

SBGS Mining Annual Mining Conference

Exxaro's
medium term
capex
programme

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Financial
Performance Coal

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exxaro

POWERING POSSIBILITY



Disclaimer

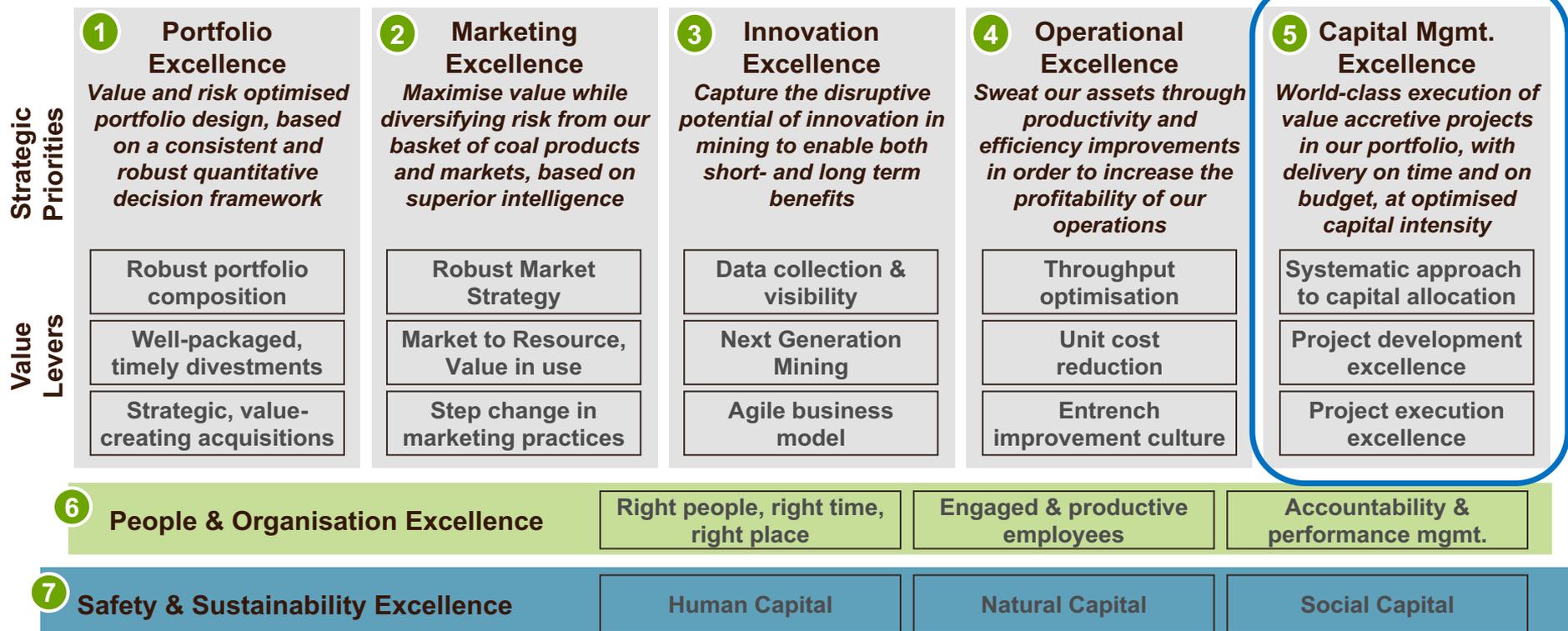
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Presentation outline

- **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



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

1

Coal strategy enabled by a healthy capex project pipeline...



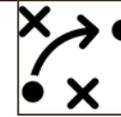
The Exxaro coal capital pipeline contains projects from all business areas



