



POWERING POSSIBILITY

CAPITAL MARKETS DAY 2021

The Minerals Business - Diversified Mineral Resources for a
Low Carbon Future
(Dr Nombasa Tsengwa,
CEO-Designate and MD Minerals)



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Story of Exxaro Minerals



A clear pathway to building a sustainable minerals business

What?



An ambitious target - we aim to scale purposefully

Why?



There is no better time - build from a position of strength and align to Exxaro's ambition

How?



Developing **deep understanding of the market**



Leveraging **track record and experience**



De-risking implementation



Being **focused and rigorous**



Sticking close to our core



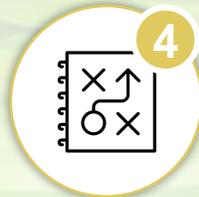
What is Exxaro Minerals' growth ambition?



Why are we embarking on this journey?



How are we going to win?



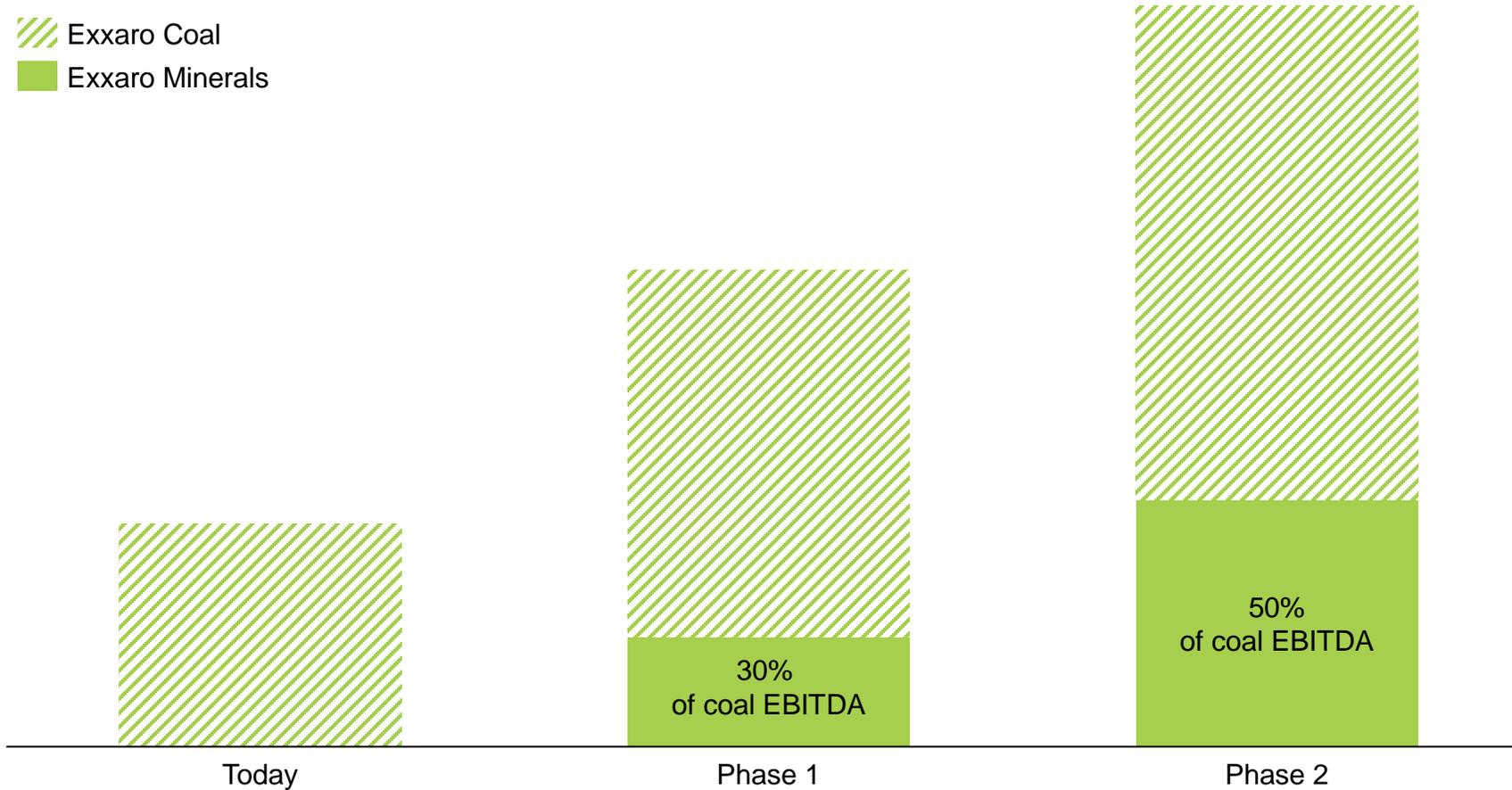
Next steps

We aim to scale purposefully

Our new Exxaro Minerals business could represent 50% of expected coal EBITDA within 10 years...

Expected EBITDA percentage of commodities per phase – excludes energy and ferrous metals

- Exxaro Coal
- Exxaro Minerals



... by investing in operating Bauxite, Copper and Manganese assets

Mission

“To utilize Exxaro’s mining skills to supply minerals that power a cleaner world...

...and provide our shareholders with superior returns whilst driving decarbonisation ambitions”

Exxaro Minerals



Manganese



Bauxite



Copper

Source: Exxaro Minerals extract projection



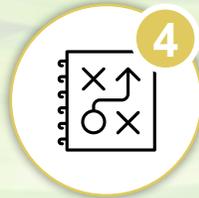
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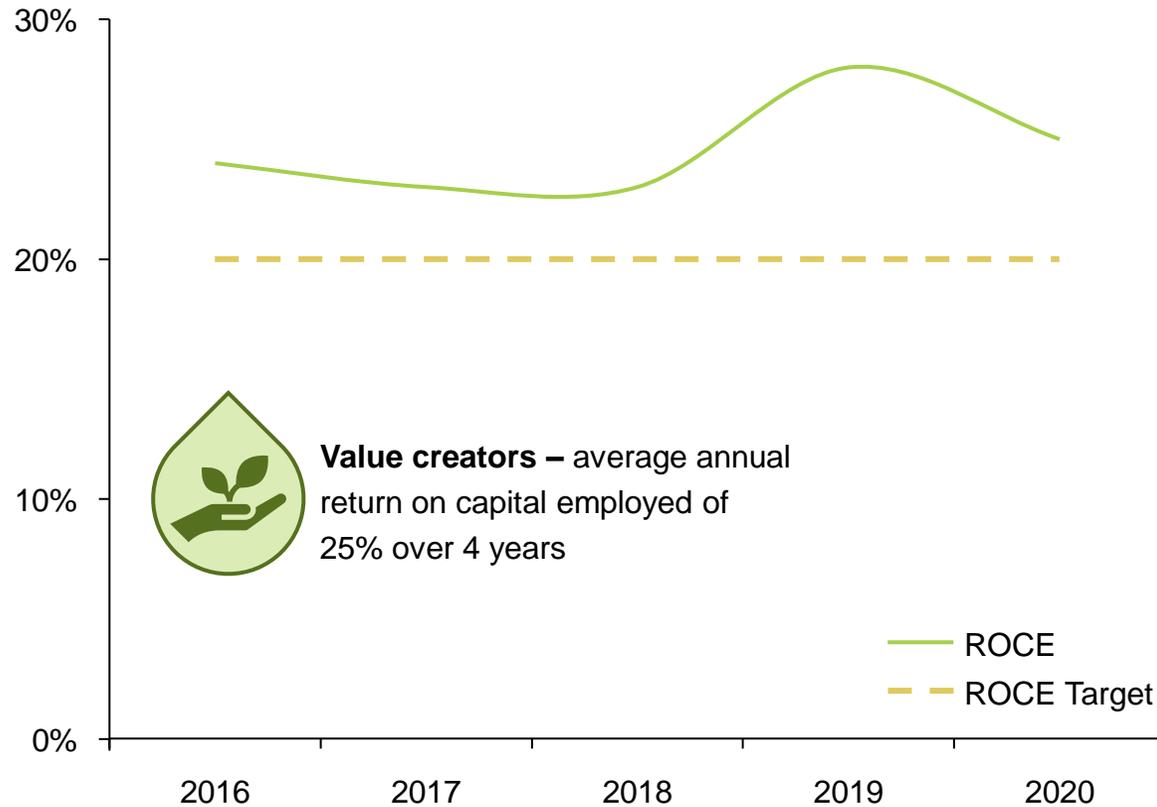


Next steps

There is no better time

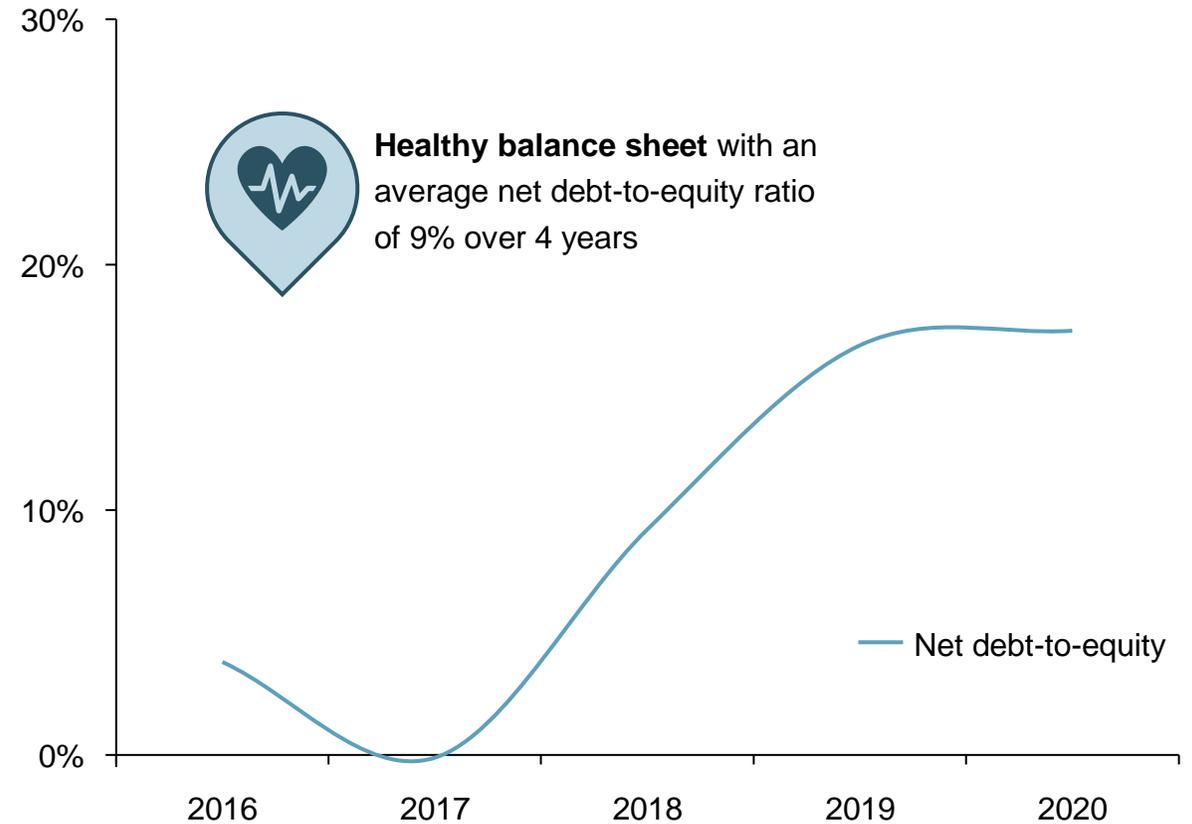
We have proven our ability to outperform our value creation targets...

