FINANCE DIRECTOR'S PRE-CLOSE MESSAGE

FINANCIAL YEAR ENDING 31 DECEMBER 2020 (FYE20)

We are pleased to report that Exxaro achieved a record of 45 consecutive months as at 30 November 2020 without a fatal incident

Dear stakeholder

Zero Harm remains Exxaro's key safety objective. For the year to date, a lost-time injury frequency rate (LTIFR) of 0.06 was recorded, which is 45% better than the set target of 0.11 and 50% better than the 0.12 recorded in FY19. We are also pleased to report another fatality-free year achieving a record 45 consecutive months of fatality-free shifts. However, three high-potential incidents (HPIs) were reported across the group, two at Grootegeluk and one at Matla. Corrective measures have since been implemented at both mines.

COVID-19 ("the pandemic") and associated control measures resulted in a record decline in real GDP for the second quarter of 2020 in most of the world's economies. Notwithstanding the unusually strong rebound in GDP activity during the third quarter, a much deeper global recession in 2020 compared to 2008/09 is anticipated. Commodity markets recorded mixed results over the period under review. In respect of Exxaro's key commodities for FYE20, the API4 coal export price index is expected to average US$61 (FY19: US$71) per tonne, free on board (FOB), and the iron ore fines price US$100 (FY19: US$94) per dry metric tonne, cost and freight (CFR) China.

Total coal production (excluding buy-ins) and sales volumes are both expected to increase by 5%, mainly due to the increased Eskom demand at Medupi Power Station and the ramping up of production at Belfast. While we expect an increase of 27% in export volumes, we expect a weaker US$ sales price per tonne to be realised, in line with the weaker API4 coal export price index, cushioned somewhat by a weaker rand/dollar exchange rate.

In terms of our capital allocation programme, we expect the capital expenditure for FYE20 in our coal business to be about 47% lower compared to FY19, mainly due to project delays linked to the pandemic as well as key projects reaching completion. At 31 October 2020, the group's net debt (excluding Cennergi's net debt of R4.6 billion) was R5.9 billion (FY19: R5.8 billion). In addition to operational measures implemented to combat the spread of COVID-19, the group has sufficient liquidity to withstand an interruption to our operations and will remain a going concern for the foreseeable future.

We will provide a detailed account of FYE20 business performance when we announce our financial results on 18 March 2021.

Yours sincerely

Riaan Koppeschaar
Finance director

exxaro
POWERING POSSIBILITY

Macro-economic environment

GLOBAL ECONOMY AND COMMODITY PRICES

During 2020, the global economy recorded the worst downturn since the 1930s. Global real GDP for 2020 is expected to contract by 4.2%, compared to a growth of 2.6% in 2019. Aggressive fiscal and monetary stimulus by governments and central banks, respectively, were injected into the global economy to soften the downturn and, in turn, support economic recovery.

Current Chinese economic data remains highly supportive of strong steel demand, accelerating credit growth and ongoing improvements in fixed investment and the purchasing managers' index, along with strength in the property sector. As a result, Chinese steel production remained elevated throughout the period under review and, despite improved global iron ore supply, the market balance was tight with strong iron ore prices.

The titanium dioxide (TiO_2) pigment market fundamentals softened with high supply, most notably from China, and weakened global demand. The willingness to spend by a weakened consumer base and behavioural changes to end markets, which TiO_2 is most exposed to, have negatively influenced overall demand levels during 2020.

The Brent crude oil market was characterised by the significant impact of COVID-19 measures, collapsing demand and the Saudi Arabian and Russian price war. During 2020, for the first time ever, the United States, Russia and Saudi Arabia, the world's three largest oil producers, cooperated to boost oil prices from historically low levels. However, a resurgence in COVID-19 cases, towards the end of 2020, has deterred the recovery in demand.

Operational performance

Coal

COAL: MARKETS

The easing of the COVID-19 lockdowns resulted in an increase in offtake by most of our domestic customers. Although there is still a good demand for sized products, the domestic market is still destocking excess product that accumulated over the last six months due to lower demand during the lockdown.

