FINANCE DIRECTOR'S PRE-CLOSE MESSAGE

FINANCIAL YEAR ENDING 31 DECEMBER 2019 (FYE19)

This is an overview of the group's expected business performance for FYE19, encompassing strategic, operational and financial information. Unless otherwise indicated, all comparisons are against the financial year ended 31 December 2018 (FY18).

Dear stakeholder

Zero harm remains Exxaro's key safety objective. For the year-to-date, the group recorded an LTIFR of 0.13 (FY18: 0.12), which is higher than the set target of 0.11. We have done better in previous years and remain confident that we will improve on this through our safety campaign, "khetha ukuphepha" which we launched in November. We are pleased to report zero fatalities for 32 consecutive months as at 31 October 2019.

During 2019, Exxaro's specific commodity markets recorded mixed performances with a slowdown in global economic growth, supply-side disruptions, escalating US-China trade tensions and energy transition themes being the key drivers. In respect of our key commodities for FYE19, the API4 coal export price index is expected to average at US$69 (FY18: US$98) per tonne, free on board (FOB), and the iron ore fines price at US$93 (FY18: US$70) per dry metric tonne, cost and freight (CFR) China.

On the production front our coal business continued to perform well with a decrease of 2% in production volumes forecast (excluding buy-ins) despite the 6% reduced demand at Eskom's Medupi power station. As indicated the coal total capex will be about 2% lower compared to FY18, attributable to a reduction in sustaining capex mainly due to the timing of truck replacements at Grootegeluk, offset somewhat by an increase in expansion capital largely driven by the acceleration of the Belfast project and ECC expansion capex on the Dorstfontein West 4 Seam Project.

With the conclusion of Exxaro's replacement empowerment shareholding transaction we undertook to transfer at least 10% of our 24.9% shareholding in Eyesizwe into structures for the benefit of Exxaro's employees and communities adjacent to our operations. It is anticipated that implementation will be concluded in 1H20.

We will provide a detailed account of FYE19 business performance when we announce our financial results on 12 March 2020.

Yours sincerely

Riaan Koppeschaar
Finance director

exxaro
POWERING POSSIBILITY

MACRO-ECONOMIC ENVIRONMENT

GLOBAL ECONOMY AND COMMODITY PRICES

Throughout most part of 2019 a slowdown in global economic growth was recorded, however, signs of stabilisation were evident towards the end of 2H19. US-China trade tension, with stagnation in global manufacturing activity, contributed to world real GDP growth for 2019 declining to 2.6% compared to 3.2% in 2018. Chinese steel production growth decelerated somewhat with global steel production growth also not inspiring during 2H19. However, the iron ore prices managed to hold up, although at lower levels compared to 1H19.

The Brent crude oil price remained range bound towards the end of 2H19, after temporary elevated levels as a result of the attack on Saudi Arabia oil facilities. Concerns about global economic growth together with the uncertainty over a US-China trade agreement, continue to weigh on the global oil market.

OPERATIONAL PERFORMANCE

COAL: MARKETS

Good demand for sized product in the domestic market continued. As more domestic supply was available due to weak export prices, domestic pricing remained stable.

The seaborne thermal coal market remains in an oversupplied position. Export sales prices dropped 40% in 2019 after having traded around US$100/t in 2018. The soft ban on coal imports in China and a sluggish Indian economy put a lot of pressure on seaborne trades. European stock levels remained relatively high because of cheap gas prices. India continues to draw South African coal.

COAL: PRODUCTION AND SALES VOLUMES

The table below shows a year-on-year comparison of production and sales performance between FY18 and FYE19.