Return on capital employed (ROCE) and ROCE target percentages (2016-2020)



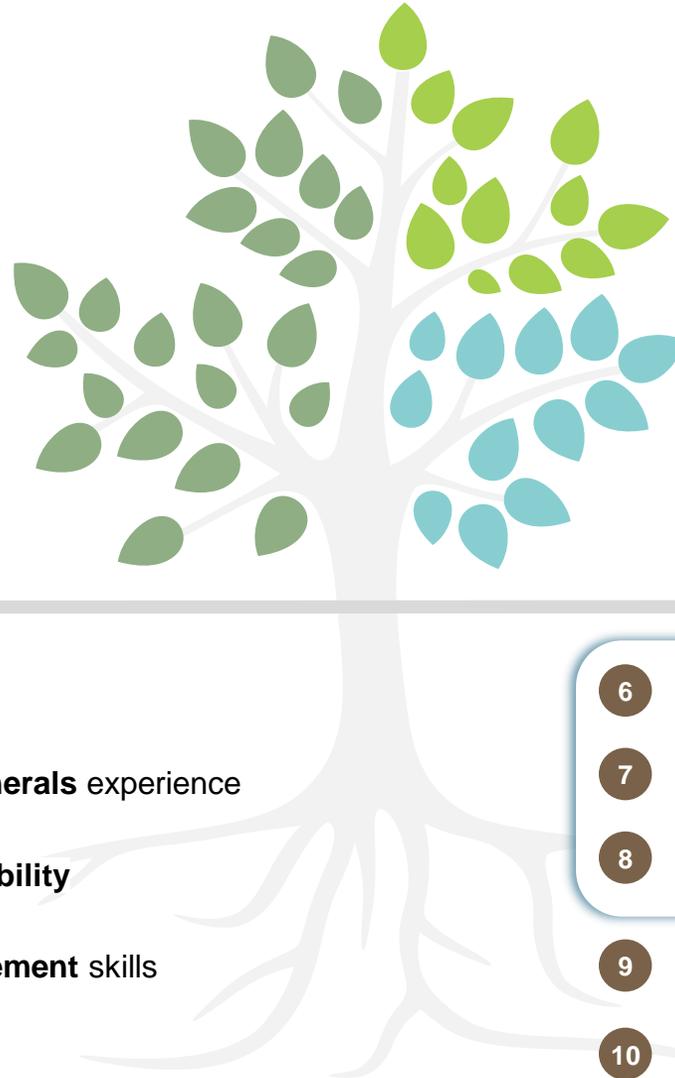
...and we're in a healthy position to leverage growth

Net debt-to-equity percentages (2016-2020)



Deep-rooted competencies to grow from ...

How are we going to grow from our core competencies?



How we grow from the core

Our core competencies

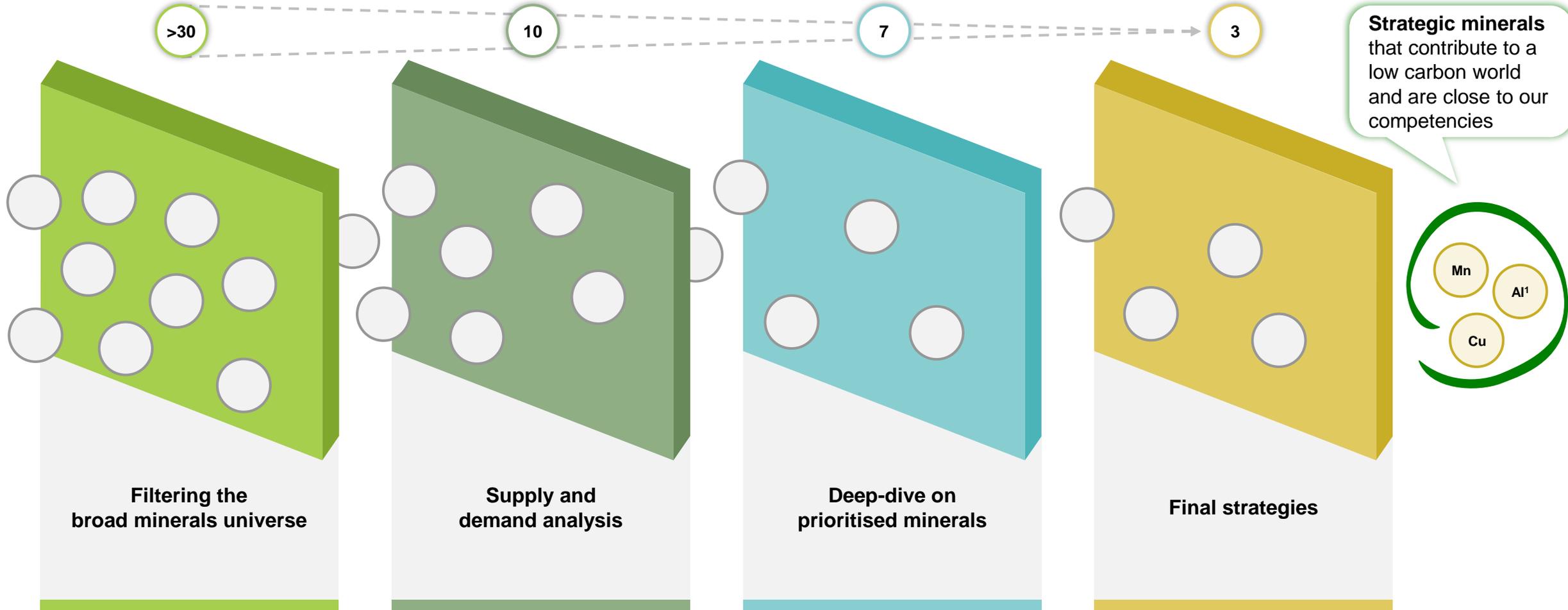
- 1 **Open pit and bulk commodity** experience
- 2 **Base metals, mineral sands and industrial minerals** experience
- 3 **Portfolio of quality operating assets with flexibility**
- 4 **Project management, cost and capital management** skills
- 5 **Geographical diversity**
- 6 **Expansion** successes
- 7 **Delivering innovation, digital, and operational excellence**
- 8 **Strong record of delivering on strategic objectives**
Project execution
- 9 **JV and investment** experience
- 10 Recognised for **our ESG performance, our brand and our culture**



If not from a position of strength while leveraging our core competencies,
how else does a coal miner become a diversified player?

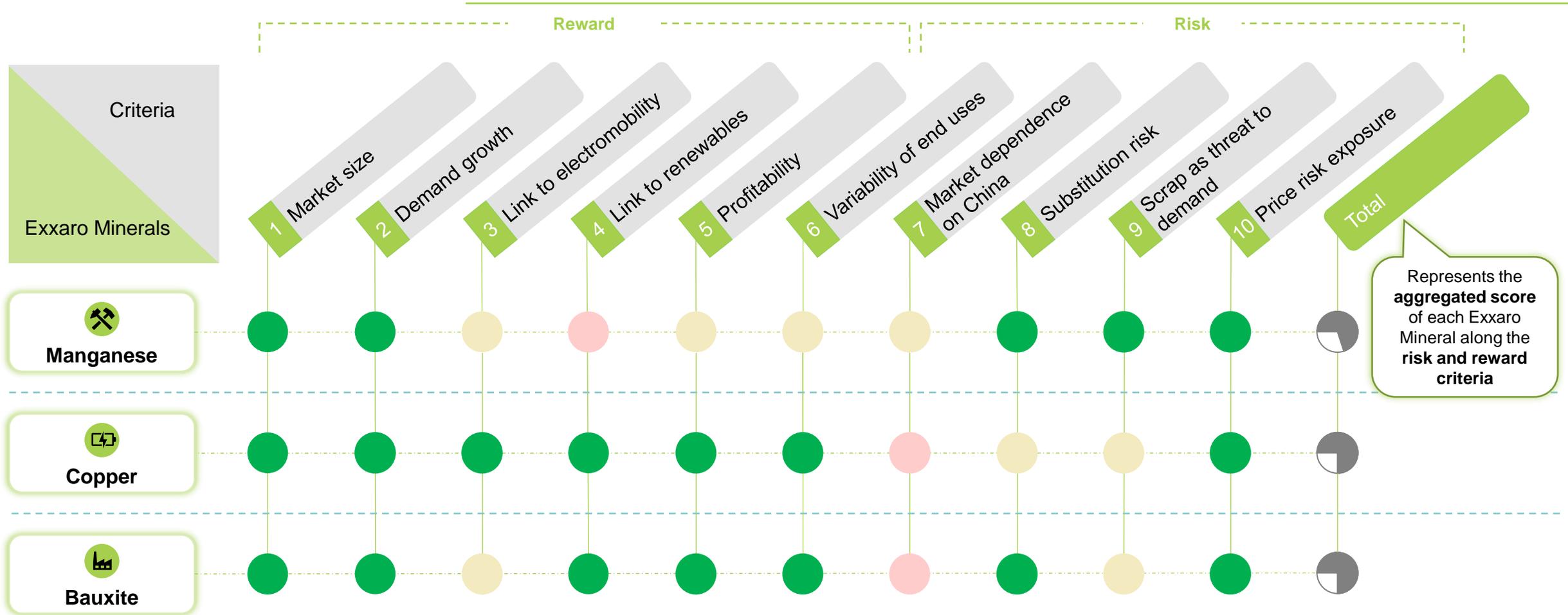
Many minerals could “power a clean world” - we are targeting three ...