We saw a good recovery in demand for coal from India and the rest of the world as lockdown restrictions were eased and industries resumed production. The API4 index returned to some stability before gaining momentum in November with highs of US$70. Internationally there remains a risk of the potential effect of second-round COVID-19 lockdowns and uncertainty around the stand-off between China and Australia.

COAL: PRODUCTION AND SALES VOLUMES

The table below shows a year-on-year comparison of production and sales performance between FY19 and FYE20, as well as a comparison between FYE20 and previous guidance.

Table 1: Coal production and sales volumes

'000 tonnes	PRODUCTION FY19 Actual	PRODUCTION FYE20 Previous guidance[2]	PRODUCTION FYE20 Current forecast[1]	PRODUCTION % change Previous guidance	SALES FY19 Actual	SALES FYE20 Previous guidance[2]	SALES FYE20 Current forecast[1]	SALES % change Previous guidance
Thermal	**43 203**	**44 444**	**44 926**	**1**	**43 503**	**45 262**	**45 501**	**1**
Commercial:								
Waterberg	25 683	26 680	26 875	1				
- Eskom					23 157	24 819	25 170	1
- domestic					1 287	920	961	4
Commercial:								
Mpumalanga	11 529	11 607	12 025	4				
- Eskom					2 241	640	–	(100)[3]
- domestic					1 733	1 735	1 786	3
Exports: commercial					9 087	11 008	11 559	5
Tied[4]	5 991	6 157	6 026	(2)	5 998	6 140	6 025	(2)
Metallurgical	**2 074**	**2 220**	**2 316**	**4**	**1 030**	**1 002**	**1 122**	**12**
Commercial:								
- domestic	2 074	2 220	2 316	4	1 030	1 002	1 122	12
Total (excluding buy-ins)	**45 277**	**46 664**	**47 242**	**1**	**44 533**	**46 264**	**46 623**	**1**
Thermal coal buy-ins	305	429	432	1				
Total (including buy-ins)	**45 582**	**47 093**	**47 674**	**1**	**44 533**	**46 264**	**46 623**	**1**

[1]Based on the latest internal management forecast assumptions. Final numbers may differ by ±5%.
[2]Provided in 30 June results presentation in August 2020.
[3]Eskom supply agreements not yet concluded.
[4]Matla mine supplying its entire production to Eskom.

COMMERCIAL MINES PRODUCTION

Thermal coal production from Waterberg is expected to increase by 4% against FY19 in line with increased Eskom demand from Medupi Power Station. Production at the Mpumalanga commercial mines is expected to be 4% higher than in FY19 due to the ramping up at Belfast, partly offset by the negative impacts of the pandemic on production and markets at Leeuwpan, ECC and Mafube.

Metallurgical coal production is anticipated to be 4% higher than FY19.

Coal buy-ins are expected to be 42% higher than FY19, mainly to fulfil supply commitments in 1Q20.

Thermal coal production at Matla is expected to be in line with FY19.

Total coal production is expected to be slightly higher than **previous market guidance** , with higher production from ECC, as a result of quicker recovery from the COVID-19 lockdown than previously anticipated and the mining of the Dorstfontein West 4-seam, partly offset by slightly lower production from Matla, due to a delayed return to a three-shift system following COVID-19 lockdown.

SALES

The expected 27% year-on-year increase in export sales volumes is driven by the availability of additional export product from our own operations and buy-ins.

Total sales to Eskom are expected to decrease by 1% compared to FY19 as a result of lower sales from Leeuwpan and ECC, where the new coal supply agreements have still not been concluded, partially offset by higher offtake from Grootegeluk.

Our domestic thermal coal sales volumes are expected to decrease by 9%, mainly due to lower demand from AMSA and the cement industries, at Grootegeluk and ECC, partly offset by higher availability of product for the domestic market from Leeuwpan and Belfast.

Thermal coal sales at Matla is forecasted to be in line with FY19.

Total coal sales are therefore expected to be in line with **previous market guidance**, with a 5% increase in exports due to higher product availability, partly offset by lower Eskom sales from Mpumalanga at Leeuwpan and ECC as well as fewer Matla product available as stated above.