TABLE 1: COAL PRODUCTION AND SALES VOLUMES

	PRODUCTION				SALES			
'000 tonnes	FY18 Actual	FYE19 Previous guidance[2]	FYE19 Current forecast[1]	% change Previous guidance	FY18 Actual	FYE19 Previous guidance[2]	FYE19 Current forecast[1]	% change Previous guidance
Thermal	44 417	44 354	43 707	(1)	43 967	44 767	43 388	(3)
Commercial: Waterberg	27 375	26 280	25 850	(2)				
– Eskom					24 059	23 661	23 161	(2)
– domestic					1 296	1 295	1 321	2
Commercial: Mpumalanga	10 433	12 191	11 955	(2)				
– Eskom					802	2 418	2 424	
– domestic					3 240	1 900	1 691	(11)
Exports: commercial					7 965	9 612	8 890	(8)
Tied[3]	6 609	5 883	5 902		6 605	5 881	5 901	
Metallurgical	2 323	2 271	2 278		1 197	1 089	1 073	(1)
Commercial: – domestic	2 323	2 271	2 278		1 197	1 089	1 073	(1)
Total coal	46 740	46 625	45 985	(1)	45 164	45 856	44 461	(3)
Semi-coke	23				33			
Total (excluding buy-ins)	46 763	46 625	45 985	(1)	45 197	45 856	44 461	(3)
Thermal coal buy-ins	1 049	185	267	44				
Total (including buy-ins)	47 812	46 810	46 252	(1)	45 197	45 856	44 461	(3)

[1] Based on the latest internal management forecast assumptions. Final numbers may differ by ±5%.
[2] Provided in 30 June results presentation in August 2019.
[3] Matla mine supplying its entire production to Eskom.

COAL: LOGISTICS AND INFRASTRUCTURE

Transnet Freight Rail (TFR) railed 59.42Mt to RBCT from January to October 2019 equivalent to an annualised rail tempo of 70.51Mtpa.

For the period January to October 2019, export rail performance for the Exxaro Mpumalanga and Waterberg Transnet Long-Term Rail Agreements achieved 95% against the annual contracted tonnage, with Grootegeluk achieving an average of 4.3 trains per week. Export rail performance from Grootegeluk has declined after the annual coal line shut and was exacerbated by a collision between two trains at the Matlabas crossing located between Thabazimbi and Lephalale in October. High-level engagements are ongoing and train planning has been approved at levels above five trains per week.

TFR's Waterberg corridor expansion project has seen some slippage but has remained aligned with Grootegeluk's export production ramp-up schedule.

Commercial mines

Production

Thermal coal production from Waterberg is expected to decrease by 6% in line with reduced Eskom demand at Medupi. Production at the Mpumalanga commercial mines is expected to be 15% higher than in FY18 due to the ramping up at both the Mafube and Belfast mines as well as higher production at ECC and Leeuwpan, partly offset by the negative impact of the sale of the North Block Complex (NBC) operation in FY18.

Metallurgical coal production is anticipated to be in line with FY18.

Coal buy-ins are expected to be 75% lower as a result of higher coal availability from our own mines.

Sales

The expected 12% increase in export sales volumes is driven by the availability of export product from our own operations.

Total sales to Eskom are expected to increase by 3% as a result of higher sales from Leeuwpan and ECC partially offset by lower offtake by Medupi from Grootegeluk and the NBC divestment in FY18.

Given our deliberate strategy to divert sales volumes from Leeuwpan to the export and Eskom markets, as well as the NBC divestment in FY18, our domestic thermal coal sales volumes are expected to decrease by around 34%.

Tied mines

Thermal coal production and sales are both expected to decrease by 11%, mainly due to mine 3 shortwall ceasing production earlier than anticipated due to safety concerns.

COAL: MAJOR CONTRACTS UPDATE

Matla mine

Exxaro embarked on optimising the Matla mine 1 project capital following confirmation from Eskom that a significant portion of the funds for the mine 1 project is available. The capital could, however, not be optimised without jeopardising deliverables under the coal supply agreement. Eskom has therefore approved the capital funding for the full project and a revised application has been submitted for Eskom to request additional funding – which is mainly attributable to escalations, project delay costs, and current contractor market conditions. The initial funding will be released for the first part of the project, while we await Eskom's approval for the remainder of the funds. Once all funds are received construction is expected to take 18 to 24 months.

Arnot mine

Although the arbitration process on contractual matters has been finalised in Exxaro's favour, there is continuing action to resolve the outstanding payment from Eskom relating to the management fee due and payable to Exxaro. There are also interactions with Eskom to facilitate Eskom topping up the environmental rehabilitation trust fund as per the arbitration outcome.

The divestment from Arnot is in its final stages with only one of the three key conditions precedent to be fulfilled.

FERROUS: SISHEN IRON ORE COMPANY PROPRIETARY LIMITED (SIOC)

Guidance on SIOC's equity-accounted contribution will be provided when we have reasonable certainty on its FYE19 financial results.