Phased commodity prioritisation process to identify key strategic minerals



Notes: 1. Bauxite shown as source of Aluminium

... which provide us with the best risk-reward ratio



The remaining short list of commodities were disqualified based on their **price risk exposure** (i.e. investment threshold and price shock sensitivity) lying outside of Exxaro's risk threshold

Mineral attractiveness: ● High attractiveness ● Moderate attractiveness ● Low attractiveness



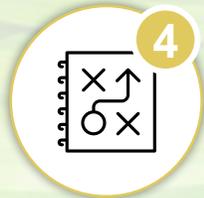
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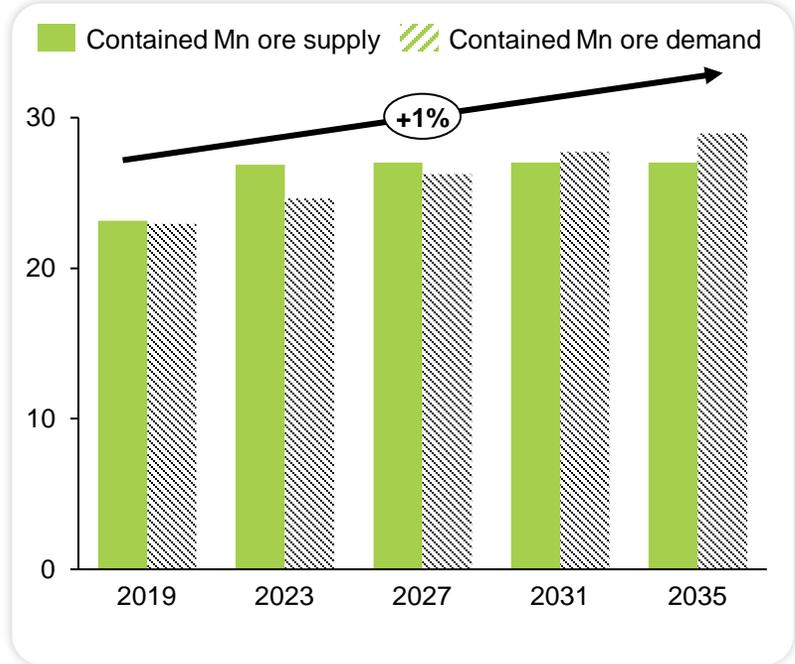
Next steps

A. We have done our homework

Manganese – attractive opportunities in our own backyard

An impending c.2 Mtpa of contained Mn supply shortfall by 2035...

Global manganese demand and supply of contained ore 2019-2035 (Mt)

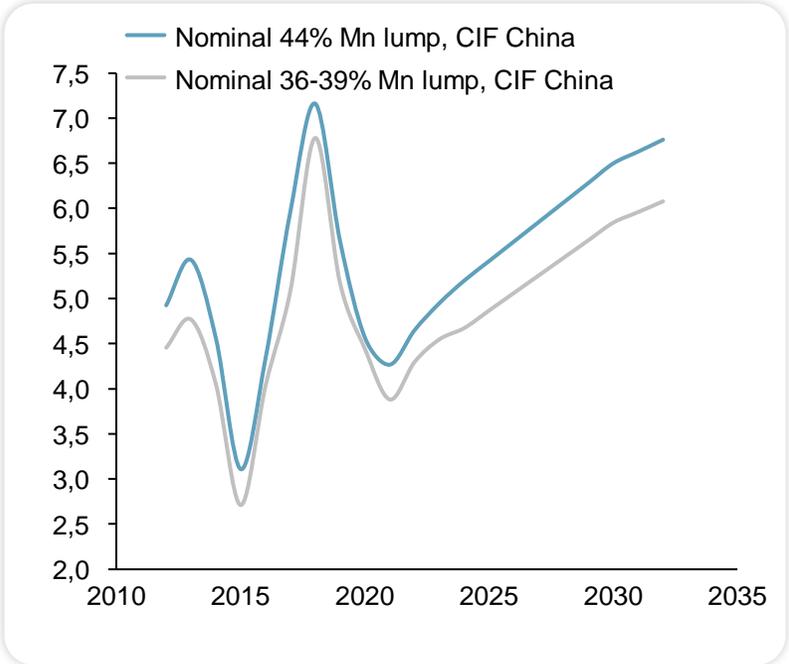


-  Growth underpinned by the **steel industry** (c.0.7% CAGR)
-  Upside potential from **EV¹ market** growth, albeit small in comparison to the steel sector

Notes: 1. Electric Vehicles
Source: CRU

... supported by rising prices...

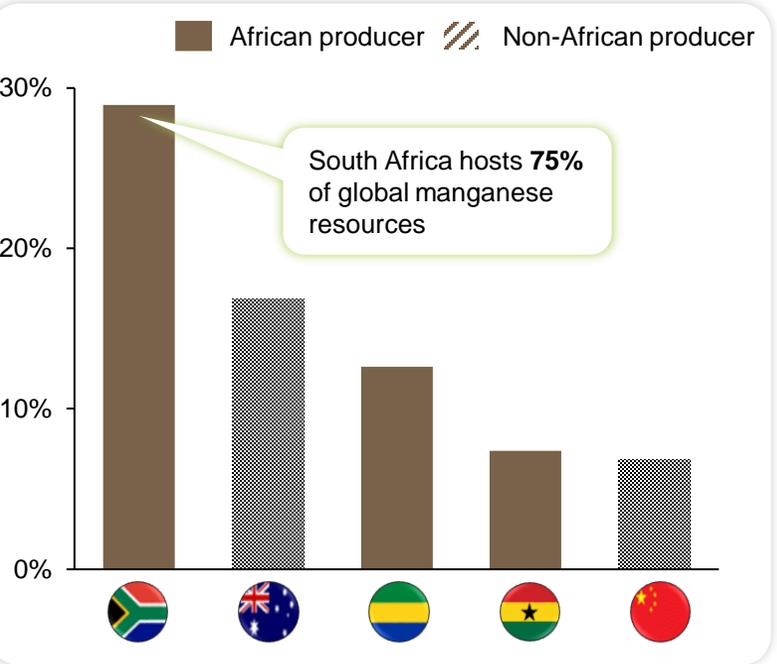
Manganese prices 2010-2035 (USD/dmtu)



-  Smaller players have since reduced debt leading to production stability and new **price floors**
-  Potential oversupply in the short term presents **investment opportunities** in long life assets

... with South Africa in the driving seat

Percentage of global ore production of top 5 Mn producing regions



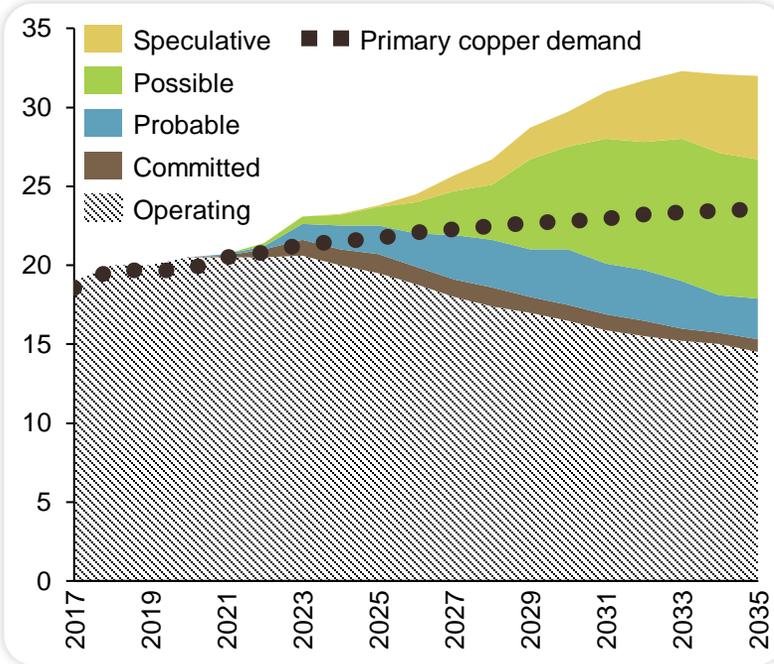
-  **South Africa** is one of four high grade producers including Australia, Gabon and Brazil
-  **RSA production capacity exceeds rail** with c.4Mt of RSA ore trucked to several ports

Unlocking RSA's logistics network is key to growing exports

Copper – targeting fragmented emerging players to exploit attractive margins

Supply demand gap will see price increase...

