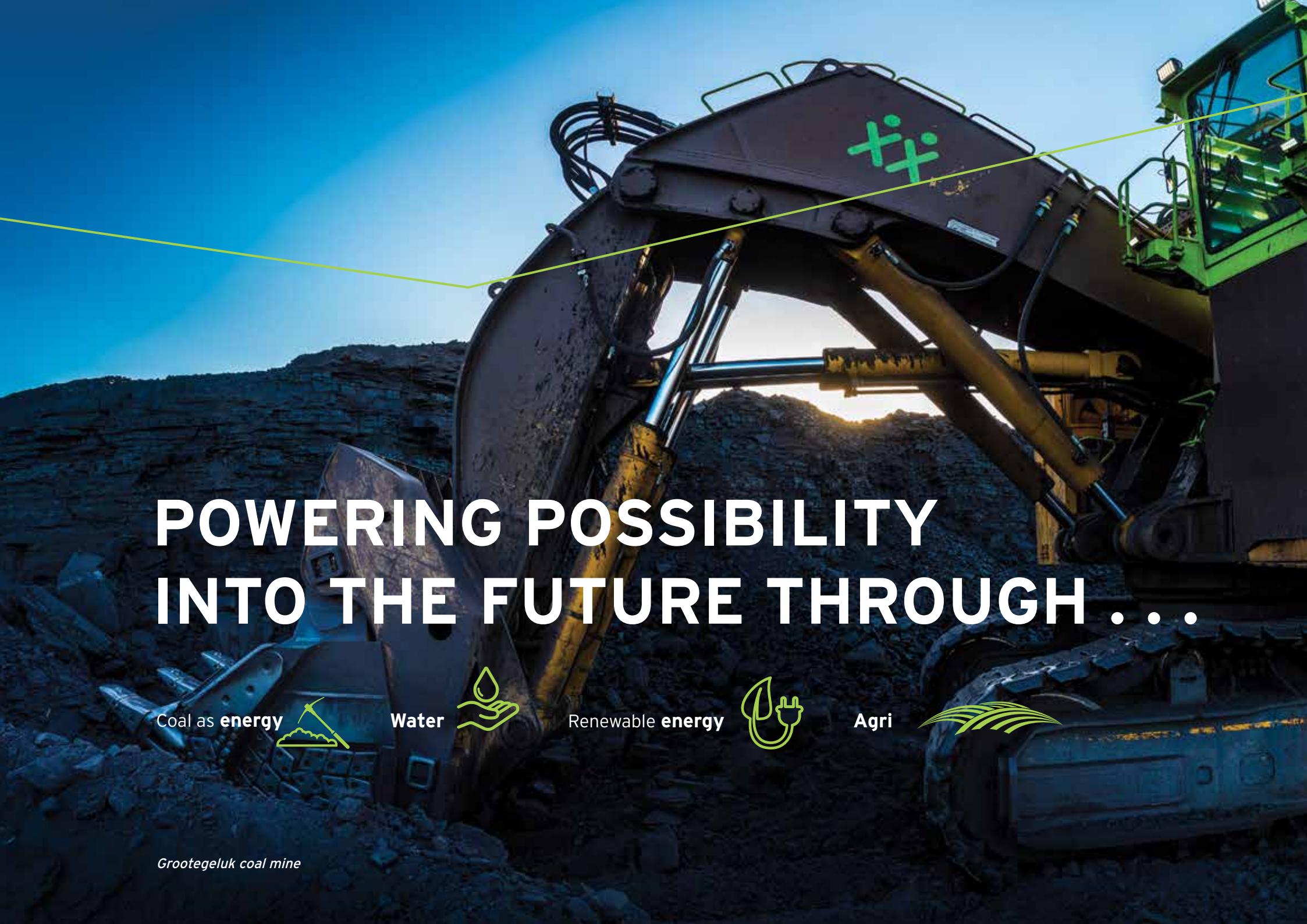




POWERING POSSIBILITY





POWERING POSSIBILITY INTO THE FUTURE THROUGH ...

Coal as **energy**



Water



Renewable energy



Agri





Wind farm

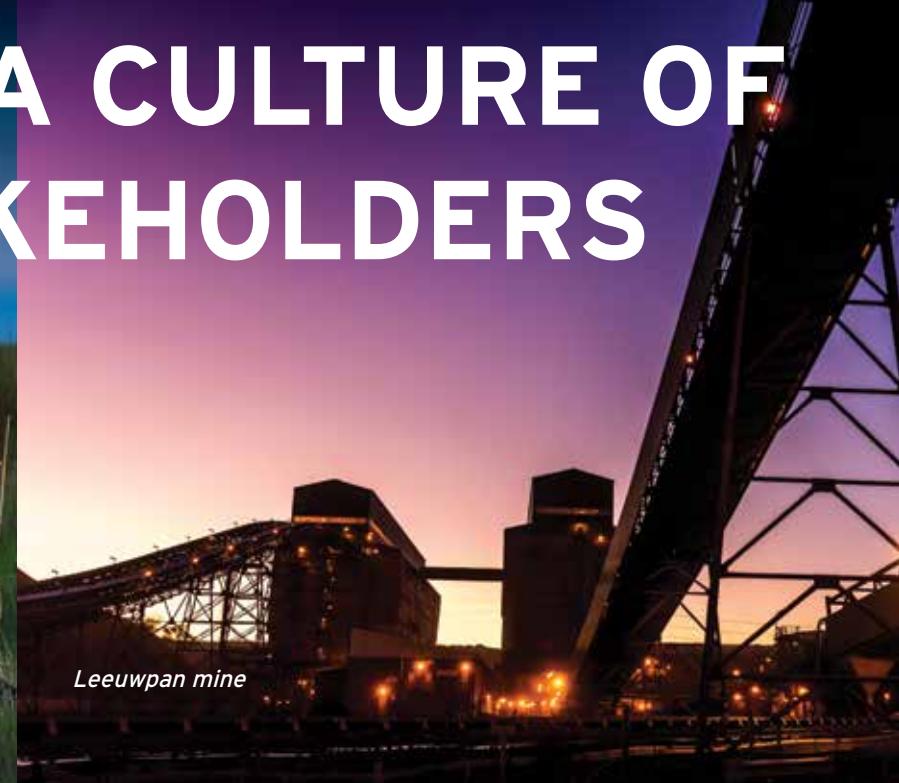


Water

DIGITALISATION AND A CULTURE OF TRUST WITH ALL STAKEHOLDERS



Water treatment plant



Leeuwpan mine

CONTENTS

1 About this report



UNDERSTANDING OUR BUSINESS

- 6 Chairman's statement
- 8 Our year in review
- 10 Overview of our business
- 12 Our coal asset base
- 14 Investment proposition
- 15 ECC turnaround
- 16 Our board
- 18 Leadership
- 28 Our business model

POSITIONING THE BUSINESS FOR GROWTH

- 32 Our markets
- 34 Stakeholder review
- 38 Strategy
- 42 CEO statement
- 44 Risks and opportunities
- 54 Combined assurance
- 57 Material issues



PERFORMANCE

- 74 Performance against strategy
- 76 Finance director's review
- 84 Operational performance



MINERAL RESOURCES AND RESERVES

- 88 Mineral Resources and Reserves
- 95 Our Consolidated Mineral Resource and Reserve Report

CORPORATE GOVERNANCE

- 104 Role of the board
- 112 Corporate governance
- 119 Our group executive committee
- 121 Audit committee report
- 124 Remuneration and nomination committee report
- 128 Summary remuneration report
- 130 Social and ethics committee report
- 134 Sustainability, risk and compliance committee report
- 138 Investment committee report
- 140 Administration

HOW TO NAVIGATE THIS REPORT

GRI elements in the integrated report are cross-referenced for a fuller perspective.



Read more online



Refer to strategy



HOW IT WORKS

Step 1. Download the free LAYAR app for iPhone or Android.

Step 2. Open the Layar app, hold the phone above this image and tap the screen to scan it.

Step 3. View the interactive content.

www.exxaro.com



About Exxaro

Our purpose: to power better lives in Africa and beyond, by responsibly investing in mining, energy, water and agri.

Exxaro is among the top five coal producers in South Africa and a constituent of the JSE's Top 40 index, as well as the top 30 in the FTSE/JSE Responsible Investment index. The company has a diversified portfolio of assets, solid resource base and the only producing mine in the coal-rich Waterberg region – Grootegeluk. In turn, Grootegeluk is acknowledged as one of the most efficient mining operations globally and runs the world's largest coal-beneficiation complex. While coal is the core of our business now and for decades to come, we understand the finite nature of the fossil-fuel sector and changing global imperatives – particularly security of supply of energy, water and food. This underpinned the strategy guiding our business of tomorrow, built on coal.



- For more information on Exxaro, see Overview of our business, page 10
- For more detail on our strategy, see page 38



FEEDBACK

Ongoing feedback from stakeholders helps us contextualise certain issues better for more informed understanding by readers. We welcome your suggestions, which should be directed to:

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ABOUT THIS REPORT

Exxaro's integrated report covers our financial, operational and environmental, social and governance (ESG) performance as well as the challenges and opportunities ahead.

In line with our corporate value of honest responsibility, this report reflects our commitment to sustainable development, given the South African socio-economic and environmental context, and determination to entrench effective governance and global best practices in all operations. It also reflects maturing reporting processes and confidence in our ability to set and measure progress towards targets. We disclose key performance indicators across the six sustainability capitals, with targets and actual performance, for an informed evaluation of our progress.

Understanding our sustainability capitals



Natural

- All renewable and non-renewable resources
- Natural resources (mineral resources, water, energy and matter)
- Processes (our environment, water, air and biodiversity)



Social

- Institutions and relationships within Exxaro, between communities, groups of stakeholders and other networks
- Share information to enhance individual and collective wellbeing
- Trust and reciprocity



Manufactured

- Manufactured physical objects used to produce goods or services
- Assets, infrastructure, goods, technology, networks, business processes and systems



Intellectual

- Organisational, knowledge-based intangibles
- Ability and motivation to innovate



Financial

- Pool of available funds
- Reflects productive power of other capitals
- Ownership and governance
- Balance-sheet strength

Scope and boundary

This report covers the financial year to 31 December 2018, as well as key subsequent developments, and follows the 2017 report. While content is primarily aimed at providers of capital, we trust the report will be informative for all stakeholders. For a complete view, this report should be read with the group and company annual financial statements (AFS), comprehensive supplementary report, and mineral resources and reserves statement on our website.

Notice of the group annual general meeting, form of proxy and summarised financial statements were mailed to shareholders as statutorily required.

Content is guided by our strategic objectives, material issues, legislative and regulatory requirements, including the Companies Act of South Africa 71 2008, as amended (Companies Act), (the new mining charter is only effective from January 2019), Department of Trade and Industry codes of good practice and the JSE Limited Listings Requirements. We are also guided by global best-practice standards, including the International Integrated Reporting Council's (IIRC) framework for integrated reporting, United Nations Global Compact and Sustainable Development Goals (SDGs), GRI Standards, King Report on Governance for South Africa 2016 (King IV™) and AccountAbility 1000SES.

The audited AFS are prepared in accordance with International Financial Reporting Standards (IFRS).

King IV™ is a registered trademark of the Institute of Directors of Southern Africa

ABOUT THIS REPORT (CONTINUED)

Reporting boundary for integrated report (risk, opportunities and outcome)

Exxaro

Financial reporting entity (control and significant influence)

Joint arrangements

Subsidiaries

Investments

> Investors > Employees > Customers > Suppliers > Business partners > Communication > Regulators

This report includes all Exxaro's wholly owned operations and subsidiaries. We include limited information on operations where we do not have management control but have a significant interest or joint control, namely Cennergi Proprietary Limited (Cennergi) and Sishen Iron Ore Company Proprietary Limited (SIOC). Our 23.4% shareholding in Tronox Limited continues to be classified as a non-current asset held-for-sale, and we remain committed to monetising this asset through an efficient and staged sales process.

This report has been prepared against the GRI's Standards (formerly Global Reporting Initiative), and the GRI index is on our website. The supplementary report provides detailed disclosure on key aspects of our operations. Methods for determining specific GRI indicators are summarised in the text or detailed in our glossary.

Corporate activity since Exxaro's inception makes data comparability challenging in some areas; this is explained where it will aid understanding.

Under the reporting requirements of the Department of Mineral Resources (DMR) for the 2014 mining charter scorecard, Exxaro discloses its performance per mining right for the review period on its website. Group performance against the scorecard is available on request.

Combined assurance



The board, supported by the audit committee, is ultimately responsible for Exxaro's system of internal control. This is designed to evaluate, manage and provide reasonable assurance against material misstatement and loss. We apply a combined assurance model to optimise the assurance from management as well as internal and external providers while fostering a strong ethical climate and mechanisms to ensure compliance. Our approach to combined assurance is on page 54.

Through our board-approved enterprise risk management approach, management identifies key risks facing Exxaro and implements the necessary internal controls. The process is monitored and evaluated by internal audit, while independent external auditors cover key controls and accounting matters during their audit. Each year, key sustainability indicators are selected for reasonable or limited external assurance (page 82 of the supplementary report, with comparable information for trend analysis, where possible).

The board and audit committee assessed the effectiveness of controls for the year to 31 December 2018 as satisfactory, principally through a process of management self-assessment (including formal confirmation from executive management), reports from internal audit, independent external audit and other assurance providers.

Materiality

Materiality is determined by carefully analysing our risks (page 44), strategic goals and the outcomes of ongoing consultation with stakeholders.

In a new approach and to give voice to board deliberations, for this report we interviewed all our non-executive directors. Their responses illustrated the depth of experience from which Exxaro benefits, as well as the expertise across our capitals that typifies a balanced and unified board of directors. We have consolidated their comments as quotes from the board's view throughout this report.

All insights from the materiality process are prioritised and crystallised into our material issues, detailed on page 57, and inform strategic refinements to maintain progress towards our goal of creating value for all stakeholders.

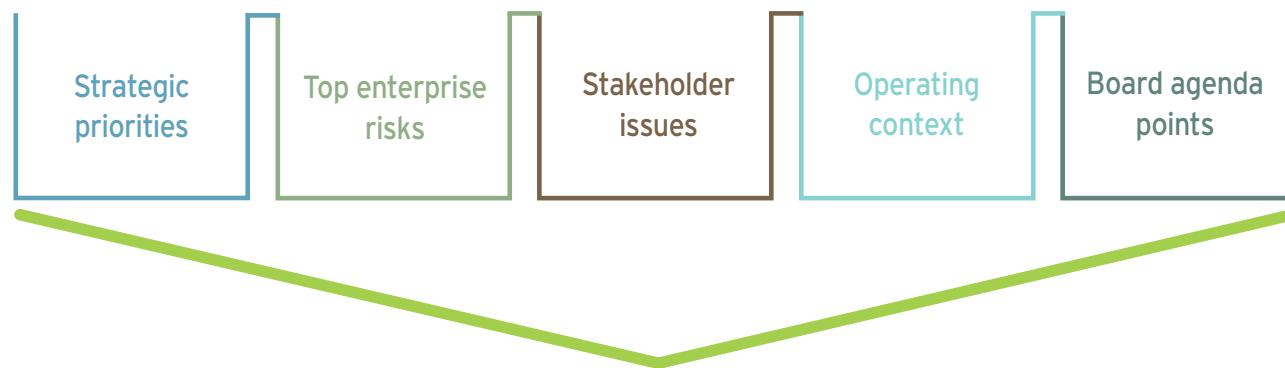
Board responsibility

The board acknowledges its responsibility for the integrity of Exxaro's integrated and supplementary reports.

Although the process of integrated reporting is still evolving, we have applied our collective mind to the preparation and presentation of information in this report, guided by the IIRC framework.

Continuous efforts are made to incorporate best practice and improve our level of reporting, including an independent assessment of key aspects of sustainability reporting and disclosure by PricewaterhouseCoopers Incorporated (PwC).

Together with management, and reflecting on our operating context, strategy and value-creation model, we believe this integrated report addresses all matters that have, or could have, a material effect on our ability to create value.



MATERIAL ISSUES

- Key customer dependency ● People ● Business resilience
- Capital allocation and execution
- Social licence to operate

The board reviewed and approved the content of the integrated report and accompanying statutory information (mailed to shareholders) prior to publication.



J van Rooyen
Chairman
24 April 2019



MDM Mgojo
Chief executive officer

Certificate by group company secretary

In terms of section 88(2)(e) of the Companies Act, I, SE (Saret) van Loggerenberg, in my capacity as group company secretary and legal, confirm that, to the best of my knowledge, for the year ended 31 December 2018, Exxaro Resources Limited (Exxaro) has filed with the Companies and Intellectual Property Commission all such returns and notices as required of a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.



SE van Loggerenberg
Group company secretary and legal
Pretoria
24 April 2019



UNDERSTANDING OUR BUSINESS

- 6 Chairman's statement
- 8 Our year in review
- 10 Overview of our business
- 12 Our coal asset base
- 14 Investment proposition
- 15 ECC turnaround
- 16 Our board
- 18 Leadership
- 28 Our business model





BUSINESS OF TOMORROW

TRUST

FUTURE-PROOFING

STAKEHOLDERS

TECHNOLOGY

CHAIRMAN'S STATEMENT

The past financial year was eventful, but positively so, for Exxaro. Almost in line with the message from the president of both the governing political party and Republic of South Africa, Cyril Ramaphosa, the beginning of 2018 was a new dawn for Exxaro after the successful completion of our replacement BEE transaction in December 2017, while the country entered the year with renewed spirits after the ANC election conference brought new political leadership.



The new dawn and theme of *Thuma mina* (send me) are welcome messages to power the country's citizens into a new socio-political era for South Africa. One where government and business place the interests of society above all else and form collaborative relationships with labour and civil society to build a sustainable economy that will create dignifying and empowering employment opportunities and enable ordinary people to build wealth so that we begin to see a real narrowing in inequality and reduction of poverty in South Africa.

We started on this mission in a global context, appropriately referred to as D-VUCAD (prevalence of *disruption* in technology and socio-politics; *volatility*; *uncertainty*; *complexity*; *ambiguity*; and lastly the dawning reality of *diversity*, including gender, cross-cultural and intergenerational). The continued trade war between China and the USA as well as Brexit (Britain exiting the European Union) are among major events that have caused volatility in capital markets. All these regions are important trading partners for South Africa and thus critical to our plans for an economic renewal. Accordingly, implementing the outcomes

of president Ramaphosa's jobs and investment summits become urgent to realising national objectives.

In addition, the intensifying sentiment against coal was noted during the year and reaffirmed at the COP24 meeting in Poland. This has had a direct impact on Exxaro through the continued delay of the Thabametsi independent power producer (IPP) project, which Exxaro is contracted to supply with coal.

Equal and urgent action is required to manage carbon emissions and prevent global temperatures from rising above the historical average of 1.5°C. We keenly understand this imperative and its potential disruption to our business. We have submitted annual emissions data to CDP (the global benchmark on carbon disclosure) for a decade and are focused on reducing emissions produced through our operations. However, in 2012 and in reference to South Africa's integrated resource plan and participating in the renewable energy investment power purchasing programme, we invested in 239MW of renewable (wind) energy through a 50/50 joint venture with Tata Power in the Eastern Cape – this project is now delivering into the grid.

Coal remains South Africa's primary energy input, generating 95% of the country's electricity. Exxaro is the largest supplier of coal to Eskom, the national electricity utility, and our volumes are estimated to grow to around 33% (when Medupi power station reaches full generation capacity) of Eskom's total coal requirement. Therefore, our response to climate change will, to a large degree, be influenced by the evolving changes to South Africa's energy generation and policy structure, and due consideration for the social implications of such changes.

We are responding to investor concerns for a sustainable development approach to our business, as expressed through the ESG (environmental, social and governance) concept. While we place emphasis on strengthening our coal business

in terms of performance efficiency, safety and return on investment, we have begun to seek and invest in new opportunities (taking advantage of disruptive technologies) to build a possible future beyond coal, where we will continue to meet the energy needs of society, as we do today – the CEO will elaborate further.

Given these contextual issues, as a board, we had to address several priority issues. I will focus on just two of the material priorities in this review: governance and strategy.

The first priority for Exxaro was establishing a **governance** structure that would ensure the continued resilience of the company and sustainable returns for its stakeholders. This was critical in a socio-political and business environment characterised by several high-profile corruption scandals, prevailing uncertainty in the policy and economic climate domestically and globally, as well as the opportunities emerging ahead of us.

The replacement BEE transaction presented an opportunity to restructure the board and address some shortcomings. We increased the diversity of the board in terms of skills: appointing Ms Anu Sing and Mr Isaac Mophatlane, both with backgrounds in innovation and technology as well as deal-making to support our strategy in the business of tomorrow and operational excellence in the coal business. These new directors also respectively chair the social and ethics committee and investment committee. We further strengthened board skills by appointing Ms Geraldine Fraser-Moleketi as lead independent director, as well as Ms Daphne Mashile-Nkosi and Ms Likhapha Mbatha. They add specific expertise to stakeholder management and understanding the socio-economic context, particularly as the role of business in society comes under intensified scrutiny. Ms Fraser-Moleketi adds considerable experience of business in Africa as well as a global perspective after various United Nations' roles. The board restructuring also increased the proportion of female directors to 36%, outperforming targets under the previous mining charter and the Department of Trade and Industry's codes of good practice. Overall, black representation on the board is now 64%. Leveraging this

diversity will position Exxaro well as it pursues its strategy and purpose of powering better lives in Africa and beyond.

Delivering on our **strategy** was a critical second priority. For the past three years, we have shared with you our progress on some of the strategic drivers of our business, including the completion of the replacement BEE transaction. What remains is including employee and community ownership in the structure, now that we have had resolution on the latest mining charter. We aim to complete this in 2019.

We are pleased with our progress in *optimising our investment portfolio*. Cash generated from the sale of non-core assets (to date part of the Tronox investment and some coal assets), will be appropriately allocated under our *capital allocation framework*. Investor expectations of cash returns were fulfilled, with the R12.55 per share special dividend from the proceeds of the initial Tronox sale, in addition to which we paid a total dividend for the year of R10.85 per share (an interim dividend of R5.30 per share plus final dividend of R5.55 per share, with the latter being 55% higher year on year). At the same time, we were investing in sustaining existing operations to ensure safe production and operational excellence as well as expanding for future **growth** through our R20-billion capital programme over the medium term. This is an enviable position for a company to be in.

We look forward to the future with anticipation. Domestically, for the 2019 financial year, our democracy will evolve further with the sixth national general elections on 8 May – a pivotal event in our political history. Given that all South Africans have a role in building our democracy, Exxaro's board agreed to make a political donation of R20 million proportionately split among the top seven parties as recommended by the Independent Electoral Commission and after considering the country's political funding legislation. We are hoping for a favourable outcome for the country.

The financial strain Eskom face remains concerning: the R69 billion extended from the fiscus, while minimal in the context of Eskom's total debt of over R420 billion, will certainly provide some temporary relief. Eskom remains a

strategic partner for Exxaro and has been a reliable customer in terms of our coal supply. Our relationship has improved considerably since new leadership was appointed to the utility, and we will continue to partner and assist Eskom in this difficult period.

Globally, it may be more of the same in terms of the trade war and Brexit. Any attempt at predicting the outcome would be folly, but we are mindful of the potential impact of these events on our business environment. China's policy decisions affect global commodity prices, given the size of its demand. To date, prices have been favourable to our strategy. Our climate response strategy will also evolve to strengthen the resilience of the business for sustainable stakeholder returns from our capital allocation strategy.

Lastly, I assumed the role of chairman during the year under review, having been an independent board member and chairman of the audit committee in prior years. I sincerely thank our retired board members who served the company so ably during their tenure: Dr Len Konar, Dr Con Fauconnier, Dr Faizel Randera, Mr Rain Zihlangu, Mr Saleh Mayet and Ms Salukazi Dakile-Hlongwane. On behalf of the board, we are grateful for their role in guiding the company to where it is today.



Jeff van Rooyen
Chairman

24 April 2019

OUR YEAR IN REVIEW

Value creation

Exxaro uses the six-capitals model (natural, human, social, manufactured, intellectual and financial capital) as a balanced approach to increase our potential to invest and develop for sustainable growth.

We strive to add value to the capitals during the lifecycle of every mining operation – with the aim of leaving each area richer after mine closure. At each stage of the value chain, which we refer to as the resource-to-market business model, the cumulative net effect is to leave a positive impact. Each sustainability capital that we affect will be responsibly managed to maximise the benefit to all stakeholders, internally and externally. This is detailed in the business model on page 28.



How we use and replenish our capitals ultimately translates into our financial capital – the primary purpose of any business. Adding value to each capital or managing the trade-offs supports our licence to operate (page 28). The cash value-added statement shows the wealth the group has created through mining operations and investing activities:



Our employees enjoy the largest share of value created through earnings as well as self-development, which will continue to benefit the business

R3.5 billion

Suppliers and contractors are supported by procuring consumables, services and capital goods

R4.6 billion

total spend, 34% from black suppliers*

Providers of finance receive a return on their investment

ROCE 23%

We are reinvesting in the growth of our coal business. A R15 billion expansion programme is under way in the Waterberg and Mpumalanga regions

R2.9 billion spent in FY18

Shareholders receive a return on their investment through dividends and capital growth in the share price dividend

2 340cps

Governments of countries where we operate and invest receive various taxes and royalty payments

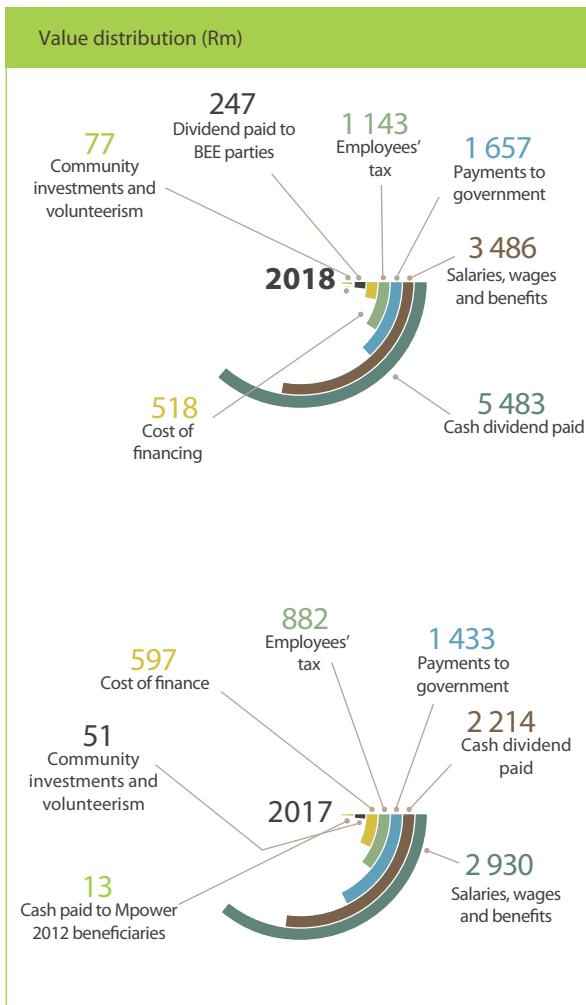
R1.7 billion

Communities benefit from our investment in projects, including education programmes and infrastructure development

R84.8 million

*Black-owned, black woman-owned, black emerging enterprises and black qualifying small enterprises.

Despite another challenging environment in 2018, we created significant value for our stakeholders and contributed meaningfully to the South African economy.



Performance against our sustainability capitals

	Trend	Target	2018	2017	2016
NATURAL CAPITAL					
Reportable cases of environmental incidents	⬇️	0	7 x level 2	1 x level 2	5 x level 2
Carbon intensity (ktCO ₂ e/TTM)	⬆️		5.3	5.4	6.0
Water intensity (kl/run of mine)	⬇️	0.20	0.11	0.18	0.22
Rehabilitation funding adequacy of commercial mines, ex guarantees (%)	⬆️	80	25	24	-
HUMAN CAPITAL					
Fatalities	⬆️	0	0	1	0
LTIFR	➡️	0.11	0.12	0.12	0.09
OHIFR	➡️	0.31	0.33	0.33	0.35
Skills provision (human resource development) (%) (2014 mining charter)	➡️	5.1	5.1	5.1	4.5
SOCIAL CAPITAL					
BBBEE contribution level	⬆️	1	TBC	5	6
SLP project delivery (time variance) (%)	⬆️	0	12	(15)	(13)
SLP project delivery (cost variance) (%)	⬆️	0	(8)	(15)	(13)
MANUFACTURED CAPITAL					
Capital project delivery measure (on-time variance) (%)	⬆️	0	0.1 (behind)	(0.17) (behind)	(1.2) (behind)
Capital project delivery measure (on-cost variance) (%)	⬆️	0	0 (on target)	1.0 (saving)	0.3 (saving)
FINANCIAL CAPITAL					
Core EBITDA ¹ operating margin (%)	⬇️	20	29	32	na
Return on capital employed (ROCE) (%) ²	➡️	20	23	23	23
Core HEPS (cents)	⬆️		2 159	2 011	1 457
Net debt to equity (%)	⬆️	45	9.0	3.1	4
Black ownership (%)	➡️		30	30	52

¹EBITDA is calculated by adjusting earnings before interest and tax for depreciation, amortisation, impairment charges and net loss or gain on disposal of investments and assets.

²2017 is re-presented (refer to group annual financial statements).

⬇️ Worse ⬆️ Improvement ➡️ Unchanged

OVERVIEW OF OUR BUSINESS

OWNERSHIP STRUCTURE

84.1%
Eyesizwe
Mining
Investments

3.0%
Eyabantu
Capital

12.9%
Basadi Ba
Kopane
Investments

52.2%

24.9%

22.9%

BEE SPV

EXXARO

IDC

EYESIZWE
(RF)*



*A special-purpose private company incorporated under the laws of South Africa, which will hold the BEE shares.

Group profile

Exxaro is one of the largest and foremost black-empowered, South Africa-based diversified resources companies, with current business interests in South Africa, Australia, Europe and the United States of America.

Formed in 2006, Exxaro's pedigree and skills were, however, built over decades as a company rooted in South Africa and respected by its peers for its innovation, ethics and integrity.

Our asset portfolio includes coal operations and investments in iron ore, pigment manufacturing, renewable energy (wind) and base metals. Exxaro is listed on the JSE's Top 40 index, a constituent of the FTSE4Good Index and a Top 30 member of the FTSE/JSE Responsible Investment index.

In 2018, Exxaro produced 47.8 million tonnes (Mt) (including buy-ins of 1.0Mt) of coal (2017: 45.5Mt), reflecting contributions from our expanded flagship Grootegeluk mine.

At 31 December 2018, the group had assets of R65.1 billion and a market capitalisation of R49.5 billion (US\$3.4 billion).

Our assets

Coal



See footprint on page 13

Strong South African presence and market:

- Largest coal reserve in the country, providing the platform for a R20 billion investment in our growth
- Largest supplier of energy coal to Eskom and ArcelorMittal while domestically growing projects for export thermal coal.

Grootegeluk is acknowledged as one of the most efficient mining operations globally, and runs the world's largest coal beneficiation complex. It is also the only producing mine in the coal-rich Waterberg, adjacent to Eskom's existing Matimba and new Medupi power stations. We are expanding Grootegeluk's capacity by 7% (1.7Mtpa) via the double-stage beneficiation plant (GG6) and new rapid load-out station.