ENERGY: CENNERGI PROPRIETARY LIMITED (CENNERGI)

As announced on 17 September, Exxaro is pleased to confirm that we have concluded an agreement with Khopoli Investments Limited (Khopoli), wholly owned by the Tata Power Company Limited, to acquire Khopoli's 50% shareholding in Cennergi for an amount of R1 550 million, subject to normal working capital adjustments. Post the conclusion of the agreement, Exxaro will have 100% ownership of Cennergi. The agreement will be subject to, among others, the normal regulatory approvals customary for this type of transaction.

Despite the loss of two turbines due to fire incidents, generation output to date at the two windfarms are better than planned given favourable wind conditions. The replacement turbines have been delivered and are in the process of being commissioned. The turbines are expected to be in full production by the end of 2019.

CAPITAL ALLOCATION

Exxaro's focus remains on implementing our portfolio of growth and sustaining capital programme within time and budget, despite financial challenges facing many of our contractors.

WATERBERG

GG6 expansion

The replacement contractors on the Group Five scope of work have commenced with construction activities which are progressing well. The project team together with operations continue working on action plans to minimise any volume, value as well as cost impact caused by the expected three to six months delay.

New rail load out station

Grootegeluk's rapid load out station project is aligned with TFR's North-West corridor expansion project. The project aims to have cold commissioning concluded in December 2019. Force majeure events related to contractor strike action and poor contractor performance have led to project delays with hot commissioning expected to conclude early 1Q20. Forecast final costs are within the allocated project budget and the delay will not affect the TFR ramp-up schedule.

TABLE 2: COAL CAPEX

Rm	FY18 Actual	FYE19 Previous guidance[2]	FYE19 Current forecast[1]	% change Previous guidance
Sustaining	2 779	2 396	2 240	(7)
Waterberg	1 904	1 688	1 625	(4)
Mpumalanga	875	667	575	(14)
Other		41	40	
Expansion	2 943	3 345	3 375	1
Waterberg	1 987	1 194	1 231	3
Mpumalanga	956	2 151	2 070	(4)
Other			74	100
Total	5 722	5 741	5 615	(2)

[1] *Based on latest internal management forecast assumptions and estimates, excluding tied operations. Final numbers may differ by ±5%.*
[2] *Provided 30 June results presentation in August 2019.*

Exxaro expects coal capital expenditure for FYE19 to be slightly lower compared to FY18. This is driven by:

- lower GG6 expansion spend, due to project delays as indicated previously;
- Leeuwpan OI project reaching completion; and
- timing of sustaining capex, mainly truck replacements, at Grootegeluk, which has been deferred.

The expected increase in Mpumalanga expansion capex is mainly due to:

- the acceleration of the Belfast project; and
- ECC expansion capex on the Dorstfontein West 4 Seam project.

Thabametsi mine

Implementation of the Thabametsi Coal IPP has been delayed due to, inter alia, the finalisation of the "Licence to Operate" approvals and lenders withdrawing their support of funding "old coal technology" coal-fired power stations. Exxaro has completed all its Thabametsi mine studies and has obtained all necessary licences to operate, but will not progress until the Coal IPP can achieve financial close. Engagements are taking place with the project developer of the Coal IPP to bring clarity to the future of this project. The relevant capital expenditure has therefore been moved out from the FYE19 figures into future years.

MPUMALANGA

Belfast

We are pleased to report that first coal from our greenfield Belfast mine was produced through the beneficiation plant in September 2019 with the beneficiation plant handed over to operations. The project remains ahead of schedule and within budget.

Mafube Nooitgedacht

Mafube Nooitgedacht production is on track and the mine is expected to produce at name plate capacity in 4Q19.

PORTFOLIO OPTIMISATION

TITANIUM DIOXIDE (TiO_2): TRONOX HOLDINGS plc (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.