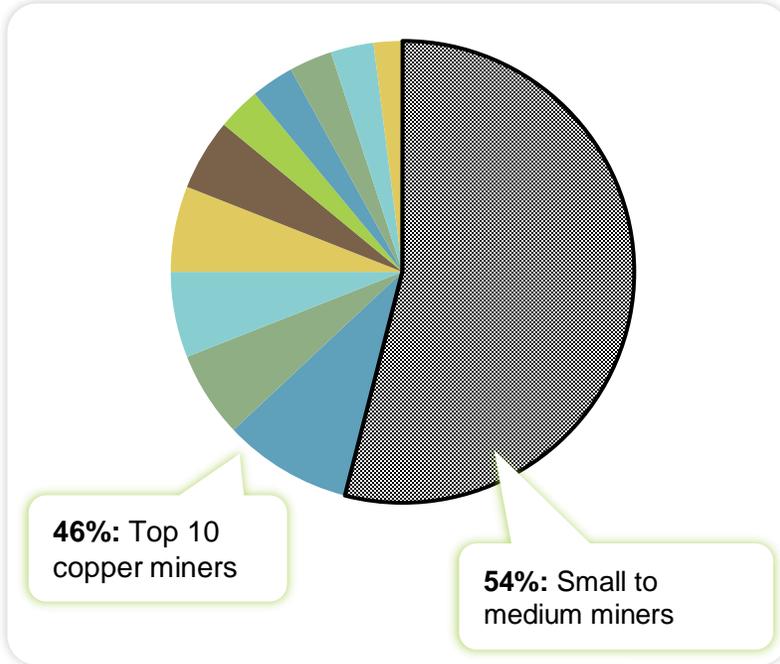
Historic and forecasted supply of copper by level of probability, 2017-2035 (Mt)



- EV's expected to make up **15% of global Copper consumption by 2035** (1.9% in 2020)
- Between **2 and 8 tonnes of Copper needed per MW** energy produced by NCRS²

... Exxaro could consolidate emerging players.....

Top copper miners based on mine production equity share, 2019 (%)



- Investment opportunity** for new entrants in **multiple jurisdictions** based on risk appetite
- Larger players** are ignoring **small emerging producers**

... and capitalise on attractive margins throughout the cycle

Copper cost and margins per quartile, 2030 (USD/t)

LME cash Cu price (2030)	Average cost ³ (USD/t)	Average margin (USD/t)	Average margin (%)
Q1	-520	8,949	106%
Q2	4,434	4,427	51%
Q3	5,298	3,131	37%
Q4	7,889	539	6%

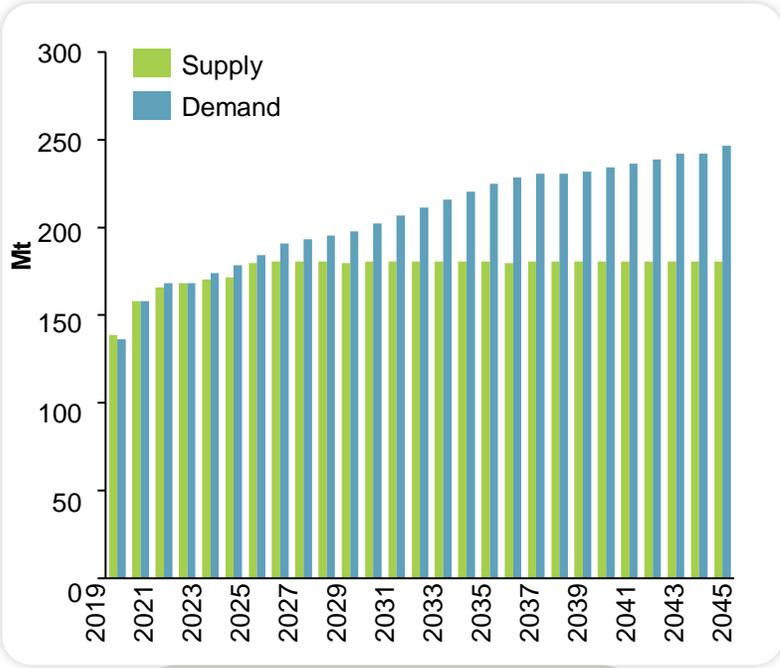
- Attractive **margins of ~48 %** in 2019 forecast to **remain intact in the long-term**
- We have identified a favourable entry point in the 2nd and 3rd quartile of the cost curve**

Notes: 1. Electric Vehicles 2. Non-conventional renewable sources 3. Average cost includes by-product credits which may result in negative costs
Source: CRU

Bauxite – an opportunity to capitalise on declining supply in China

A supply gap of ~65 Mtpa by 2045...

Third party bauxite supply and demand forecast, 2019-2045 (Mt)

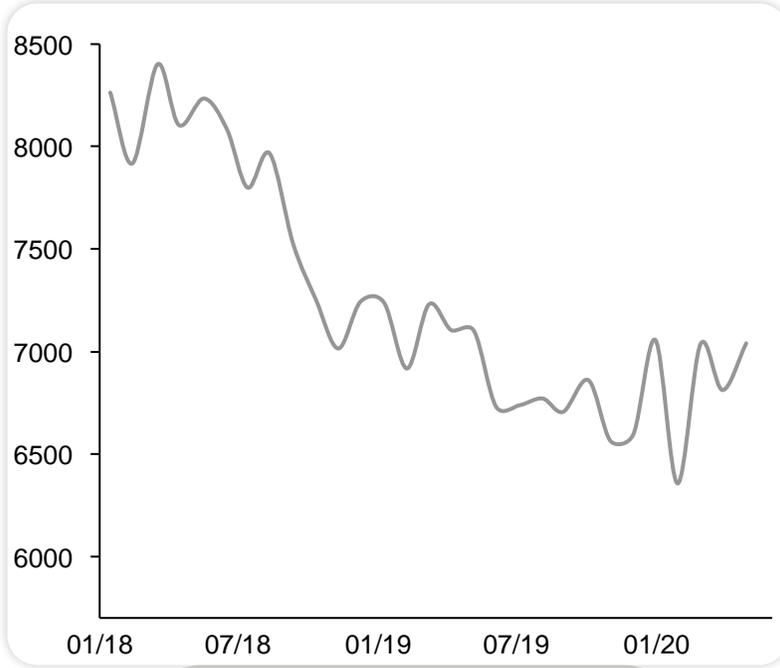


 Bauxite **demand driven by diverse end-uses** (e.g. building & construction, packaging, and transportation)

 **Decarbonisation** will drive demand from transportation and electrical sectors

... and China can't bridge the gap any longer...

Monthly Chinese bauxite supply, 2018-2020 ('000t)

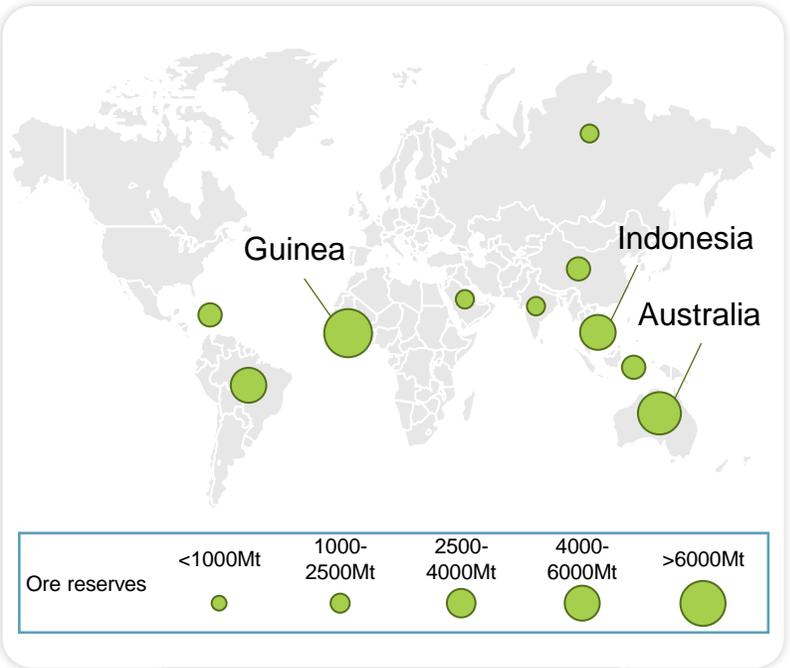


 New **capacity investments** required to fill supply gap

 **Bauxite supply from China**, the destination of >80% of seaborne bauxite, is declining

... Exxaro's timing will be critical to its success

Global Bauxite reserves per country, 2019 (Mt)



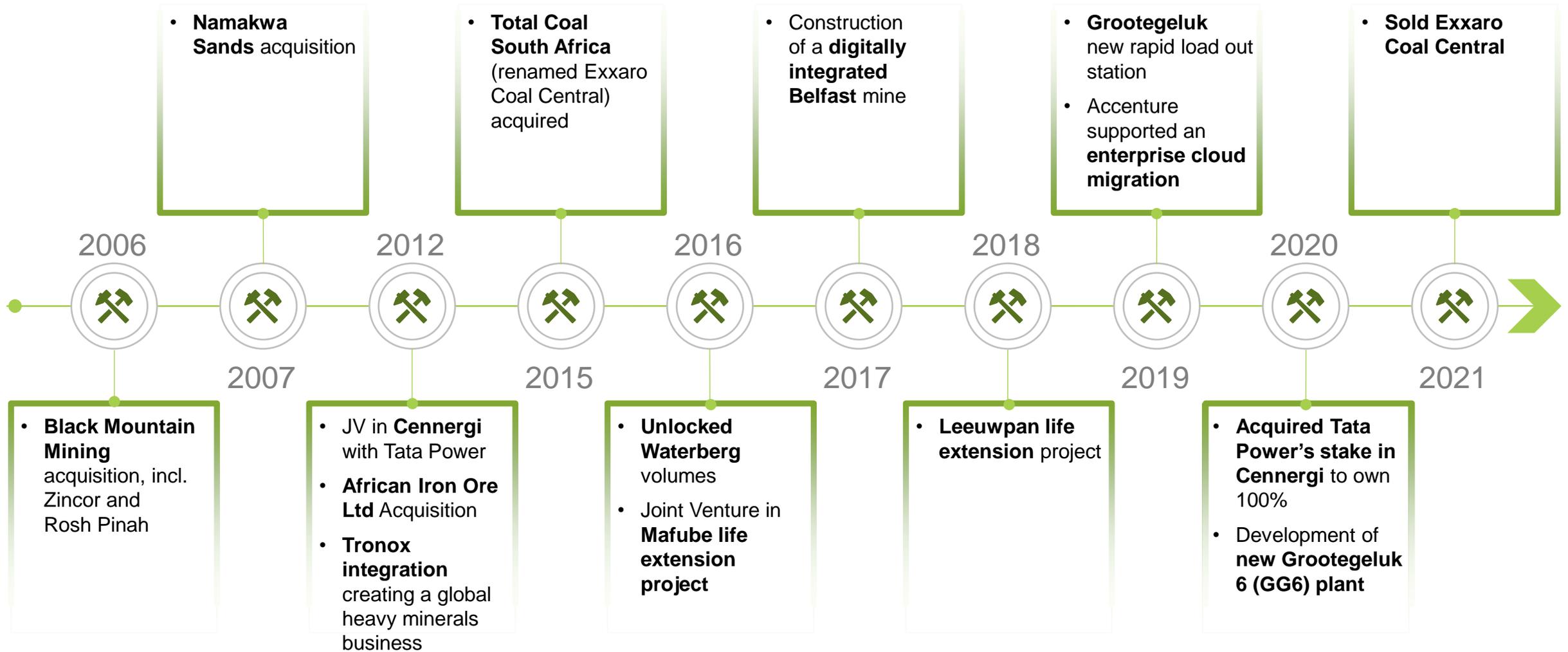
 Bauxite miners are well positioned with no **negative profit margins** since 2012

 Key supply regions host **material risk** that **require the right opportunity** to enter

Source: CRU

B. We have created value and learnt from M&A

We have the experience in M&A, digital transformation and value creation...