- Six managed coal operations (including 50% share of Mafube) produced 47.8Mt of thermal and metallurgical coal, up 5% in 2018. Most power station coal is supplied to the national power utility, Eskom
- Robust R20 billion pipeline of greenfield and brownfield expansion projects (page 66).

Ferrous

- FerroAlloys produces gas-atomised ferrosilicon for use in dense medium separation plants.

Investment portfolio

- **Iron ore:** 21% of SIOC, a leading supplier of high-quality iron ore to the global steel industry, and a subsidiary of the listed Kumba Iron Ore Limited (KIO)
- **Titanium dioxide, pigments and alkali chemicals:** 26% direct interest in both KZN Sands and Namakwa Sands, as well as 23.4% interest in US-listed Tronox Limited, a global leader in mining, production and marketing inorganic minerals and chemicals. In 2017, Exxaro began implementing the strategic disposal of this shareholding, selling 22.4 million shares and raising cash of R6.5 billion
- **Renewable energy:** Exxaro contributes to national energy supply through Cennergi, its joint venture with Tata Power. Two wind projects in the Eastern Cape reached commercial operation in 2016: Amakhala Emoyeni near Bedford (134MW) and Tsitsikamma Community wind farm on Mfengu community land (95MW)
- **Coal:** Mafube – JV with Anglo South Africa Capital Proprietary Limited in Mpumalanga
- **Base metals:** 26% of Black Mountain, a subsidiary of Vedanta, in the Northern Cape.

Only mineral assets with Measured and Indicated Resources are illustrated. Inferred Resources are reported in the supplementary consolidated Mineral Resources and Mineral Reserves (CMRR) report.



OUR COAL ASSET BASE

Location	Market	Product	Resources (inclusive)	Reserves	Mining method	Run of mine	Life of mine
1 ARNOT							
South of Middelburg	Domestic (Eskom)	Thermal coal	138.5Mt measured; 64.3Mt indicated	-	Open-cut	-	-
2 BELFAST							
South of Belfast	Export	Thermal coal	81.1Mt measured; 22.4Mt indicated	45.7Mt proved	Open-cut	-	17 years
3 DORSTFONTEIN COMPLEX							
North-east of Kriel	Export	Thermal coal	156.4Mt measured; 137.5Mt indicated	54.3Mt proved; 40.5Mt probable	Open-cut and underground	2.89Mt	23 years
4 FORZANDO COMPLEX							
North of Bethal	Export	Thermal coal	82.4Mt measured; 52.4Mt indicated	38.6Mt proved; 15.9Mt probable	Underground	2.07Mt	10+ years*
5 GROOTEGEELUK COMPLEX							
West of Lephalale	Domestic and export	Thermal, metallurgical and coking coal	2 844Mt measured; 1 017Mt indicated	2 576Mt proved; 645Mt probable	Open-cut	57.2Mt	22+ years*
6 LEEUWPAN							
South-east of Delmas	Domestic and export	Thermal and metallurgical coal	101.1Mt measured; 2.6Mt indicated	53.7Mt proved; 6.2Mt probable	Open-cut	6.65Mt	12 years
7 MAFUBE							
East of Middelburg	Domestic and export	Thermal coal	124.5Mt measured; 10.1Mt indicated	62Mt probable	Open-cut	3.44Mt	12 years
8 MATLA							
West of Kriel	Domestic (Eskom)	Thermal coal	713Mt measured; 97Mt indicated	171.6Mt proved; 16.3Mt probable	Underground	6.7Mt	6+ years*
10 TUMEOLO							
North-west of Hendrina	Domestic and export	Thermal coal	8.7Mt measured; 0.2Mt indicated	Not yet declared	Underground	-	Under care and maintenance

Location	Project stage	Market	Product	Resources (inclusive)	Reserves	Mining method	Life of mine
9 THABAMETSI							
West of Lephalale	Early works	Thermal and metallurgical coal	Thermal coal	270Mt measured; 749Mt indicated	109Mt proved; 21Mt probable	Open-cut	27+ years*

* Adequate reserves well beyond expiry of mining right

INVESTMENT PROPOSITION

Based on a **well-executed** strategy, solid returns, access to funds and quality resources, Exxaro is a **unique listed** investment opportunity.

- **Competitive advantages**

- Large multiproduct and long-life coal reserve base
- Established domestic (short and long-term contracts) and international customer base
- Adequate port and rail allocation to support export growth
- **Resilient black ownership structure**



- **Key financial strengths**

- **Strong balance sheet** – net debt:equity of **9%**
- **Cash-generative operations**
- Returning cash to shareholders: revised dividend policy of **2.5 to 3.5x coal core attributable earnings**, plus pass-through of SIOC dividend received and special dividends from **surplus cash**



- **Growth prospects**

- Organic coal production **growth** to supply export markets and independent power producers
- Domestic and offshore coal revenue **growth** (new projects and cost management)
- New, **stable revenue** model from **renewable energy investment**



- **Leadership and governance**

- Experienced, **growth-oriented** leadership team
- **Established governance structures** – proven economic, social and governance model
- **Ethical** leadership
- **Stakeholder-oriented**



Our governance structures

Governance philosophy

Exxaro recognises that effective and efficient governance processes and practices are one of the foundational layers to achieve our strategic objectives. Transparency, accountability and integrity, the pillars of good corporate citizenship, permeate everything we do and ultimately deliver value to our shareholders as well as our broader stakeholders, including the communities in which we operate.

ECC TURNAROUND

Background

In August 2015, Exxaro acquired Total Coal South Africa (TCSA, renamed Exxaro Coal Central or ECC) for key strategic reasons:

- TCSA was a large-scale coal business close to other Exxaro assets in the Witbank (eMalahleni) area, thus increasing our footprint in Mpumalanga
- Additional value could be unlocked from TCSA operations given our extensive coal-mining experience and knowledge
- It gave us access to a 4Mt export entitlement at Richards Bay Coal Terminal (RBCT) and that complemented our expansion plans in the Waterberg (Grootegeuk) and Mpumalanga (Belfast) regions.

Reality check

Taking cognisance of market conditions, commodity pricing and TCSA's strategy, 2015 was a year of major losses on all

operations. The risk of adjustments to environmental provisions and asset impairments linked to financial status and forecast profits was also very real.

Exxaro made some pivotal decisions:

- Close pit 2 at the Dorstfontein East operation and only continue with mining pit 1 until economic conditions and strategy supported its reopening
- Continue with mining operations at Dorstfontein West and Forzando South
- Leave Tumelo and Forzando North on care and maintenance as per TCSA's strategy until a further decision could be made
- Not to focus on additional projects until economic conditions were more favourable
- Initiate a recovery plan using internal resources at Exxaro head office and the ECC management team.

ECC recovery plan

From November 2015, ECC began a formal operational excellence process to support the business in making a positive contribution to Exxaro's financial performance. This multifaceted process was based on a new business plan and budget developed jointly by Exxaro and the ECC management team. It included value engineering, specific improvement initiatives and a fresh look at sustainable mining processes.

Over two strategy sessions between Exxaro and ECC management, these initiatives were combined into a list of focus areas (below) and, from January 2016, driven by an operational steering committee meeting monthly.

Focus area	Results by FY18
Increase production at Dorstfontein West	Output improved from 675 000t in 2015 to 1 000 000t. Favourable market conditions and pricing contributed to record production and profit in FY18. Life of mine extended three to four years, and by a further 15 years from mining 4 seam reserves. The life extension project is currently under construction, with estimates that the 4 seam project will be in full production for the export market from early 2020 at a rate of 1.9Mtpa. This can be increased to 2.4Mtpa depending on additional initiatives being investigated.
Increase production at Forzando South	Performances over the past three years exceeded expectations, reaching an average production output of 2.2Mtpa, while maintaining yields. In this period, Forzando has supplied the export market with both 5 300kcal/kg and 4 800kcal/kg products as well as product to the domestic market.
Reduce contractor costs at Dorstfontein East	New mining contracts and optimised mining pits have generated cost savings and good profits. Initiatives to improve performance of the open-cast operation are already producing results.
Optimise product mix to maximise profitability	Achieved. In addition, an Eskom contract to supply coal from Dorstfontein East began in January 2019. This is expected to give ECC a market mix that will ensure profitability during unfavourable export market conditions.
Optimise organisational structure	Achieved, with annual savings of around R5 million.
Reduce fixed costs, and increase life of mine of operations	<ul style="list-style-type: none"> ● Forzando North reopened mid-October 2018 with life of mine of seven years ● Tumelo reopened with life of mine of 3.5 years from April 2019 ● Awaiting regulatory approvals to extend Dorstfontein East pit 1 and extend reserves towards Dorstfontein West ● We are also investigating the possibility of underground mining at Dorstfontein East, and purchasing adjacent reserves

In summary, ECC is a singular success story. We increased Exxaro's export entitlement and turned a loss of R300 million in 2015 to net profit of R700 million by December 2017.

OUR BOARD

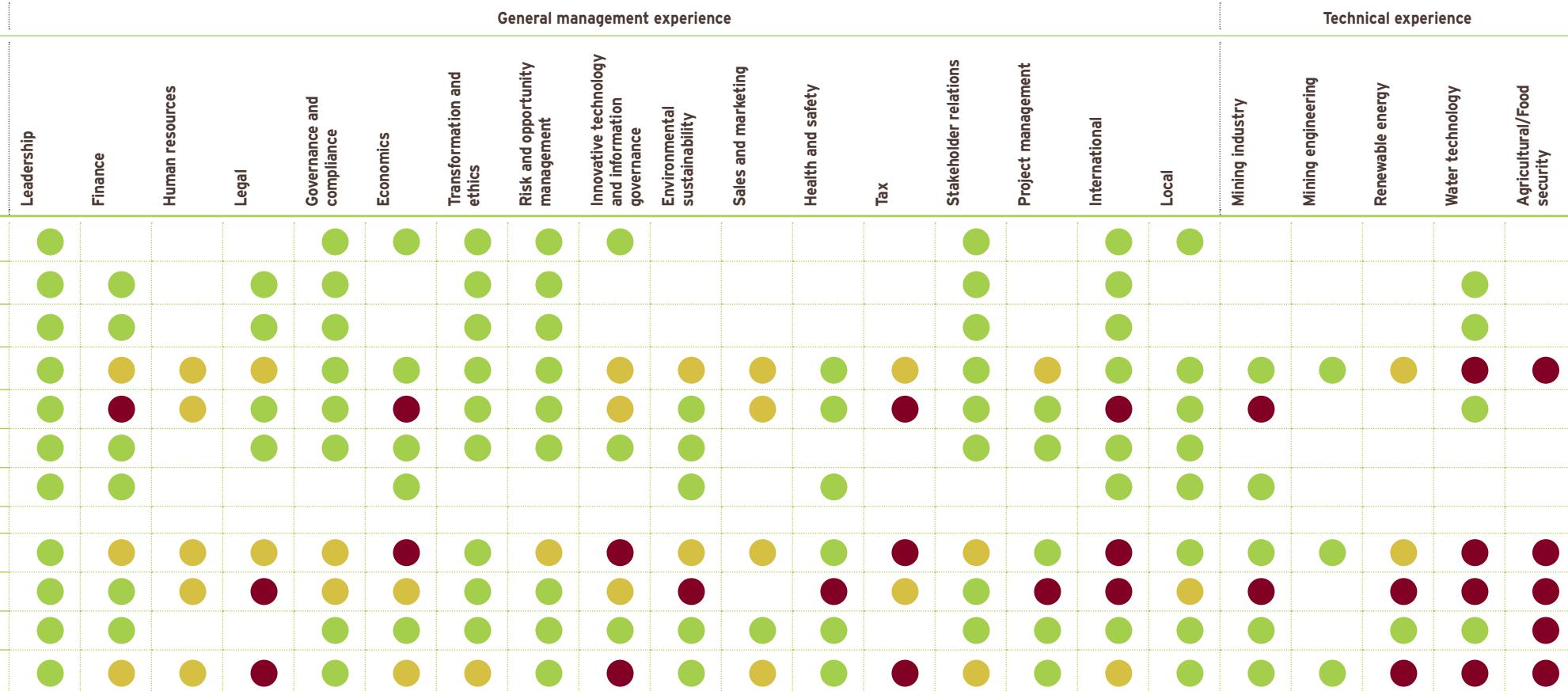
Skills and experience matrix

Diversity

Director	Qualifications	Date of appointment (dd/mm/yyyy)	Tenure (years)	Age	Ethnicity	Gender	Experience as a director (years)
J van Rooyen	BCom (SA); BCompt (hons) (SA); CA(SA)	2008/08/13	11	69	Coloured	Male	12
GJ Fraser-Moleketi	DPhil (Nelson Mandela Bay University), Masters in Administration (University of Pretoria), Leadership programme (Wharton), Fellow of the Institute of Politics (Harvard)	2018/05/23	1	59	Coloured	Female	25
MW Hlahla	Masters of Arts (MA) Urban Planning, USA; Advanced Management Program (AMP), INSEAD, France; Certificate in Accounting and Finance, WITS Business School	2015/06/04	4	56	Black	Female	10
D Mashile-Nkosi		2018/03/06	1	60	Black	Female	10
L Mbatha	LLB, LLM (Gender studies)	2018/03/06	1	65	Black	Female	10
VZ Mntambo	BJuris, LLB (UNW), LLM (Yale)	2006/11/28	12	61	Black	Male	17
MJ Moffett	BCom (CTA), CA(SA)	2018/05/23	1	59	White	Male	25
LI Mophatlane		2018/05/23	1	45	Black	Male	-
EJ Myburgh	BEng (Electrical) (UP), BSc (Hons) (Energy studies) (UJ), MBL (USB), Darden Executive Program (Virginia)	2016/09/01	2	60	White	Male	9
V Nkonyeni	BSc (hons), CA(SA)	2014/06/03	5	49	Black	Male	17
A Sing	BSc Eng (Mech) MBA	2018/03/06	1	48	Indian	Female	7
PCCH Snyders	BEng (Mining), Diploma in Marketing Management, MCom Business Management, Mine Manager's Certificate of Competence for Coal and Metaliferous Mines	2016/07/01	3	59	White	Male	14

● Significant skills and experience (10+ years, in-depth, main focus area, weekly use of skills, line accountability)
 ● Average skills and experience (5 to 10 years, ad hoc, but regular and fairly in-depth exposure/use of skills, ie monthly)

● Limited skills and experience (5 years, very irregular or superficial exposure/use of skills, ie quarterly/biannual)



LEADERSHIP

The board assumes ultimate accountability for the performance and affairs of the company. In doing so, it effectively represents and promotes the legitimate interests of the company and, as a responsible corporate citizen, simultaneously considers the legitimate interests and expectations of material stakeholders.

 page 104

Board



J van Rooyen (chairman)
Independent



PCCH Snyders
Independent



GJ Fraser-Moleketi
Lead independent director



A Sing
Independent



L Mbatha
Non-executive

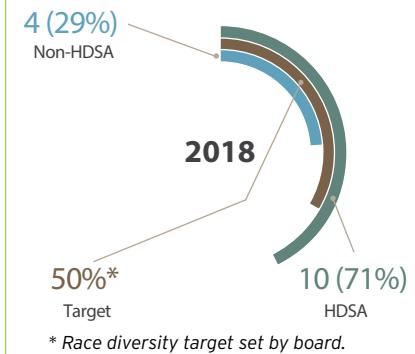
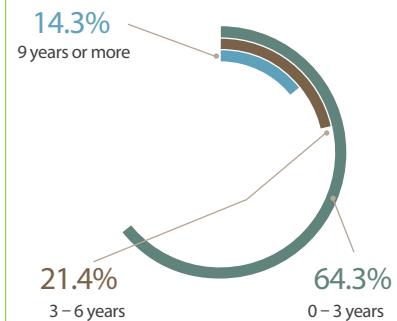


MW Hlahla
Independent

- Audit committee
- Investment committee
- Remuneration and nomination committee
- Social and ethics committee
- Sustainability, risk and compliance committee



Diversity as at 31 December 2018

Length of service of directors
(Executive and non-executive)

LEADERSHIP (CONTINUED)

AUDIT COMMITTEE

Composition requirements

The committee is constituted as a statutory committee of the company in terms of its statutory duties under section 94(7) of the Companies Act, and a committee of the board in terms of all other duties assigned to it by the board.

- The committee must comprise at least three members to be elected annually by shareholders on recommendation of the nomination committee, all of whom must be independent non-executive directors
- The chair will be appointed by the board and will be one of the members of the committee as elected by shareholders at the AGM
- The chair of the board may not be a member of the committee.

REMUNERATION AND NOMINATION COMMITTEE (REMCO)

Composition requirements

- The committee must comprise at least three non-executive directors, the majority of whom will be independent non-executive directors, and with the board chair being an ex-officio member
- The board will appoint the chair of the committee, who will be an independent non-executive director
- The chair will ensure there is a suitably balanced blend of skills and experience so that the committee is able to discharge its functions, and consider the need for ad hoc invitees with the necessary technical experience to assist members in their technical deliberations

- Each member of the committee will have relevant experience and one or more of the following competencies:
 - Good understanding of transformation processes and broad-based black economic empowerment (BBBEE) relevant to the company
 - Good understanding of all aspects of remuneration policies of comparable companies and the business of remuneration committees
 - Good understanding of human resources management and development
 - Good knowledge of the company and its executive management
 - A full understanding of stakeholders' concerns.

SUSTAINABILITY, RISK AND COMPLIANCE COMMITTEE (SRC)

Composition requirements

- The committee must comprise at least three non-executive directors, the majority of whom will be independent. Prescribed officers of the company, including the chief executive officer, will also be eligible for membership subject to the majority of members being independent non-executive directors
- The board will appoint the chair of the committee, who will be an independent non-executive director
- The chair will ensure there is a suitably balanced blend of skills and experience so that the committee is able to discharge its functions, and consider the need for ad hoc invitees with the necessary technical experience to assist members in technical deliberations.

SOCIAL AND ETHICS COMMITTEE (SEC)

Composition requirements

- Members of the committee will be elected by shareholders on recommendation of the Remco
- The committee will comprise a chairman and at least two additional members. All members will be directors and/or prescribed officers of the company with the majority of members at all times being independent, non-executive directors
- The board will, in conjunction with Remco, appoint from among its members the committee chair who should be an independent non-executive director.

INVESTMENT COMMITTEE

Composition requirements

- Members are appointed by the board on recommendation of Remco
- The committee will comprise five independent non-executive directors
- The board ensures there is a balanced blend of skills and experience.

J van Rooyen – Jeff (69)*Independent non-executive chairman of the board; member of remuneration and nomination committee*

Director since 13 August 2008

Qualifications:

BCom, BCompt (hons), CA(SA)

Experience:

Jeff is a director of various companies in the Uranus Group, non-executive director of MTN Group Limited, Pick n Pay Stores Limited. He is former chairman of the Financial Reporting Standards Council (FRSC), former trustee of the International Accounting Standards Foundation and member of the University of Pretoria's faculty of economic and management sciences' oversight board. He was a partner at Deloitte, chairman of the Public Accountants and Auditors Board, CEO of the Financial Services Board and advisor to the Minister of Public Enterprises during the Mandela administration. Jeff is a founder member and former president of the Association for the Advancement of Black Accountants of South Africa.

GJ Fraser-Moleketi – Geraldine (59)*Lead independent non-executive director; member of the remuneration and nominations committee (nominations committee chair) and permanent invitee and consultant to the social and ethics committee*

Director since 23 May 2018

Qualifications:

DPhil, Masters in administration, leadership programme (Wharton), fellow of the Institute of Politics (Harvard)

Experience:

Geraldine was a member of the South African parliament for three consecutive parliaments (1994 through September 2008 when she resigned). She was previously director of the United Nations Development Programme's (UNDP) democratic governance group; she served in the South African government as Minister of Public Service and Administration for two consecutive terms and chaired the pan-African ministers of public service for three consecutive terms. The State Information Technology Agency (SITA) fell in the public service portfolio and reported to the minister. As minister, she served on the UN committee of experts on public administration, established by the UN Economic and Social Council.

Geraldine serves on various boards across academia: she is chancellor of Nelson Mandela University, a member of the Institute for the Study of International Development (McGill University, Montreal, Canada) and chairman of the advisory council of Mapungubwe Institute for Strategic Reflection; chair of the committee of experts on public administration (CEPA), an expert body of the UN Economic and Social Council.

She currently serves on the Africa advisory committee of Womens' World Banking. She was reappointed to CEPA for the period 2018 to 2021.

She is also a non-executive director of Standard Bank Group and Standard Bank South Africa.

S Dakile-Hlongwane – Salukazi (67)*Former independent non-executive director and member of sustainability, risk and compliance committee*

Director from 21 February 2012 until 6 March 2018

Qualifications:

BA (economics and statistics), MA (development economics)

Experience:

Salukazi is chairman of Nozala Investments, which she co-founded in 1996. Her career experience includes: five years as senior investment officer, Lesotho National Development Corporation; 12 years with African Development Bank (Abidjan/Côte d'Ivoire) as country programme officer and later principal corporation officer; senior manager, structured finance division/FirstCorp Merchant Bank and assistant general manager, BOE Specialised Finance. Salukazi is a non-executive director of some of Nozala's investee companies including Basadi Ba Kopane Proprietary Limited, Woodlands Dairy Proprietary Limited, Tsebo Holdings Group Proprietary Limited, PPC Limited, Lanseria International Airport and Constantia Afripack. She is also a non-executive director of MultiChoice South Africa Holdings Limited. She is a trustee of Nozala Trust, Chancellor House Trust and the National Movement of Rural Women.

CJ Fauconnier – Con (71)*Former independent non-executive director; chairman of sustainability, risk and compliance committee, chairman of remuneration committee and member of audit, remuneration and nomination and social and ethics committees*

Director from 1 November 2013 until 24 May 2018

Qualifications:

BSc (eng)(mining), BSc (hons)(eng), MSc (eng), DEng, MBA, DSc (honoris causa) (Free State), strategic leadership programme (Oxford), senior executive finance programme (Oxford), registered international professional engineer

Experience:

Between 1969 and 1974, Con worked for mining companies in the Anglo American group. For two years after that he was student and research assistant at the College of Business Administration, University of Oregon. From 1976 to 1995 he served in senior positions in Gencor Limited and JCI Limited. In 1995 Con joined Iscor Limited and was later promoted to managing director of Iscor Mining. In 2001, he became chief executive of Kumba Resources Limited and, in 2006, chief executive officer of Exxaro Resources Limited. He also served on the executive council of the Minerals Council of South Africa and was president from 2003 to 2005. He is a fellow of the South African Institute of Mining & Metallurgy, Institute of Directors of Southern Africa and South African Academy of Engineering. He has been an honorary professor in the department of mining engineering at the University of Pretoria and a fellow at the Gordon Institute of Business Science since 2007. He was an independent mining industry and management consultant from 2007 to 2010, and an independent non-executive director at Xstrata plc from 2010 until 2013.

LEADERSHIP (CONTINUED)

MW Hlahla – Monhla (56)

Independent non-executive director and a member of the sustainability, risk and compliance committee

Director since 4 June 2015

Qualifications:

MA (urban planning), advanced management programme, certificate in accounting and finance

Experience:

Monhla spent the larger part of her career in the infrastructure sector, starting in 1994 at the Development Bank of Southern Africa. The DBSA seconded her to establish and lead the municipal infrastructure investment unit as CEO. While with that unit, she was appointed non-executive chairperson of Johannesburg Water. In 2001, she was appointed managing director of Airports Company South Africa (ACSA) until she resigned at the end of 2011. Monhla was appointed chairperson of Royal Bafokeng Holdings and the Industrial Development Corporation (IDC) at the end of 2011. She completed her three-year term with IDC in 2015, and was appointed to the board of Liberty Holdings and its subsidiary Stanlib. Monhla is an executive coach and businesswoman. She founded RutaThari (Pty) Ltd, which invests in smart and innovative skills development and training solutions across Africa.

D Konar – Len (65)

Former independent non-executive director, chairman of the board; former member of remuneration and nomination committee (chairs nomination matters)

Director from 28 November 2006 until 24 May 2018

Qualifications:

BCom, CA(SA), MAS, DCom, CRMA

Experience:

After completing his articles at Ernst & Young, Len began a 15-year career as an academic at the University of Durban-Westville. He then spent six years with the Independent Development Trust as head of investments and internal audit, prior to becoming a professional director of companies and consultant. Len was deputy chairman of Steinhoff International and a member of the boards of Lonmin plc and Sappi. He is a past member of the ad hoc ethics panel of the United Nations, safeguards panel of the International Monetary Fund in Washington, co-chairman of the risk implementation oversight panel of the World Bank, and past chairman and member of the external audit committee of the International Monetary Fund.

D Mashile-Nkosi – Daphne (60)

Non-executive director

Director since 6 March 2018

Experience:

Daphne is executive chairperson of Kalagadi Manganese, a trustee and chairperson of the Women's Development Bank Trust, and chairperson of Women's Development Bank Investments Holdings Proprietary Limited. She has a strong development background as an activist on gender issues, and encourages business to improve the quality of life of poor communities and nurture women entrepreneurs and business leaders. She is the founder and a director of Temoso Telecommunication Proprietary Limited. She represents shareholder interests as a director of various companies, including: Exxaro Resources Limited, Eyesizwe Mining Proprietary Limited, Interfile, Kalahari Resources, Temoso Holdings, Traxys Africa Proprietary Limited and Kalagadi Manganese.

She is the chairperson of Bakhazi-Banalima Proprietary Limited, and a trustee of FirstRand Empowerment Trust.

S Mayet – Saleh (63)

Former independent non-executive director

Director from 18 August 2015 until 24 May 2018

Qualifications:

BCom, BCompt (hons), CA(SA), advanced management programme

Experience:

Saleh is a financial professional with over 30 years' experience. After completing his articles in 1982, he joined the finance division of Anglo American South Africa Limited (AASA) and, over the next 14 years, gained experience in all aspects of financial reporting with ultimate responsibility for a significant number of listed and unlisted subsidiaries in the AASA group. In 1993 he was transferred to the international planning department where he became involved in managing AASA's offshore structures. Following Anglo American plc's London listing in 1999, he fulfilled various roles in the finance division in Johannesburg and London and, in January 2008, was promoted to his current position as head of finance – AASA. He has extensive experience on a range of corporate activities and currently serves on the boards of AASA and its strategic subsidiaries and trusts. He is also a member of senior management committees tasked with strategy, driving value initiatives and engaging with key stakeholders. Saleh is a non-executive director of Motus Holdings Limited where he chairs the audit and risk committee.

**L Mbatha – Likhapha (65)**

Non-executive director; member of the social and ethics committee

Director since 6 March 2018

Qualifications:

LLB, BA, LLM

Experience:

Likhapha currently coaches National Movement of Rural Women coordinators in development methods and systems, project preparation, finance and management. She also supervises, monitors and evaluates small and medium development projects. Likhapha understands that poverty, inadequate education, nutrition, poor health, government policies and/or the exploitative nature of humans are uncontrollable variables that can lead to poverty. She therefore focuses on development as an opportunity for affected individuals to lead equal and satisfactory lives within their community, despite their circumstances.

VZ Mntambo – Zwelibanzi (61)

Non-executive director and member of remuneration and nomination committee

Director since 28 November 2006

Qualifications:

BJuris, LLB, LLM

Experience:

Zwelibanzi is executive chairman of Xalam Performance. He was previously senior lecturer at the University of Natal; executive director of IMSSA; director-general of Gauteng Province and chairman of the Commission for Conciliation, Mediation and Arbitration. He is chairman of Main Street 333 Proprietary Limited. He is also a director of SA Tourism Proprietary Limited and trustee of the Paleo-Anthropological Scientific Trust.

MJ Moffett – Mark (59)

Independent non-executive director and member of the audit, investment and sustainability, risk and compliance committees

Director since 23 May 2018

Qualifications:

BCom, CTA, CA(SA)

Experience:

Mark has over 25 years' financial and commercial experience in the mining industry with leading global mining companies. He has gained wide exposure to commodities including diamonds, thermal coal, ferrochrome and platinum group metals and has a deep understanding of the South African mining landscape and strategic imperatives.

He has held senior financial positions, both operational and corporate, in a number of countries, with Anglo American plc/De Beers and as CFO of Xstrata Alloys and subsequently as group controller of Xstrata plc.

He is currently an independent non-executive director of Royal Bafokeng Platinum and member of its audit committee. He was chairman of Fraser Alexander until his resignation from that board in March 2018.

LI Mophatlane – Isaac (45)

Independent non-executive director and chairman of the investment committee and permanent invitee and consultant to the audit committee and social and ethics committee

Director since 23 May 2018

Experience:

He is the co-founder, shareholder and a director of Randvest Group, focused on leveraged acquisitions and strategic investments in mainly technology companies. Isaac is chairman of Bothomed which is currently a shareholder together with the PIC in the listed Dis-Chem Pharmacies Limited. He is a member of the Black Management Forum, Electronics Industries Federation of South Africa, Black Information Technology Forum and non-executive deputy chairman of the Catholic Education Investment Company.

LEADERSHIP (CONTINUED)

EJ Myburgh – Ras (60)

Independent non-executive director, chairman of the remuneration and nominations committee and member of the audit committee and investment committee

Director since 1 September 2016

Qualifications:

BEng (electrical), BSc (hons) (energy studies), MBL, executive programme (Virginia)

Experience:

Between 1982 and 1996, Ras held various operational and executive positions in operating, maintenance, engineering and power station management in Eskom. In 1997, he joined Iscor Mining, where he led company-wide cost improvement, business re-engineering and transformation and empowerment projects. He was appointed managing director of Kumba Resources' coal business in 2000 and headed the transformation unit from 2003 that managed the empowerment and mineral rights conversion of the company, including project managing the empowerment transaction and unbundling of the company into Exxaro and Kumba Iron Ore. He was appointed the first CEO of Kumba Iron Ore in 2006. Following the 2008 electricity crisis, Ras was seconded to Eskom to develop and implement a long-term coal supply strategy. In 2011, he co-founded Hindsight Financial and Commercial Solutions Proprietary Limited, a boutique corporate professional advisory firm providing investment banking, business development, specialist commercial solutions, and strategy and business improvement advisory services to the resources, energy and industrial sectors. He is a member of the Institute of Directors of Southern Africa, independent non-executive director of The Heartlines Centre NPC and serves on the international advisory board of Unashamedly Ethical NPO.

V Nkonyeni – Vuyisa (49)

Independent non-executive director; chairman of the audit committee and member of the investment committee

Director since 3 June 2014

Qualifications:

BSc, BSc (hons), postgraduate diploma in accounting, CA(SA)

Experience:

Vuyisa has over 20 years' experience in investment banking and private equity. He served his training contract as a chartered accountant with PricewaterhouseCoopers and then joined Deutsche Bank in 1997, where he gained investment banking experience primarily in corporate and project finance advisory work over four years. He serves on the boards of Emira Property Fund, and MMI Holdings Limited. He has served as financial director of Worldwide African Investment Holdings Proprietary Limited and director at Actis Ilp in its black economic empowerment funding unit. He was appointed chief executive officer of Kagiso Tiso Holdings in January 2012 and resigned in December 2017.