COAL: MAJOR CONTRACTS UPDATE

MATLA MINE 1

The Matla Mine 1 Relocation project commenced with construction in August 2020 and is on schedule. Exxaro continues to engage Eskom on additional funding to complete the full scope of the project.

ESKOM FORCE MAJEURE

Eskom continued to take coal as per the contractual volumes and lifted the force majeure on 6 August 2020.

COAL: LOGISTICS AND INFRASTRUCTURE

Transnet Freight Rail (TFR) railed 58.8Mt to RBCT from January to end October 2020, which is equivalent to an annualised tempo of 68Mtpa.

The performance from Grootegeluk improved from 4.8 trains per week in 2019 to 6.75 trains per week from January to October 2020 and is expected to achieve just over 2Mt in the calendar year 2020 compared to 1.35Mt in 2019. However, cable theft on the export line remains problematic and is negatively impacting our ability to ramp up export volumes from Grootegeluk.

Ferrous other: Sishen Iron Ore Company Proprietary Limited (SIOC)

Guidance on SIOC's equity-accounted results will be provided when we have reasonable certainty on their FYE20 financial results.

Energy: Cennergi Proprietary Limited (Cennergi)

The effective date of the consolidation of the Cennergi results into the Exxaro group is 1 April 2020. Total generation output for the year-to-date is marginally below (-2%) planned numbers due to lower wind conditions. Equipment performance and Eskom grid availability remain according to plan.

Capital allocation

Exxaro's focus remains on optimising and implementing our portfolio of growth and sustaining capital.

Table 2: Coal capex

Rm	FY19 Actual	FYE20 Previous guidance[2]	FYE20 Current forecast[1]	% change Previous guidance
Sustaining	**2 245**	**2 088**	**1 980**	**(5)**
Waterberg	1 753	1 478	1 485	–
Mpumalanga	475	588	473	(20)
Other	17	22	22	–
Expansion	**3 572**	**1 400**	**1 111**	**(21)**
Waterberg	1 198	843	716	(15)
Mpumalanga	2 301	557	395	(29)
Other	73			
Total	**5 817**	**3 488**	**3 091**	**(11)**

[1]Based on the latest internal management forecast assumptions and estimates, excluding tied operations. Final numbers may differ by ±5%.
[2]Provided in 30 June results presentation in August 2020.

Coal capital expenditure for FYE20 is expected to be about 47% lower compared to FY19. This is mainly driven by:

- lower GG6 expansion spend, due to project delays linked to the pandemic as reported previously; and
- Belfast and the Grootegeluk's rapid load out station project reaching completion.

FYE20 capex is expected to be 11% lower than the guidance provided in August 2020, primarily due to delays in the GG6 expansion project and lower than anticipated capitalisation of net costs on the Belfast project. Sustaining capital is expected to be 5% lower due to capex and cash flow preservation initiatives at Leeuwpan and ECC to mitigate the impact of the pandemic.

Waterberg

GG6 EXPANSION

On the GG6 expansion project the overall schedule is impacted by an additional delay of six months due to the COVID-19 lockdown period and contractor performance. This included the Group Five business rescue impact in 2019 and the appointment of a replacement contractor, resulting in an overall 12-month delay from the originally approved timeline. The current estimated capital overrun of approximately 10% for the GG6 project is still as per previous guidance provided. The forecast final cost to completion is expected to be R5.2 billion with project close out expected in 1Q22. The project and operations teams continue to look for opportunities to optimise capex and mitigate negative impacts on the business.

RAPID LOAD OUT STATION

Grootegeluk's Rapid load out station project is aligned with TFR's North-West corridor expansion project and on 30 September 2020 it was successfully handed over to the Grootegeluk complex for operation. The project close will be completed within the allocated budget by the end of 2020. The delay in project completion did not affect the TFR ramp-up schedule.