... and proved our ability to derive returns



25% ROCE
ACHIEVED IN 2020



R17bn
CAPITAL SPEND¹ ON COAL BETWEEN 2017
AND 2020



6²
MINING (PURCHASE) DEALS CONCLUDED
SINCE 2006



5³
STRATEGIC EXITS SINCE 2006



**Below mining inflation
cost increases**
ON AVERAGE BETWEEN 2017 AND 2020
(BELOW ~8-9%)



**2019 SA National
Business Award**
FOR DIGITALISATION AND INNOVATION
JOURNEY

Notes: 1. Includes growth expenditure; 2. Black Mountain Mining, Namakwa Sands, Africa Iron Ore Ltd., Total Coal South Africa, Moranbah South, and Cennergi; 3. NCC, Inyanda, Zincor & Rosh Pinah, NBC, and ECC

... while creating valuable experiences leading to three key lessons learnt ...



Our lessons

Good data makes good deals

“We underestimated the difficulty of doing business in West Africa. **If we had more boots on the ground**, we could have predicted the infrastructure and bureaucratic hurdles.”

“We were probably **over-optimistic in our assumptions**, especially first-mover advantage.”

Stick to our roots and nourish them too

“We reviewed some **early-stage** assets and realised that the business cases were just not proven enough as well a **too far from our core strengths**. We did not go through with the investment”

“Deeply **integrated ourselves into heavy minerals**, as a result we nourished our roots enough to buy two new assets”

Timing is critical

“Sold Tronox at the right time and purchased it a low price – **buy low and sell high**”

“Created one of the leading heavy minerals businesses but it **took 15 years**. Patience is key ”

... which in turn has shaped our operator-investor framework

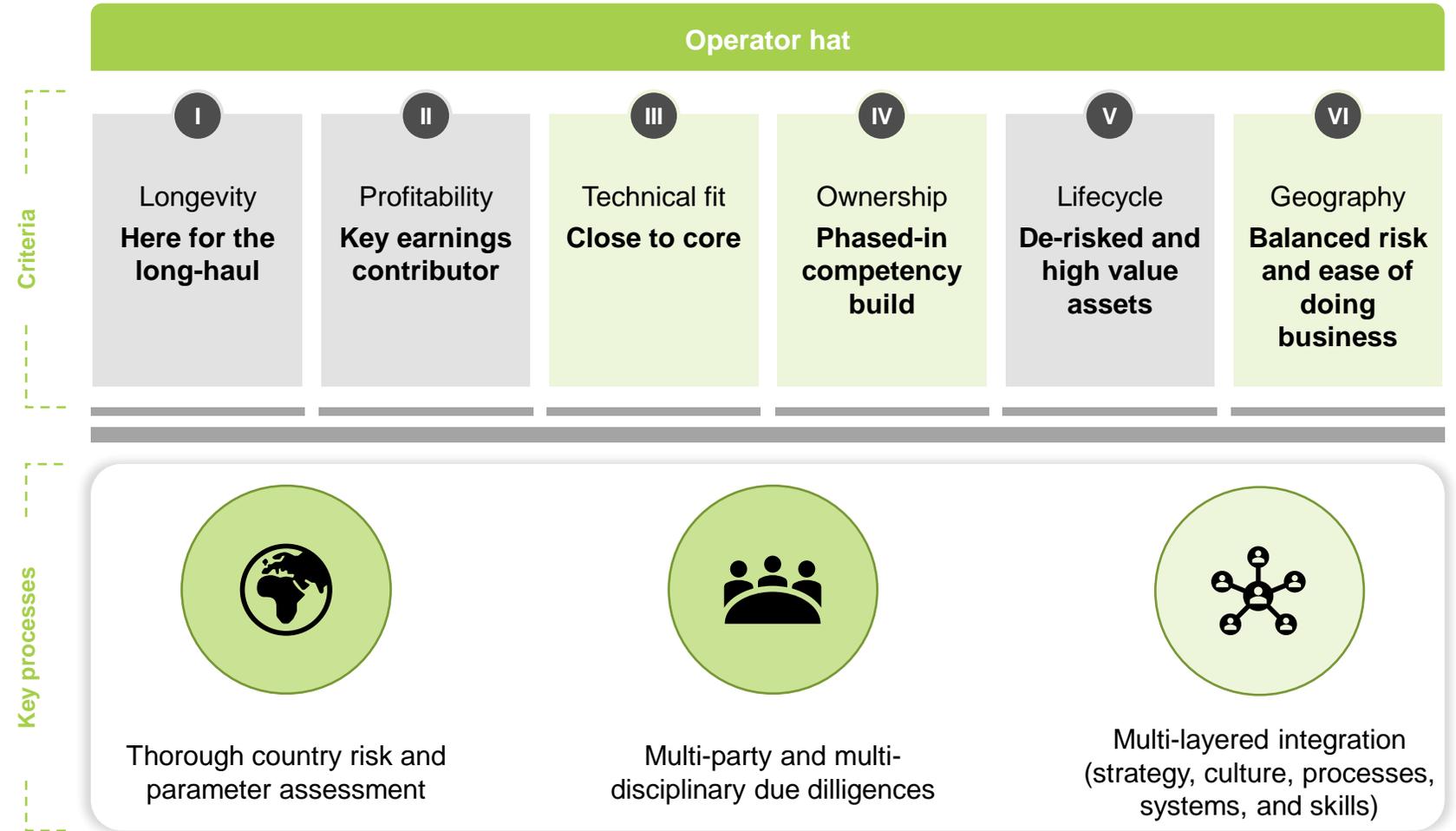
Our guiding principles

Assets that fit our **GROWTH** strategy – proven and long-term earnings

Setting up an Exxaro Minerals business that is **CLOSE TO EXXARO ROOTS**

THE DISCIPLINE TO WALK AWAY if it does not meet our criteria

Our operator-investor framework



Focused criteria

Criteria					
I  Size and Longevity	II  Cost and Profitability	III  Technical Fit	IV  Ownership	V  Lifecycle	VI  Geographic Fit
Here for the long-haul	Key earnings contributor	Close to the core	Phased-in competency build	De-risked and high value	Balanced risk and ease of doing business
<ul style="list-style-type: none"> Life of mine >10 years (greenfield expansion only considered if linked to operating asset) Contribute >20% to Exxaro total volume 	<ul style="list-style-type: none"> Returns = WACC x 1.5 times for proven ability to invest effectively Cash generative and earnings accretive so that investments contribute >30% of Exxaro coal EBITDA by year 5 	<ul style="list-style-type: none"> Focus on open pit, similar to underground mining of coal and bulk commodities as it is aligned with Exxaro's core strengths, and technical capabilities are transferrable 	<ul style="list-style-type: none"> Outright ownership: When strong technical fit is present to ensure Exxaro can capture value De-risked ownership: Partnership, JV or earn-in so that Exxaro's other capabilities are complimented by technical ability 	<ul style="list-style-type: none"> Focus on operating assets with opportunistic view on brownfield assets Greenfield assets only when associated with operating or brownfield assets to minimise risk 	<ul style="list-style-type: none"> Convenience and profitability considered <ul style="list-style-type: none"> Closely aligned time zones Favourable tax regimes and investment incentives Active labour market Sufficient infrastructure Security of tenure

De-risking implementation through a phased approach



Stayed close to roots

Purchased Ticor Limited – a mineral sands joint venture with **Tronox Western Australia**



“**Stuck to our core:** mining operations.
We acquired a **running asset**”



Nourished the roots

Established KZN Sands (greenfield) and created Tigor SA

Setup **multi-layer organisational integration** (culture, skills, structure, processes, systems, and strategy)

Purchased Namakwa Sands, an operation to produce **titanium dioxide feedstock, pig iron and zircon**

“**Patient** with technical and organisational **integration**”



Flourished new leaves

Established a global, vertically integrated pigment producer through purchase of Namakwa Sands and integration into Tronox Limited