MF Randera – Fazel (70)

Former non-executive director; chairman of social and ethics committee

Director from 13 June 2012 until 6 March 2018

Qualifications:

MRCS, LRCP, DRCOG

Experience:

Globally, Fazel has served as board and council member of the World Medical Association (1997 to 2000), participated in the World Health Organisation international inquiry into the tobacco industry (1998 to 1999) and chaired the global initiative on HIV/Aids reporting (2004). In South Africa, he sat on the Truth and Reconciliation Commission (1995 to 1998), founded the Ethics Institute and served as chairman (1997 to 2000), and served on the Human Rights Commission (1997 to 1999). Working in hospitals and facilities in the UK and South Africa, he specialised in a range of medical disciplines, including occupational health and HIV/Aids. Fazel chaired the Private Healthcare Forum (2004 to 2007) and was a member of the South African Centre for Survivors of Torture (2006 to 2011). He was inspector general for South Africa's intelligence services (1999 to 2001) and served on several ministerial advisory bodies. He was the health adviser at the Minerals Council and is chairman of NEHAWU Investment Holdings and MediTech South Africa.

A Sing – Anuradha (48)

Independent non-executive director; chairman of social and ethics committee and member of sustainability, risk and compliance committee

Director since 6 March 2018

Qualifications:

BSc Eng (mechanical), MBA

Experience: Anuradah is a non-executive director of the Development Bank of South Africa (DBSA), chairperson of its board credit and investment committee and a member of its audit committee. She is a non-executive director of MTN South Sudan and MTN Guinea Bissau, where she chairs the audit and risk committee.

**PCCH Snyders – (58)**

Independent non-executive director; chairman of the sustainability, risk and compliance committee and member of the investment committee and social and ethics committee

Director since 1 July 2016

Qualifications:

BEng (mining), diploma in marketing management, MCom (business management), mine manager's certificate of competence (coal & metalliferous)

Experience:

Peet has 40 years' experience in the mining industry, including at Sasol Coal, Amcoal, Iscor Mining, Kumba Coal, Anglo Platinum, Riversdale Holdings, Continental Coal, Keaton Energy, Sable Mining Africa, Mmakau Mining and most recently Submex Investment. He also has over 10 years of board experience in the industry.

D Zihlangu – Rain (51)

Former independent non-executive director; member of sustainability, risk and compliance committee

Director from 28 November 2006 until 6 March 2018

Qualifications:

BSc (eng)(mining), management development programme, MBA

Experience:

Rain is CEO of Eyabantu Capital Consortium. Between 1989 and 1994, he was a stoper/developer and shift boss at Vaal Reefs Gold Mining Company. From 1995 to 2002, he was a shift boss, mine overseer, operations manager and mine manager at Impala Platinum Limited. Rain was CEO of Alexkor Limited from 2002 until 2005. From 2006 to 2012, he was an independent non-executive director of the South African National Oil and Gas Company (PetroSA) and served on its business performance monitoring committee. He also serves on the board of Sentula Mining.

SE van Loggerenberg (42)

Group company secretary and legal

Qualifications:

BLC, LLB (Pretoria) Eur Int (cum laude), LLM (Eur) (European Institute, University of Saarland), certificate in compliance risk management (Johannesburg), certificate in mining law (Witwatersrand), advanced certificate in corporate and securities law (Unisa). Fellow of the Institute of Chartered Secretaries, member of the International Institute of Risk Management

Experience:

Saret joined KPMG in 2002, advising clients on the legal aspects of information security, privacy and data protection. As senior manager of the regulatory and compliance services team, she advised clients on compliance programmes and reviews as part of internal and external audit. She joined Exxaro in 2008 as assistant company secretary, becoming manager: risk and compliance in 2012.

LEADERSHIP (CONTINUED)

EXXARO EXCO

MDM Mgojo – Mxolisi (58)

Chief executive officer

Qualifications:

BSc (computer science), BSc (hons)(energy studies), MBA, advanced management programme

Experience:

Previously at Eyesizwe Coal, Mxolisi was responsible for marketing and logistics. After Exxaro's formation, he managed the base metals and industrial minerals commodity business before being appointed to head our coal operations from August 2008. Mxolisi was appointed CEO designate in May 2015 and CEO in April 2016. He is a director of Tronox Limited, Talent10 Holdings and Dynamo Investment Holdings. He was elected president of the Minerals Council South Africa in May 2017.

PA Koppeschaar – Riaan (48)

Finance director

Qualifications:

CA(SA), advanced and associate programmes in treasury management, advanced diploma in taxation, advanced management programmes (Insead), certificate in theory of accounting. Member of the Association of Corporate Treasurers of South Africa

Experience:

Riaan started his career with Coopers and Lybrand. After completing his articles, he branched into the fields of treasury, investment management and corporate finance. He has held senior management positions at Iscor, Kumba Resources and Exxaro Resources until his appointment as finance director of Exxaro Resources in July 2016. He is a director of several Exxaro subsidiary companies, joint ventures and a trustee and investment committee member of the Exxaro Pension and Provident Funds.

V Balgobind – Vanisha (45)

Executive head: human resources

Qualifications:

BA (hons)(ind psych), MA (ind psych), management development programme

Experience:

Vanisha is a registered industrial psychologist with 20 years' experience in the mining industry. She joined Iscor Mining in 1997 as an HR graduate trainee. She was then employed at Kumba Resources as an HR business partner and worked in the talent management area between 1998 and 2006. At Exxaro, she managed the talent management and staffing centre of expertise, was manager for corporate projects and HR optimisation, and group manager for talent and learning. She chairs the Exxaro women in mining committee and serves on other Exxaro subsidiary companies. Her passion lies in education and women empowerment, as well as finding integration between work and quality family time.

AW Diedericks – Wim (51)

Executive head: strategy and business development

Qualifications:

BEng (mining), executive development programme

Experience:

Wim started his career as an Iscor bursar from 1986 to 1990 and was appointed an engineer-in-training at Thabazimbi Mine in 1992. He was also employed at Durnacol (Iscor), Tshikondeni (Iscor), Sishen (Iscor), Rosh Pinah (Iscor), Kumba Resources head office and Thabazimbi (Kumba Resources). Since Exxaro's formation, he has held senior positions at KZN Sands, Grootegeluk, Mpumalanga Coal Commercial region and corporate office.

**JG Meyer – Johan (47)**

Executive head: projects and technology

Qualifications:

BEng (metallurgy), MBA, advanced management programme

Experience:

Johan started his career in production management at Iscor Pretoria Steel Works. He has worked at KZN Sands, research and development in Kumba Resources, Mineral Sands, Zincor and Exxaro corporate office. His current role is focused on delivering the coal growth projects and developing integrated resource and reserve life-of-mine plans.

MI Mthenjane – Mzila (48)

Executive head: stakeholder affairs

Qualifications:

BSc (eng)(mining), senior management development programme (GIMT), executive development programme (EDP) – AMP (INSEAD)

Experience:

Mzila is a mining engineer with more than 25 years' combined experience in mining, investment banking and sustainability. This includes seven years in precious metals industry in deep-level gold mining at AngloGold Ashanti and Gold Fields Limited in senior mine production management and corporate development roles; and six years in the platinum industry as senior investment manager and executive: business sustainability at Royal Bafokeng Holdings and Royal Bafokeng Platinum, respectively. His tenure in investment banking included four years at RMB and two years at Deutsche Bank in various roles, including corporate and project finance. Mzila has been with Exxaro in his current role, leading our stakeholder management and communication portfolio since May 2013.

N Tsengwa – Nombasa (52)

Executive head: coal

Qualifications:

PhD (agronomy), executive development programme

Experience:

Nombasa has over 15 years of executive management and board experience in the public and private sector. In 2003 she joined Kumba Resources as general manager safety, health and environment. In 2007, she became executive general manager safety and sustainable development. In 2010, she became directly involved in managing coal operations, as general manager of captive mines, and general manager of Mpumalanga operations. In 2015, she was appointed acting executive head of coal operations, and confirmed in that role in July 2016.

M Veti – Mongezi (52)

Executive head: sustainability

Qualifications:

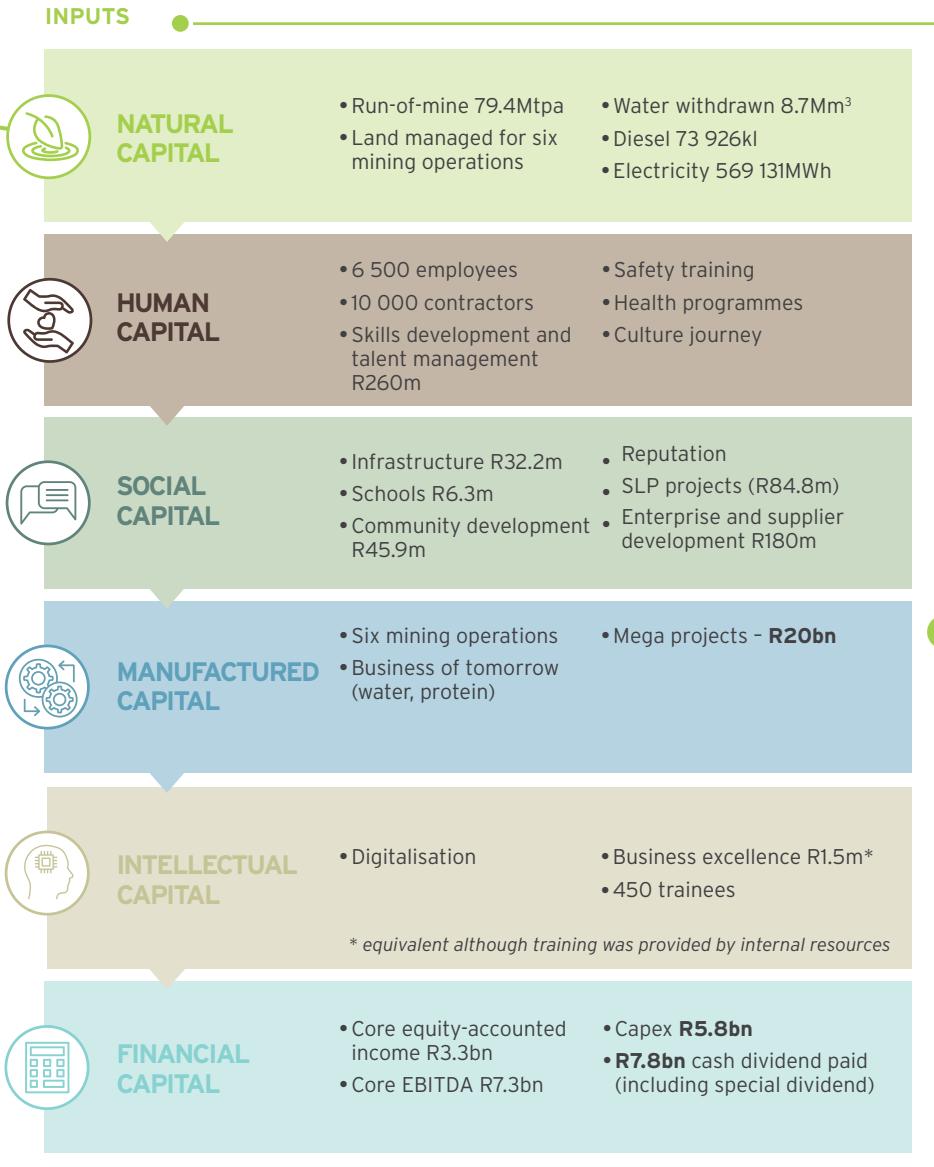
National higher diploma in metalliferous mining and coal mining, MBL, advanced management programme, mine overseer's certificate and mine manager's certificate of competency for fiery mines

Experience:

In the early 1980s, Mongezi worked for AngloGold at Western Deep Levels and joined Sasol Mining in 1994. In 2002, he became mine manager at Arnot, and was appointed general manager for area 2 in Exxaro soon after the merger, before assuming his current role in 2010. In 2015, he was appointed executive head sustainability.

OUR BUSINESS MODEL

VISION: TO POWER BETTER LIVES IN AFRICA AND BEYOND, BY RESPONSIBLY INVESTING IN MINING, ENERGY, WATER AND AGRI



POWERING BETTER LIVES



**KEY OUTCOMES**

- Dust suppression below target
- Carbon intensity down 2%
- Water intensity reduced by 30% from baseline

- Zero employee and contractor fatalities
- 0.12 LTIFR (\uparrow)
- 0.33 OHIFR (\rightarrow)

- 32 families relocated to new houses at Belfast
- Tshikondeni legacy project R4.4m

- Zero cost overruns on mega projects

- Core system availability at 99.8%
- Zero cyber intrusions
- Operational excellence savings of R479m

- Core EBITDA margin 29%
- ROCE 23%
- Core HEPS 2 159c
- Market capitalisation R49bn

OUR TRADE-OFFS

- Rehabilitation offsetting environmental impacts
- R280m spent on concurrent rehabilitation
- Over 20% of land disturbed concurrently rehabilitated

- Increased spend on safety
- Excellent safety performance minimised production downtime

- Supplier development: R100m in grants and loans supported 14 start-ups

- R952m on Belfast project
- R4.8bn on Grootegeluk (GG6) expansion for over 1.7Mtpa more semi-soft coking coal

- 2018 capex improved production by 5%

- 21 days of community unrest cost Exxaro in lost production
- No loss due to stoppages

- Culture journey creating organisational alignment on values and teamwork, but requires change management

- Enterprise development: R80m in grants and loans supported 10 start-ups

- R570m on Leeuwpan life extension for 2.7Mtpa of thermal coal
- Aquicure Ltd BEE start-up
- Animal feed protein process business started

- Investment in training has improved efficiency of key supply chain management, human resources and information management processes by 70%

- Resource-to-market optimisation process aligning ore-to-market supply with highest possible yields



POSITIONING THE BUSINESS FOR GROWTH

- 32 Our markets
- 34 Stakeholder review
- 38 Strategy
- 42 CEO statement
- 44 Risks and opportunities
- 54 Combined assurance
- 57 Material issues



The background of the slide is a photograph of an industrial facility at dusk or night. Large metal structures, likely conveyor belts or mining equipment, are silhouetted against a sky transitioning from blue to orange. Industrial lights are visible along the structures and in the distance.

MACRO-ECONOMIC

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SKILLS

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SUSTAINABILITY

A graphic element consisting of a grid of small teal circles connected by thin lines, located below the 'REINVENTION' text.

REINVENTION

A graphic element consisting of a grid of small teal circles connected by thin lines, located below the 'MINING' text.

MINING

OUR MARKETS

Economic and market perspective Our markets

● **Global GDP**
↑ **3.2%**
(2017: 3.3%)

● **API4 coal export price**
index averaged **US\$98** per tonne (2017: US\$84/t) but will soften slightly in 2019

● **Iron ore**
Fines **US\$70** per dry metric tonne (CFR) China (2017: US\$71/dmt)

● **Political and policy**
Improving but challenging environment

Macro-economic review GDP growth rates

Solid global economic growth rate but higher oil prices, elevated level of trade tension and surge in financial volatility started to weigh on world economic activity; South Africa growth positive

Globally, 2018 started with strong, synchronised growth. The momentum faded as the year progressed and growth trends diverged. The economies of the euro zone, United Kingdom, Japan and China began to weaken. In contrast, the US economy accelerated, thanks to fiscal stimulus. As a result, world real GDP growth for 2018 declined marginally to 3.2% compared to 3.3% in 2017. Global growth is slowing – barring a policy or other type of shock, the world economy is likely to muddle along in 2019.

Real GDP growth rate (%)

Geography	2017	2018	2019f
World	3.3	3.2	2.8
United States	2.2	2.9	2.4
Euro zone	2.5	1.9	1.2
China	6.8	6.6	6.3
India	7.2	7.2	7.1
South Africa	1.4	0.8	1.5
Sub-Saharan Africa	2.6	2.9	3.3
South-east Asia	5.2	5.0	4.7

South Africa's 2018 economic growth was disappointing, but is expected to regain some growth momentum from 2019. For the full year, GDP growth was 0.8%.

Inflation

Inflationary pressures; central bank targets

In 2018, key drivers of inflation were rising – a surge in oil prices, increased import tariffs, accelerating wage inflation in key developed economies (including the United States, euro zone and Japan). However, average annual inflation in developed economies was at or close to central bank targets. South Africa's consumer price index for 2018 was 4.7%, close to the midpoint of the Reserve Bank policy of between 3% and 6%, with 2019 expected to be similar, barring any major shocks to the rand and fuel prices.

Currency markets

The Chinese renminbi and US dollar

The Chinese renminbi (currency code CNY) has depreciated 8.5% against the US dollar since April 2018 and came close to testing the psychological barrier of CNY7.0/US\$1.0 for the first time since the financial crisis of 2008. Its weakness is closely correlated with slower growth in China's economy and monetary easing by the central bank. The 2018 movements in foreign exchange markets have as much to do with dollar strength against most emerging-market currencies as with the weakness of just the Chinese currency.

In South Africa, extreme currency volatility continued throughout the year, driven mainly by weak economic growth, political noise and negative emerging-market sentiment. However, investors' continued search for yield supported the rand at times. Further local event risks in the first half of 2019, notably the lead-up to national elections and the outcome, remain critical for the currency.

Business sentiment

Optimism as South Africa's political and policy environment improves

A significant uptick in sentiment was evident in the first half of 2018 after the ANC's elective conference of December 2017 and subsequent positive political developments. This started to wane as the risk-off sentiment affected most emerging markets, including South Africa. Welcome efforts to improve the policy environment included the promulgation of the new mining charter 2018.

Commodity review

Commodity markets

2018 has been another solid year for commodity markets

In the main, Exxaro's commodity markets performed strongly in 2018. The themes of supply reforms, the campaign against pollution and infrastructure stimulus in China continued throughout the year. In addition, from April 2018, the intensifying China-US trade dispute limited potential upside for key commodity markets. In the global oil market, easing fears of significant losses in Iran, higher supplies from the US, Saudi and Russia as well as concerns for weaker demand triggered the sell-off towards the end of 2018. For 2019, the correction in the oil price is expected to be short-lived, given lower inventories and still-elevated supply risks.

Commodity prices (US\$/t)

Commodity	2017	2018	2019f
Thermal coal (RB1)	84.35	98.04	80.00
Thermal coal (RB3)	69.32	78.09	61.00
Hard coking coal (prime)	188.57	207.10	178.00
Iron ore fines	71.39	69.70	75.00
Lump premium	10.70	15.62	18.00
TiO ₂ pigment	2 624	2 862	2 602
Chloride slag	620	685	820
Zircon	1 075	1 470	1 570

Coal

Strong Asian demand, supply constraints and coal policy (thermal); supply disruptions and China's steel-making margins (metallurgical)

In 2018, seaborne thermal coal markets were buoyed by strong Asian demand, supply constraints and coal policy implementation in China. Benchmark coal prices reacted positively to these factors by trading well above average costs throughout the year. Although demand for coal has been strong worldwide, the immediate supply response has been muted – limited by circumspect investor sentiment, selected infrastructure constraints and weather events. However, towards the end of 2018, modest relief came in the form of new Chinese import restrictions, which artificially lowered demand and caused prices to ease moderately. Together with relaxation of the Indonesian domestic market obligation policy, seaborne thermal coal price differentials for lower-quality coals widened significantly in the last quarter of 2018. Anticipated muted supply response in 2019, specifically for higher-energy coals, will support thermal coal prices although Chinese and Indonesian coal policies pose a downside and/or volatility risk.

The metallurgical coal market remained resilient in 2018, supported by robust steel production worldwide, particularly in China. For most of the year, steel prices and steel-making margins in China were healthy. However, steel prices came under pressure late in 2018. These weaker prices have led to lower margins for steelmakers, with focus shifting from maximising blast-furnace productivity to minimising production costs. As in previous years, the metallurgical coal market remains prone to supply-related disruptions in North Queensland, Australia – a wet season and cyclones caused torrential rain and high winds, interrupting production and shipments. Barring any such significant disruptions in 2019, the market is expected to soften somewhat to reflect underlying fundamentals.

Iron ore

Robust Chinese steel output; strong demand for high-grade iron ore products; high lump premium

In 2018, key support for the steel market came from increased production, together with curtailed production capacity in China and stronger industrial growth in multiple global markets. It was also an exceptional year for high-grade iron ore producers, with the premium for 65% Fe iron ore above the 62% Fe benchmark reaching as high as 45% in July. However, towards the end of 2018, due to changes in the supply-demand balance in China, the preference for high-grade iron ore has reduced significantly as has the premium. Lump also had a remarkable year, with an average premium of US\$16/t recorded. The second half was particularly strong as the lump premium averaged US\$20/t (the premium typically falls at the end of each year as supply from Australia improves, but this did not happen in 2018). As a result, the average lump premium for 2019 is expected to be above the norm.

Mineral sands and titanium dioxide pigment

Mixed results for feedstocks and pigment

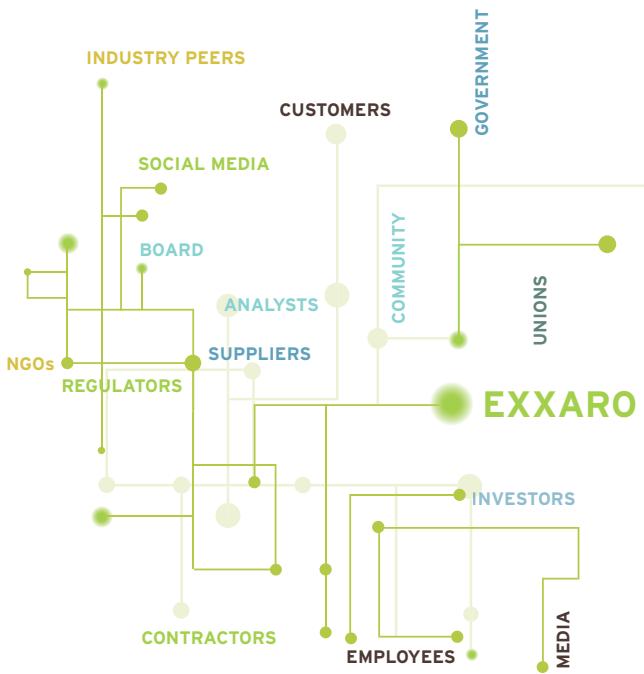
The TiO₂ feedstock and pigment sectors had mixed results in 2018. Pricing momentum for titanium feedstocks picked up, particularly for high-grade feedstocks. In contrast, pricing momentum for TiO₂ pigment came off for many reasons, including waning demand growth in Europe and destocking in Asia and Europe. The zircon market tightened in 2018, especially for premium zircon, with strong demand growth in Europe and India, while demand in China slowed towards the end of the year. These different price momentums are expected to continue into 2019.

STAKEHOLDER REVIEW

In support of Exxaro's purpose of powering better lives in Africa and beyond, we continue to work towards improving the quality of our relationships with stakeholders and building long-term, stable and trusting relationships that will create shared value for all our stakeholders. From a relatively procedural engagement approach, our objective is to mature through integrated and relational levels to the intentional, proactive management of stakeholder-related risks and opportunities.

Exxaro's stakeholder ecosystem

Exxaro's stakeholder ecosystem comprises a broad range of stakeholders as illustrated below.



Our engagement philosophy

The context of society remains a key reference point for our conduct and stakeholder engagement activities. In this context, we fulfil several societal functions, including that of employer, growth catalyst and national energy resource provider. In pursuit of our sustainable development objectives, we also impact on the environmental, intellectual and financial capitals of society. Our aim is to create sustainable shared value for our stakeholders by striving for operational efficiency, growth and regulatory compliance as well as responsible and accountable corporate citizenship. Our sustainability is founded on long-term, mutually constructive relationships and common values with our stakeholders. By virtue of our existence and prosperity, we strive to make our society a better place to live in.

Stakeholder engagement

Our stakeholder engagement activities are guided by the AccountAbility 1000 Stakeholder Engagement Standard (AA1000SES), King IV, our values, our engagement philosophy and the following objectives:

- Proactively and continuously seek to understand stakeholders and their expectations
- Engage respectfully and uphold the dignity of stakeholders
- Respond timely to stakeholder concerns
- Ensure a consistent, but nuanced, approach to stakeholder engagement across the group
- Develop appropriate stakeholder and issue engagement plans
- Seek opportunities to collaborate and co-create appropriate solutions
- Identify opportunities to leverage relationships and engagement platforms
- Report transparently on the extent and outcomes of engagements with stakeholders.

Evaluating our stakeholder relationships

Given Exxaro's purpose, strategic and stakeholder objectives outlined above, growing trust with our stakeholders is key to our success. Trust is built on deep, open and enduring relationships with stakeholders, unlocking opportunities for dialogue, collaboration and co-creation. Trust helps us deliver on three key equities: reputation, brand and talent.

Summary of survey results

External stakeholders (includes customers, suppliers, media, investors and government)

Affected communities

Employees

	Trust index	Engagement index	Advocacy index
External stakeholders (includes customers, suppliers, media, investors and government)	74.6	69.3	69
Affected communities	B	C+	C+
Employees	71.3	57.5	64.6
	B	D	C
	78.3	63.3	75.5
	B	C	B

Key findings

- Compared to other sectors, trust in the mining sector is low, particularly among investment, media and government stakeholders. However, except for affected communities, other stakeholder segments acknowledge the positive impact of the mining industry on South Africa and its people.
- Overall, trust scores for Exxaro are healthy.
- Exxaro outperforms its peers on diversity and transformation as well as its commitment to cleaner energy and climate change.
- Exxaro is only really outdone on overall impression among external stakeholders, which we believe is due to our limited communication in the past.

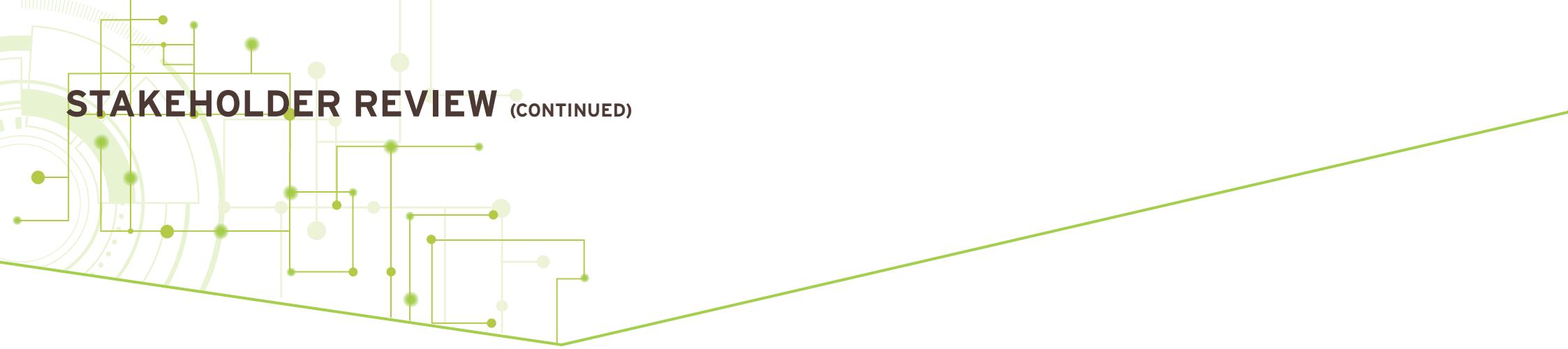
In 2018, we conducted a survey to evaluate levels of trust in the organisation among seven key stakeholder groups: employees, communities, government, investors/analysts, customers, suppliers and media. The project also identified factors contributing to Exxaro's reputation that could be used to develop a reputation framework to inform strategy, direct tactical interventions through a new engagement approach, and track improvements over time.

- Most stakeholders agree that Exxaro has a clearly defined role in society, but investors, communities and government still need further convincing. Proof of tangible action will help to bridge this gap.
- Although awareness of our socio-economic activities varies among stakeholders, on the whole they firmly believe Exxaro's corporate social investment (CSI) activities have a positive impact on the communities they serve.
- The foundational drivers of trust in Exxaro for all stakeholders are diversity and transformation and financial strength, supported by social attributes of citizenship such as community, good governance, integrity, energy, climate change and safety issues as well as agri-industry opportunities. Beyond this are factors specific to certain stakeholder groups which we need to focus on to grow trust further with that group.

Recommendations

When asked what Exxaro could do to improve its reputation, there were varied responses. The most common was that Exxaro needs to improve its stakeholder engagement.

- Improving the quality and extent of engagement was highlighted as a priority by **government** stakeholders. They also encouraged Exxaro to publicise its CSI initiatives more widely and loudly, especially job and enterprise-creation initiatives, and to continue efforts to improve relationships with employees and communities.
- Investors** need more information on Exxaro's strategy in particular.
- Communities** want to see better engagement and procurement opportunities, and continued investment in community development, job creation and youth development.
- Media** stakeholders requested improved access to senior leaders, more opportunities for dialogue with Exxaro, more exposure to mega-projects and socio-economic development projects, and ongoing engagement on our strategy. They also suggested Exxaro should be more proactive in promoting itself.
- For **employees**, improved engagement, transformation (throughout the organisation), skills development, youth development, learnerships, ethics, recruitment practices, responsible environmental management and job security were key talking points.
- Domestic customer** concerns related to contractual issues such as product quality, volumes and Exxaro's export strategy. There were requests for supply to the Eastern Cape and concern was expressed about coal prices.



STAKEHOLDER REVIEW (CONTINUED)

What is Exxaro doing to address the issues raised?

Readers are referred to more information in this report (IR) and our supplementary report (SR).

Stakeholder concerns	How is Exxaro responding?
Engaging with stakeholders	In the second half of 2018, our focus was therefore on developing an integrated engagement framework, firstly across the corporate function and, secondly, between corporate and the business units. The expected outcome of this approach is better insights about our stakeholder universe and being able to engage on mutual issues on both a short- and long-term basis. The framework will be rolled out across the business in 2019. Stakeholder engagement plans have been developed at each business unit, aimed at improving community relationships, while a government engagement plan implemented from the corporate centre is aimed at building provincial or national relationships necessary to support business unit activities.
Skills development	 See pages 61, 64 and 69
Employment equity	 See page 60
Responsible environmental management	 See pages 68 to 71 for more information
Local procurement	Exxaro has implemented a local procurement strategy regulated by the supply chain sustainability policy. Local SMMEs (small, medium and micro enterprises) are integrated into Exxaro's supply chain through direct and indirect procurement channels. Direct procurement is enabled by using set-asides, preferential tender evaluation criteria, plus preferential contracting terms. In 2018, over R500 million in contracts was awarded to black-owned SMMEs from Exxaro's host communities. Indirect procurement is the preferred method of integrating SMMEs in major capital projects. Exxaro's sustainability policy encourages main contractors to subcontract a share of the contract value to local SMMEs, while adhering to Exxaro's corporate governance and sustainability standards.
Employee engagement	Communicating Exxaro's strategy was a key focus in 2018. We also increased the number of communication channels with employees to include a mobile app, at no cost to employees, to receive information.  See page 75
Marketing and publicity	A broader communication strategy has been developed, targeting our stakeholders through social media, print and broadcast channels. Most of the messages are aimed at sharing what Exxaro is doing in education, small business development, infrastructure development, agriculture and health. We are continuously looking at opportunities to profile the organisation with various stakeholders.

Communicating Exxaro's strategy

In response to the information needs highlighted by analysts in the reputation survey, Exxaro conducted a roadshow to analysts and investors during 2018 to share information about the strategy. The board also rigorously tested Exxaro management's ability to deliver on the business-of-tomorrow strategy.

Community development

A total of R84.8 million was invested in community development, infrastructure and education initiatives in 2018. See pages 61, 68, 71 and 85 for more information. (See pages 48 to 51 in the supplementary report.)



Youth development

In 2018, the board approved the Youth Exponential Development (YD[®]) initiative for youth development in line with the president's youth empowerment scheme. This will be rolled out in 2019.