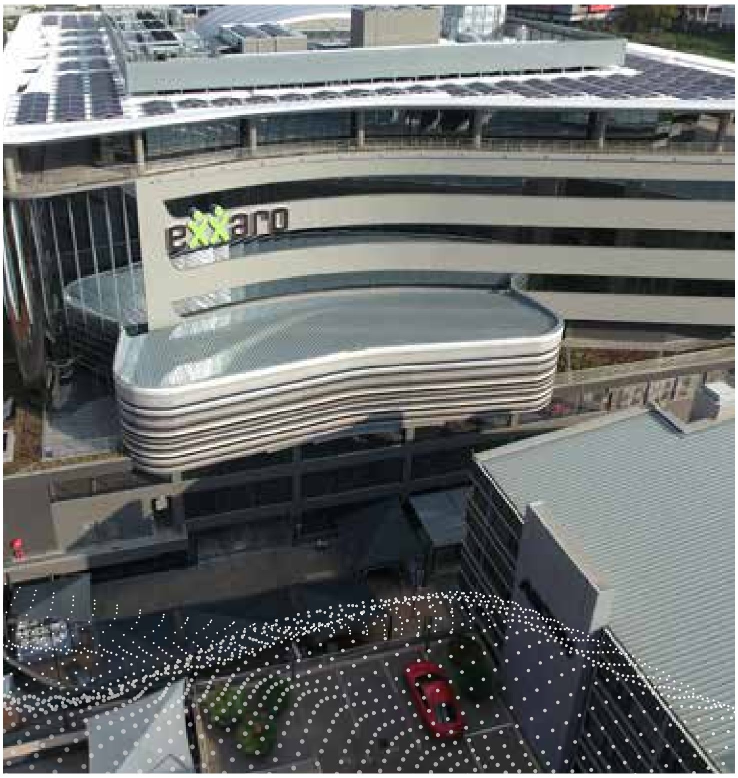
THABAMETSI MINE

We are in the process of finalising our options regarding the future of this resource, given the latest announcements that the independent power producer (IPP) is unlikely to continue due to the withdrawal of key stakeholders.

Mpumalanga

BELFAST

The project close will be completed by the end of 2020 with full ramp up in 2021.



Portfolio optimisation

TITANIUM DIOXIDE (TIO_2): TRONOX LIMITED (TRONOX)

We remain committed to our stated strategy to monetise our remaining stake in Tronox Holdings plc over time and in the best possible manner, taking into account prevailing market conditions.

SALE OF NON-CORE ASSETS AND INVESTMENTS

Exxaro is in the final stages of concluding an agreement for the sale of its 26% shareholding in Black Mountain Mining Propriety Limited.

Further to the announcement on the Stock Exchange News Service (SENS) of the JSE Limited on 20 February this year, and as part of its sustainable growth approach, we conducted an internal portfolio review to evaluate and optimise our current portfolio of coal operations and projects. We resultantly undertook a strategic decision to dispose of our total equity interest in ECC and Leeuwpan having identified these assets as non-core to the future objectives of Exxaro.

The resultant sales process is well underway and good progress has been made notwithstanding the COVID-19 environment. There has been significant interest in both assets and we are close to finalising the disposal of ECC. The disposal process for Leeuwpan continues. The ECC transaction should be announced in 1Q21 with the Leeuwpan transaction announcement to follow thereafter.

Sustainable development

Our sustainability strategy and sustainable development approach continue to be refined in the context of the Just Transition. With the event of COVID-19, our embedded safety and health strategies and stakeholder relations have enabled us to respond timeously and effectively to the pandemic.

HEALTH: MANAGING LIVES AND LIVELIHOODS

Exxaro's coal operations were declared an essential service to ensure continued coal supply for electricity generation in response to the pandemic. Consequently, we were able to maintain 100% operating capacity for most of our operations since the commencement of the lockdowns, with the exception of our Matla operation, which has been operating at 80%. Matla has since operated at 100% capacity from the beginning of October 2020. As such employee and community safety and health were paramount to, firstly, minimise the spread of COVID-19 while maintaining production performance and secondly, responding promptly to ensure effective recovery.