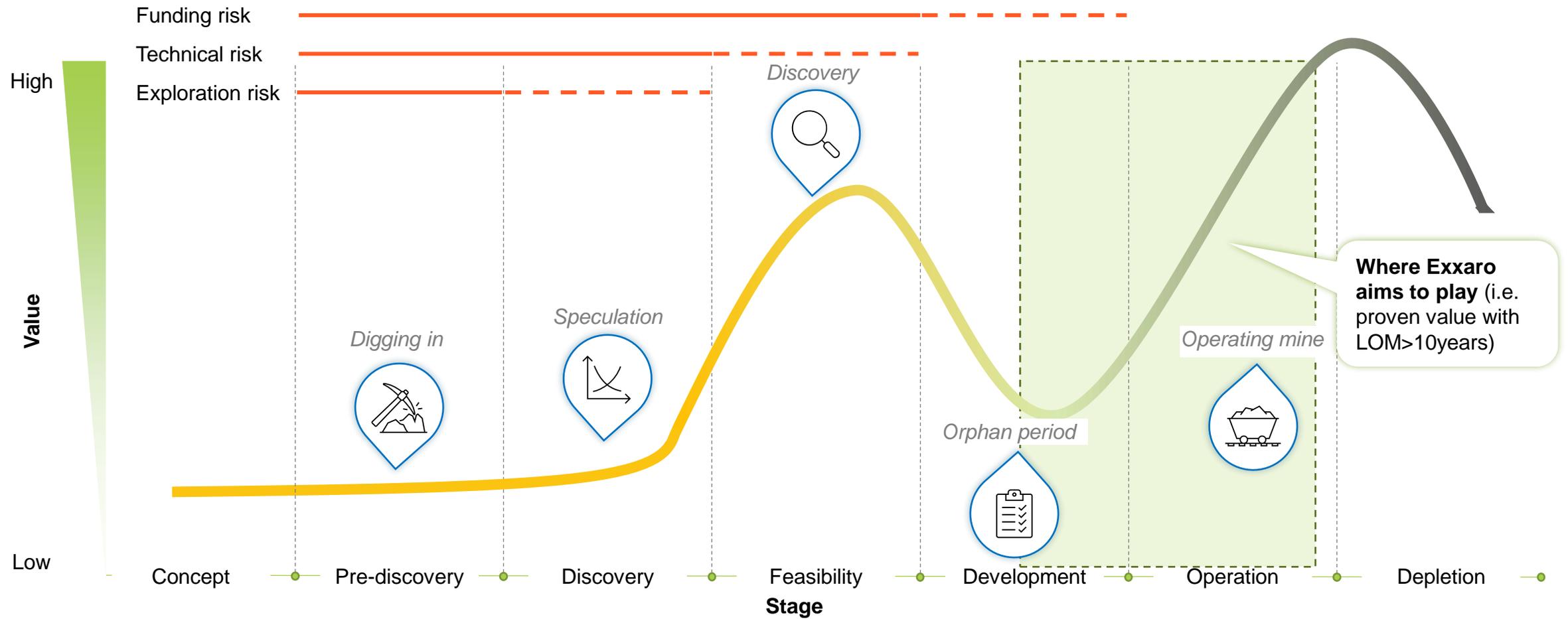
“Gained **market, business and acquisition knowledge** and used it as a stepping stone to expand”
“Tronox sale led to the **distribution of R9.7bn to shareholders** through special dividends”

Key steps

Key activities

C. We are targeting de-risked returns

Targeting what we are good at – operations that have a provable value ...



Once Exxaro is established in this area, we will look at opportunities across the life cycle

D. We aim to capitalise off our core

Rooted competencies support growth

How we grow from the core

Our core competencies

Bauxite

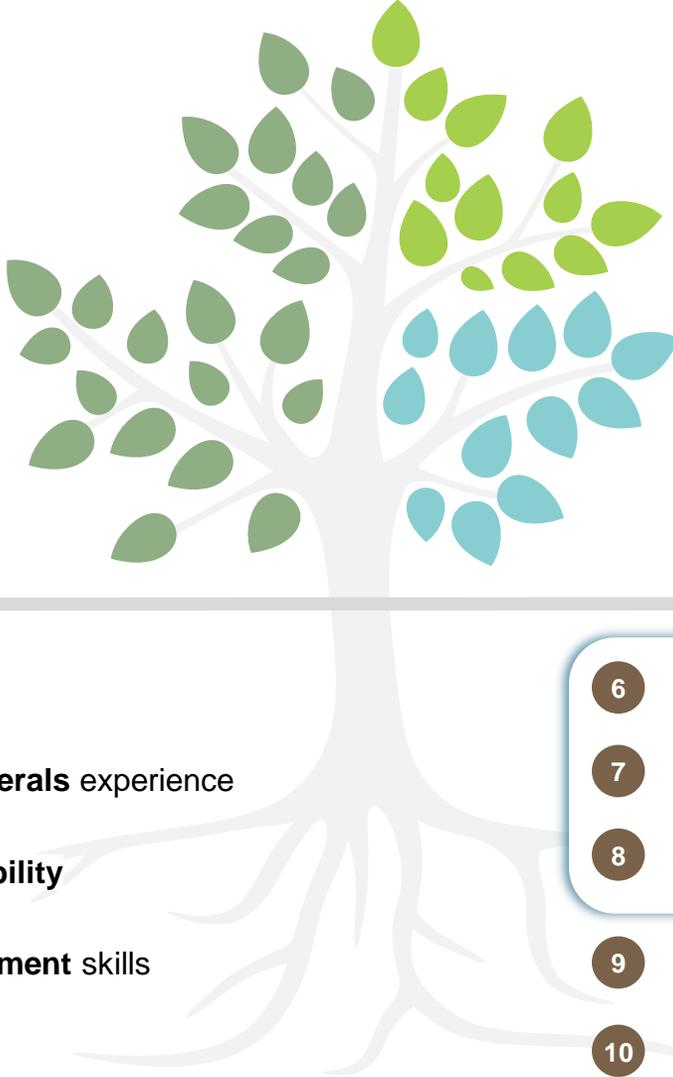
- Many bauxite producers are thermal coal producers (e.g. Rio Tinto) with parallel capabilities in mining and logistics of bauxite and thermal coal
- Bauxite mining is relatively uncomplicated as deposits are close to the surface and mined using open pit methods

Manganese

- Bulk commodity experience as a thermal coal producer
- History with Iscor – iron ore and steel

Copper

- Base metals experience, 26% ownership of Black Mountain zinc mine



- 1 Open pit and bulk commodity experience
- 2 Base metals, mineral sands and industrial minerals experience
- 3 Portfolio of quality operating assets with flexibility
- 4 Project management, cost and capital management skills
- 5 Geographical diversity
- 6 Expansion successes
- 7 Delivering innovation, digital, and operational excellence
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Project execution



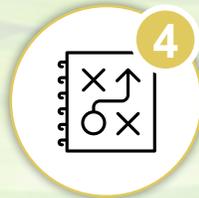
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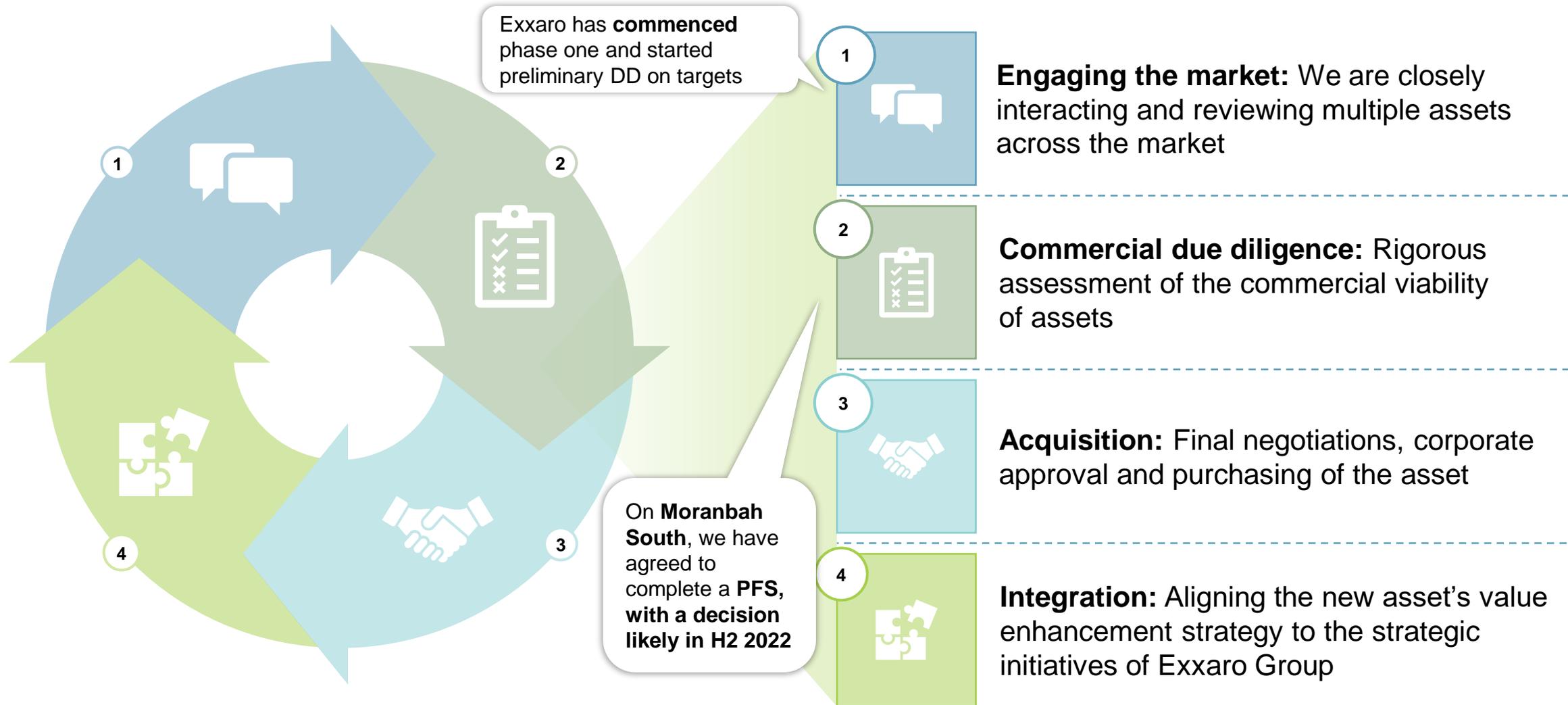


How are we going to win?