Infrastructure development

Exxaro invested over R32 million in infrastructure projects over 2018. This included the delivery of 56 houses, three crèches and a community hall totalling R17.6 million to communities around our mine-in-closure, Tshikondeni, in Limpopo. See page 85 for more information.



Supply chain processes, payment, partnerships and feedback

Through our digitalisation journey, we aim to create an efficient market where buyers and sellers engage effectively. To improve our turnaround times and feedback, we are implementing a new system and digital portal where suppliers can track tenders and invoices, and which will greatly improve internal efficiency. In principle, Exxaro supports proposals for collaboration and co-creation of our long-term procurement strategy and undertakes to investigate means by which this goal can be achieved. We are also developing a stakeholder engagement plan to improve communications and interaction with suppliers. See page 64.



Domestic customer concerns

Exxaro's products (and therefore its markets and marketing strategy) are determined by the quality of our coal seams. Around 70% of our volumes are delivered to Eskom and just 20% goes to export. The remaining domestic volumes have unfortunately been affected over the last year by resource issues at Leeuwpan as well as the disposal of North Block Complex. The Leeuwpan life-extension project implemented in 2018 should address some of these issues. In addition, several truck breakdowns and pit-liberation issues at Grootegeluk last year exacerbated the situation. Regrettably, this resulted in variability in both the consistency of supply and product quality for our domestic customers. Several improvement projects are in place to address these issues. See pages 66 and 81 for more information.



Enterprise development

Exxaro has implemented a comprehensive enterprise and supplier development (ESD) strategy aimed at supporting economic transformation. Around R186 million (or 82% of the approved ESD budget of R228 million) was approved and disbursed to 24 beneficiaries. The balance was due to be disbursed in the first quarter of 2019. See pages 49 and 50 of the supplementary report for more information.



STRATEGY

A PURPOSE-DRIVEN STRATEGY

Our purpose as a company is to power better lives in Africa and beyond by responsibly investing in mining, energy, water and agri-economy.

This statement was derived from evaluating our current role in South Africa in the energy value chain, our existing asset base and capabilities, and the future we are approaching.

We supply coal for some 36% of Eskom's coal-generation capacity; the steel (ArcelorMittal) and cement-producing industries (around 60%); and other sectors in the mining and manufacturing industries – combined, this is close to 16% of South Africa's annual coal production.

We have also invested in 239MW of renewable wind energy generation (in a JV with Tata Power) which is delivering into the grid, and this remains the largest investment by a single company/consortium.

Therefore, our conduct in managing Exxaro and its contribution to South Africa's economy and energy security is the origin of our strategic intent of powering possibilities and purpose of powering better lives.

From this foundation of mining and energy, and acknowledging the headwinds against coal, we have developed related interests in water. This includes constructing water-treatment

plants to ensure compliance with our statutory environmental management plans and recognising the risk presented by the increasing scarcity of water for several reasons, including climate change. The combination of arable land and availability of water underpinned our interest in the agri-economy, given the growing concern about food security.

In addition, we are entering the agri-industry value chain through bringing farms 'closer' to markets by optimising the value chain and finding alternate markets. We have invested in our agri-protein start-up that supplies insect-based protein as animal feed.

We have invested in Curapipe Limited. This company holds the sole licensing agreement for South Africa on innovative sealants – underground pipes to stop leakages. This is globally pioneering technology that will improve municipal water supplies to consumers.

Finally, the advent of the so-called 4th industrial revolution has been an enabling factor in venturing into these new areas, including the energy sector.

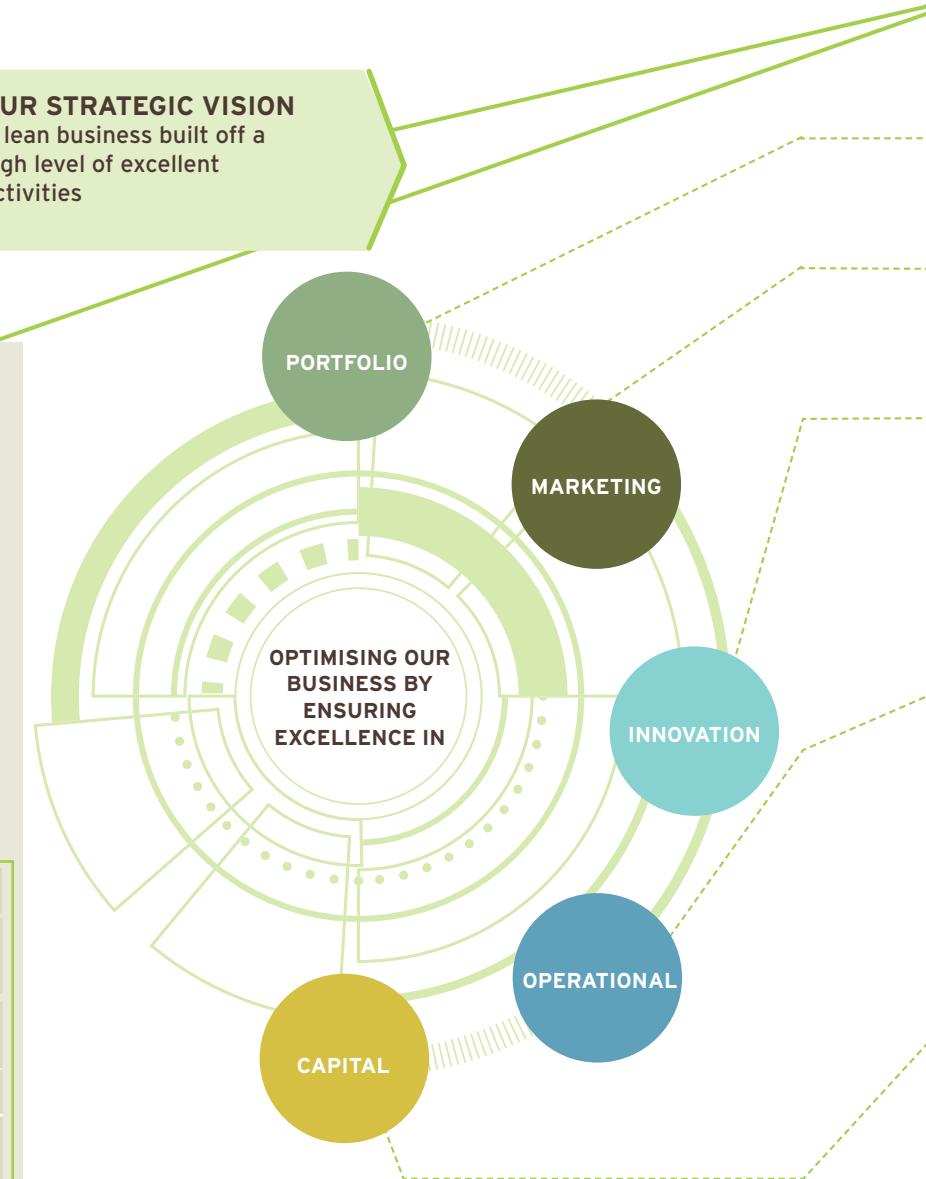
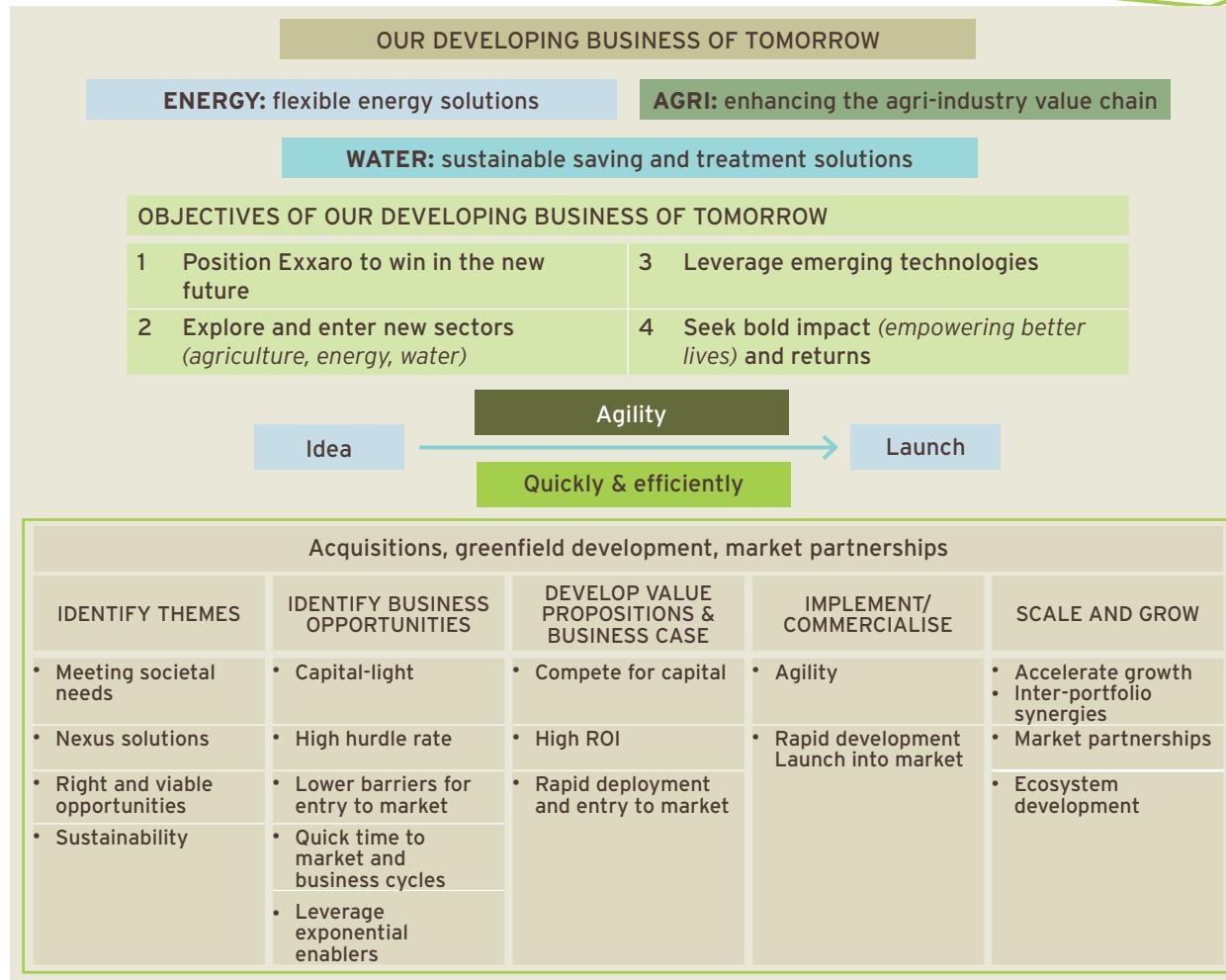
2018, A MILESTONE YEAR FOR OUR STRATEGY

Our strategy has been premised on four key objectives, set out below. FY18 was a milestone year in delivering against these objectives, which we first shared with the market in 2015:

Strategic objective	Description and performance in 2018	Key measure of performance and result for 2018	Comment on outcomes and results achieved
Maintain a leading position in our sustainability performance	<ul style="list-style-type: none">Safety is a key performance measure of our sustainability as mining companyIn addition, our performance in terms of environmental stewardship, social impact and governance provides a profile of our sustainable development practices and responding to key societal challenges and opportunities	<ul style="list-style-type: none">LTIFR = 0.12 compared to a target of 0.11 and prior-year performance of 0.12ESG score = 3.7 vs industry average of 2.5	<ul style="list-style-type: none">We maintained our performance in 2018, which is an improvement of 37% since 2014. We continue to strive for zero harm through visible felt leadership and ongoing safety awareness to achieve our targetWhile the individual scores of our environmental (3.5), social (3.3) and governance (4.6) performance were better than our industry peers, we can still improve, particularly in social impact and some aspects of environmental stewardship, particularly target disclosure

Strategic objective	Description and performance in 2018	Key measure of performance and result for 2018	Comment on outcomes and results achieved
Portfolio optimisation	Selling non-core coal assets and optimising our investment portfolio (Tronox, Black Mountain Mine), and realising a return above our cost of capital on these investments	<ul style="list-style-type: none"> ● We sold Manyeka and certain assets and liabilities of our NBC operations for a gain of R171 million ● We sold an initial interest in Tronox in late 2017. This transaction was executed in the market at a premium of about 2% 	<ul style="list-style-type: none"> ● We continue to hold our interest in Black Mountain Mining while we explore viable opportunities to sell ● We remain intent on selling our remaining interests and exiting the Tronox investment. Proceeds will be returned to shareholders, considering the capital allocation framework shown on page 82 ● We are exploring options to exchange our shareholding in SIOC for a shareholding at the listed Kumba Iron Ore level ● We have maintained our principle of not executing these transactions as a 'fire sale'
Operational excellence	Our coal business remains the primary driver of Exxaro's revenue. Continuous improvement in terms of production increases, cost reduction and operational efficiencies is key for the sustainability of the business, given headwinds against coal	<ul style="list-style-type: none"> ● Volumes in 2018 reached a record 47.8Mt, including record export volumes of 8Mt (up 5% and 5.3% on 2017, respectively) ● Revenue increased 12% to a record R25.4 billion 	<ul style="list-style-type: none"> ● The 2018 operational performance reflects the quality of resources and capability of people in our operations ● Our innovation and digitalisation programme enabled us to close a production gap that had emerged in the first half of the year while increasing production beyond our expectations. We have initiated a systematic and organisation-wide digitalisation programme. In FY18, this introduced a visualisation capability of our production value chain - a cultural change in how we operate - and we expect further benefits as we roll out the digitalisation programme ● Our capital programme supports our target of 60Mt of production in 2023 with a higher-value product mix for export markets while maintaining consistent, reliable and cost-effective supply to Eskom and the rest of the domestic market ● We also expect to expedite our coal development programme (ie advancing the phase 2 coal projects) to maximise the value of our coal business and take advantage of the positive outlook on higher prices for higher quality coal
Capital allocation priorities	<ul style="list-style-type: none"> ● We delivered against our capital allocation programme shared with you in 2017 ● Despite moving from a net cash position to net debt, we are well within our debt covenants and the balance sheet remains strong ● We were able to finance our sustaining capital to ensure safe and productive assets as well as the ongoing R20 billion five-year expansion programme ● At the same time, we returned cash to shareholders via a special dividend from the proceeds of selling 20% of our Tronox interest as well as a normal dividend totalling 1 085cps (555cps final, 55% increase on 2017) ● We continued to invest opportunistically in our business of tomorrow, specifically energy, water and agri-business 	<ul style="list-style-type: none"> ● Our net debt:equity ratio is a conservative 9% ● We are well below our targeted net debt/EBITDA ratio of under 1.5 times ● We received a dividend of R57 million from Cennergi – proving our investment in clean energy is bearing fruit ● Coal capex – sustaining capital was R2.8 billion and expansion capital was R2.9 billion ● Total dividends paid of R7.8 billion comprised special dividends of R4.5 billion and normal dividend of R3.3 billion at a cover ratio of 3.3 ● R263 million was invested in energy, water and agri-business 	<ul style="list-style-type: none"> ● We are pleased with the outcome of our capital allocation programme. We will maintain a disciplined approach, particularly in delivering on the capex growth programme for our projects and maintaining balance strength ● Our perspective on M&A remains conservative, with a focus on value-accretive transactions across multiple matrixes, including ESG measures ● As we proceed with the sale of non-core assets, we will adhere to our capital allocation decision process and be mindful of shareholder expectations for cash distributions and an improving cover ratio ● Our balance sheet strength is a priority, and we do not want our net debt/EBITDA ratio to exceed 1.5 times

STRATEGY (CONTINUED)



OBJECTIVES**1 PORTFOLIO**

- Develop portfolio investment and divestment scenarios
- Execute streamlined investment and divestment processes

2 MARKETING**3 INNOVATION**

- Realtime value chain visualisation across all our businesses
- Data analytics
- Integrated operations centres for all operations
- Ensure ICT infrastructure is in place

4 OPERATIONAL

- Implementing XXX¹
- Implementing Lean⁵³
- Top 5 priorities in Start-up Way²
- Driving top quartile performance

5 CAPITAL

- Achieve capital allocation targets
- Reduce capital cycle lead time
- Measure and forecast in real-time
- Align project portfolio with strategy
- Communicate effectively to markets

SUPPORTED BY**PEOPLE AND ORGANISATION EXCELLENCE**

- Align workforce planning with strategy
- Recruit talent and train new capabilities
- Address social impact technology
- Change management for Start-up Way culture
- Streamline and automate people-centred processes

SAFETY AND SUSTAINABILITY EXCELLENCE

- Maintain licence to operate
- Leverage latest technology in SHEC
- Effective community engagement

KEY PERFORMANCE INDICATORS

- Number of successful divestments and investments

- Product mix and RB1 growth
- Diversity of our markets

- 5% year-on-year performance improvement across all business units

- Rand cost per tonne
- Total product improvement
- Labour cost per tonne

- ROCE

DRIVING TOWARDS VALUE

- Increase production throughput and equipment uptime

- Reduce cost

- Improve quality

- Information visibility

- Improve safety and environmental performance

- Increase people performance

- Improve vendor and contractor management

- Enable functional excellence across operational and functional silos

¹ Operational excellence initiatives per mine

² Start-up Way: 1 Bias for action, 2 Performance management, 3 Ownership for operational excellence, 4 Line-function incentive system, 5 Span of control

³ A range of initiatives to extract more from what we have and maximise opportunities

CEO STATEMENT

The fulfilment of our purpose – powering better lives in Africa and beyond – can partly be measured through our ESG performance, which was rated 3.7 out of 5.0 by the FTSE Russell ESG ratings. Individual ratings for each element appear in the original report on our website. An independent report from Renaissance Capital affirmed this performance by rating Exxaro best among the mining stocks under its research coverage. Safety and transformation are key components of the social pillar in ESG performance.



We maintained our safety performance in FY18, but unfortunately just missed our lost-time injury frequency rate (LTIFR) target of 0.11 with an actual rate of 0.12. I retain my confidence in the Exxaro team that this target is achievable and that the goal of zero harm remains a primary focus for all. Finishing the year without a fatality was a very affirming outcome of our safety efforts. This is the third time in our history that we have worked for a year or more without a fatality – proving zero harm is possible in our industry.

Completing the replacement BEE transaction was a significant milestone in Exxaro's transformation journey. The next step was to address other weaknesses in our empowerment credentials, such as enterprise and supplier development (ESD). We developed an ESD programme, at a combined expenditure of R186 million, which fulfilled the regulatory requirements of the revised codes of good practice by

improving our recognition status from level 5 to level 4, while addressing our strategic objectives of diversifying and transforming our supply chain constituency and enabling our future and emerging enterprises in agri-business and water. Based on our ESD performance during the year and other pillars of the codes, we are confident that our rating, which will be confirmed in May (post publication of this report) will indicate a recognition level 4.

In our coal business, we continued to develop a better understanding of our customers through our market-to-resource strategy – we own a diverse mineral resource base between our Mpumalanga and Limpopo operations. Several years ago, we established the resource-to-market value chain to deliver coal to our markets. However, in recent years, markets have become more diverse and dynamic, requiring customer insights to develop the correct resource and produce coal products to specifications for delivery on time and at competitive pricing – this is the essence of our market-to-resource strategy. Combined with our operational excellence and innovation driver, 2018 was a year of record volume performance in terms of total production and sales, reaching 47.8 million tonnes and 45.2 million tonnes, respectively, while exports reached 8.0 million tonnes.

Our coal strategy is to improve the product mix to higher qualities (>5 800kcal) to capture higher value and narrow the discount attributable to lower coal qualities. The migration to higher coal quality by customers is also driven by climate risk response – higher quality coals have a higher energy content and fewer impurities.

Our digitalisation drive also reached a milestone with the installation of our backbone infrastructure. This increased bandwidth and underpinned installation of key data and information management systems across the resource-to-market value chain. Key improvements include an integrated perspective of the value chain, leading to better decision making from visualised information through better dashboards.

An additional milestone in our portfolio optimisation was concluding agreements to transfer the ownership and management of Arnot mine to a consortium, comprising mainly former employees of that mine. Arnot ceased operations at the end of 2015 when its coal-supply agreement (CSA) ended and was not renewed by Eskom, resulting in the mine beginning a premature closure process. Exxaro will contribute its mining right, while Eskom will contribute the assets of the mine and enter into a new CSA. Essentially, we are giving ownership of Arnot mine to ex-employees of that mine via a trust, which will give them a share in the new Arnot Opcov Proprietary Limited. We also disposed of certain assets and liabilities of the NBC operation for R17 million.

Our capital expenditure programme, at R20 billion over the next five years, was an area of keen interest from all stakeholders. From the perspective of investors, this allocation of capital, about one-third of Exxaro's market capitalisation, presents significant risk to the company. However, we assured the investment community on resources in place to manage technical and financial risks to completion. Several brownfields projects were completed, such as the Mafube and Leeuwpan expansion projects, on time and within budget. We also began the greenfields Belfast project. Combined, these projects will

increase production to some 60 million tonnes by 2023, resulting in additional EBITDA and cash generation (Our Capital Markets Day presentation from November 2016 provides additional details).

Looking ahead, the coal strategy will evolve in response to challenges and opportunities on the horizon. We foresee opportunities of expediting our growth profile from the rapidly approaching climate risk. In this regard we will be considering approaches to subsequent phases of development of current projects. The aim of this strategy will be to maximise value for stakeholders and increase returns to shareholders.

We will also focus on revitalising our culture as we migrate Exxaro onto a digital platform. Transformation of the necessary infrastructure to establish this platform will continue and we anticipate further benefits through improved productivity, production performance and cost management.

Our investments in the business of tomorrow remain relatively small and opportunistic, but are guided by a focused and informed strategic plan. We do not expect a contribution to the bottom line in the short term, but we remain confident of the appropriateness of this strategy to building an Exxaro that will be relevant into the future.



Mxolisi Mgojo
Chief executive officer

24 April 2019

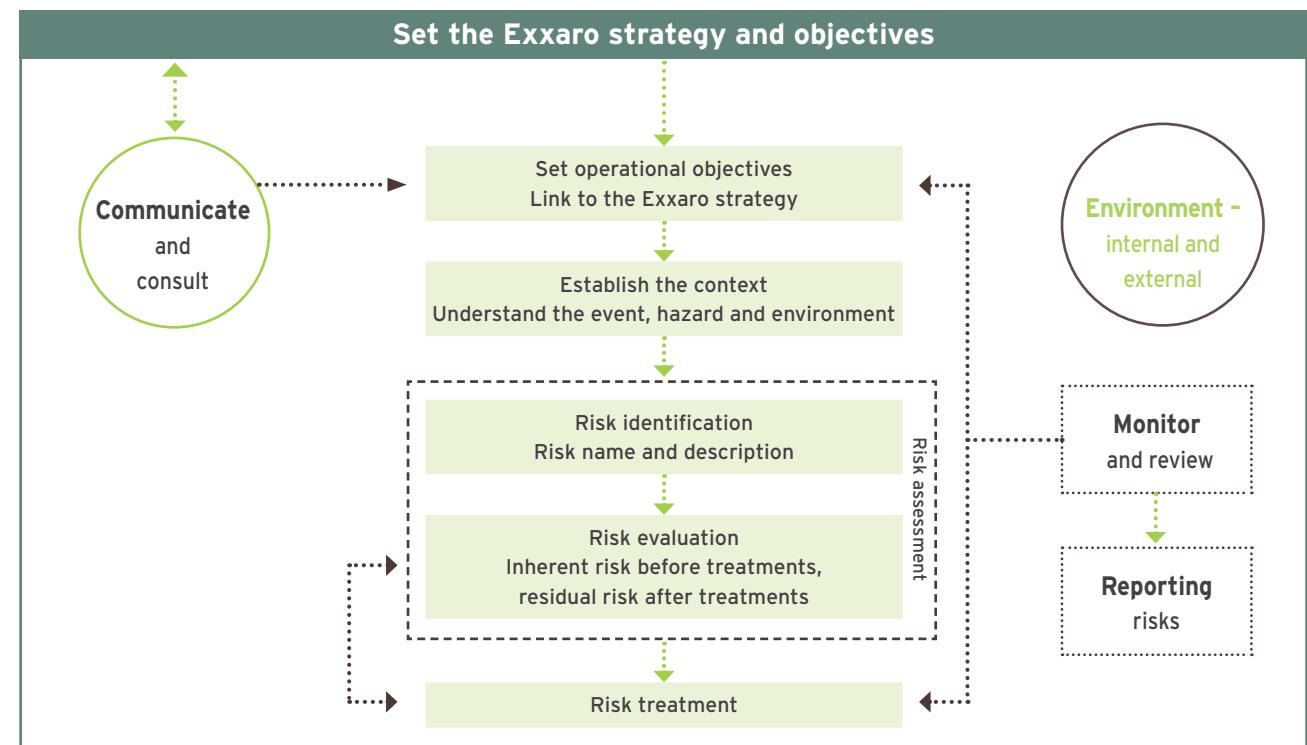
RISKS AND OPPORTUNITIES

Exxaro is fully committed to effective risk management in pursuit of our strategic objective to create shareholder value. The group has a mature risk management culture that forms part of our strategy, governance and day-to-day operations.

Risk management process

The Exxaro risk management process is a strategic enabler and embedded in all our processes, functions and systems. Risk management is ingrained in the Exxaro culture. The board and respective management layers consider business risks when setting strategies and monitor controls continuously at strategic, tactical and operational levels.

Layered approach



Risk management is performed at each layer with a different scope in mind. Each layer informs the next and is used as input to the specific risk profiles.



Pursuing opportunities

The Exxaro risk management framework also caters for the identification and realisation of opportunities in the organisation. We believe that for Exxaro to remain sustainable in the near future it is important to adapt to change and identify and pursue possible opportunities to ultimately create value for our shareholders.

The following opportunities have been identified as part of the business of tomorrow strategy (opportunities beyond the mining sector):

Opportunity	Strategy
① Micro grids	Energy: distributed energy generation
② Optimising electricity use through analytics	Energy: energy analytics
③ Open facilitated energy trading	Energy: energy exchange
④ Insect protein from bio waste	Agriculture: alternative agricultural products
⑤ Farming at the retailer/small-farming aggregation	Agriculture: bring farmers closer to market
⑥ Innovative water leak repair	Water: water saving
⑦ Leak detection and pressure monitoring	Water: water saving

Risk appetite and thresholds

Exxaro defines risk appetite as the tendency of a group to take risks in a given situation and risk thresholds are used to express our appetite. We understand that if we really want to create value for all our stakeholders and remain sustainable, we need to measure and report on our key performance indicators.

The board and executive committee monitor KPIs quarterly to ensure all risks and key metrics are within Exxaro's risk appetite. The KPIs and their thresholds are reviewed by the board and executive committee at least annually.

 Please refer to KPIs on page 3, 4, 5 and 6 in the supplementary report



RISKS AND OPPORTUNITIES (CONTINUED)

2017 vs 2018 risk comparison



The trend report ranks risks from highest to lowest residual risk rating and compares FY17 with FY18. The residual score is the risk remaining after considering the existence and effectiveness of controls in place. Below we show the trend of Exxaro's top ten risks for FY18, ranked by residual risk rating:

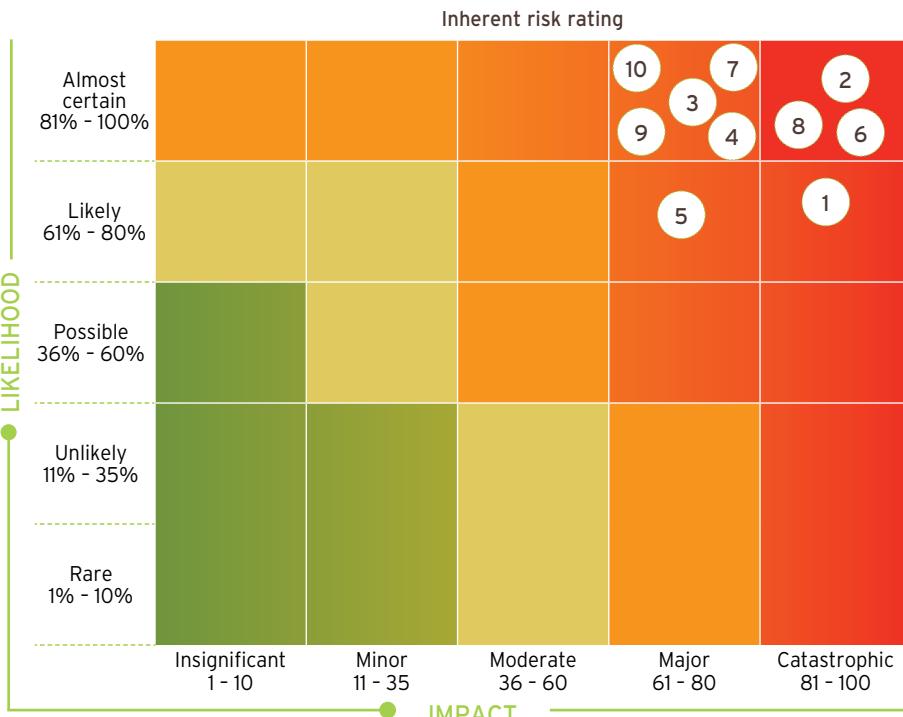
Rank	Risk	2017 residual risk rating	Trend	2018 residual risk rating	Comment
1	Dependency on Eskom as a key customer	76		58	Risk rating reduced due to removal of AMSA, favourable arbitration rulings, and improved relationship with Eskom management
2	Maintain a social licence to operate	49		51	More clarity on mining charter offset by increased compliance requirements
3	Community unrest	38		49	Risk rating increased on growing community dissatisfaction with employment, enterprise development, human resources development and supplier development
4	Executing business of tomorrow	17		47	Critical that growth is realised against required investment criteria given global views on thermal coal
5	Competition and product substitution	36		40	Risk rating marginally higher due to increased debate on thermal coal future
6	Capital project execution	48		39	Progressive derisking of mega projects
7	Price and currency volatility	36		39	Increased volatility in prices and exchange rate amid global trade wars and other geopolitical developments globally
8	Cost competitiveness of products	34		38	Need to realise portfolio optimisation and benefits of business excellence and digitalisation
9	Infrastructure access and capacity	34		35	Strategy to increase exports depends on access to allocation of logistical infrastructure
10	Fraud and corruption	40		34	Lower after implementing anti-bribery and anti-corruption initiatives

Residual risk score increased Residual risk score reduced

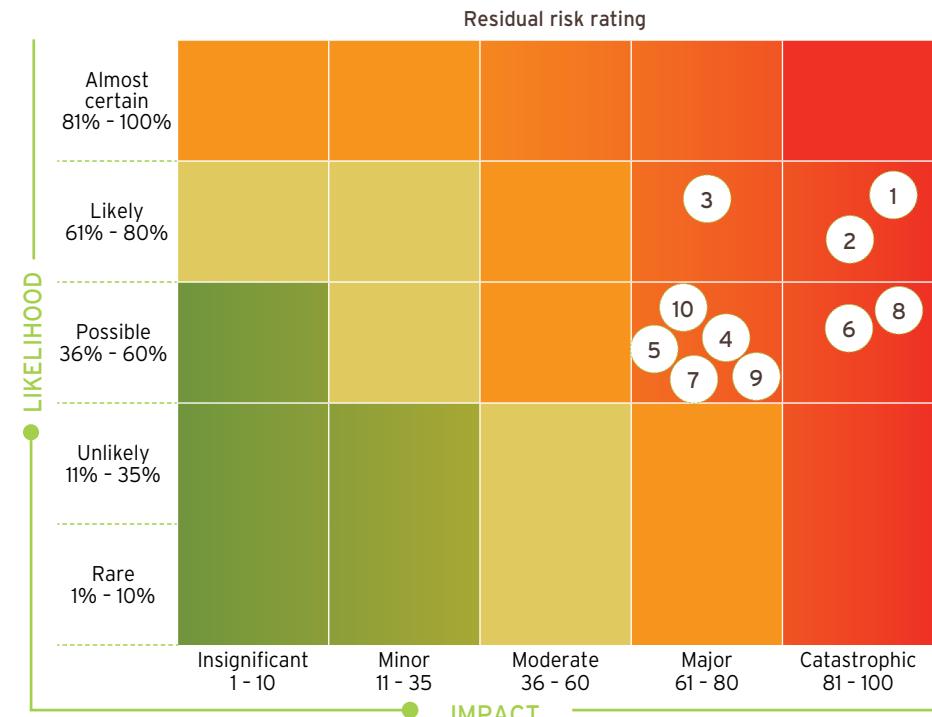
Residual risk score unchanged

New risk identified

RISKS AND OPPORTUNITIES (CONTINUED)



Likelihood	
Factor	Description
> 81 - 100	Almost certain
> 61 - 80	Likely
> 36 - 60	Possible
> 10 - 35	Unlikely
< and = 10	Rare



Impact	
Factor	Description
> 81 - 100	Catastrophic
> 61 - 80	Major
> 36 - 60	Moderate
> 10 - 35	Minor
< and = 10	Insignificant

Top ten heat map distribution

The top ten risks are plotted on the heat map below, followed by an outline of Exxaro's key identified risks, the main drivers, their potential impacts and mitigating treatments. We have considered both internal and external risks, and our mitigation strategies depend on the severity of impact and likelihood of occurrence.