Improvement

Improving our EBIT/Value

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

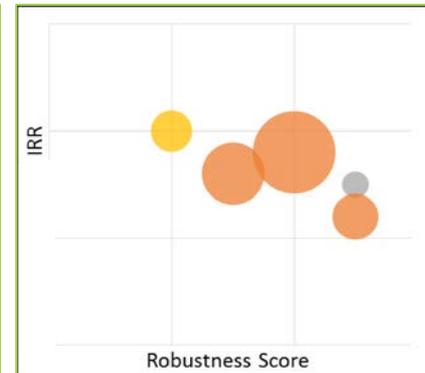
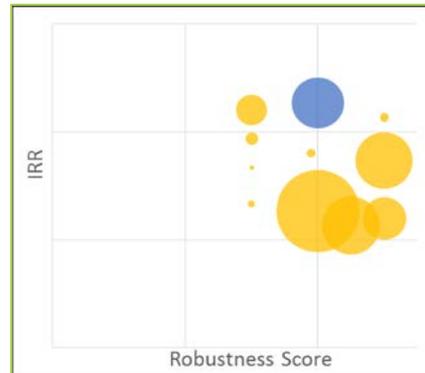


Strategic

Position our business for the future

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

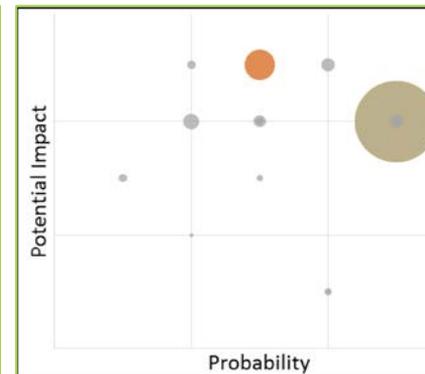
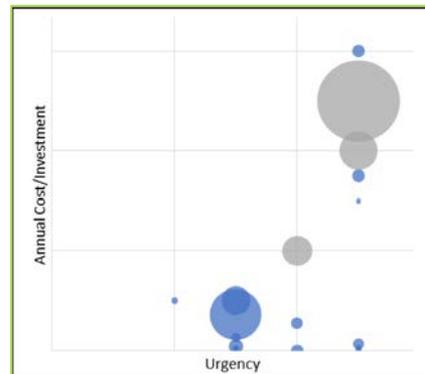
46% of our 2022 pipeline in this half



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

**...managed through a robust selection
and development process...**



A robust capital delivery strategy ensures an optimised portfolio

Objectives

Mechanisms

1 Optimal capital allocation

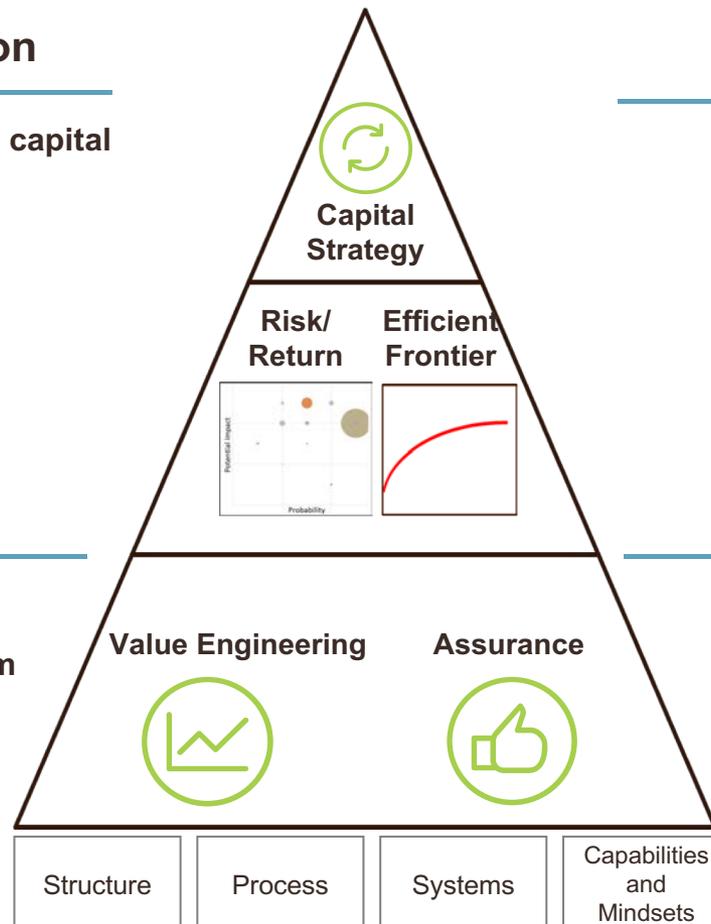
Translating strategic objectives into capital allocation for project portfolio