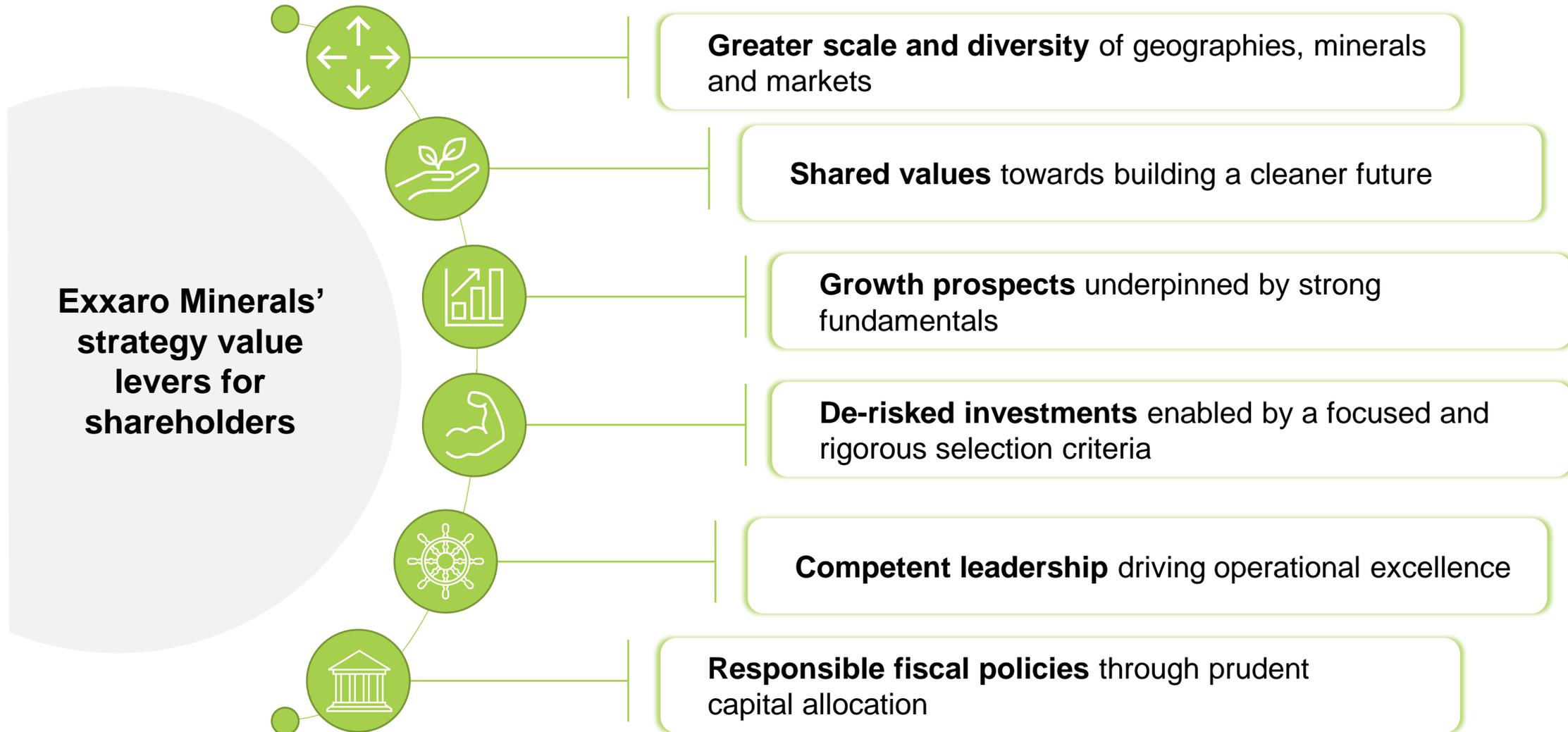


Next steps

Next steps for us: Deal movement is underway



Next steps for our investors: Value to our shareholders



Our proposition to the market

A clear pathway to building a sustainable minerals business



What?



50% of coal EBITDA in 10 years

Why?



Strong balance sheet: there is no better time

How?



In-depth knowledge of the market



Phased approach very close to our roots



Q&A Session

***We have done the homework,
we understand the outlook***

***We have learnt the lessons,
we have gained real M&A and
integration experience***

***We are ready to implement our skills,
we have created a balanced risk-reward
strategy linked to our roots***

... and a Group ambition to “power a clean world”

We have three over-arching themes...

...and bold group ambitions...

... with key roles for Exxaro Minerals to play



Sustainable



Responding to the **impending low carbon transition**



Building businesses around **key minerals** to **power a cleaner future and energy transition**



Growth



Building a resilient, **future-facing portfolio**, increased customer diversification and **multiple revenue streams**



Contributing meaningfully to Exxaro’s earnings in the next five to ten years



Impact



Maintaining our **own ESG performance platform** to be a catalyst for sustainable economic and environmental development



Enhancing value of our assets along our ESG standard (no matter the geography) and enforcing “**no-go zone**” on areas which do not come close to our basic standard

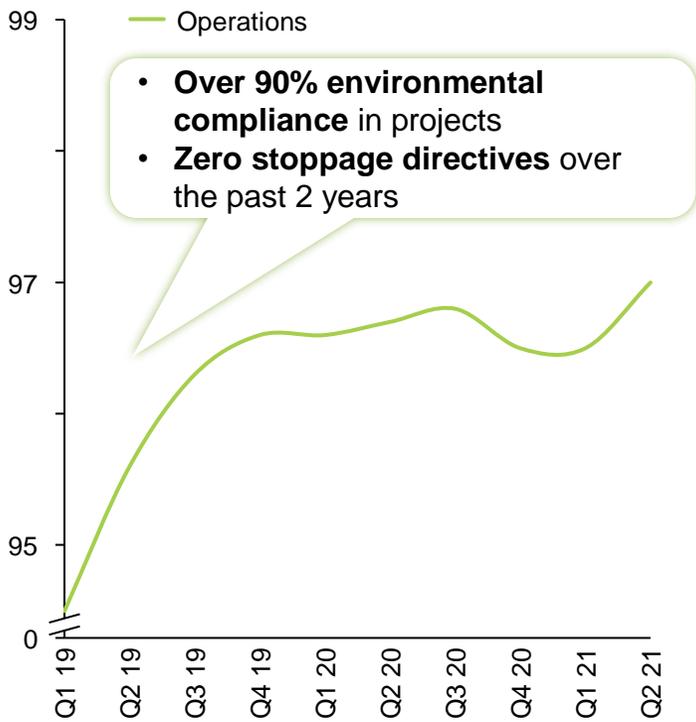
... all while never forgetting our non-negotiable ESG criteria



- E** Meet the minimum requirements of the **local country**
- S** Meet Exxaro’s standards of **community involvement**
- G** At least meet **King IV** governance standards and compliance with **SAMREC 2020**



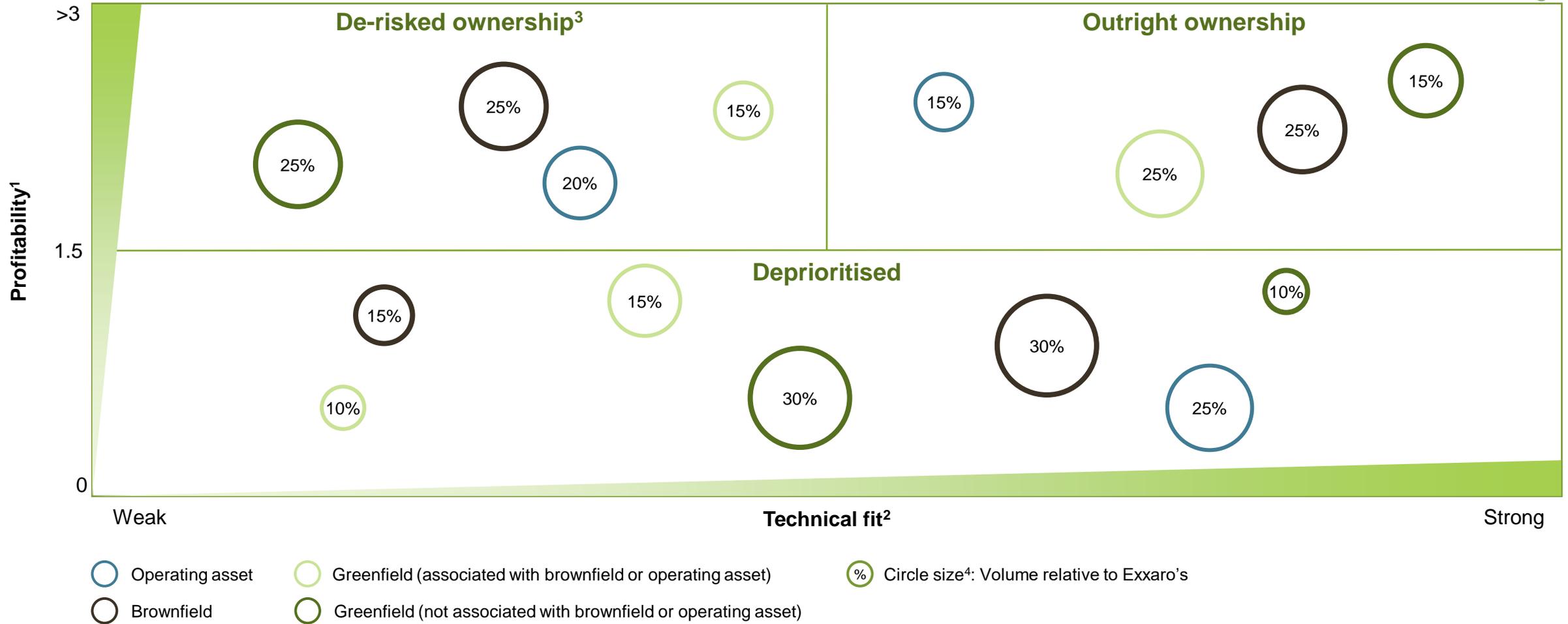
Exxaro Group, compliance to environmental conditions per quarter, Q1 2019-Q2 2021 (%)



... helping identify a broad suit of targets

Illustrative example of relative size, technical fit and profitability of potential targets