1 DEPENDENCY ON ESKOM AS KEY CUSTOMER

Main drivers

- Eskom Medupi power station delays
- Inadequate funding of tied mines' rehabilitation liabilities
- Realisation of approved funding for capital requirements
- Non-payment of management fee at Arnot
- Eskom calling for over 25Mt at Grootegeluk in next five years for Medupi and Matimba

KPIs: Production cost/tonne, export volume increase

Impacts

- Safety compromised since capital approvals for safety initiatives rest with Eskom
- Eskom's cash-flow constraints mean that Exxaro may not be paid or is paid late
- Operational constraints at Grootegeluk due to pit-liberation impacts from further Medupi delays
- Breakdown of relationships with unions and employees, and communities
- Inadequate funding for closure rehabilitation in trust fund for Arnot and Matla

Treatments

- Broadening local and international customer base
- Build adequate stockpiles and mine bench 13 to supplement while GG6 Phase 2 is being built
- Enforcing coal-supply agreement and arbitration award on environmental funding
- Ongoing discussions on the future of Matla
- Top management engagement

Lines of defence: None

2 MAINTAIN SOCIAL LICENCE TO OPERATE

Main drivers

- Unable to achieve social and labour plan (SLP) targets as approved
- Increased social activism due to socio-economic challenges
- Increased state intervention in the mining sector through legislation and regulation
- Depressed economic outlook
- Unable to meet some new mining charter targets, eg procurement
- Onerous compliance requirements

KPIs: New mining charter and BBBEE dti elements

Impacts

- Adverse media exposure, affecting reputation
- Community unrest
- Production stoppages/closure by community
- Suspension/cancellation of mining right
- Financial losses
- Directives issued by DMR to remedy
- Penalties and fines for non-compliance

Treatments

- Adherence as a minimum to new mining charter and BBBEE dti requirements
- Conduct SLP audits
- Proactive involvement in sustainable socio-economic development initiatives
- Pursue identified initiatives to progressively improve Exxaro's BBBEE rating
- Regular engagement with government
- Reporting on mining charter requirements (external and internal)
- Reporting on SLP requirements (external and internal)

Lines of defence: 3

3 COMMUNITY UNREST

Main drivers

- Dissatisfaction with local economic development initiatives
- Political manoeuvring
- Labour unrest that spreads to the community
- High unemployment rate
- Lack of service delivery by local government
- High demand for skills development/employment

KPIs: Stakeholder survey, incident reporting

Impacts

- Potential harm to mine employees
- Potential damage to mine equipment
- Disruption to operations
- Reputational damage from adverse media

Treatments

- Build local and national political relationships
- Emergency response and crisis-management plans
- Invest in non-mining skills development programmes
- Negotiations with community
- Ongoing employee engagement initiative
- Ongoing investment in community and communicating achievements
- Transparent and ongoing communication with stakeholders

Lines of defence: None

RISKS AND OPPORTUNITIES (CONTINUED)

4 EXECUTING BUSINESS OF TOMORROW

Main drivers

- Shortage of ideas that match business-of-tomorrow criteria
- Not agile enough to capture suitable available initiatives or markets change rapidly
- Investors dissatisfied with non-mining growth and risk profile of business of tomorrow
- Skills and experience to operate as venture capitalists

KPI: Strength of project/initiative pipeline

Impacts

- Financial loss
- Negative perception of business of tomorrow/reputational damage
- Not able to achieve objectives and board mandate

Lines of defence: 1, 2

Treatments

- Aim for a balanced portfolio of ideas
- Appoint and engage private equity-type skills
- Articulate criteria to ensure ideas adhere to these
- Communicate business-of-tomorrow strategy to investors to create awareness of this drive
- Continuously engage with decision makers on decision-making process/criteria
- Ensure internal understanding and acceptance of business of tomorrow
- Establish relations and alliances with funds, institutions in the futuristic space
- Portfolio approach to the programme
- Rigorous development and stage-gate process to approve and execute ideas
- Separate business of tomorrow from existing procedures and processes
- Take lessons from other companies and introduce in policies and procedures
- Comprehensive due-diligence process

5 COMPETITION AND PRODUCT SUBSTITUTION

Main drivers

- Regulatory push
- Price-driven substitution
- Advances in technology
- Pressure by stakeholders
- Environmental concerns
- Uncertainty of energy mix in SA
- Inability to grow coal and future material businesses

KPI – None

Impacts

- Financial loss
- Reputational damage
- Loss of local business/Loss of investor confidence

Lines of defence: None

Treatments

- Early alerts on regulatory changes
- Implement diversification strategy
- Invest in cleaner coal-extraction alternatives
- Proactively engage with stakeholders
- Target selective markets where coal consumption is dominant and growing

6 CAPITAL PROJECT EXECUTION

**KPI: Project delivery measure for large/mega projects
(time and cost)**

Lines of defence: 1, 2 and 3

Main drivers

- Challenges in project economic forecasting
- Programme delivery inconsistencies
- Poor cost and schedule control
- Poor programme and contractor implementation strategy
- Lack of access to strategic infrastructure (roads/water/housing, etc)
- Poor handover and production ramp-up
- Supply-chain management inefficiencies and poor contracting strategy
- SHEC and stakeholder management (community unrest) issues
- Poor interface management between contractors
- Ineffective change-control plan
- Ineffective quality-control programme
- Front-end loading not done with due diligence
- Legal and regulatory non-compliance
- Poor engineering and ongoing scoping changes
- Wrong contracting strategy
- Poor risk management process (risk profile)
- Tighter constraints on capital
- Contractor skills and experience mismatch

Impacts

- Project delays
- Cost overruns
- Reputational damage
- Community unrest (business and job opportunities)

Treatments

- Asset portfolio review and management
- Disciplined execution of value-engineering study review
- Encourage a culture to report both successes and failures (lessons learnt)
- Ensure project and supply chain performance is monitored and managed
- Ensure all project members understand value drivers and impacts
- Establish a contingency plan (plan B)
- Establish a robust governance structure
- Implement advanced assurance frameworks (independent review and oversight)
- Implement effective risk management process
- Improve capex forecast accuracy
- Monitor and track progress of capital projects
- Project role clarification and accountability
- Secure contractor's commitment to assigning a strong and experienced management team
- Standardise design and construction methodologies

7 PRICE AND CURRENCY VOLATILITY

KPI – Various financial metrics

Lines of defence: None

Main drivers

- Unpredictable market conditions
- Global economic slowdown
- Questions about demand in China
- Social and political challenges in SA
- Geopolitical uncertainty, locally and globally
- Structural economic challenges in the US
- Depressed local demand

Impacts

- Financial losses
- Difficult to forecast planning and budgets

Treatments

- Hedging capital commitments
- Impact of volatility frequently assessed in corporate model
- Improve the speed of mine planning to match price volatility
- Negotiate long-term fixed-price contracts linked to currency

RISKS AND OPPORTUNITIES (CONTINUED)

⑧ COST COMPETITIVENESS OF PRODUCTS

Main drivers

- Inaccurate financial modelling
- Limited life of mine
- Poor capital project execution
- Support services costs
- Inflationary impacts (input costs)
- Cost-containment discipline not uniform across Exxaro
- Difficult mining conditions and geological constraints
- Not achieving productivity indexes (benchmark standards)
- High fixed verse variable cost ratio
- Volatility of exchange rate
- Commodity price volatility

KPI: Cost per tonne on cost curve

Impacts

- Financial losses
- Social impact
- Reputational damage
- Margin squeeze
- Premature mine closure/allocation of costs to other operations
- Reduced earnings will impact approval of capital projects

Lines of defence: 2

Treatments

- Assigned management accountants as business partners in relevant areas
- Budget for post-production stoppage (rehabilitation cost)
- Create strategic joint ventures to optimise economies of scale
- Embrace technology and innovation initiatives to improve productivity
- Focus on sustainable cost reduction programmes/business improvement initiatives
- Focus on business unit's controllable efficiencies
- Increased awareness of cost management
- Investigate and divest non-core and sub-par assets
- Optimise operating model and avoid duplicated activities
- Planned reviews by coal operations committee
- Rebalancing product chains to better use infrastructure (integrated logistics)
- Re-optimise capital in projects (mega projects and stay-in-business capital)
- Review and monitor performance of suppliers and service providers

9 INFRASTRUCTURE ACCESS & CAPACITY

Main drivers

- Delays in government infrastructure aspirations to assist with mining industry growth aspirations
- Process of engagement in finalising servitudes
- Ability of Transnet Freight Rail (TFR) to use available capacity
- Competition for limited infrastructure resources (especially in Waterberg)
- Geographical location (especially in Waterberg)
- Inability of RBCT (Richards Bay Coal Terminal) and TFR to ramp up to full capacity
- Stranded export entitlement

KPI: None

Impacts

- Financial losses
- Reputational damage
- Opportunity losses for new employment
- Limitations on potential to expand

Lines of defence: None

Treatments

- 10-year take-or-pay agreement with TFR for coal dispatched to RBCT
- Collaborate with government stakeholders to improve and initiate new infrastructure
- Identify stakeholders to co-develop solutions and extend infrastructure (MCWAP)
- Manage service level agreements appropriately
- Regular liaison with TFR, RBCT and water stakeholders
- Understand the return on infrastructure spend and consider appropriate funding

10 FRAUD AND CORRUPTION

Main drivers

- Collusion with major suppliers, service providers and agents
- Failure to comply with laws and regulations
- Lack of ethics internally and externally in SA context

KPIs: Fraud and corruption/asset destruction (annual % of PPE, inventory, debtors and cash)

Impacts

- Penalties and fines
- Reputational damage
- Loss of assets
- Loss of opportunities and existing contractual agreements
- Criminal prosecution

Lines of defence: 1, 2 and 3

Treatments

- Business intelligence tools
- Conduct anti-fraud and corruption awareness campaigns
- Internal compliance and risk management assessments
- Consider go/no-go country framework as part of risk appetite framework
- Process control
- Consequence management
- Participate in industry forums
- Independent ethics hotline
- Internal investigation unit
- Third-party due diligence and research
- Continuous monitoring

COMBINED ASSURANCE

Combined assurance

Approach, governance, and reporting

Assurance for Exxaro is defined in its broadest meaning to cover all sources, including external assurance, internal audit, management oversight and regulatory inspections.

The combined assurance model in Exxaro has therefore been expanded by including and optimising all assurance services and functions so that, collectively, these provide an effective control environment and support the integrity of information used for internal decisions by management, the board and its committees, and in our external reports including:

- Corporate governance disclosures in terms of King IV
- Integrated reports
- Financial statements and other external reports.

Our combined assurance forum is a working group coordinating assurance activities within Exxaro. Standing invitees include members of the audit committee and sustainability, risk and compliance committee. The forum's activities and outcomes of assurance reports are presented quarterly to the audit committee.

When commissioning specific assurance prior to publishing external reports, the forum considers:

- Whether assurance should be applied to underlying data used to prepare a report, or to the process for preparing and presenting a report, or both
- Whether the nature, scope and extent of assurance is suited to the intended audience of a specific report
- The specification of applicable criteria for measuring or evaluating the underlying subject matter of the report.

This well-defined and embedded process enables Exxaro to make specific disclosure on the approach of assurance over external reports including:

- A brief description of the nature, scope and extent of assurance functions, services and processes underlying preparation and presentation of a report
- A statement by the board on the integrity of a report and basis for this statement, with reference to the assurance applied.

2018 assurance in review

For the year under review, the sources, level, and focus area of assurance commissioned and performed, are summarised below.

Focus area assured	Assurance provider	Tier/level of assurance	Corporate office	Business unit
External/statutory audit	PwC	Three	Yes	Yes
Selective non-audit services	PwC	Three	Yes	Yes
Sustainable development/KPIs	PwC	Three	Yes	Yes
Environmental liability provisioning	PwC	Three	Yes	Yes
Mining rights and environmental legal compliance	Inlexso	Three		Yes
BBBEE dti code compliance	Empowerdex	Three	Yes	Yes
Mining charter compliance	Ngubane	Three	Yes	Yes
Insurance risk surveys	IMIU	Three		Yes
Major and mega capital projects	EY	Three		Yes
Resource and reserve statement	EY	Three		Yes
Internal audit of control environment	EY	Three	Yes	Yes
Employee benefits	Ngubane	Three	Yes	Yes
Social and labour plan projects	Ngubane	Three		Yes
ISO and OHSAS certifications	Various	Three		Yes

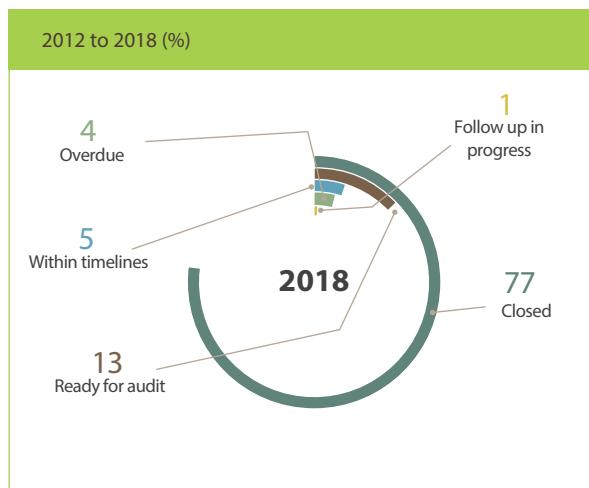
Tier/level of assurance refers to independent, external assurance.

Outcome of assurance reports

The outcome of assurance reports issued since contracting the two largest independent assurance providers to the group, as well as for 2018 in isolation, are illustrated below.

2012 to 2018

Since 2012, 1 981 findings have been raised, broken down below.



In total, 1 528 findings were successfully resolved, although 453 of this total are open findings that require the attention of both management and assurance providers.

Status of findings

	Internal audit	Other assurance providers	Total
Follow-up in progress	15	–	15
Ready for audit	81	182	263
Within timelines	44	48	92
Open/outstanding (overdue)	38	45	83
Total	178	275	453

The overdue findings have been classified by ratings assigned in the final audit report, and split by audit source below.

Audit source	Level 1 – high	Level 2 – medium	Level 3 – low	Not rated	Total
Internal audit	3	20	2	13	38
Other assurance providers	9	27	9	–	45
Total	12	47	11	13	83

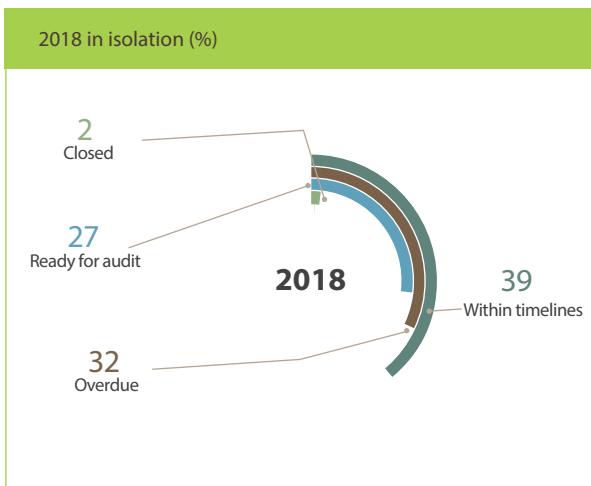
We then categorised the findings with overdue management actions by financial year and priority.

Financial year	Priority				Total
	Level 1 – high	Level 2 – medium	Level 3 – low	Not rated	
2012	–	1	–	–	1
2013	–	1	–	–	1
2014	1	1	–	–	2
2015	–	3	–	–	3
2016	–	13	8	–	21
2017	3	6	–	5	14
2018	8	22	3	8	41
Total	12	47	11	13	83

COMBINED ASSURANCE (CONTINUED)

2018 in isolation

In FY18, 129 findings were raised, broken down below.



Of these, 126 open findings require the attention of both management and assurance providers.

Status of findings

	Internal audit	Other assurance providers	Total
Ready for audit	23	12	35
Within timelines	41	9	50
Open/outstanding (overdue)	23	18	41
Total	87	39	126

Overall, 41 overdue findings have been classified in line with ratings assigned at the conclusion of the audit.

Audit source	Level 1 – high	Level 2 – medium	Level 3 – low	Not rated	Total
Internal audit	–	14	2	8	24
Other assurance providers	8	8	1	–	17
Total	8	22	3	8	41

Breaking these down into functional areas:

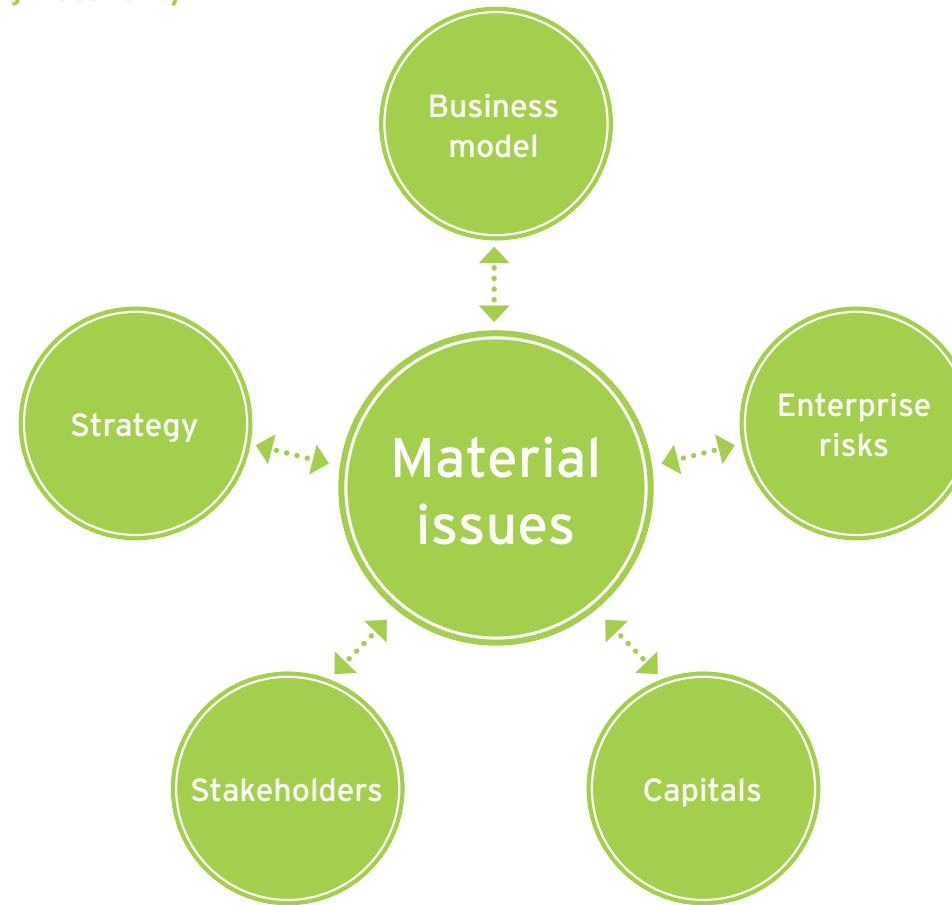
Functional area	Number of overdue findings
Operations	13
Sustainability	10
Projects and technology	8
Finance	5
Human resources	3
Innovation and information management	2
Total	41

MATERIAL ISSUES

A matter is material if it is of such relevance that it could substantively influence the providers of financial capital's assessments of Exxaro's ability to create value over the short, medium and long term.

In determining whether a matter is material, senior management and directors should consider whether the matter substantively affects, or has the potential to substantively affect, Exxaro's strategy, business model, or one or more of the capitals it uses or affects.

Determining materiality



From the International
Integrated Reporting Council

MATERIAL ISSUES (CONTINUED)

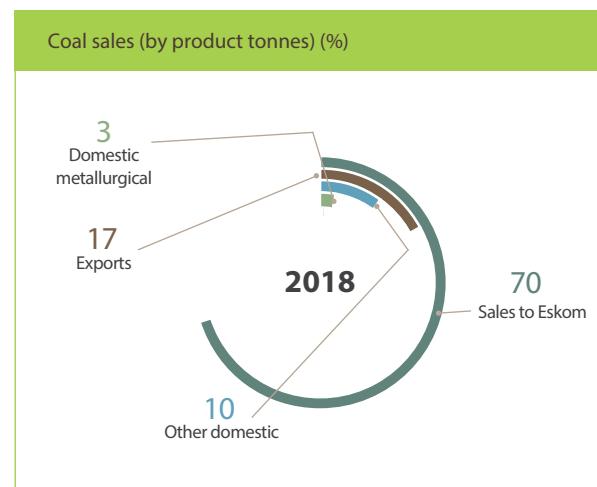
Our material issues

Our material issues impact different areas of our business model, and are influenced by stakeholder issues and our operating context. The material issues, in turn, could influence the company's strategy to mitigate risks or take advantage of opportunities.

Material issue	Elements	Top 10 risk	UN Sustainable Development Goals (SDGs)	Impacts/influences			
				Strategy	Business model	Capitals	Stakeholders
Key customer dependency	Domestic balance Exports balance	● Dependency on Eskom	8, 9, 12	✓	✓	 Financial  Manufactured	 (customers)
Our people	Our employees Shared value	● Fraud and corruption ● Community unrest	1, 2, 3, 4, 5, 8, 10, 11	✓	✓	 Social  Financial	 (employees, communities)
Business resilience	Business excellence Coal: operational efficiencies Portfolio optimisation Business of tomorrow Innovation and digitalisation	● Executing business of tomorrow ● Competition and product substitution ● Price and currency volatility ● Cost competitiveness of products ● Infrastructure access and capacity	7, 8, 9, 12	✓	✓ (new business)	 Financial	 (employees, investors, customers)
Capital allocation – project execution	Returns to shareholders Sustaining capital (stay in business) Expansion capital (growth)	● Capital project execution	8, 9, 11, 12	✓ (focus on excellence)	✓ (new business, business of tomorrow, agility and returns)	 Manufactured	 (investors)
Social licence to operate	Community investment Compliance (operations, projects) BEE transaction	● Maintain a social licence to operate	1, 2, 4, 5, 6, 10, 11, 13, 14, 15	✓ (strong CSI purpose)	✓	 Social	 (communities, government, regulators)

Material issue: Key customer dependency

Exxaro relies on Eskom, the national power utility, and ArcelorMittal South Africa (AMSA) for 52% and 7% of its revenue respectively (2017: 54% and 6%). In 2018, sales volumes to Eskom were 70% of the total, in line with 2017.



Eskom

The impact of our dependency on Eskom remained a key focus in 2018, specifically in light of ongoing concerns on the utility's financial and operational stability. On the positive side, our coal business is considered defensive, given long-term offtake agreements with Eskom for over two-thirds of coal produced to power South Africa. On the negative side, Eskom is also our single largest customer, making this relationship vital to our long-term future. Exxaro is committed to maintaining a positive and fruitful relationship with Eskom.

In the past three years, the relationship between Eskom and Exxaro has been tested, particularly in the tied and other coal segments (Matla and Arnot mines), and we had no alternative except arbitration to resolve some issues. Key developments on arbitration matters at Arnot and Matla are summarised below:

- At Arnot, the arbitration process on contractual matters has been finalised in Exxaro's favour. There is continuing action to resolve outstanding payments.
- At Matla, we continue to engage with Eskom to provide the required capital funding, as per the coal-supply agreement. This will enable Matla to achieve contractual production and sales volumes. While Eskom has confirmed that a significant portion of the funds needed for the Mine 1 project are available, arbitration continues on the outstanding portion of required funding.

An additional risk to the stability of this relationship is Exxaro's shareholding structure. The reduction in our BEE ownership from just over 50% to 30% has been negatively received by Eskom in terms of its procurement policy and targets, although our contracts (which pre-date this policy) with the utility will not be affected by our decision to preserve and enhance black net asset value. We understand, however, that 50% BEE ownership has never been an official Eskom policy. As reinforced in numerous meetings with Eskom representatives, Exxaro is a South African company and we remain committed to meaningful transformation as opposed to meeting superficial equity targets.

AMSA

AMSA is also an important customer, consuming some 1Mtpa of our semi-soft coking coal to produce metallurgical and market coke. Exxaro will continue to supply this company under contractual requirements. Regular and amicable

communication continues with AMSA at all levels. Apart from AMSA, the domestic market has limited uses for metallurgical coal. Accordingly, diversifying and creating alternate international markets has become imperative, and the focus in 2018 was to develop alternative niche export markets for a portion of our semi-soft coking coal volumes.

Material issue: Our people

Exxaro recorded another fatality-free year in 2018, the third since inception in 2006. While we are encouraged by the steady improvement in our safety performance, we will not rest until fatality-free years become the norm, not exception. The relatively steady decrease in the lost-time injury frequency rate (LTIFR) over five years reflects the focus and commitment of all our people.

We recorded no labour unrest in the reporting period.



See page 38 in supplementary report

MATERIAL ISSUES (CONTINUED)

Employees Key performance indicators

	2018	2017 Actual	2016 Actual	Trend
Number of fatalities	0	1	0	
LTIFR per 200 000 hours	0.12	0.12	0.09	
Occupational health incident frequency rate (OHIFR)	0.33	0.33	0.35	
Project delivery measure for LED projects per SLP (time variance % from plan) – 2014 mining charter	(15) (behind schedule)	(15)	(13)	
Employment equity (%) in top, senior and middle management at every business unit – 2014 mining charter	53.5	57	58	
HR development (% payroll excluding levies, including internal and external training) – 2014 mining charter	5.1	5.1	4.5	
Skills provision (% of internal appointment of critical skills)	52	48	65	
Skills retention (% turnover)	5.1	5	4.9	

Safety

The safety of our people is fundamental to our business, and we will not rest until we consistently achieve our safety goals through collective responsibility, commitment and ongoing focus. As part of this focus, all operational business units have international health and safety accreditation (OHSAS 18001).

We have made steady progress over the past 13 years (see graph on page 38 of the supplementary report), proving that our target of zero harm is attainable.

The LTIFR was unchanged on 2017 at 0.12, and significantly below the peak of 0.42 in 2006. We recorded 23 LTIs against an aspiration of zero harm. The most common incidents were leg and ankle injuries followed by hand injuries.

We have focused programmes to empower safety, health and environmental representatives with the knowledge to identify risks better and contribute more effectively to reducing safety risks in the workplace.

In 2018, eight section 54 directives were issued by the DMR at Arnot, Grootegeluk and Matla for identified non-compliance. We have maintained a positive trend since 2010 in reducing directives, reflecting the benefit of an internal section 55 inspectorate programme at all business units, authorising appointed employees to stop unsafe activities and, in time, prevent accidents.

Health

Twelve occupational disease cases were accepted and 65 cases reported in 2018, bringing the OHIFR to 0.33 against a target of 0.31.

Given the importance of the health and wellness of our employees and contractors, we introduced the OHIFR three years ago and we are driving awareness to improve the health of all our people.

A key focus remains lifestyle diseases, which are proving a significant health risk for Exxaro.

Labour stability

Labour stability is one of the mining industry's key challenges. Despite the often-volatile nature of our industry, we are maintaining a stable labour climate across Exxaro, always aiming for crucial interactions with organised labour that are constructive and indicate improving relationships. These positive union relationships are sustained through functioning engagement structures and constructive processes to resolve issues. Apart from engaging with our union stakeholders, we also continuously engage with our entire workforce through CEO interaction at business units and the corporate office, as well as line management communication on operational issues.

The advent of multiple unions as opposed to traditional mining unions has changed the collective bargaining environment significantly over recent years. As a company, we have successfully adopted a pluralist approach to union recognition, and through appropriate governance, we have enjoyed labour stability.

Employment equity

We continue to focus on transforming our organisation. Since Exxaro's inception 13 years ago, developing skills levels across the business has been the cornerstone of successfully implementing our employment equity plans.

Our statutory annual reports were submitted for the last reporting cycle. Although we have achieved our targets at the middle and junior management levels, our challenge is with senior management and people with disabilities. New targets were published in September 2018, with a five-year compliance time frame.

Our women-in-mining focus is a key enabler for women to enter careers in our industry. Women currently comprise some 22% of the workforce, and we focus on attracting women through our talent pipelines. While this is a challenge, women now constitute 40% of young professionals in training, 36% of our full-time bursars in engineering and mining at universities. Black women represent 28% of the learner pipeline across the group.

Skills development

Given the importance of skills in our industry, we endeavour to invest an appropriate amount of total salaries and wages each year in developing our people.

In 2018, we spent R260 million on training for all employees, or 6.3% of payroll (2017: R224 million or 6.20%), including:

- R123 million for job-related operational and technical training at business units, including operator training and mobile equipment licences
- R67 million on talent pipelines comprising bursaries, internships, learnerships and skills programmes based on our need for core and key skills. Over 50% of this budget is spent on artisan/miner learnerships each year
- R8.5 million on developing employees in management and leadership skills, postgraduate studies and support-function development.

Talent sourcing

Talent is sourced primarily from the communities where our business units are located. The bursar, internship, learnerships and skills development initiatives that form part of Exxaro's talent sourcing are geared to empower local communities to

compete for positions in the company. At present, 100% of our labour is sourced in South Africa.

Graduate programme

Our three-year professionals-in-training programme blends academic theory with practical exposure in the workplace. Each graduate has a mentor who supervises their technical, leadership and management training at operations. Mentors also assist with fulfilling professional registration requirements. In 2018, there were 75 professionals in training (2017: 61) throughout Exxaro in a R29.3 million programme. Of these interns, 29% are black women and 67% are black people, with 73% placed throughout the group. The remaining participants were retained for placement as vacancies open.

Bursary programme

There are currently 59 bursars studying at South African institutions at a cost of R4.5 million per annum. Over 75% are black South Africans and 25% are black women.