- 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



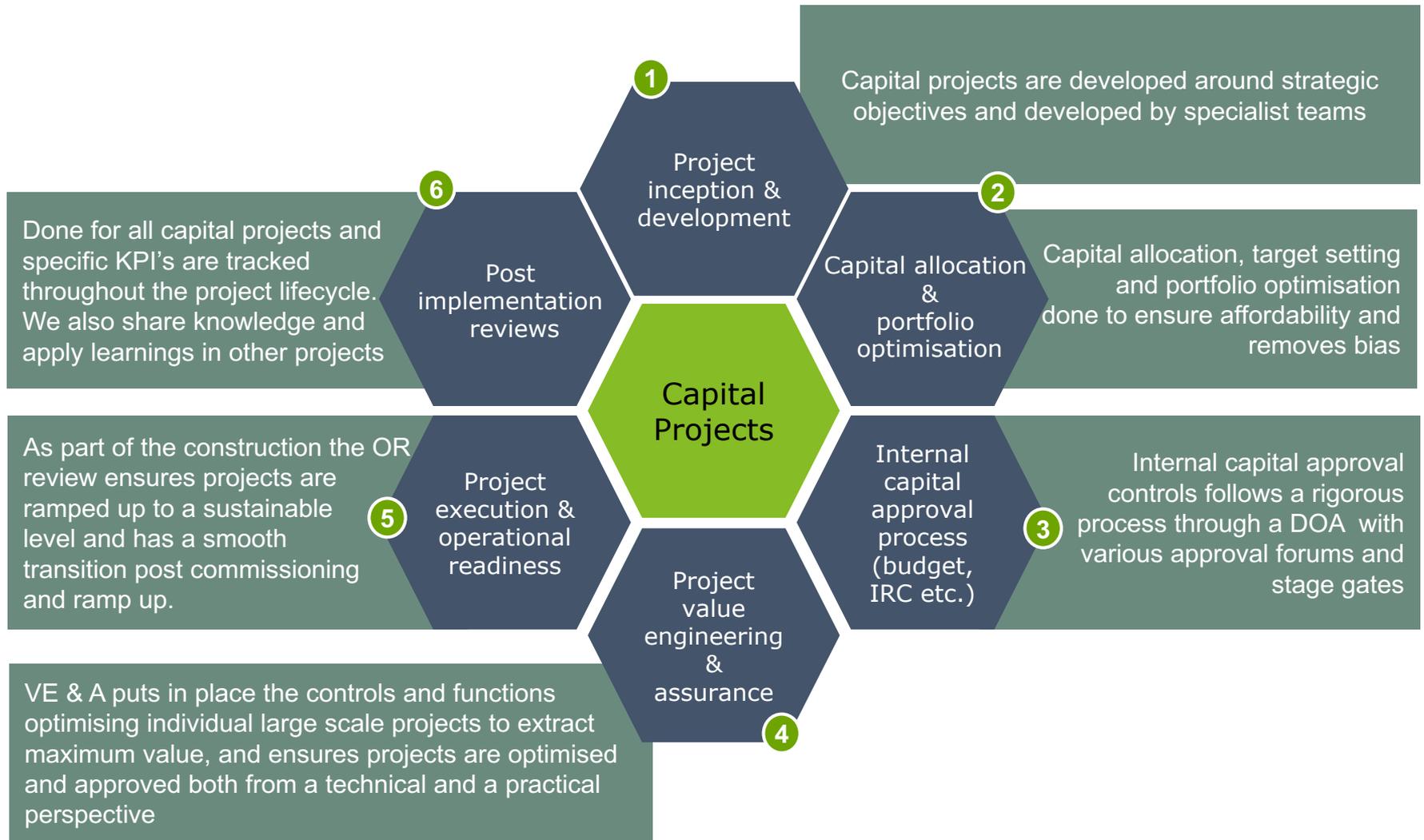
Portfolio Management