In line with our Health and Wellness Strategy, which focuses on Diagnosis, Management and Prevention of diseases, we have successfully commissioned two COVID-19 laboratories at Grootegeluk mine in Limpopo and Matla mine servicing all Mpumalanga operations. Since commissioning during this second half of the financial year, the two laboratories have successfully tested over 2500 employees, which has stood us in good stead in identifying COVID-19 risks. We are awaiting the issue of appropriate certification to enable public testing for community members.

Since the onset of the pandemic the infection rate across the group has steadily declined to 12% of the peak in July 2020. A total number of 777 employees have been infected since the onset of the pandemic, with a recovery rate of 96%. We continue to implement our COVID-19 preventative measures in line with the Government regulations, such as social distancing, washing and sanitising of hands. Remote working continues for the corporate office and other office-based employees at the operations.

Through our collaboration efforts, we partnered with World Vision (a global NGO) for continued community support in relation to COVID-19 response as well as with our industry peers and the education department to support 1 500 learners during their spring camps in the Waterberg and Nkangala Districts to ensure continued learning.

'JUST TRANSITION'[1] JOURNEY – A HOLISTIC RESPONSE TO CLIMATE CHANGE

Our Task Force on Climate-related Financial Disclosures (TCFD) analysis highlighted the increasing risk of carbon price exposure as Global Climate Action is focused on meeting the Paris Agreement target of 2°C (and below) by the end of the century. We are confident that attaining our carbon neutrality target for scope 1 and scope 2 emissions by 2050, combined with making our business portfolio climate resilient in a low carbon world through our energy and minerals strategy, will mitigate the financial impact of the carbon exposure risk. Our considered social interventions include Sustainable Impact strategies that will involve, among others, regenerative rehabilitation and repurposing of relevant assets, such as our land, in order to develop new industries beyond coal mining for the livelihoods of local communities.

We are committed to implementing the TCFD recommendations, which will support our communicated strategic direction. We started with an assessment process prior to the lockdown and due to the setback from the pandemic, the publication of the recommendation report has been delayed. We expect to complete the assessment and publication of the report by the end of this year.

[1] Adapted from the National Planning Commission, Department of Planning, Monitoring and Evaluation, Republic of South Africa, the 'Just Transition' is a framework that encompasses a range of social interventions and the expanded renewable energy programme needed to secure worker's jobs and the livelihoods of wider society, especially the most vulnerable, viz, poor and working class communities, when economies are shifting to sustainable production, including avoiding climate change, protecting biodiversity, and ending war, among other challenges.

GOVERNANCE – A NOTE FROM THE BOARD

Our continuous engagement with shareholders on material issues affecting the company remains a priority following a governance roadshow in the 4th quarter of 2019, led by the Chairman of the Board and Chairman of the remuneration sub-committee, to address shareholder concerns related to our executive remuneration structures. We have addressed several of those concerns, resulting in a successful AGM in May 2020. During the roadshow, we also committed to continuing with the governance roadshows to keep shareholders updated on progress with our strategy developments and the structuring of executive compensation. Regretfully, we have not been able to fulfil this commitment due to a demanding Board schedule as we have been addressing Board member replacements to rebalance our diversity in terms of race, gender and skills to align with our strategic direction. We will plan and inform shareholders of the governance roadshow in the new year and continue to engage shareholders appropriately till then.

MINING AND PROSPECTING RIGHTS

Our interaction with the Department of Mineral Resources and Energy (DMRE), Department of Human Settlements, Water and Sanitation (DHSWS) and other state departments have been impacted by the pandemic. Although this has resulted in the delay of processing applications, we have made progress in the following areas:

a. The DMRE has confirmed that the Matla mining right renewal application, that was submitted in August 2019, lapses on 4 March 2025;
b. The granting of the Leeuwpan graves relocation permit and Leeuwpan OI West integrated water use licence.

Certain applications are still in process at the DMRE and DHSWS:

a. Section 102 application to amend Matla mining right to swap coal reserves as part of a commercial deal;
b. The execution of the consolidation of two Leeuwpan mining rights into a single mining right;
c. Environmental authorisation and integrated water use licence for Dorstfontein West discard dump expansion project; and
d. The execution of a section 102 application at Grootegeluk to incorporate the two farms on which we have mining infrastructure.