These bursaries are for school leavers from our communities interested in technical disciplines such as engineering (metallurgical, chemical, mechanical, electrical, industrial, mining or civil), mine surveying and geology. This has been adjusted to align with the four and five-year BEng programme.

Communities

The number of community-based protests continues to rise. These affect our employees directly through a physical inability to get to work but also often manifest through interactions with labour as an expectation that mining companies must create employment opportunities and facilitate enterprise development (to fill the void caused by a lack of service delivery) by developing infrastructure such as roads and bulk water supply.

As a mining company, balancing the strategic imperative for higher employee productivity with increasing demands from unions and communities for fair wages and community benefits can affect labour stability.

We began implementing a revised approach to enterprise and supplier development in 2017, focused on establishing entrepreneurs who will be able to create employment and business opportunities in their communities. We established the appropriate forums, processes and systems to enable socio-economic progress through enterprise and supplier development. In the Lephalale community, for example, we discussed with the local municipality the detail of the Grootegeluk SLP for 2018 to 2022 that responds to some of the infrastructural challenges in that municipality.

Apart from non-financial support at our business hubs, the enterprise and supplier development (ESD) programme provides loan and grant funding to qualifying suppliers and small enterprises. In 2018, we disbursed grant and loan funding of R180 million to 24 small enterprises through our ESD programme.

MATERIAL ISSUES (CONTINUED)

The company's **medium to long-term goals** include becoming a **leading provider of underground ventilation and roof-support services**, as well as **diversifying into manufacturing consumables** used in the **mining sector for coal production**.

Case study: Enterprise and supplier development

Stenda Trading Proprietary Limited is a 100% black-, women- and youth-owned business established by Matshidiso Dlungwane in 2016. She hails from Mamelodi township in Pretoria, and worked in the mining sector as a metallurgical engineer before starting her own business. The company provides multidisciplinary services and addresses the shortage of women-run and -owned enterprises providing technical services in the mining sector.

Stenda Trading is currently contracted to several mining companies, providing a range of services:

- Underground ventilation, roof support and road maintenance
- Building refuge bays and gunniting
- Conveyor belt supply, installation and maintenance
- Civil and concrete work
- Scaffolding, water treatment and reticulation.

At Exxaro, Stenda Trading provides underground civil and underground cleaning services at Matla Mine. Civil work includes building containment and explosion-proof walls, installing black brattices, reinforced brattices and air crossings. It builds refuge bays, undertakes concrete work and installs and reclaims specialised doors. Underground cleaning services include installing and maintaining life-lines and cleaning refuge bays and wash bays.

After it was awarded these contracts in 2018, Stenda Trading approached the Exxaro enterprise and supplier development (ESD) unit for financial support. The company was awarded an interest-free loan of R9.2 million to procure equipment, vehicles to transport material and employees to site as well as a mobile office.



Dyna for transporting workers underground



Stenda Trading employees at Matla coal mine with safety representatives in red overalls,



Tractor-trailer for transporting building material underground



Load-haul dumper transports building material underground, doubles up for cleaning the area before work starts

With this funding, Stenda Trading will save money that would otherwise have been used to rent equipment, increase its asset base and own assets that can be used after the Exxaro contracts end. The business has maintained 16 jobs and created 61 new jobs, most of whom are from surrounding communities.



MATERIAL ISSUES (CONTINUED)

Material issue: Business resilience

Due to the cyclical nature of commodities, management continuously evaluates the portfolio of projects and capital allocation, ensuring a robust portfolio that can withstand changes in the global economy.

In evaluating our projects, we consider macro-economic fundamentals, long-term commodity outlook, remaining life of each asset and the ability of each asset to deliver healthy returns under these changing conditions.

Last year, we strengthened our coal portfolio by divesting from assets close to their end of life, such as North Block Complex, while allowing for greenfield growth via Belfast and organic growth at long-term strategic assets. Optimising retained assets in our portfolio is a primary focus and aimed at improving their cost-curve position.

Aligned with our longer-term strategy, we continually evaluate the role in our portfolio of reductants, iron ore (SIOC), zinc (Black Mountain and Chifeng) and energy (Cennergi).

In line with our portfolio-optimisation strategy, we sold 22.4 million Tronox shares in October 2017, raising R6.5 billion. We will continue to look for opportunities to divest from our remaining shareholding to focus on creating value in our core operations, fund capital programmes, redeem debt and return excess cash to shareholders. We also believe the timing could be opportune to begin disposing of our stake in Black Mountain.

Management will continue optimising the asset portfolio through a robust process, ensuring sustainability, growth and shareholder return.

 *Specific projects are detailed on page 67, while specific initiatives to enhance business resilience are summarised on page 74*

Business excellence

Our business excellence function was launched in January 2018 to instil a culture of continuous improvement at Exxaro's corporate centre based on the Lean methodology, adapted from the world-renowned Toyota production system. Over the year, the focus of business excellence was expanded to cover all support functions in the group:

- Supply chain
- Projects and technology
- Human resources
- Stakeholder affairs
- Corporate secretariat and legal
- Business development
- Finance
- Information management
- Sustainability.

Strategy

The business excellence strategy has been built around three pillars:

- Functional excellence focuses on embedding the functional leader operating model and driving improvement opportunities or initiatives that support value creation for Exxaro. Activities were concentrated on improving

processes, team steering, workplaces and communication, and on creating transparency and visibility in organisational performance.

- Excellence practices aim to instil problem-solving and other capabilities across Exxaro to enable incremental and step-change improvements. Our primary focus for 2018 was Lean as a tool to drive efficiencies. We are very aware that different tools can be used to solve different processes, so we are developing a range of tools including design thinking, agile processes and intelligent automation analysis.
- The third pillar (excellence culture) is focused on enhancing and supporting adoption, recognition and communication.

 *Implementation is closely aligned with our Connect2Next initiative (page 44 of the supplementary report) to ensure we achieve the desired behaviours*

Highlights of 2018

- Diagnostic exercise at our flagship Grootegeluk in collaboration with the coal business optimisation team, identified five focus areas
 - Refining key performance indicators for support functions
 - Applying Lean principles to construction processes at our mega projects
 - Excellent progress in migrating to digital tools that are paperless and more efficient
 - Developing new skills for a new way of working
 - Addressed challenges in quantifying the value of improvement initiatives.

The business excellence team also played a role in the ECC post-implementation review and mineral succession programme. The first focused on a number of elements of the ECC acquisition, integration and current operations to capture learnings that will be applied to future transactions of a similar nature. The second will help bring new ways of working

and thinking to identify opportunities to create sustainable economies that leverage the assets and skills around our operations.

Where to next?

In 2019, we aim to entrench excellence thinking at the corporate centre and support our functions in rolling out strategic initiatives and excellence leadership systems that are aligned to Exxaro's strategic objectives and have the potential to deliver significant performance improvements and value uplift.

Digitalisation

The Exxaro digitalisation and innovation journey is a strategic initiative driven by the CEO that is now an integral part of our 2026 strategy.

In 2017, we conducted a digital assessment and developed a roadmap. During the assessments, we identified business-use cases that would assist in realising strategic operational initiatives, and the infrastructure requirements to support future digitalisation efforts.

In 2018, we launched the Digital@Exxaro programme with a strategy and vision focused on intelligent integration into our value chain and eliminating constraints to enable effective and optimised work execution in real time. Essentially, this would introduce Exxaro to new ways of managing variability and enhancing productivity – resulting in increased throughput and improved safety.

We have made significant progress, with all operations implementing the first versions of cross-value chain visualisation and an integrated operations centres (IOC):

- Visualisation of the value chain helps operations identify operational constraints and issues in real time, allowing us to make informed and timely decisions that will increase throughput and reduce cost
- Integrated operations centres promote collaboration between planning and execution, and between value-chain phases: planning, mine, beneficiation, transportation, ports, logistics.

Major Digital@Exxaro initiatives

Set the base:

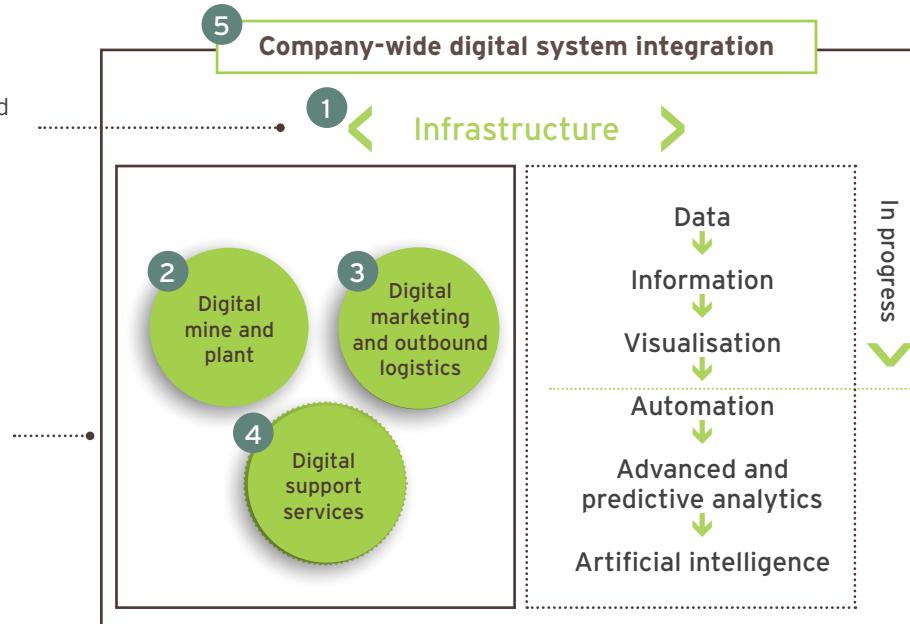
Ensure infrastructure in place, and required equipment, assets and end-points are deployed.

Enterprise-wide integration:

Digitalise and link all steps of the value chain

Enable digitalisation:

Roll out start-up way, enable workforce, upgrade structure/processes and establish start-up incubator



Start-up way

Digital workforce

Innovation magnet

MATERIAL ISSUES (CONTINUED)

Exxaro needs to remain abreast of developments in innovation, given the pace at which solutions are being developed across multiple industries. We need to be able to identify and evaluate these developments in terms of maturity and applicability, identify where the biggest value can be created and in an agile, but structured, way implement and adopt new technologies and innovations.

Intelligent automation

The process of intelligent automation is integral to our digitalisation programme and new ways of working, all aligned to achieving our business strategy. Intelligent automation empowers our people by deploying 'digital employees' to free up time for value-adding activities while using specialised software to automate and standardise repetitive, routine tasks and processes.

Intelligent automation delivers significant value and benefits to our business in both the front- and back-office environments by improving the accuracy, control, management and throughput of our processes while alleviating the burden on our employees.

We have defined key value drivers for identifying automation potential in business processes:

- Throughput – a percentage increase in transactional volumes using more efficient, automated processing
- Quality – the improvement in the quality of data or reduction of transactional processing errors by automating specific processes
- Velocity – defined as the percentage reduction and latency in processing time per transaction achieved
- Risk mitigation – reducing human error. This can be realised by removing error rates in transactional execution, regulatory non-compliance as well as micro and macro risk factors affecting the wider business

- Capacity – employee time that becomes available when automating a process. These hours can then be channelled to benefit Exxaro in strategic and innovative areas, and support initiatives to grow our business.

We have established a centre of excellence for intelligent automation to ensure we have the internal capacity to leverage associated opportunities in future. To date, this centre of excellence has automated and deployed processes in:

- Innovation and information management
- Supply chain management
- Finance
- Human resources
- Marketing and logistics
- Projects and technology.

Salient features of our capex in 2018 include:

At **R5 790 million**

Capital expenditure increased by 48% from 2017

R2 847 million

(2017: R2 977 million)

Was applied to **sustaining** and **environmental capital** (stay-in-business capital)

R2 943 million

(2017: R944 million)

Was **invested** in new **capacity** (expansion capital)

Intelligent automation enables our people to refocus their energy on more exciting, challenging and fulfilling work that supports our purpose. It presents an opportunity for all our employees to participate in this transformation, learn new skills and gain confidence in line with changes in the new world of work.

Our people are at the heart of this journey and we view their passion and imagination as critical ingredients to succeeding with this initiative.

Material issue: Capital allocation – project execution

In terms of capital management, we remain prudent by striking a balance between returning cash to shareholders, managing debt, and selectively reinvesting for the growth of our coal business.

Project	Product	Capex	Status at year end/Outlook: 2019 to 2022
Mpumalanga			
Belfast: LOM: 16 years	2.7Mtpa thermal coal	R3.3 billion	<ul style="list-style-type: none"> • Construction under way • Project close expected first-half 2021 • First production expected first-half 2020
Leeuwpan life extension	2.7Mtpa thermal coal	R0.6 billion	<ul style="list-style-type: none"> • Relocation action plan under way • Project close expected second-half 2019 • First production in second-half 2018
Dorstfontein West seam 4	Increase run-of-mine production for 15-year life-of-mine	R0.3 billion	<ul style="list-style-type: none"> • Construction under way • First production expected third quarter 2019
Matla expansion projects	Infrastructure to support life-of-mine production	R1.8 billion	<ul style="list-style-type: none"> • Matla mine 1 relocation – Eskom funding approved. Scope and capital optimisation under way. Construction expected to begin second-half 2019 • Matla short-wall replacement – awaiting Eskom funding approval for implementation • North/west access project – construction began on mine 3 tunnel in second-half 2018. Commissioning expected first-half 2022 • Ventilation shaft – awaiting Eskom funding approval for implementation
Limpopo			
Grootegeluk GG6 expansion	1.7 – 2.7Mtpa semi-soft coking coal	R4.8 billion	<ul style="list-style-type: none"> • Construction under way, completion expected second-half 2020 • Project handover to operations second-half 2020 • First production expected in second-half 2019
Grootegeluk rapid load-out station	Infrastructure to replace load-out station and enable shipment of GG10/ GG6 phase 2 product on rail	R1.3 billion	<ul style="list-style-type: none"> • Construction under way with completion expected second-half 2019 • Project close expected second-half 2019
Thabametsi independent power producer (IPP) phase 1	3.9Mtpa thermal coal, ramping up to supply 600MW Thabametsi IPP	R3.2 billion	<ul style="list-style-type: none"> • Awaiting notice to proceed

MATERIAL ISSUES (CONTINUED)

Growth projects

Leeuwpan life extension

The focus is on the relocation action plan, with completion scheduled for December 2019.

Dorstfontein West 4 seam project

Construction work is progressing well, and the procurement process for bunker construction will be finalised in the first quarter 2019. The project is on plan and within budget.

Belfast project

The Belfast project spent R956 million in 2018. It is ahead of schedule (actual progress of 56% against plan of 52%) and ended the year with 1 780 615 LTI-free hours.

Thabametsi mine (IPP phase 1)

Exxaro and Marubeni/Kepco (lead developers of the Thabametsi IPP) continue to engage on the definitive coal-supply agreement and associated infrastructure agreements. After three major banks indicated they would not continue, the IPP is considering options to bridge the funding gap or reduce the capacity of the power station. No formal plans were communicated to Exxaro and all negotiations are on hold until we receive clarity on the way forward.

After the project team had consolidated and updated project information to ensure an effective start-up, team members were assigned to other projects in Exxaro. This reduced expenditure while retaining the ability to mobilise the project team when required.

Grootegeuk GG6 expansion phase 2

We have resolved a technical issue on the 6 000t silo with the contractor, and rectification work is progressing as planned.

Although contractor strikes and community unrest have led to numerous delays and put the project under pressure, it is on schedule and budget, with close expected in mid-2021.

Sustaining projects

Grootegeuk rapid load-out station

Commissioning will start in March 2019 and run through to July 2019.

Strikes by contractors and labour unrest in Marapong have delayed the project. While the project is currently within the approved board mandate, the team is under pressure to complete certain aspects of commissioning by July 2019.

Eskom-funded Matla expansion projects

Four interrelated projects are in different phases:

- Mine 1 relocation: after ministerial and Eskom approvals confirmed funding of some R1.48 billion, we began the project ramp-up phase in November 2018 and appointed critical resources. The scope and capital-optimisation process will continue to finalise work packages, scope of works and enquiry documentation. The project team will complete a tender evaluation and adjudication review process in the first quarter 2019 to reaffirm Eskom requirements for funds release.
- The short-wall replacement bankable feasibility study was submitted for Eskom funding approval, expected in April 2019.
- The north-west access project completed 241m vs 362m planned of the mine 3 tunnel development. Engineering and construction work on infrastructure began in January 2019. As the project team has a recovery plan to bring mine 3 activities back on schedule, overall project completion remains August 2021 as planned.
- The ventilation shaft project's bankable feasibility study was presented to Eskom in early December 2018. Anticipated approval is April 2019.

Material issue: Social licence to operate

Empowered shareholding

When Exxaro was formed in November 2006, our empowerment shareholders were restricted from selling their shares to non-HDSAs for 10 years, commonly referred to as a lock-in period. This expired in November 2016.

Exxaro supports transformation through economic empowerment ownership, among others. We strongly believe our replacement BEE transaction, implemented in December 2017 after our initial BEE shareholding agreement expired in 2016, will create wealth through a reduced risk profile that contributes to sustainable empowerment. The new structure is less risky and more flexible – important in a cyclical industry. Exxaro has given BEE investors greater flexibility through a range of liquidity options, but structured so that our black shareholding will never drop below the level required for compliance or contractual purposes.

Following publication of the new mining charter, we are investigating the most appropriate structure for an employee and community share ownership plan, as previously committed.

Our social licence to operate

The regulatory universe for mining is extremely stringent and spans the environmental, social and governance domains. For Exxaro, our licence to operate is key to a sustainable business – without the required authorisation in the social and environmental domains, we are not able to operate at all. These domains are governed by the mining regulator – the Department of Mineral Resources – as well as the departments of environmental affairs, and water and sanitation.

As a 30% black-owned entity, Exxaro strives to be a champion for empowerment and transformation and we are actively involved in the Minerals Council, where we contribute to shaping our regulatory universe. Our CEO, Mxolisi Mgojo, is also president of the council.

An important component of our sustainability as a company is our ability to comply with every stipulation, provision or directive in our various environmental licences. As an industry, mining has a negative impact on the environment, and is regulated by strict rehabilitation and closure laws. We follow a principle of zero harm and continually seek ways to minimise our impact on the environment.

Operational compliance

Exxaro's active operations have all the authorisations required to operate under a valid mining right. All mining rights in turn need a valid and approved mine works plan (MWP) and approved SLPs. Under the new National Environmental Management Act, environmental authorisations are also required for a valid mining right. The only exceptions are:

- Tshikondeni: no longer operational, but has an old-order mining right that has been converted and granted, but not executed
- Strathrae: no longer operational; old-order mining right has been converted and granted, but not executed.

All documentation and requests for execution for Strathrae and Tshikondeni were timeously submitted, but a decision taken not to execute as these mines are in closure. There is ongoing engagement with the DMR on the status of these rights.

Social and labour plans

Exxaro sees itself as the tenant in its host communities, and a successful relationship with communities is key to our business success and growth. In addition to our SLPs, we invest in areas such as environmental conservation and health and welfare through our corporate social investment (CSI) programmes.

Our aim is to create economic diversification to limit dependency on the mine while building resilient and self-sufficient communities in the long term by implementing local development initiatives to improve social infrastructure and education as well as promoting employment and local procurement.

Between 2006 and 2018, our focus on education and skills development accounted for 11.6% of our R534 million socio-economic expenditure.

In the prior year, we reached the end of a five-year cycle (2013 to 2017) for some SLPs, including Grootegeluk, Tshikondeni, Arnot, North Block Complex's Glisa and Eerstelingfontein. Given challenges in the early stages of some projects, including approvals from relevant officials, implementation was delayed and these projects carried over into 2018 to meet our obligations.

A draft SLP for Grootegeluk awaits approval from relevant stakeholders, including the Lephalale local municipality.

At Thabametsi, the Lephalale local municipality requested a review of approved local economic development (LED) projects in the 2015 to 2019 SLP. We continue to negotiate with the municipality to finalise the matter.

Due to the unplanned closure of Arnot, Exxaro and Eskom began lengthy negotiations on how the closure SLP would be funded. After agreement was reached, the SLP was submitted in 2018.

New SLP submissions for North Block Complex's Glisa and Eerstelingfontein as well as the closure SLP for Tshikondeni were finalised in 2018.

SLPs for Leeuwpan and Matla cover 2015 to 2020 while Belfast's SLP spans 2014 to 2018. The Belfast 2019 to 2023 SLP engagements are under way.

Compliance and licensing for projects

As part of the project lifecycle-planning process, Exxaro ensures that all requisite rights, licences and authorisations are in place prior to construction and commissioning.

The only exceptions occur after a stakeholder appeal.

Mineral tenure compliance

Exxaro aims to have every mining right valid and to comply with all conditions for each licence and right granted. We define the validity of a mining right by having its three pillars in place: the MWP, environmental management programme (EMP) and SLPs.

Our analysis shows our mining rights are 98% valid, largely due to the rights of Strathrae and Tshikondeni not being executed. Given their closure status, they do not have valid MWPs and SLPs in place.

We define the enforceability of our mining rights by sections 93 and 47 directives issued, as well as any section 102 to amend an MWP, environment authorisation (EA) or SLP. In addition, compliance includes submitting reports to the DMR describing future mining activities.

We gave ourselves a conservative enforceability score of 75%, as we are currently integrating ECC's monitoring and compliance systems with Exxaro's compliance matrix. We expect the enforceability score to improve to above 95% once integration is complete.

Environmental compliance

Exxaro complies fully with all authorisations and licensing requirements for its current operations and projects. These authorisations typically include:

- Integrated water use licence
- Waste management licences
- Air emission limits
- Environmental impact assessments
- Records of decisions
- Environmental authorisation.

Each of these has specific conditions to which mining operations have to adhere at all times.

MATERIAL ISSUES (CONTINUED)

We measure environmental authorisations on two levels: IWULs granted, and environmental impact assessments approved. Our analysis shows that our environmental authorisations are within tolerable levels (95%), with the shortfall being due to delays in finalising appeals lodged against the Thabametsi and Belfast projects.

A compliance score of 90% to environmental authorisation conditions was provided by an internal audit. We implemented a new integrated monitoring and compliance system to help us improve the score in 2018. As part of this process, detailed checklists per site are being drafted to drive improved compliance to conditions.

Environmental issues

Delays and appeals against IWULs granted by the Department of Water and Sanitation have become a risk for new projects and part of their critical paths. To mitigate the long lead times in securing the necessary permits and licences, we are engaging early with the respective regulators, and proactively with every interested and affected stakeholder group.

Our greenhouse gas (GHG) emissions are not an immediate risk to our licence to operate. However, related legislative developments such as GHG reporting regulations, carbon tax, carbon budgets and carbon offset systems will introduce additional compliance requirements.

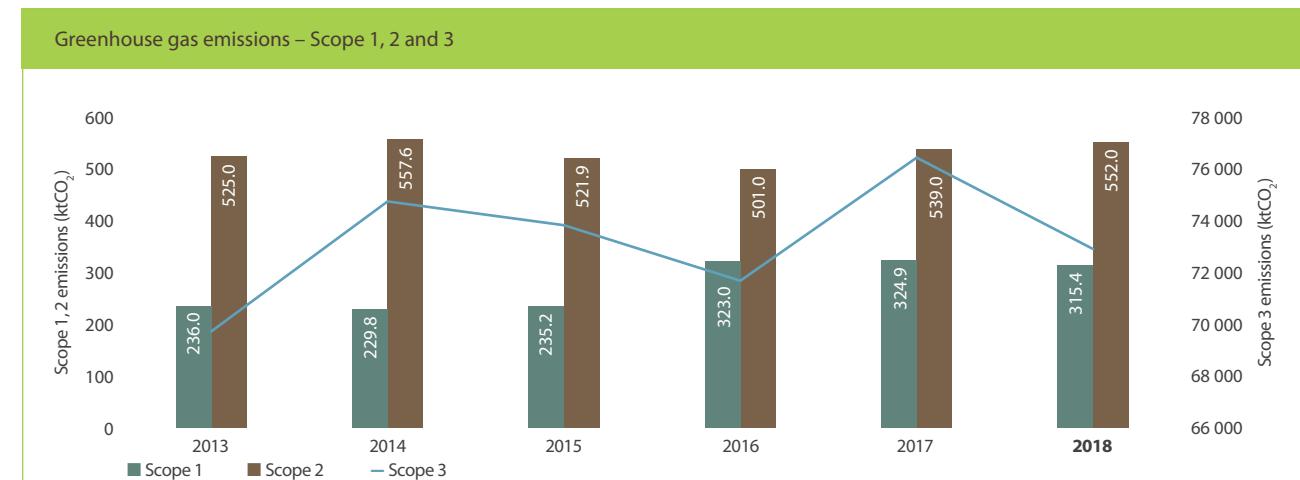
As climate change affects our business, measuring specific indicators across our business units enables us to prioritise our actions and resources to address the greatest impacts. Since 2009, Exxaro has participated in the global CDP (the benchmark on climate change disclosure) and our carbon

emission reporting systems are mature. We are now focused on developing mitigation and adaptation plans for all operations.

We measure the GHG impact across all business units to inform our strategy, set targets and report performance across the group. We base our accounting and reporting for GHG emissions on the Greenhouse Gas Protocol and have elected to use the operating control accounting approach for emissions. Given rising stakeholder activism against coal as a source of energy, Exxaro has responded to shareholder enquiries on our strategy to reduce emissions, transition to renewable energy and adapt to the so-called 2°C climate environment (limiting the increase in global temperature to below pre-industrial levels).

With the current and expected outlook for South Africa's electricity requirements, we believe coal remains a relevant source of affordable electricity generation for the economy and Exxaro is well positioned to supply this energy source to Eskom. We do, however, regard this as a medium to longer-term risk and it is part of our diversification imperative.

Total CO₂ emissions for 2018 were 73 795 kilotonnes (kt) compared to 77 325kt in 2017. The decrease of 5% reflects a decrease in rehabilitation activities at some operations. Our short-term carbon intensity target is -5% on the prior-year level across the group. This is ambitious as some projects take time before their impact is evident, particularly for carbon intensities. We performed ahead of target, with carbon intensity of 5.3kt CO₂e per total tonnes mined compared 5.4kt in 2017. Much of this is due to energy initiatives at Grootegeluk and Matla, such as energy monitoring and the 1MW solar grid project.



Diesel and electricity remain the biggest components of our GHG footprint. Currently we are addressing energy security, economic productivity and environmental impacts in our drive to become carbon neutral and thrive in a low-carbon economy.

Exxaro performed well on both CDP climate change and water disclosure for 2018, indicating leadership and the group's commitment to climate change mitigation and adaptation, as well as addressing and managing water risks.

South Africa is a water-scarce country and we recognise that water-reduction initiatives are crucial to sustainable operations, particularly under prevailing drought conditions.

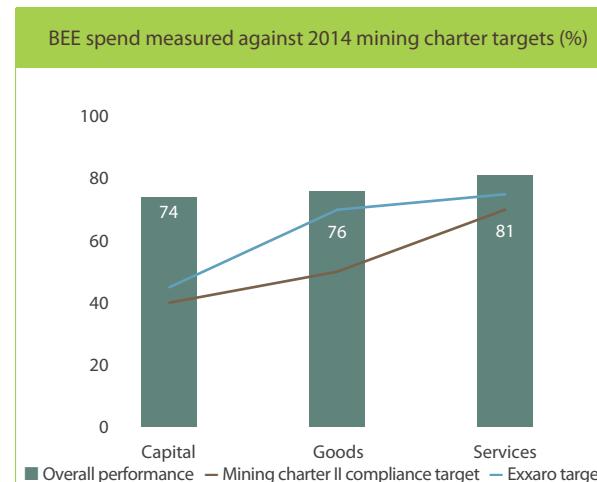
Our group water strategy was approved in 2017. It is informed by our risk assessments and identifies five strategic focus areas of excellence:

- Compliance
- Operational water efficiency
- Policies, standards and processes
- Water technologies
- Stakeholder partnerships.

Group water intensity decreased 30% in 2018 from the baseline. This primarily reflects reduced water withdrawal from Mokolo dam at Grootegeluk which substantially increased its use of stored pit-water in its processes as a temporary measure to reduce pit water levels.

As part of our commitment to water efficiency, and outlined in our strategy, we have finalised long-term, operation-specific water-intensity targets for 2018 to 2022. These are based on the prior two years' consumption (baseline) and target water withdrawals from natural resources. To ensure targets are achievable, we conduct water efficiency assessments every six months to assess progress and identify opportunities.

Preferential procurement



BEE amended codes of good practice

The amended codes of good practice with more stringent targets were introduced in 2015. Exxaro's BEE verification in early 2017 highlighted a risk in the enterprise and supplier development (ESD) element, which affected our BEE contribution status. Compliance risks for the other elements have also been analysed and we are pleased to note that Exxaro's compliance for the ownership element is already at 100% and the other elements are performing well.

Structures have been put in place to focus on the ESD element for compliance but, more importantly, the need to develop sustainable small enterprises that create jobs for our unemployed youth. We believe we have the resources and skills to address the national issues of unemployment, inequality and poverty through our ESD and community development programmes.

A challenge in the amended codes is the target set for people with disabilities at 2% of the workforce. We are currently 40% below this target and actively driving disability awareness campaigns to identify employees with verifiable disabilities. In advertising careers, we emphasise the fact that a disability is not a barrier.



Performance

- 74 Performance against strategy
- 76 Finance director's review
- 84 Operational performance





MACRO-ECONOMIC

SKILLS

SUSTAINABILITY

REINVENTION

MINING



PERFORMANCE AGAINST STRATEGY

In 2018, our strategic objectives continued to guide our actions.

The constrained environment again called for tough decisions and a firm commitment to continue our focus on business resilience: our ability to withstand any economic and commodity market downturn.

In determining our focus areas, we distilled multiple issues across our operating context, concentrating on those with important implications for our business model to guide our strategic responses. We summarise our progress below.