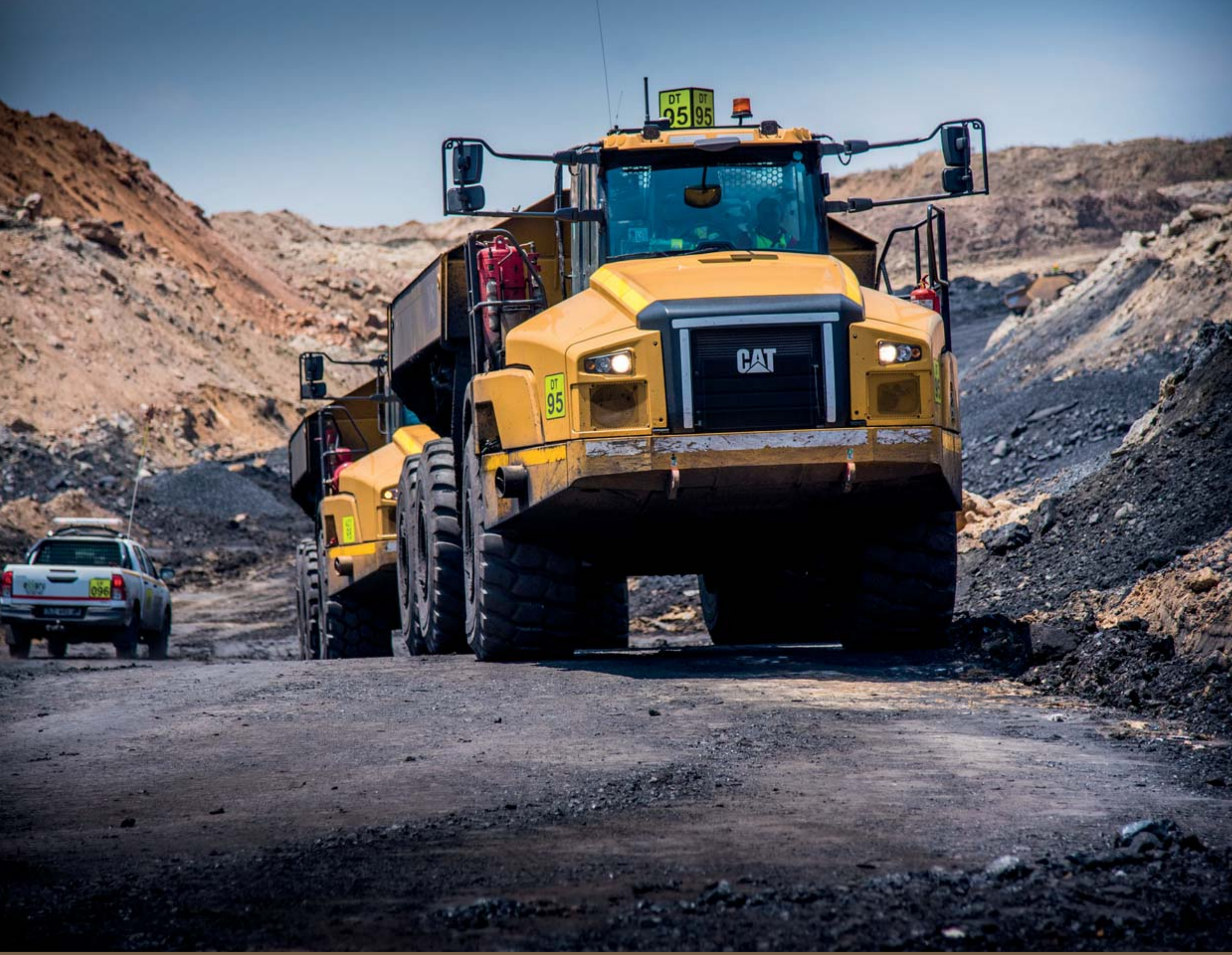
SALE OF NON-CORE ASSETS AND INVESTMENTS

The group's interests in Black Mountain Mining Proprietary Limited (Black Mountain) and the Chifeng Kumba Hongye Corporation Limited's refinery remain non-core and Exxaro is working on the divestment plans for its investment in Black Mountain.

As already mentioned, the divestment from Arnot is in its final stages with only one of the three key conditions precedent to be fulfilled. The outstanding condition is the cession of the current coal supply agreement by Eskom to Arnot Opco Proprietary Limited. Competition Commission and section 11 approvals have been obtained.

In respect of the Moranbah South coking coal project, Exxaro together with Anglo American, are still in the process of reassessing the potential development plan.

As previously stated, we are constantly reviewing our asset portfolio, this is especially relevant now given the prevailing market conditions.



SUSTAINABILITY

CLIMATE CHANGE POLICY

In recent months we have observed intensified global action on climate change and the move to restrict the use of fossil fuel for energy generation. The findings by the Intergovernmental Panel on Climate Change (IPCC) in their Special Report Global Warming of 1.5°C painted a grim picture about the consequences of the current trajectory in greenhouse gas emissions and changing climate. Under the current trajectory we expect that the transitional and physical risks of climate change on our business to be medium to high in the next 20 to 30 years. This will require a response that will ensure a sustainable Exxaro in a carbon constrained environment.