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

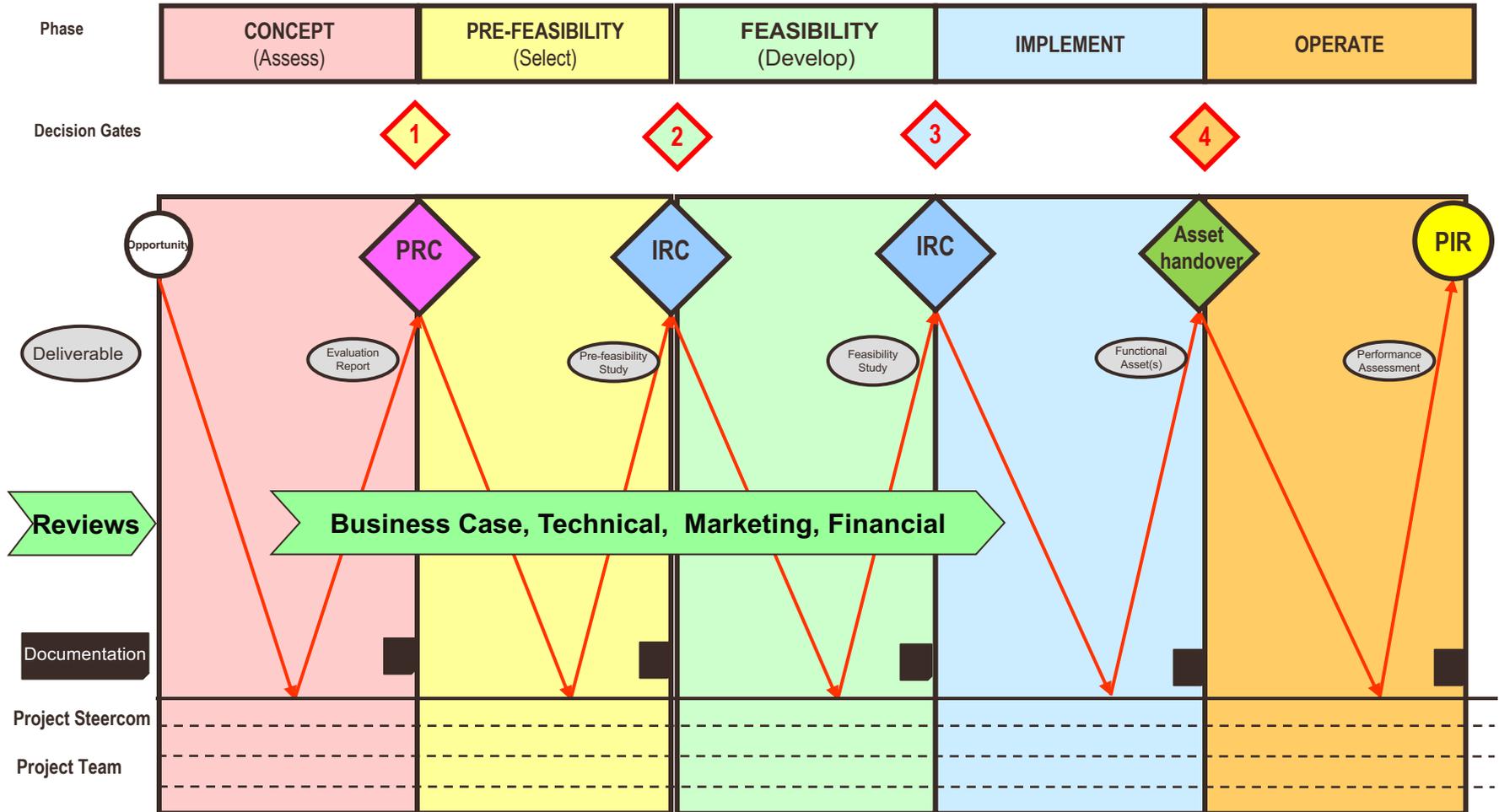
Project development

- 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)

