHASE 3 FEASIBILITY	PHASE 4 IMPLEMENT	PHASE 5 OPERATE
		FEASIBILITY			
Objective	Clearly frame the goal Determine potential value of the opportunity and alignment with business strategy	Generate alternatives Generate and select the preferred project alternative	Fully define scope Finalise scope, cost and schedule and arrange project funding	Implement execution plan Produce an operating asset consistent with scope, cost and schedule	Monitor performance Start-up, operate and evaluate asset to ensure performance specifications and maximum returns to shareholders
Key Deliverables	A valuation report including formulation of a reference case, documenting known data and identifying a range of options aligned with business strategy ranked by cost and uncertainty Plan for next subsequent phases including funding, resource requirements and value assurance requirements	A Development plan – definition of a preferred option with 70 – 85% accuracy in estimates Preliminary basis of design Refined business case Updated plan for next and subsequent phases including funding, resource requirements and value assurance requirements	Project specification — completed engineering definition, 85% - 90% accuracy in estimates, implementation plan and schedule Initial business case Updated plan for next and subsequent phases including funding, resource requirements and value assurance requirements	Asset completed and ready for handover	Post investment review Extract maximum value from operating the asset
Focus Items	Clearly frame goal Test for strategic fit Prliminary assessment (eg technical, market, etc) Determine regulatory approval required Plan for Phase 2 Report on cost and other performance for current phase Other focus items	Generate alternatives Preliminary development of alternatives Calculate expected value Identify preferred alternatives Regulatory approval Plans for Phase 3 (incl funding approval and resource requirements) Report on cost and other performance for current phase Other focus items	Fully define scope Refine estimates and assumptions Calculate final expected value Regulatory approval Develop detailed implementation plan for Phase 4 Other focus items	Implement execution plan Finalise operations plan Business plan for Phase 5 Project Review Regulatory approval Other focus items	Operate asset Monitor and evaluate performance Identify new opportunities Regulatory approval Other focus items

Post Implementation Review (PIR) details

- To improve the quality of investment decisions by analysing and understanding all aspects of previous investments:
 - Covers all aspects of the approval,
 - Actual achievements and performance, as well as future results now expected are compared with those that
 were projected in the original capital submission,
 - Feedback is given on "performance vs promise" in terms of;
 - Technical parameters
 - Marketing parameters
 - Financial parameters
- Were project goals achieved?
 - Is the deliverable functioning as expected?
 - How does end result compare with original project plan in terms of?
 - Quality
 - Schedule (Time)
 - Budget
 - Economical
 - Technical
 - Throughput
- · Lessons learnt:
 - What went wrong and why?
 - How could problems be avoided next time?
 - What went well and needs to be learnt from?