Outlook for 1H21

ECONOMIC CONTEXT

Global economic growth recovery is anticipated to continue into 2021. However, the resurgence of COVID-19 infections will weigh on the extent of such economic recovery as caution holds back much-needed household and corporate expenditure. However, progress in the development of a vaccine is encouraging and a fully approved and effective vaccine is expected to be widely available by 2Q21.

The impact of the pandemic on South Africa's fragile public finances has been devastating. As a result, the much-anticipated Economic Reconstruction and Recovery Plan was released by the President of South Africa on 15 October 2020. If fully implemented, the plan is expected to lay a solid foundation for a higher economic growth path in the longer term.

During 2020, the ZAR depreciated to an all-time low (1H20) before it retracted significantly (2H20). The reversion to a riskier financial market environment during 2H20, as a result of the easing of global COVID-19 lockdown restrictions, together with the uncertainty associated with the US elections supported the ZAR.

The rand/dollar exchange rate is expected to remain volatile during 2021.

During November 2020, further sovereign credit rating downgrades by both Fitch and Moody's have the potential to increase South Africa's debt service cost above the levels estimated in the recent Medium-Term Budget Policy Statement (MTBPS). However, Standard & Poor affirmed their current sovereign credit rating for South Africa.

COMMODITY MARKETS AND PRICE

In the Atlantic thermal coal market supplier cutbacks, as a result of persistent low prices, have the potential to swing the market into balance. In Asia, thermal coal prices are supportive as the Indian market recovers, coupled with Indonesian supply cutbacks.

China's strong demand for iron ore together with a seasonal drop in global supply (Brazil, Australia and China) should support the iron ore markets into 2021. However, as the year progresses, a softening in the iron ore market is anticipated as global seaborne supply, with Chinese steel production improvement stabilising at lower levels compared to 2020.

OPERATIONAL PERFORMANCE

We anticipate the demand and pricing for coal domestically to remain relatively stable, as customers return to normal operations.

On the international front, we expect that the related impacts of the pandemic on coal markets will continue into 1Q21 as the second wave grips parts of the world.

We will continue the rollout of the integrated operations centres (IOCs) across our operations, thereby enabling operational insights and in-time decision making which will assist us in our journey to improve our safety, productivity as well as cost performance.

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, 3 December 2020 starting at 12:00 SAST.

PARTICIPANT TELEPHONE NUMBERS (assisted)

• Johannesburg (Telkom)	010 201 6800
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• UK	0 333 300 1418
• Other countries (Neotel)	+27 11 535 3600
• Other countries (Telkom)	+27 10 201 6800
• USA and Canada	1 508 924 4326

PLAYBACK

A playback will be available one hour after the end of the conference until 14 December 2020. To access the playback, dial one of the following numbers using the playback code 37914#:

• South Africa	010 500 4108
• UK	0 203 608 8021
• Australia	073 911 1378
• USA	1 412 317 0088
• International	+27 10 500 4108

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EDITOR'S NOTE

Exxaro is one of the largest South African-based diversified resources companies, with main interests in the coal, titanium dioxide, iron ore and energy commodities, www.exxaro.com. Annual financial results for the year ended 31 December 2020 will be announced on (or around) 18 March 2021.

ENQUIRIES

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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 or the group)

LEGEND

FY19 – Financial year ended 31 December 2019
FY20 – Financial year ending 31 December 2020
1Q21 – First quarter ending 31 March 2021
2Q21 – Second quarter ending 30 June 2021
1H20 – Six-month period ended 30 June 2020
2H20 – Six-month period ending 31 December 2020

COMMODITY PRICES SOURCE

Coal – IHS Energy
Iron ore – MB Online
Mineral sands and pigments – TZMI

3 December 2020

DISCLAIMER

The financial information on which any outlook statements are based have not been reviewed nor reported on by Exxaro's external auditor. 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.

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