- **Replacement** and **expansion** of primary mining capacity
- **Improved maintenance** of facilities to **accommodate** the increasing **mining fleet**
- **Implementation** of **semi-mobile** in-pit crushing technology to **reduce travelling distances**, cycle times and **cost** (limits the number of units in the truck fleet compared to conventional pit-rim dumping)
- **Commissioned GG10** to **enhance product flexibility**, capitalise on pit liberation and **enhance flexibility**

Strategic priority of excellence	Priorities	Key performance indicators	Looking ahead	Related risks
Marketing	<ul style="list-style-type: none"> Market-to-resource optimisation Extend presence in export value chain Logistics approach for Transnet Freight Rail (TFR) and Richards Bay Coal Terminal (RBCT) 	<ul style="list-style-type: none"> Product mix and RBI growth (lower value but higher demand) Diversity of our markets Higher-value blended coal at RBCT 	Export volumes will improve as exposure to Eskom is reduced	<ul style="list-style-type: none"> Dependency on Eskom as a key customer Price and currency volatility Cost competitiveness of products Infrastructure access (TFR, RBCT) and capacity
Portfolio	<ul style="list-style-type: none"> Develop portfolio investment and divestment scenarios Execute streamlined investment and divestment processes 	<ul style="list-style-type: none"> Number of successful divestments and investments 	<ul style="list-style-type: none"> Sale of interest in Tronox will progress 	<ul style="list-style-type: none"> Dependency on Eskom as a key customer Executing business-of-tomorrow strategy Price and currency volatility
Operational	<ul style="list-style-type: none"> Implementing 'XXX'¹ Top 5 priorities in Start-up Way² Implementing Lean³ 	<ul style="list-style-type: none"> Increase production by 3Mt³ Rand cost per tonne Total product improvement Labour cost per tonne 		<ul style="list-style-type: none"> Price and currency volatility Cost competitiveness of products
Capital management	<ul style="list-style-type: none"> Achieve capital allocation targets Align project portfolio with strategy Reduce capital cycle lead time Communicate effectively to markets Measure and forecast in real-time 	<ul style="list-style-type: none"> Return on capital employed Mega project execution (time and cost variance) 		6 Capital project execution
Innovation	<ul style="list-style-type: none"> Real-time value chain visualisation across all our businesses Integrated operation centres for all business units Data analytics Ensure ICT infrastructure is in place 	<ul style="list-style-type: none"> 5% year-on-year performance improvement across all business units 	Reach the first quartile by 2023 on the coal cost curve	<ul style="list-style-type: none"> Competition and product substitution Price and currency volatility Cost competitiveness of products
People and organisational	Workforce of the future strategy	Implementation of work of the future strategy	<ul style="list-style-type: none"> Reward and remuneration benchmarking Inclusion and diversity strategy Embedding the work of tomorrow strategy 	<ul style="list-style-type: none"> People specific: Retention strategy Talent retention
	Ensuring compliance with BBBEE and mining charter III	Ensuring transformation in terms of: <ul style="list-style-type: none"> Reporting Human resources development Employment equity Housing and living conditions 		<ul style="list-style-type: none"> Compliance and adherence to targets Employee value proposition
	Employee engagement	Embedding culture journey aligned with business strategy		<ul style="list-style-type: none"> Talent retention Reskilling and upskilling employees for the new world of work
Safety and sustainability	<ul style="list-style-type: none"> Maintain licence to operate Leverage latest technology in safety and health 	<ul style="list-style-type: none"> Valid mining rights in place LTIFR OHIFR 	<ul style="list-style-type: none"> Continue to perform well on safety, aiming for zero harm across activities. Continue to strive for 100% compliance to all regulations and authorisations. Continue to drive safety improvement plans to exceed LTIFR target of 0.11 Health awareness campaigns will improve OHIFR 	2 Maintain social licence to operate
Stakeholder engagement	Reputation management	<ul style="list-style-type: none"> Stakeholder survey results Government relations Improving BEE status Hold/Buy share status FTSE, and other key scores Minimise community unrest incidents Improve community engagement and relationships 	<ul style="list-style-type: none"> Adopting an extrovert style of communication to 'tell the story' better. BEE status has improved to level 4 and is close to level 3 ESG ratings should steadily improve over the next cycle. Focused attention on job creation via ESD initiatives. 	<ul style="list-style-type: none"> 2 Maintain social licence to operate 3 Community unrest

¹ Operational excellence initiatives per mine² Start-up Way: 1 Bias for action, 2 Performance management, 3 Ownership for operational excellence, 4 Line-function incentive system, 5 Span of control³ A range of initiatives to extract more from what we have and maximise opportunities

FINANCE DIRECTOR'S REVIEW



The price for API4 coal rose 17% in FY18 to US\$98/tonne, while the price for iron ore fines 62% Fe (CFR (China)) dropped 1%.

Robust performance

Exxaro delivered a solid financial performance for FY18, achieving core EBITDA¹ of R7 281 million (FY17: R7 207 million), while unadjusted EBITDA² rose to R6 924 million (FY17: R2 487 million). Reconciliation from EBITDA to core EBITDA is provided below. We believe these adjustments should be excluded to enable a more meaningful year-on-year comparison.

Table 1: Difference between unadjusted EBITDA and core EBITDA

Segment	Description	FY18 Rm	FY17 Rm
	EBITDA	6 924	2 487
	Adjustments:		
Other	- Receivable for Mayoko iron ore project written off - BEE credentials expense and transaction costs - Fair-value adjustment on contingent consideration relating to acquisition of ECC	27 4 339 357	354
	Core EBITDA	7 281	7 207

¹Core EBITDA is calculated by adjusting EBITDA with once-off items to remove the volatility in profit or loss and make it more comparable. However, these terms are not defined under IFRS and may not be comparable with similarly titled measures reported by other companies.

²EBITDA is calculated by adjusting earnings before interest and tax for depreciation, amortisation, impairment charges and net loss or gain on disposal of investments and assets.

The prior-year results for income from equity-accounted investments included several headline earnings adjustments. After taking these into consideration, core income from equity-accounted investments increased by 22% to R3 271 million (FY17: R2 688 million).

Table 2: Adjustments impacting income from equity-accounted investments

Segment	Description	FY18 Rm	FY17 Rm
	Unadjusted equity-accounted income	3 259	2 123
	Adjustments:		
Coal	– Post-tax share of equity-accounted investments' remeasurements ¹	1	
Ferrous	– Post-tax share of SIOC's loss on disposal of property, plant and equipment ¹	13	11
	– Post-tax share of SIOC's reversal of impairment of property, plant and equipment ¹		(716)
TiO ₂	– Post-tax share of Tronox's gain on disposal of property, plant and equipment ¹	(1)	(1)
	– Post-tax share of Tronox Limited's loss on disposal of Alkali chemicals business ¹		1 271
Energy	– Post-tax share of Cennergi's net gain on disposal of property, plant and equipment ¹	(1)	
	Core equity-accounted income	3 271	2 688

¹Excluded from headline earnings.

Changes in segment reporting

We have revised the way in which our coal operations are reported to provide stakeholders with more useful and relevant information. The coal operations have been disaggregated based on their nature – commercial, tied and other – as well as geographical location between the Waterberg and Mpumalanga regions in South Africa.

The key changes to the coal reportable segments are:

- The commercial coal operations have been split by region into Waterberg and Mpumalanga
- The tied coal operation includes Matla mine
- Coal other operations have been added, which include the remaining coal operations not reported under commercial or tied coal operations as well as Arnot and Tshikondeni (mines in closure).

Coal export revenue and related export cost items have been allocated to the coal operating segments based on the origin of initial production.

FY17 numbers have been re-presented to reflect these changes.

FINANCE DIRECTOR'S REVIEW (CONTINUED)

Comparability of results

The key transactions shown below should be considered for a better understanding of the comparability of results between the two years.

Key transactions impacting on comparability (non-core adjustments)

Segment	Description	FY18 Rm	FY17 Rm
Coal	Total EBITDA impact (refer table 1)	(357)	(4 720)
	– Insurance claim received from external parties ¹	57	3
	– Gain on disposal of non-core investments ^{1,2}	171	
	– Gain/(loss) on disposal of property, plant and equipment ^{1,3}	121	(62)
TiO ₂	– Loss on dilution of shareholding in Tronox Limited ¹		(106)
	– Gain on partial disposal of investment in Tronox Limited ¹ , including recycling of the foreign currency translation reserve, offset by a loss on recycling financial instruments' revaluation reserve to profit or loss ^{1,4}		5 191
Other	– Loss on disposal of property, plant and equipment ¹	(2)	(2)
	– Loss on disposal of financial asset		
	– Recycling of foreign currency translation reserve on liquidation of foreign entities to profit or loss ¹	14	(58)
Total net operating profit impact		4	246
Total post-tax equity-accounted income impact ¹ (refer table 2)		(12)	(565)
Eyesizwe preference dividend accrued (consolidation impact)		(100)	(11)
Tax on non-core adjustments		(29)	17
Total attributable earnings impact		(137)	(313)

¹ Excluded from headline earnings.

² Comprises gain on disposal of Manyeka (R69 million) and gain on disposal of certain assets and liabilities of NBC (R102 million).

³ Includes R115 million gain on disposal of mineral properties by Matla.

⁴ Tronox Limited was classified as a non-current asset held-for-sale on 30 September 2017.

Group segment results (Rm)

	Revenue		Core EBITDA ¹	
	FY18	(Re-presented) FY17	FY18	FY17
		FY18	FY17	FY17
Coal	25 302	22 553	7 617	7 374
Commercial – Waterberg	13 289	11 328	6 882	6 461
Commercial – Mpumalanga	7 984	7 970	1 558	1 388
Tied	3 665	2 837	144	140
Other	364	418	(967)	(615)
Ferrous	169	243	15	52
Alloys	169	243	18	53
Other			(3)	(1)
Other	20	17	(351)	(219)
Total	25 491	22 813	7 281	7 207

¹Core EBITDA is calculated after adjusting for non-core transactions reflected on page 78.

Financial and operational results**Group financial results****Revenue**

Group revenue rose 12% to R25 491 million (FY17: R22 813 million), mainly due to higher coal selling prices and

higher Eskom commercial volumes at Grootegeuk, based on demand from Medupi power station, partially offset by a lower-quality product mix. The average price per tonne achieved on exports was US\$77 (FY17: US\$69). The average spot exchange rate realised was marginally stronger at R13.24 to the US dollar (FY17: R13.30).

Core equity-accounted income/(loss) (Rm)

	Equity-accounted income/(loss)		Dividends received	
	FY18	FY17	FY18	FY17
Coal: Mafube	113	259		
Coal: RBCT	(34)	(24)		
Ferrous: SIOC	2 605	2 598	2 569	1 390
TiO ₂ : Tronox SA and UK operations ¹	491	186		
TiO ₂ : Tronox Limited ²		(559)	69	109
Energy ³	60	2	58	
Other: Other ⁴	36	226		
Total	3 271	2 688	2 696	1 499

¹Application of the equity method of accounting ceased when the Tronox UK investment was classified as a non-current asset held-for-sale on 30 November 2018.

²Application of the equity method of accounting ceased when the investment was classified as a non-current asset held-for-sale on 30 September 2017.

³FY18 includes equity-accounted income or loss for Cennergi (R65 million income) and LightApp (R5 million loss).

⁴FY18 includes equity-accounted income or loss for AgriProtein (R31 million loss); Curapipe (R3 million loss) and Black Mountain (R70 million income) (FY17 includes only Black Mountain).

Earnings

Headline earnings increased to R6 707 million (FY17: R1 560 million) or 2 672 cents per share (FY17: 502 cents per share), driven by the following non-recurring costs in the prior year:

- BEE credential expense and transaction costs of R4 339 million for the replacement BEE transaction, which were not adjusted for in headline earnings
- Cessation of the equity method of accounting for Tronox Limited on 30 September 2017.

After adjusting for non-core transactions on page 78, core headline earnings rose 14% to R7 167 million (FY17: R6 295 million) or 2 159 cents per share (FY17: 2 011 cents per share) based on a core weighted average number of shares of 332 million (FY17: 313 million).

Similarly, core equity-accounted income/(loss) is shown below.

FINANCE DIRECTOR'S REVIEW (CONTINUED)

Cash flow and funding

Cash flow generated by operations of R7 024 million (FY17: R6 826 million) plus dividends received from investments of R2 696 million was sufficient to cover our capital expenditure and ordinary dividends as shown below.

Deploying cash generated by operations (Rm)

	FY18	FY17
Cash generated by operations	7 024	6 826
Dividends from investments in associates and joint ventures	2 696	1 499
Net finance costs	(289)	(409)
Capital expenditure	(5 790)	(3 921)
Tax paid	(1 007)	(790)
Final/interim ordinary dividends paid	(2 334)	(2 227)
Net surplus	300	978

Total capital expenditure increased by R1 869 million mainly for investments in Grootegeluk's GG6 Phase 2 expansion and Belfast projects.

SIOC declared a final dividend on 14 February 2019, totalling R1 369 million for Exxaro's 20.62% shareholding. This will be reflected in our 1H19 results.

Debt exposure

The group had net debt of R3 867 million at 31 December 2018 compared to net cash of R69 million at 31 December 2017.

Net debt includes the preference share liability of R609 million (FY17: R2 478 million) for Eyesizwe.

In addition to cash flow items noted above, a gross special dividend of R4 502 million (R3 149 million paid to external shareholders) was paid to shareholders on 5 March 2018 after the partial disposal of our shareholding in Tronox Limited in October 2017.

Coal business performance

Coal production and sales volumes (000 tonnes)

	Production		Sales	
	FY18	FY17	FY18	FY17
Thermal				
Commercial – Waterberg	44 417	42 843	43 967	43 258
Commercial – Mpumalanga	27 375	23 406	25 364	22 466
Exports commercial	10 433	12 037	4 033	5 777
Tied	6 609	7 400	6 605	7 403
Metallurgical				
Commercial – Waterberg	2 323	2 132	1197	1190
Total coal	46 740	44 975	45 164	44 448
Semi-coke	23	86	33	88
Total coal (excluding buy-ins)	46 763	45 061	45 197	44 536
Thermal coal buy-ins	1 049	504		
Total coal (including buy-ins)	47 812	45 565	45 197	44 536

Trading conditions in the domestic market were strong in FY18, resulting in all premium product being sold at stable prices. Our supply to Eskom increased in line with contractual commitments while all other markets remained stable.

The international export market recorded strong demand for most of 2018. India increased its demand for South African lower-grade material up to 3Q18, when the market became oversupplied with coal from Indonesia and Australia after the ban on coal imports by China. Demand from South Korea slowed in 2018 as South African coal could not compete with Colombian material, but new opportunities came from Japan

after Exxaro shipped a trial cargo to a power plant and received a new order for 2019. In Pakistan, new coal-fired power plants were commissioned in 2018, increasing annual coal demand to 6Mtpa from the traditional 4Mtpa. We made further inroads into the Pakistan market, supplying both the power plant and cement industries.

China has recently relaxed the ban on coal imports. However, there is still a strong indication that it will continue to protect its domestic market by limiting coal imports. If China imposes a further ban on imports, this will have a negative impact on coal pricing, especially into India.

In addition to favourable domestic and international trading conditions, we realised year-on-year operational excellence improvements and successfully implemented two key initiatives, namely visualisation of our mining value chain and the integrated operations centre at some of our major mines, focused on eliminating systemic waste.

Production and sales volumes

Overall coal production volumes (excluding buy-ins and semi-coke) were up 1 765kt (4%), mainly attributable to higher production at Grootegeluk due to the ramp-up of Medupi. Sales were only 716kt (2%) higher due to strategic stock-building at Grootegeluk to compensate for disrupted production while constructing the GG6 expansion project.

Thermal coal

Commercial: Waterberg

Production at Grootegeluk rose 3 969kt (17%), mainly due to the ramp-up of Medupi. This also resulted in an increase in sales of 2 898kt (13%).

Commercial: Mpumalanga

The commercial Mpumalanga mines' thermal coal production was 1 604kt (13%) lower, driven by:

- Community actions as well as the subsequent disposal of certain assets and liabilities of NBC to North Block Complex Proprietary Limited at the end of October 2018 (-1 538kt or -52%)
- A labour strike by the contractor, geological challenges at Forzando South, as well as the timing of coal seams mined at Dorstfontein Complex East affecting production at ECC (-263kt or -6%)
- Ramping down Springboklaagte reserve and ramping up Nooitgedacht reserve at Mafube (-669kt or -40%).

The decrease was partly offset by:

- Higher ramp-up in overburden tonnes enabling higher production at Leeuwpan, as well as the decision to increase power-station coal to the export market (+865kt or +26%).

The commercial Mpumalanga mines' thermal coal sales were down 1 744kt (30%), driven by:

- Community actions preventing Eskom from collecting coal and the subsequent disposal of certain assets and liabilities of NBC (-1 317kt or -47%)
- A change in sales strategy at Leeuwpan aimed at maximising export sales to capitalise on strong market prices and demand (-317kt or -14%)
- Product availability driven by lower production at ECC (-110kt or -16%).

Exports commercial

Export sales increased by 5% to 7 965kt as buy-ins more than doubled.

Tied

Coal production and sales from Matla were 11% lower. Lower production of 791kt was largely affected by the mine 2 wall halting production mid-March (-1 393kt), partly offset by mine 3 (+601kt) after implementing an additional section in the review period.

Coal capex (Rm)

	FY18	FY17	% change
Sustaining	2 779	3 203	-13
Commercial: Waterberg	1 904	2 687	-29
Commercial: Mpumalanga	875	516	+70
Expansion	2 943	601	
Commercial: Waterberg	1 987	440	
Commercial: Mpumalanga	956	161	
Total coal capex	5 722	3 804	+50

Metallurgical coal

Grootegeluk's metallurgical coal production increased by 191kt (9%), resulting in higher export sales. Our operational excellence initiatives (focusing on the seven-day work week, plant throughput, plant discard and coal fragmentation) contributed to higher production. Sales were in line with FY17.

Semi-coke

Semi-coke production was 63kt (73%) lower due to a fire in March 2018 at the reductant plant, resulting in lower sales of 55kt (63%).

Capex and projects

Exxaro's capital for its coal business increased by 50% compared to FY17. This is mainly due to:

- the GG6 Phase 2 expansion project in the Waterberg region
- the Belfast project, Leeuwpan life extension project and higher sustaining capex at ECC, in the Mpumalanga region.

The higher capex is partly offset by:

- Optimisation on sustaining capital at Grootegeluk (trucks, stacker and reclaimers as well as discard and backfill Phase 2 project).



FINANCE DIRECTOR'S REVIEW (CONTINUED)

Revenue and core EBITDA

Coal revenue of R25 302 million rose by 12% (FY17: R22 553 million). Higher revenue from our commercial mines reflects higher selling prices, an increase in Eskom sales volumes and higher exports. This was partly offset by lower domestic sales and a lower product quality mix.

Coal EBITDA of R7 617 million (FY17: R7 374 million) rose 3%, driven by:

- Higher commercial revenue (+R1 920 million)
- Higher stock movement (+R281 million)
- Savings on distribution costs (+R396 million).

The increase was partly offset by:

- Higher inflation (-R962 million)
- Higher mining costs (-R437 million)
- Higher maintenance (-R362 million)
- Higher general costs (-R402 million) (includes cost relating to digital strategy, grants under our enterprise and supplier development strategy and fair-value adjustment on rehabilitation trust investments)
- Higher royalties (-R281 million)
- Higher employee costs (-R121 million).

Equity-accounted investment

Mafube, a 50% joint venture with Anglo, recorded lower core equity-accounted income of R113 million (FY17: R259 million), mainly due to ramping down at Springboklaagte and ramping up at the Nooitgedacht reserve.

Ferrous business

Equity-accounted investments

After adjusting for non-core transactions, equity-accounted income from SIOC was R2 605 million (FY17: R2 598 million).

An interim dividend of R1 263 million was received from SIOC in FY18 (FY17: R1 390 million). A final dividend, of which Exxaro's share will be R1 369 million, was declared on 14 February 2019.

Titanium dioxide

Equity-accounted investment

After adjusting for non-core transactions, core equity-accounted income from Tronox SA and Tronox UK increased by R305 million to R491 million compared to FY17. This is mainly due to improved operating performance and foreign currency exchange gains.

We are committed to monetising our remaining 23.4% interest in Tronox Limited to focus on core activities, repay debt, fund capital commitments and make distributions to shareholders by applying our capital allocation framework. Accordingly, on 26 November 2018, Exxaro and Tronox Limited agreed to address the following key matters:

- The terms of our support for Tronox Limited's intention to redomicile from Australia to the United Kingdom
- Exxaro's accelerated disposal of its 26% member's interest in Tronox UK for R2 billion in cash, representing our indirect share of loan accounts in Tronox SA at 30 September 2018

- Further clarification of terms and conditions agreed between Exxaro and Tronox Limited in 2012, when Tronox Limited was formed, by which Exxaro can dispose of its 26% equity interest in Tronox SA in exchange for 7.2 million Tronox Limited shares or the cash equivalent (the disposal). In addition to existing triggers, Exxaro and Tronox Limited have agreed that the disposal can be triggered on the occurrence of certain events, including confirmation or agreement that Tronox SA has met the relevant ownership requirements for its existing mining rights, in the context of the new mining charter
- The terms on which Exxaro can begin a staged process to monetise its remaining Tronox Limited stake of 28.7 million shares in 2019, subject to market conditions, including Exxaro's grant to Tronox Limited of a right to acquire such shares at a market-related price in lieu of selling them in the market or to any third parties.

The investment in Tronox Limited continues to meet the criteria to be classified as a non-current asset held-for-sale. In addition, Exxaro's membership interest in Tronox UK was classified as a non-current asset held-for-sale as of 30 November 2018, when all the requirements of IFRS 5 were met, and application of the equity method ceased.

On 15 February 2019, Tronox Limited confirmed completion of the first stage of its redomiciliation, in which it has acquired Exxaro's 26% ownership interest in Tronox UK for R2.1 billion.

On 8 March 2019, Tronox Limited announced that the shareholders of Tronox Limited approved the transaction to redomicile to the United Kingdom from Australia, which was effectively implemented on 28 March 2019.

Energy business and other

Equity-accounted investments – Cennergi

Core equity-accounted income from Cennergi, a 50% joint venture with Tata Power, increased from R2 million in FY17 to R65 million in FY18.

Financial results were boosted by fair value adjustments on derivative instruments, as well as a change in the useful life (from 20 years to 30 years) of property, plant and equipment at the two wind farms, which reduced the depreciation charge.

In FY18, Exxaro received dividends of R58 million as well as R186 million for the settlement of shareholder loans.

Equity-accounted investments – other

On 31 May 2018, Exxaro entered into a share-purchase agreement to obtain an equity interest in AgriProtein, incorporated in the UK. The purchase price of US\$52.5 million comprises initial cash of US\$14.5 million (R184.2 million) paid on 1 June 2018 and a deferred consideration of US\$38 million (R482.8 million), which will be paid over the next two years. The timing of the deferred consideration depends on AgriProtein's capital expenditure requirements. Transaction costs of R6.6 million were capitalised to the cost of the investment. AgriProtein develops municipal organic waste-conversion plants to generate high-quality, natural protein sold for use in animal feed and agriculture.

On 18 September 2018, Exxaro finalised a share-purchase agreement for an equity interest in LightApp. The purchase price of US\$10 million comprises initial cash of US\$5 million (R71.9 million), paid on 27 September 2018, and a deferred consideration of US\$5 million (R70.7 million) which will be paid over the next two years. Transaction costs of R0.6 million were capitalised to the cost of the investment. LightApp is one of the leading start-ups in industrial energy analytics. It is a software company that develops and deploys an energy

management system for industrial customers. The LightApp solution enables continuous collection and analysis of energy consumption data together with production indicators from sensors on the production floor. This analysis leads to improved energy management and efficiency through deeper insights and alerts. While LightApp is a global business, Exxaro will also use the LightApp platform to improve energy management at its own operations, with the first deployment under way at the FerroAlloys facility in Pretoria.

Sale of non-core assets and investments

To optimise Exxaro's coal portfolio, we concluded a sale-of-shares agreement with Universal Coal for the 100% shareholding in Manyeka, including the 51% interest in Eloff. The transaction closed on 31 July 2018. Exxaro received net cash of R75 million, resulting in a gain on disposal of R69 million.

On 2 March 2018, Exxaro concluded a sale-of-asset agreement with North Block Complex Proprietary Limited to dispose of certain assets and liabilities of NBC. Given the composition of the assets, two section 11 applications were submitted to the DMR to transfer the mineral rights. Although the section 11 for the Paardeplaats mining right has not yet been granted, it was agreed with the buyer to close the transaction on 31 October 2018. Exxaro received proceeds of R17 million for the Glisa and Eerstelingsfontein reserves, resulting in a gain on disposal of R102 million.

The sale of Paardeplaats will be concluded once the section 11 approval has been obtained.

Final dividend

Exxaro's revised dividend policy is based on two components: a pass-through of the SIOC dividend received and a targeted cover ratio of 2.5 times to 3.5 times core attributable coal earnings.

Additionally, we are targeting a gearing ratio below 1.5 times net debt to EBITDA.

The board has declared a cash dividend comprising:

- 3.3 times core attributable coal earnings
- Pass-through of SIOC dividend of R1 369 million.

Notice is given that a gross final cash dividend, number 32 of 555 cents per share, for the financial year ended 31 December 2018 was declared, payable to shareholders of ordinary shares.

Riaan Koppeschaar

Finance director

24 April 2019

OPERATIONAL PERFORMANCE

Coal

All time records achieved in FY18

- Production volumes of 47.8Mt
- Sales volumes of 45.2Mt
- Export volumes of 8.0Mt

Despite changes in the coal portfolio, with some operations mining diminishing reserves plus delayed expansion projects, our optimisation initiatives are delivering value, particularly operational excellence and digitalisation. These record achievements position us well to launch into the next phase of volume and value growth as our projects become operational.

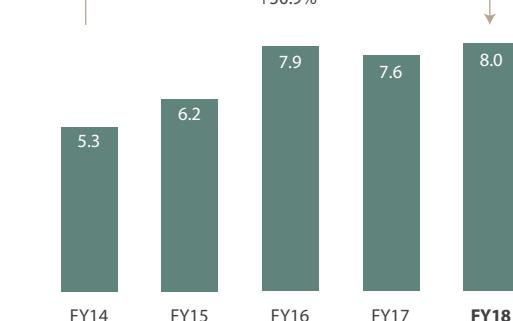
Total coal product (Mt)



Total coal sales (Mt)



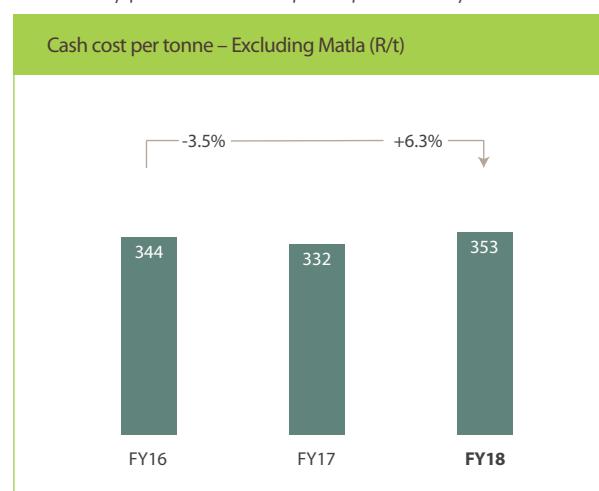
Total exports (Mt)



The average API4 price was strong for FY18. Although Exxaro's average export price for FY18 was higher than prior years, it was lower than the average API4 price for the review period. This was due to our product mix, which was affected by China's clampdown on Indonesian lower-grade imports. This, in turn, resulted in oversupply in the Indian market.

Cash cost per tonne

Cash cost per tonne was affected by higher labour, maintenance and project costs, as well as lower volumes. We continue to drive operational excellence – using the benefits of digitalisation to visualise in real-time the mass flow of coal from pit to port. These integrated visual operations centres augment our operational excellence initiatives for a step-change that will protect margins from inflationary pressures and improve productivity.



Ferrous

SIOC

- R2.6 billion post-tax equity-accounted income
- Dividend of R2.6 billion in FY18.

Energy

Cennergi performance

- Core equity-accounted income of R65 million (2017: R2 million)
- Cash returned to Exxaro of R244 million.

Titanium dioxide (TiO_2)

- Tronox SA reported improved operating performance, reflected in increased core equity-accounted income of R382 million (2017: R67 million)

- Exxaro's membership interest in Tronox UK was classified as a non-current asset held-for-sale on 30 November 2018. Subsequent to year end, this interest was disposed of for R2.1 billion
- Our 23.4% interest in Tronox Limited remains classified as a non-current asset held-for-sale and we are committed to monetising this asset through an efficient and staged sales process.

Sale of non-core assets and investments

In line with our portfolio optimisation strategy, our interests in Black Mountain and the Chifeng refinery in Mongolia remain non-core. We intend to ultimately divest from these investments.

In March 2018, we concluded an agreement to dispose of certain assets and liabilities of North Block Complex. The divestment from the Glisa and Eerstelingsfontein assets was finalised and Universal Coal took ownership of these assets on 1 November 2018. The mining right for the Paardeplaats portion was granted and we await approval (section 11) to transfer the mining right to Universal Coal.

In October, ECC sold all its shares and claims in Manyeka Coal Mines (majority shareholder in Eloff Mining Company) to Universal, which operates a mine next to the Eloff reserves.

For the Moranbah South coking coal project, Exxaro and Anglo American are still reassessing the potential development plan.

Responding to community challenges

We are on track to achieve level 4 BBBEE status after implementing our enterprise and supplier development strategy. Benefits for recipients of financial support (from Gauteng, Limpopo and Mpumalanga) include an increase in their asset base, refinancing assets at more affordable rates to ease cash flow, and an improvement in business operations. We expect these businesses to increase their turnover and employ more people in the medium term.

Our social and labour plans (SLPs) are five-year community investment programmes with annual initiatives for co-investing with local government and other social partners.

In 2018, we focused on education and infrastructure projects in our operational provinces:

- In Mpumalanga, our education enhancement programmes benefited 929 learners and 104 teachers at a total cost of R15.1 million.
- In Limpopo, we have almost completed a 36km regional road at a cost of R71.2 million in partnership with Roads Agency Limpopo.
- In the community of Tshikondeni, we spent R20.5 million constructing 56 houses, three early childhood development centres and a community hall as part of our post-mine closure investment.

Employee and community empowerment scheme

We are studying implementation guidelines accompanying the new mining charter of September 2018 to determine the impact on Exxaro. This includes complying with the charter and meeting the aspirations of our stakeholders including shareholders, employees and communities adjacent to our operations.

We aim to complete a new share scheme for employees and communities in 2019.



Mineral Resources and Reserves

- 88 Mineral Resources and Reserves
95 Our Consolidated Mineral Resource and Reserve Report





A large orange haul truck is shown in the foreground, operating on a dirt surface against a backdrop of dark, rocky terrain. The truck is part of a larger mining operation, with other vehicles and equipment visible in the distance. The overall scene conveys a sense of industrial activity and heavy machinery.

MACRO+ECONOMIC

SKILLS

SUSTAINABILITY

REINVENTION

MINING

MINERAL RESOURCES AND RESERVES

Exxaro continuously strives to enhance the level of estimation and reporting of Mineral Resources and Mineral Reserves. The group is committed to the principles of transparency, materiality and competency in reporting its Mineral Resources and Mineral Reserves.



Exxaro broke ground on its **R3.3 billion**, first-of-its-kind **digital mine** on 5 July 2018. **Belfast Coal** is currently under construction and will start producing thermal coal in 2019. As a truly digital and connected mine, Belfast will contribute to a thriving coal business in the region and demonstrate Exxaro's purpose of powering better lives in Africa and beyond.