Illustrative

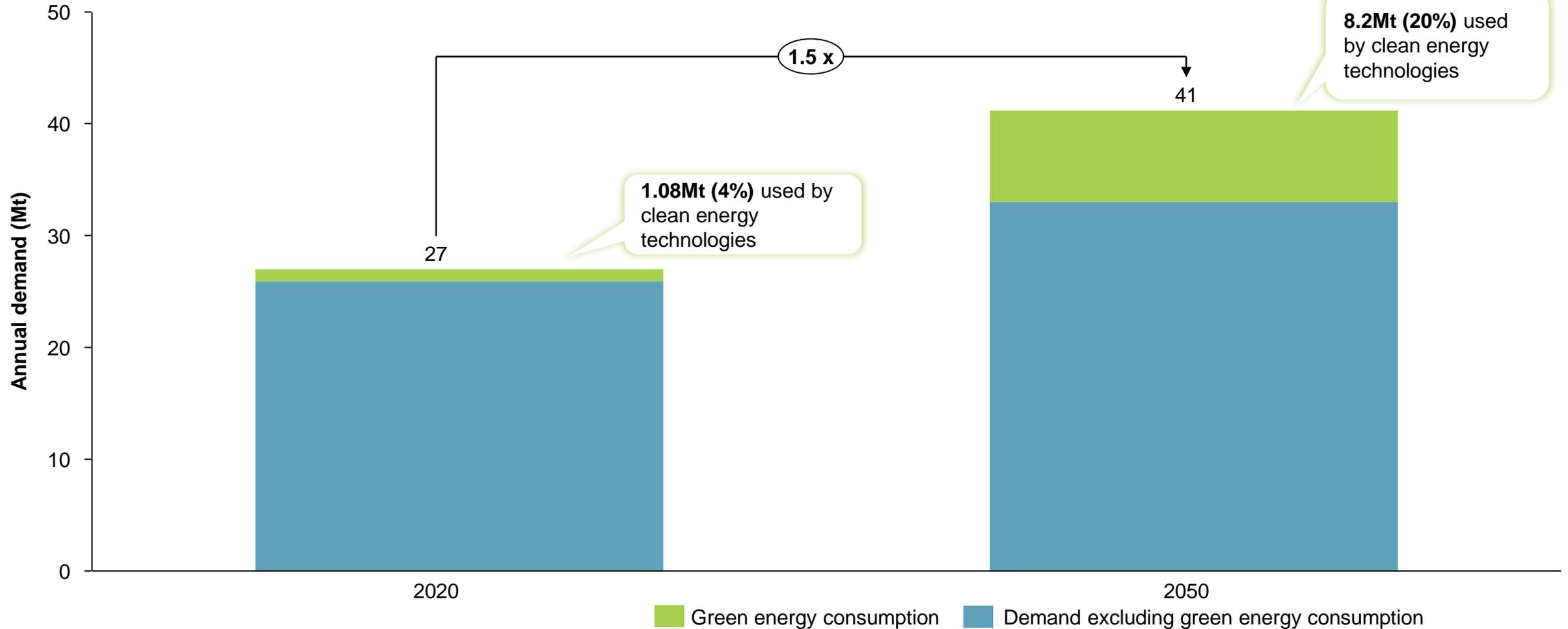


Notes: 1. Profitability measured as Returns relative to Weighted Average Cost of Capital; 2. Technical fit refers to compatibility with Exxaro's core capabilities; 3. De-risked ownership includes non-outright purchase ownership structures like joint ventures, partnerships and earn-in agreements; 4. Volume as a % of Exxaro's total volume used as proxy for size in graph

Future demand for Exxaro Minerals (1/2)

Copper – 1.5x expected growth by 2050

Scenario-based expected demand for copper, 2020-2050 (Mt)

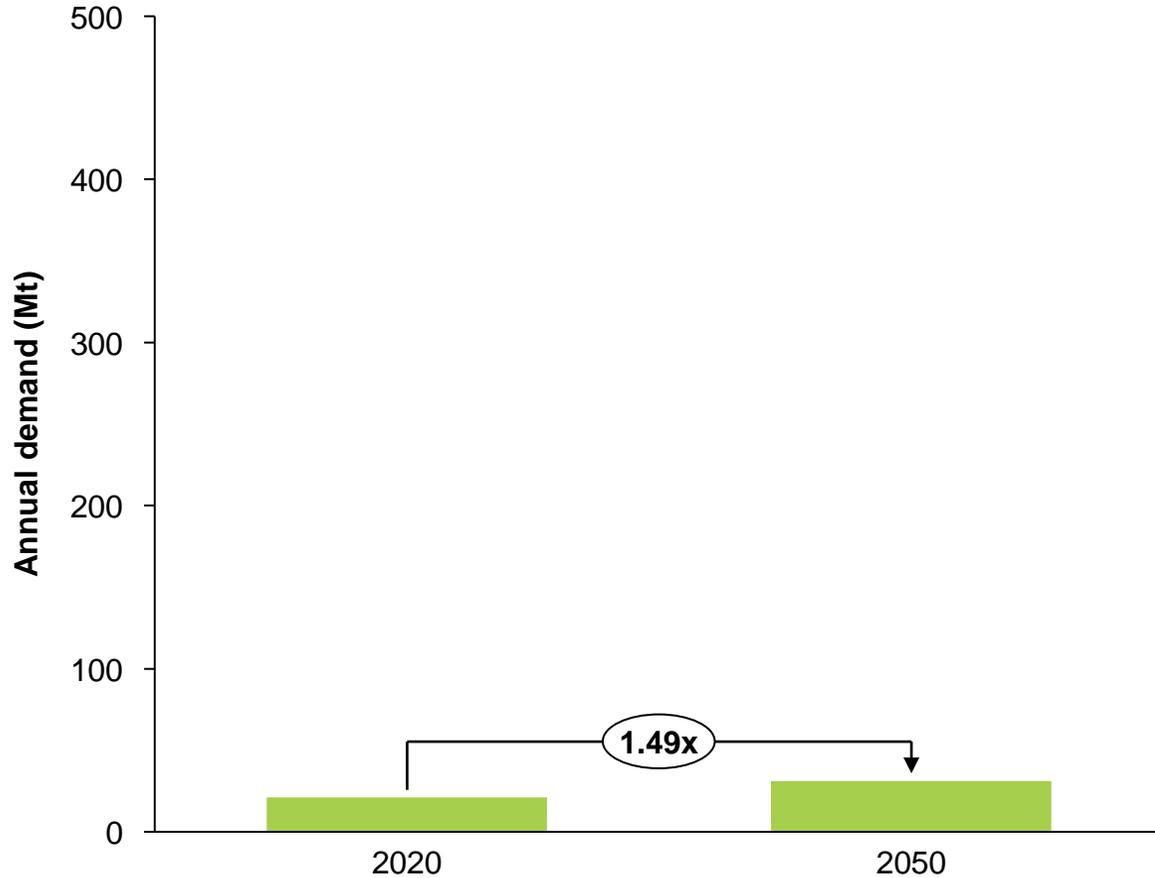


Source: International Copper Association, Wood Mackenzie, IRENA

Future demand for Exxaro Minerals (2/2)

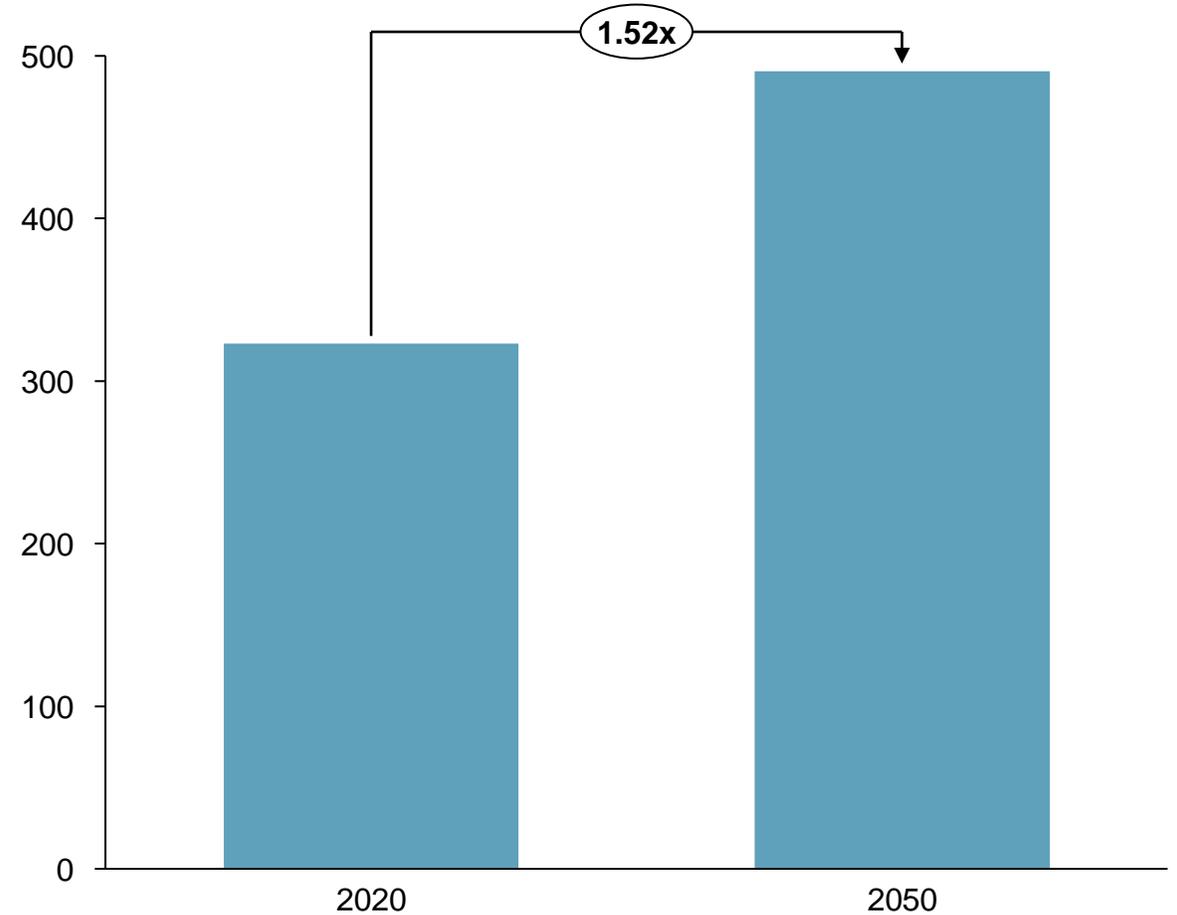
Manganese – 1.49x expected growth by 2050

Expected manganese demand¹, 2020-2050 (Mt)



Bauxite – 1.52x expected growth by 2050

Expected bauxite demand², 2020-2050 (Mt)



Notes: 1. 2020-2035 CAGR used to extrapolate to 2050 as the upswing in demand is incorporated from the medium into the long-term. 2. 2025-2035 CAGR used to extrapolate to 2050 to capture the upside of supply growth expected in the longer-term. | Source: CRU