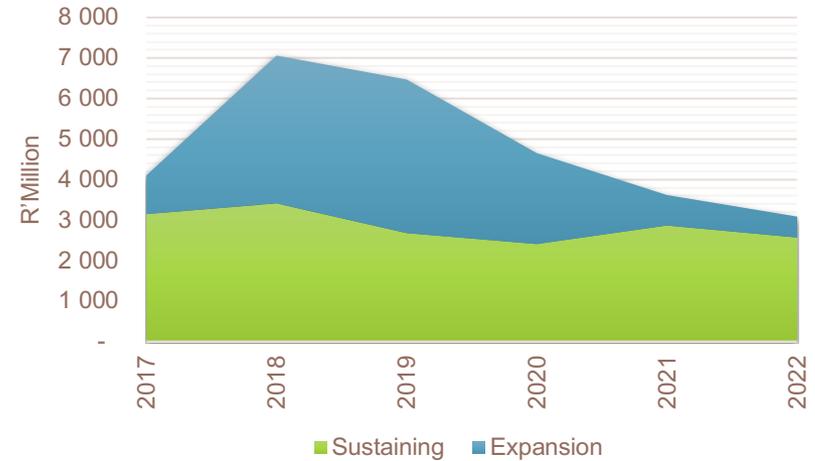
3 Project execution excellence

Executing the project pipeline

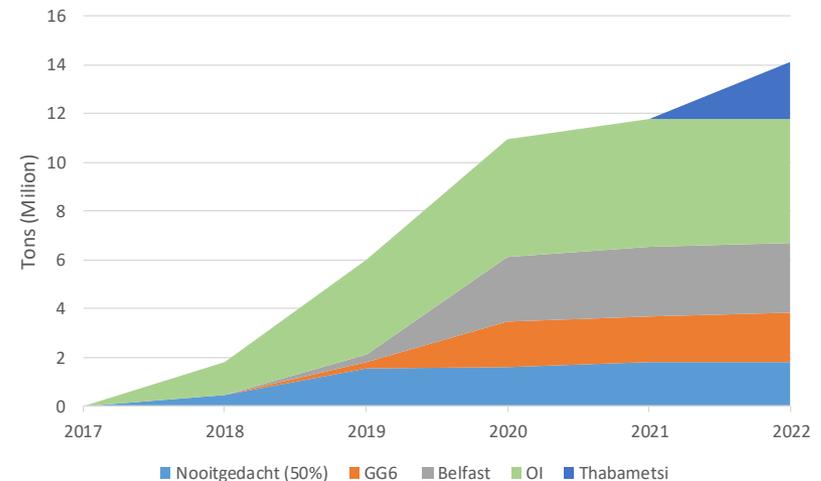
- Continued progress on capital execution excellence
- Strong execution team, well staffed and trained
- Major projects currently on target and within budget