On 4 June 2019 the board passed a unanimous resolution to reassess the group climate change risks and opportunities in line with the recommendations of the Financial Stability Board's Task Team on Climate-related Financial Disclosures (TCFD). An internal multifunctional task team is currently developing the strategy using the TCFD recommendations. The progress and results of the task team will be presented to the market upon finalisation of the review process.

MINING AND PROSPECTING RIGHTS

As previously reported, Exxaro has continued to experience an improvement in communication and feedback regarding applications for amendments and registration of mining rights from the Mpumalanga DMRE office. The complete reopening of the Mpumalanga DMRE office in August came at a fortuitous time as several applications have been submitted in order for Exxaro to remain compliant. The following are notable achievements for the period:

- The ministerial consent to transfer Arnot mining right to a consortium consisting of mostly former employees
- The granting of the ministerial consent to transfer the Paardeplaats mining right to North Block Complex (Pty) Ltd
- The granting and execution of the Tumelo mining right renewal.

COMPLIANCE TO NEMA REGULATIONS

As required by NEMA GNR 1147, all Exxaro's mines environmental liabilities were calculated and reviewed by external experts during 2019. For the first time in 2019, Exxaro's mines that were closed prior to the commencement of the MPRDA came into scope for the external review of closure costs. In addition, all mines have developed final rehabilitation plans as well as annual rehabilitation plans, schedules and budgets for the next five years. These plans will now be operationalised by each mine and progress will be reported on a regular basis to manage liabilities.

OUTLOOK FOR 1H20

We expect domestic thermal coal demand and pricing to remain relatively stable during 1H20. The Medupi offtake from Grootegeluk is expected to remain as per the offtake plan for 1H20. We welcome the release of the 2019 Integrated Resource Plan as well as government's announced efforts to secure Eskom's financial viability. The closure of AMSA's Saldanha works is not expected to impact negatively on Exxaro as the High-Value product can be placed in alternative markets.

On the international front, we do not see a quick recovery from the current pricing and supply/demand balance. China will continue to influence the supply/demand balance in the Pacific with potential price volatility. The Atlantic Basin is expected to remain oversupplied, with gas prices forecast to remain low. We expect the average 2019 levels to continue into 2020.

We continue our rollout of the integrated operations centres (IOCs) at our operations and optimisation activities to drive value from our digitalisation investments made.

The iron ore market has been the star performer during 2019, mainly as a result of global supply disruptions. In addition, the Chinese steel production remains demand supportive in a tight global market. Improving exports and narrowing steel-mill margins will be a drag on iron ore prices into 1H20.

The weak South African growth outcome, increasing fiscal imbalance and Moody's sovereign rating outlook change, from stable to negative, (but still investment grade) does not bode well for economic growth realisation into 2020. Cautiously optimistic, the aggressive fixed investment drive by government with the renewed economic growth policy initiative, including key structural reforms, are expected to underpin future economic growth.

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

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 Wednesday, 27 November 2019 at 14:00 (GMT+2:00).

PARTICIPANT TELEPHONE NUMBERS (assisted)

- Johannesburg (Telkom) 010 201 6800
- Johannesburg (Neotel) 011 535 3600
- 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 6 December 2019. To access the playback, dial one of the following numbers using the playback code 29663#:

- South Africa 010 500 4108
- UK 0 203 608 8021
- Australia 073 911 1378
- 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 main interests in the coal, titanium dioxide, iron ore and energy commodities. **www.exxaro.com.**

Annual financial results for the year ended 31 December 2019 will be announced on or around 12 March 2020.

ENQUIRIES

Mzila Mthenjane, executive head: stakeholder affairs
Tel: + 27 12 307 7393
Mobile: +27 83 417 6375
Email: mzila.mthenjane@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 or the group)

LEGEND

FY18 – Financial year ended 31 December 2018

FYE19 – Financial year ending 31 December 2019

3Q19 – Third quarter ended 30 September 2019

4Q19 – Fourth quarter ending 31 December 2019

1Q20 – First quarter ending 31 March 2020

1H19 – Six-month period ended 30 June 2019

1H20 – Six-month period ending 30 June 2020

COMMODITY PRICES SOURCE

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

27 November 2019

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.

www.exxaro.com

exxaro

POWERING POSSIBILITY