Capital spend profile



Saleable Tons from Expansion Capital



Major Projects

Waterberg

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

Mpumalanga

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

3

... protecting and growing business

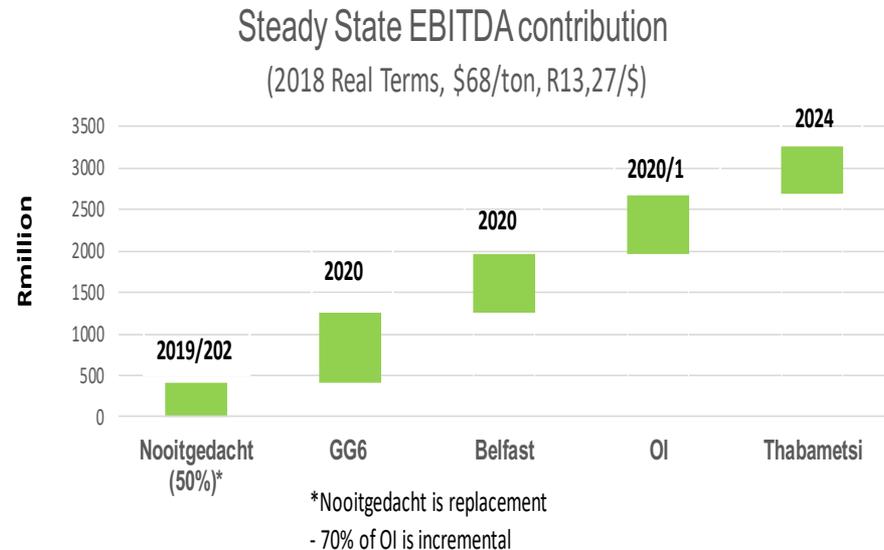
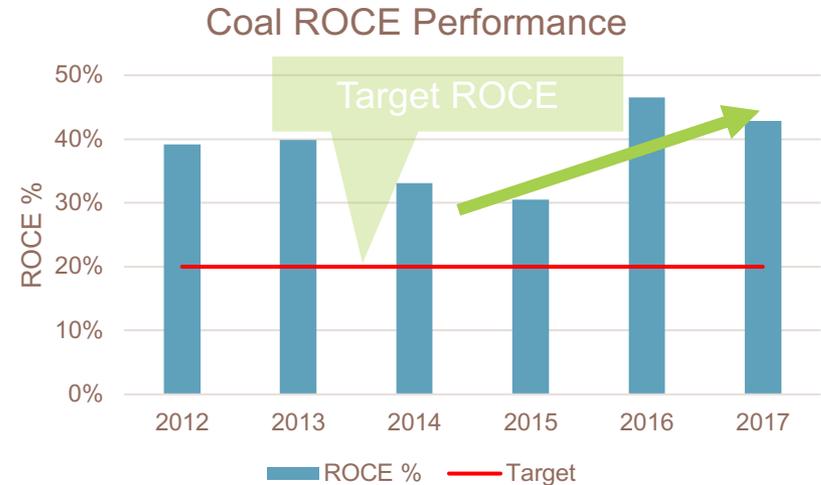
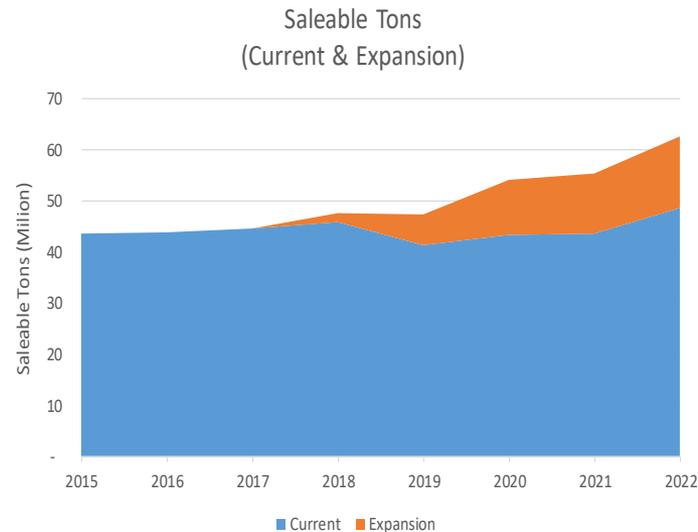


Our track record of delivering value is proven

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



Q&A

Closing comments and Q&A



A modernized coal producer, powering a better future



Additional slides



Project Life Cycle - details

| PHASE | PHASE 1 POTENTIAL | PHASE 2 PRE- FEASIBILITY | PHASE 3 FEASIBILITY | PHASE 4 IMPLEMENT | PHASE 5 OPERATE |
|-------------------------|--|--|--|--|---|
| Objective | <p>Clearly frame the goal</p> <p>Determine potential value of the opportunity and alignment with business strategy</p> | <p>Generate alternatives</p> <p>Generate and select the preferred project alternative</p> | <p>Fully define scope</p> <p>Finalise scope, cost and schedule and arrange project funding</p> | <p>Implement execution plan</p> <p>Produce an operating asset consistent with scope, cost and schedule</p> | <p>Monitor performance</p> <p>Start-up, operate and evaluate asset to ensure performance specifications and maximum returns to shareholders</p> |
| Key Deliverables | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • Final basis of design • Project specification – completed engineering definition, 85% - 90% accuracy in estimates, implementation plan and schedule • Final business case • Updated plan for next and subsequent phases including funding, resource requirements and value assurance requirements | <ul style="list-style-type: none"> • Asset completed and ready for handover | <ul style="list-style-type: none"> • Post investment review • Extract maximum value from operating the asset |
| Focus Items | <ul style="list-style-type: none"> • Clearly frame goal • Test for strategic fit • Preliminary 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 | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • Fully define scope • Refine estimates and assumptions • Calculate final expected value • Regulatory approval • Develop detailed implementation plan for Phase 4 • Other focus items | <ul style="list-style-type: none"> • Implement execution plan • Finalise operations plan • Business plan for Phase 5 Project Review • Regulatory approval • Other focus items | <ul style="list-style-type: none"> • 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?