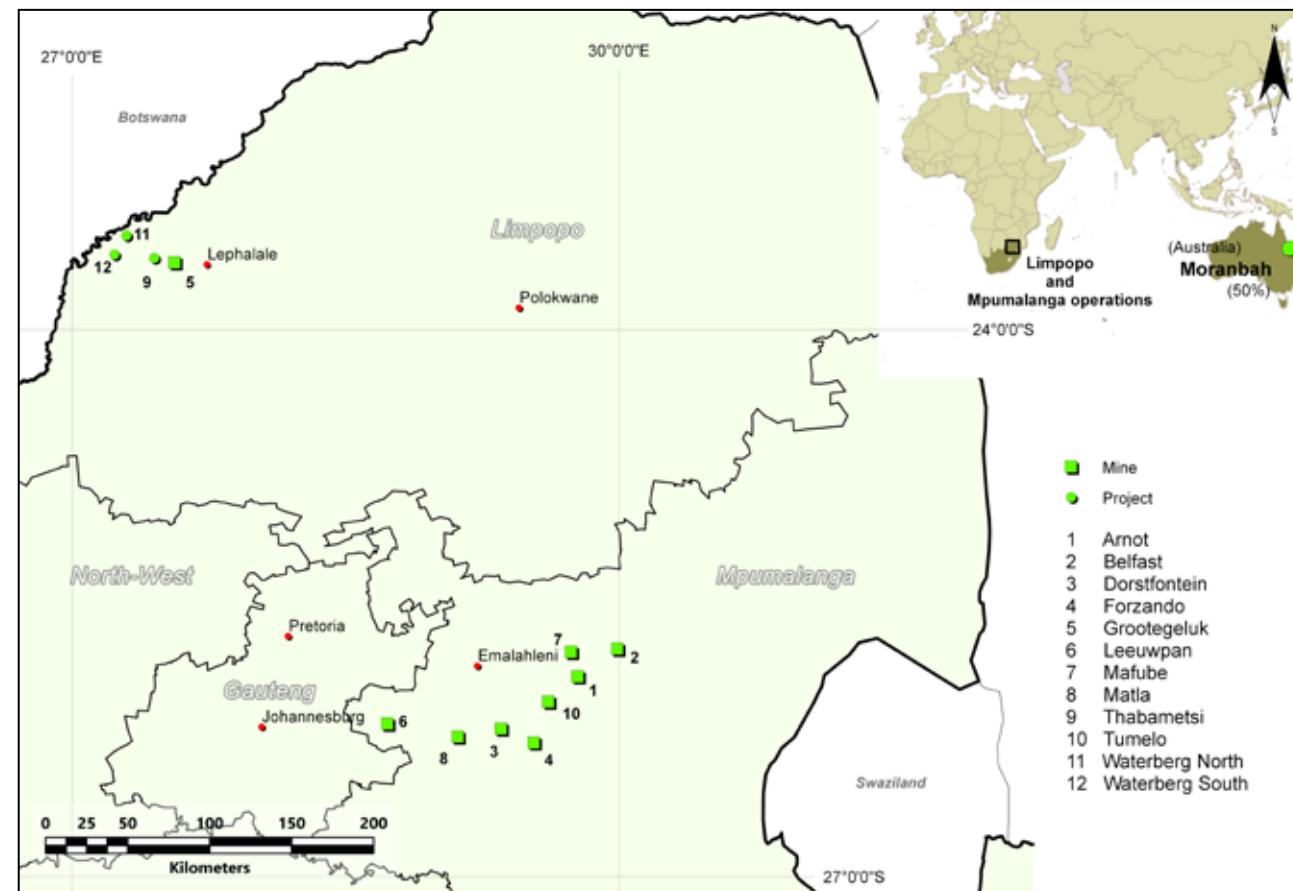
The **R4.8 billion** expansion of the **Grootegeleuk** complex, the GG6 beneficiation plant, will ensure **increased** throughput and enhanced processing efficiencies to **ramp-up export coal production** at this important site. The project aims to triple the **capacity** of the current **GG6 plant**, producing semi-soft coking coal suitable for the **export market**, as well as **power station coal**.

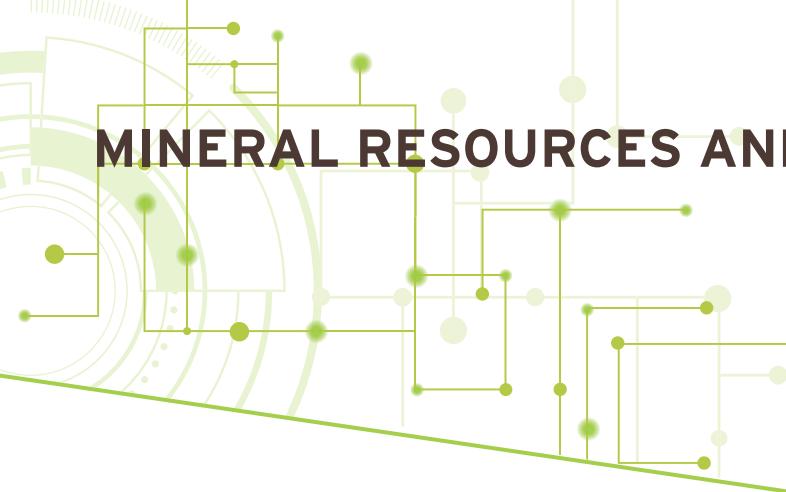
The information presented here is an extract from the Consolidated Mineral Resource and Reserve Report (CMRR) that encapsulates information on reporting governance, competence, tenure, risk, liabilities and assurance as well as comprehensive descriptions of applicable projects, operations and exploration activities in compliance with the JSE Listings Requirements (section 12). The reported Coal Resources and Coal Reserves presented are therefore summarised versions of this CMRR. The CMRR is available on our website.

Our Resources and Mineral Reserves were estimated by competent persons on an operational or project basis, and in line with the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 edition (SAMREC Code 2016) for African properties, except for Vedanta's base metal property. The Australasian Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2012 edition (JORC Code) is used for Australian (coal and mineral sands) and Vedanta's properties. Exxaro has written confirmation from the competent persons that reporting complies with the various codes and they consent to the extracts presented as well as the publication of the CMRR. For Coal Resources and Reserves under Exxaro's management control, estimation is in line with the South African National Standard: South African guide to the systematic evaluation of Coal Resources and Coal Reserves (SANS 10320:2004).

Resource and Reserve estimates are quoted in full, irrespective of Exxaro shareholding. Exxaro reports mineral estimates that are directly under its management control and includes estimates for entities in which we hold a 25% interest or more. Supplementary descriptions are provided for projects and operations directly under our management control in the CMRR. For projects and operations included in the Exxaro Mineral Resource and Mineral Reserve statement, but in which Exxaro does not have management control, the reader is referred to that company's website for supplemental information.

Locations of Exxaro's coal operations and projects





MINERAL RESOURCES AND RESERVES (CONTINUED)

Exxaro has a world-class Coal Resource portfolio, comprising fully owned operations and projects and a number of jointly owned operations and projects in South Africa and Australia. The fully owned operations and projects in South Africa lie in both the large and highly prospective Waterberg coalfield in Limpopo and the more mature Highveld and Witbank coalfields in Mpumalanga.

Since inception in 2006, Exxaro's total attributable Coal Resource and Coal Reserve figures have been relatively stable. This trend can primarily be ascribed to the relatively large Waterberg coal deposits, particularly the remarkable Grootegeeluk complex. Estimated to contain 40% to 50% of South Africa's remaining Coal Resources, the Waterberg is viewed as the future of South African coal mining. Exxaro holds an estimated 3 billion tonnes of Measured and around 1.8 billion tonnes of Indicated Coal Resources in the Waterberg, primarily in Grootegeeluk mine and the adjacent mining right of Thabametsi. The complex provides thermal Coal Reserves to Eskom's Matimba and new Medupi power stations and

produces semi-soft coking and metallurgical coal through eight beneficiation plants (annual production of 30 million tonnes (Mt)).

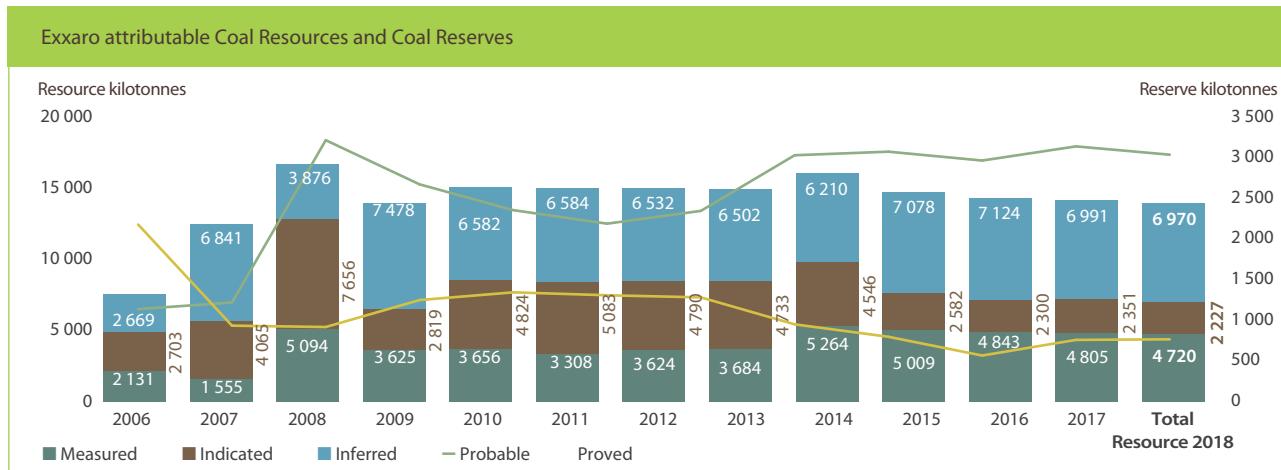
The Grootegeeluk complex is continuously evolving, illustrated by several large value-unlocking projects. While these projects underline the resourcefulness of our people, they also demonstrate the successful implementation of innovative and breakthrough technology. To an extent, the size of the Grootegeeluk complex obscures changes in Coal Resource and Coal Reserve figures from events in the smaller Witbank and Highveld coalfields. Divestment from the NCC (New Clydesdale Colliery) coal mine and closure of Inyanda mine (both 2014), incorporation of Total Coal South Africa (renamed Exxaro Coal Central or ECC) in 2015 and divestment from the Elooff project (2018) affected Exxaro's reported figures in recent years.

In 2018, the Exxaro total attributable Coal Resource decreased slightly, mainly due to mining and the decision to divest from

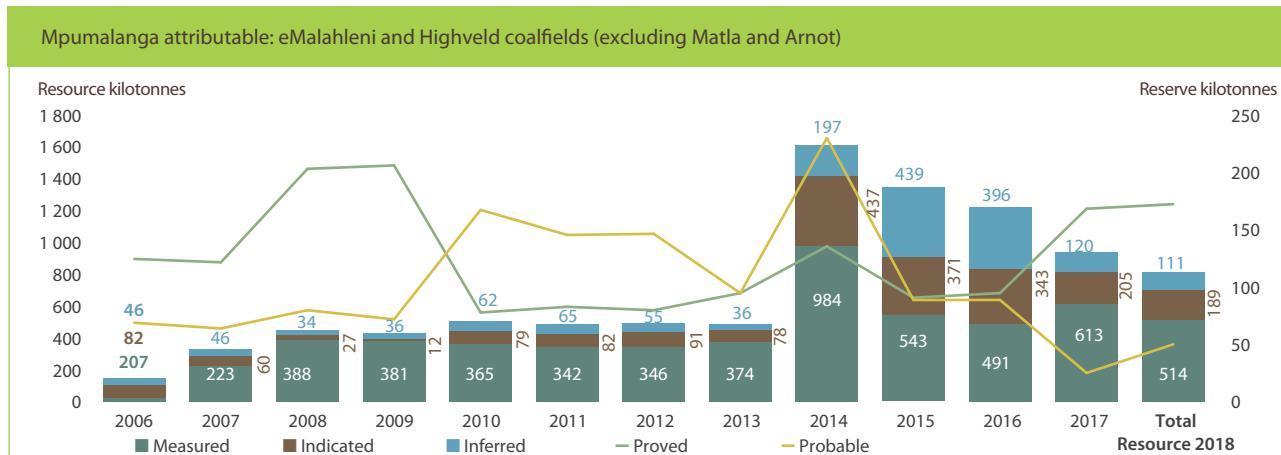
North Block Complex (NBC) near the town of Belfast in Mpumalanga. For Coal Reserves, an increase at ECC was offset by mining depletion at various operations, disinvestment from NBC and changes to pillar-extraction recovery at Matla, resulting in a slight decrease in total Exxaro attributable Coal Reserves.

For most operations, other than normal life-of-mine (LoM) depletion, no material changes to Coal Resources and Coal Reserves estimates are reported. However, there was an increase of 56% in the run-of-mine (RoM) Coal Reserves at ECC by incorporating the 2017 geological model to update the LoM and Coal Reserve classification for the Dorstfontein West and Dorstfontein East operations. This resulted in a material amount of seam 2 and seam 4 lower being included in underground Coal Reserves for Dorstfontein. At Matla mine, the update of the geological model and resource classification and subsequent review of LoM resulted in a 5.7% decrease in Coal Reserves. In addition, a reduction of the pillar-extraction recovery based on reviewing the extraction process to enhance ventilation and safety, as well as considering actual extraction figures in the reporting period, resulted in a further 13% decrease of the Coal Reserve at this operation.

Exxaro estimates over time



There was a **slight decrease** in the total Exxaro attributable Coal Resources and Coal Reserves from 2017 to 2018.





MINERAL RESOURCES AND RESERVES (CONTINUED)

Unlocking value

In 2018, we continued to focus on unlocking value at our operations. We are acutely aware that our success as a mining company is built on the integrity of our Coal Resources and the effectiveness with which we exploit and extract these Resources.

Considering mining, metallurgical, processing, infrastructural, economic, marketing, legal, environmental, social, governmental modifying factors		
COAL RESOURCES	UNLOCKING VALUE	COAL RESERVES
Continuously improving our level of geoscientific understanding, minimising risk and unlocking opportunities	Modifying factors Our ability to extract our resources	Optimising our plans to create the best fit to market use
Increasing level of geoscientific knowledge and confidence		
Executing integrated exploration plans: Dorstfontein, Forzando, Matla, Belfast, Grootegeluk	Increasing extraction through innovation and knowledge: <ul style="list-style-type: none">Autonomous drilling strategy at GrootegelukContinuous radar scanning for slope stability monitoringTerrestrial lidar scanning of pit faces to enhance reconciliation and resource useApplication of a geo-metallurgical approach to multi-bench mining at Grootegeluk	Optimised life-of-mine plans (LoMP): <ul style="list-style-type: none">Update LoM for Dorstfontein, Matla and LeeuwpanConstruction under way on Dorstfontein West seam 4 projectConclusion of Leeuwpan Ol life extension box-cut and initiation of Matla north-west access incline and decline projects.
ENHANCING GOVERNANCE		
From 2017, we aligned our reporting with SAMREC 2016 and JSE 2016 amendments for minimum contents of annual reports and have subsequently updated our life-of-mine mineral assets policies and estimation procedures. We have updated our internal competent persons' reports (CPR) for 2017 and 2018 to accommodate the SAMREC 2016 'if not, why not' principle.		
ASSURANCE		
Conducted tier 1 reviews on Grootegeluk, Forzando, Leeuwpan and Matla, resulting in optimised life-of-mine plans.		
Conducted tier 3 (external) reviews on corporate centre, Forzando and Grootegeluk mines. Corrective measures have been implemented to address the 28 findings to enhance our estimating and reporting processes.		

Continuous drive to unlock value for our Exxaro operations and projects

Case study: Belfast



The extraction strategy of the Belfast Coal Reserve was reconsidered in 2018. With a value lens of early extraction, a study was done to consider whether coal sales could begin before commissioning the coal-washing plant. Areas were identified where a crush-and-screen product could be mined and produced, while seamlessly integrating with the medium- and long-term exploitation strategy. Not only will this produce early revenue in 2019, it will lower the commissioning risk of the plant, with more knowledge available of the coal ore body.

Case study: Forzando North

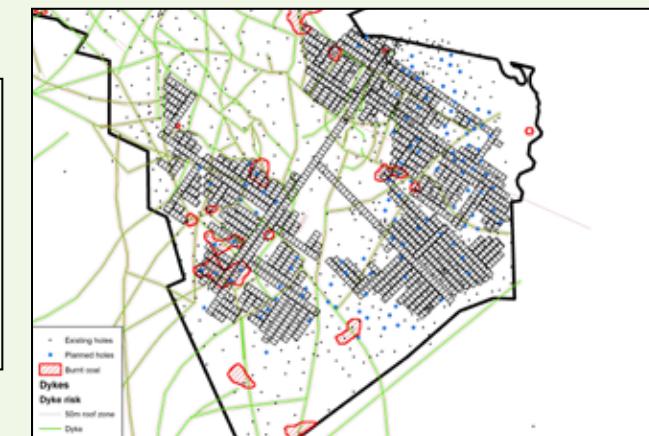
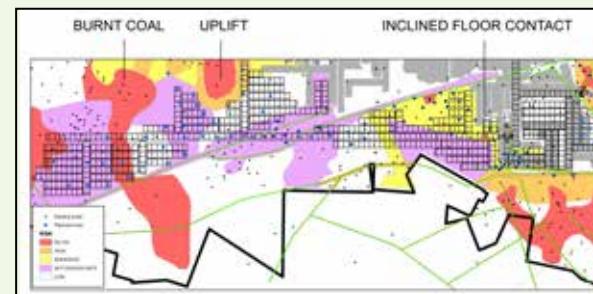


The LoMP was reconsidered, and areas under care and maintenance in Forzando North were identified that could be brought into production immediately to supplement current mining areas. The first section began production in the fourth quarter of 2018. Total production was increased, and the quality of the overall coal mix improved.

Case study: Matla Coal integrated resource review and exploration strategy

At Matla Coal, future mining will occur between 40 years of historical mined-out areas and periphery of the available Coal Resource, resulting in increasingly challenging mining conditions. The push for more information in new areas has underpinned an innovative approach to understanding the remaining resource; the mine's risk and opportunity domain analysis (RODA). The RODA spatially integrates all known and inferred geological risks to create weighted geological risk domains. The domains are applied during exploration and mine planning, as well as establishing geotechnical accessibility and mine-ability of Coal Reserves.

Exploration drilling at the mine is focused on targeting areas of potential risk (risk domains) in and around future mining areas to ensure that geological structures and expected underground conditions are better understood and effectively communicated to the mine planning team. The continuous correlation between exploration interpretation and underground conditions in those areas improves the understanding of how to better predict and prepare for the impacts of conditions in future.



Left: Geotechnical risk domains used to focus exploration drilling. Right: Burnt coal domains and variable seam elevation parameters associated with aeromagnetic structures (dolerite dykes) used to focus exploration drilling and mine planning.

MINERAL RESOURCES AND RESERVES (CONTINUED)

The purpose of the life-of-mine planning underlying our resource and reserve estimation is to unlock maximum value from the coal in the ground, for Exxaro, taking margin and net value into consideration. Each orebody has a unique mining methodology, processing parameters and targeted market segment that delivers maximum value to shareholders. This is impacted by updated resource information, developments in mining and processing technology and changes in market dynamics.

Consequently, the optimum exploitation strategy needs to be continually reviewed to ensure applicable resources end up in the most lucrative markets. This ongoing iterative process is conceptually illustrated alongside. A relentless drive to reduce the environmental footprint of operations is embedded in the process, and the continuous impact of the evolving legislative landscape is reflected in designs.

Resource-to-market model



OUR CONSOLIDATED MINERAL RESOURCE AND RESERVE REPORT (CMRR)

The content of the CMRR is compiled from detailed independent reports received from appointed competent persons at our various operations and projects, and available on request from the group company secretary. The reported Coal Resources and Coal Reserves presented are therefore summarised versions of these reports.

The information in the CMRR <https://www.exxaro.com/investor/integrated-reports2018/mineral-reserves-resources/performance-at-a-glance.php> is aligned with the JSE Listings Requirements (section 12) and includes information on reporting governance, competence, tenure, risk, liabilities and assurance as well as auxiliary descriptions of applicable projects, operations and exploration activities.

In addition, each operation and project maintain an individual competent person's report (CPR) that encapsulates the systematic and detailed estimation process conducted or supervised by that person. These reports are aligned with the checklist and guideline of the reporting and assessment criteria of the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC 2016), and scrutinised and updated when required.

We provide all **relevant information** that **investors** and their **professional advisers** would reasonably require, and expect to find, to make a **reasoned and balanced judgement**

We provide **sufficient, clear and unambiguous information**

We have **qualified and experienced competent persons** who are subject to an **enforceable professional code of ethics**

How do we report?

The annual estimation and reporting process is managed through the Exxaro geosciences policy and associated Coal Resource and Coal Reserve reporting procedure. The documents dictate technical requirements for estimation and reporting, and include guidelines on methodologies, templates and assurance.

Both the policy and procedures are aligned with the guidelines of the SAMREC Code 2016 and, for South African coal reporting, SANS 10320:2004. Processes and calculations associated with the estimation process have been audited by internal competent persons and are audited by external consultants when deemed applicable. For mines or projects in

Exxaro continuously examines various aspects of the Mineral Resource estimation process and we have revised and aligned our reporting with the guidelines of SAMREC 2016. Exxaro updated internal CPRs for our mineral assets in 2017 and repeated this process in 2018 to optimise the content. No material changes as defined in the code triggered the CPR updates, but we considered the introduction of the 'if not, why not' principle (SAMREC 2016) as significant enough to warrant the updates.

Our reporting principles

Exxaro is committed to the principles of materiality, transparency and competence, and continuously strives to enhance the level of estimating and reporting of Coal Resources and Coal Reserves.

which Exxaro does not hold the controlling interest, figures have been compiled by competent persons from the applicable companies and not audited by Exxaro.

Resource estimations are based on the latest available geological models, which incorporate all new validated geological information and, if applicable, revised seam, resource definitions and resource classifications. For Exxaro operations and projects, we use a systematic review process that measures the level of maturity of exploration work done, extent of geological potential, mineability, licence-to-operate considerations and associated geological risks/opportunities to establish eventual extraction (EE). We have enhanced our methodology to ensure that all factors for reasonable and



OUR CONSOLIDATED MINERAL RESOURCE AND RESERVE REPORT (CONTINUED)

realistic prospects for eventual and economic extraction as outlined in table 1 (4.3) of SAMREC 2016 have been reasonably considered.

For Exxaro's Coal Resources, the location, quantity, quality and continuity of quality and geology are known to varying degrees of confidence and continuously tested through exploration activities such as geophysical surveys, drilling and bulk sampling. Coal Resources are classified into Inferred, Indicated or Measured categories, based on the degree of geological confidence. Distribution of points of observation (drilling positions, trenches, etc), quality assurance and quality control in sample collection, evaluation of structural complexities and, in the case of operations, reconciliation results, are considered in classifying resources. An annually compiled exploration strategy outlines activity planned to investigate areas of low confidence and/or geological or structural complexities to ensure resources of a high level of geological confidence are considered for mine planning.

Coal Reserves are estimated using relevant modifying factors at the time of reporting (mining, metallurgical, processing, infrastructure, economic, marketing, legal, environmental, social and governmental requirements). Modifying factors are reviewed before and after reserve estimation by the persons responsible for ensuring all factors are timeously and appropriately considered. Signed-off reserve fact packs that record losses, recoveries/yields, cost, commodity prices, exchange rates and other required factors applied, are documented in each LoMP and independent competent person's report.

Reported Coal Reserves are primarily derived from Indicated and Measured Coal Resources, although limited Inferred

Resources may be included in the LoMP at the discretion of the competent person. These inclusions are scrutinised and tested, and their impacts are known.

Coal Resources and Coal Reserves quoted fall within existing Exxaro mining or prospecting rights. Rights are of sufficient duration (or convey a legal right to convert or renew for sufficient duration) to enable all reserves to be mined in line with current production schedules. The only exceptions are the Grootegeluk (executed March 2011 for 30 years), Matla (executed March 2015 for 10 years) and Forzando (executed June 2013 for 16 years) operations, where adequate Reserves exist for LoMPs extending well beyond the period for which they were granted.

Our Mineral Resources and Mineral Reserves statement

The Mineral Resources and Mineral Reserves are summarised  on pages 12 to 15 in the CMRR and reported as those remaining on 31 December 2018 and compared with the corresponding estimates reported on 31 December 2017. The commodity, ownership, status of project/operation, mining method, Resource and Reserve classification categories and associated tonnage qualities or grade are stated and any material changes year on year are captured and explained as footnotes.

Mineral Resources are reported including Mineral Resources that have been converted to Mineral Reserves and at 100% Exxaro ownership, irrespective of the individual operation or project's attributable shareholding. An exception is our reporting for Gamsberg and Black Mountain, as base metal figures from Vedanta Resources plc represent resources excluding those Mineral Resources converted to Mineral Reserves.

It is important to note that reported estimates are not an inventory of all mineral occurrences identified, but a reasonable estimate of those, which under assumed and justifiable technical, environmental, legal and economic conditions, may be economically extractable at present (Mineral Reserves) and eventually in future (Mineral Resources).

Limpopo province

There is no material change at our Grootegeluk mine for the 2018 reporting period. Grootegeluk is a surface coal-mining operation where a series of parallel benches are advanced progressively across the deposit via a process of drilling, blasting, loading and hauling with truck and shovel fleets. The mining bench definitions in both the Vryheid and overlying Volksrust formations coincide with the geological boundaries, resulting in 14 mining benches for both saleable products and waste. The largest portion of the beneficiated product is power station coal (at 25.8Mt representing 87% of the product stream), dispatched to the Matimba and Medupi power stations. The remnant is made up of several sized metallurgical coal products and semi-soft coking coal railed to local and international customers.

Geological challenges are increasing as the mine advances to the west. The upper top benches are thinning and will eventually discontinue due to weathering, with only a small portion of bench 2 remaining in the next few years. Weathering is highly irregular, specifically in faulted areas, and impacts on mining as well as disrupting downstream beneficiation plant throughput. The impact to date of geological faulting on mining is limited since its influence only occurs over short lateral distances and the affected coal can be mined and routed correctly to the appropriate coal-

handling facilities. An increase in faulting, both in offset and frequency, is however observed to the south and north of the current pit and poses a higher risk for future mining. Continuous pit mapping, surface and downhole geophysical surveys and close-spaced open-hole drilling are employed to target geological structure complexity, overburden characterisation and to outline weathering in the upper benches. The high-resolution information obtained is used in proactive mine planning and largely mitigates various geological challenges.

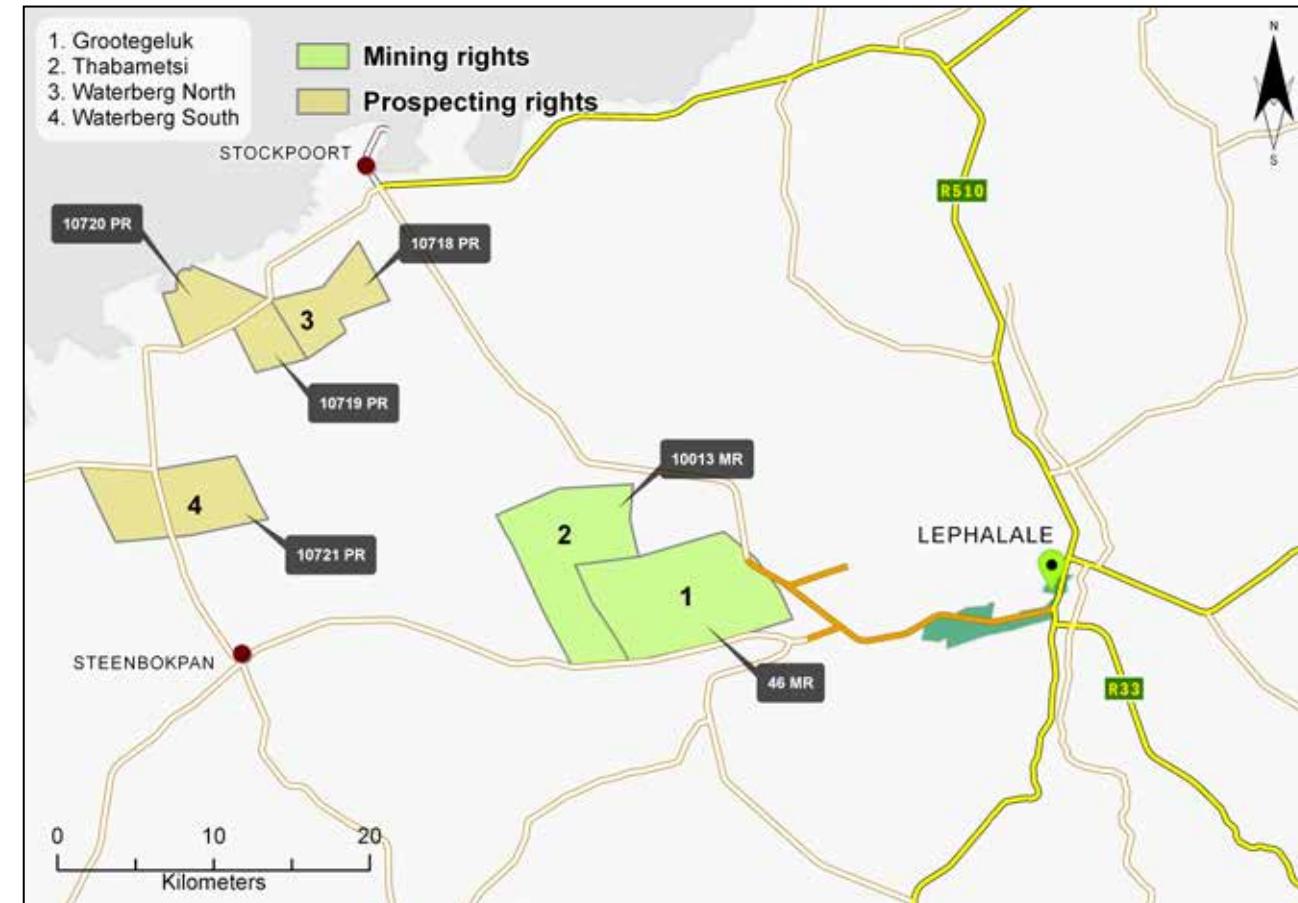
The geological model is updated biannually, and information from drilling campaigns in 2017/18 will be used to update the geological model in early 2019. A review of the Grootegeluk exploitation strategy was initiated in the last quarter of 2018. The update will incorporate new geological information, consider several expansion initiatives and review the current pit turnaround and backfill strategies. An important project, the Grootegeluk integrated water use management strategy (GGIWMS), also began in the reporting year. The objective is to clearly define all water-related aspects and present a strategy for the optimal use of water throughout the value chain. This project will integrate with the exploitation strategy and is expected to enhance water-use efficiency.

The construction of the Grootegeluk 6 (GG6) project plant was initiated in 2018. The existing Grootegeluk 2 (GG2) plant historically produced power station coal and the project aimed to convert the single-stage beneficiation plant to a new double-stage plant, namely GG6. The project introduced a new small-coal beneficiation plant (SCP), enabling fragments smaller than 10mm to be processed and improving plant fines beneficiation using reflux classifier technology. Associated benefits are the addition of a dewatering plant, an upgrade of the two tip-bins to higher capacity and expanding the current stockyard. The project aims to triple the capacity of the current GG6 plant, producing a high-ash semi-soft coking coal (SSCC) suitable for the export market, as well as power station coal.

Overburden mining at Grootegeluk is evolving in volume and complexity. A study to address this challenge is the in-pit crushing and conveying overburden (IPCC OVB) project. The

project investigated options to replace the existing load-and-haul mining method with a more cost-effective alternative by considering mining and transporting overburden material via a bulk-materials handling system. The prefeasibility study (PFS) is still under way to identify the preferred alternative. An approval for ministerial consent (section 102 of the MPRDA) was submitted in September 2017 to include two mine-dump areas that currently fall outside the mining right.

Exxaro's mining and prospecting rights in the Waterberg



Approvals are pending and the legislative process following the submission is under way.

Exxaro is considering options on four prospecting rights some 30km north-west of Grootegeluk mine. These prospecting rights are grouped in two projects, Waterberg North and Waterberg South, and include around 3 billion tonnes of Inferred Resources. Renewals for all the rights have been granted and Exxaro is currently studying the strategic fit.



OUR CONSOLIDATED MINERAL RESOURCE AND RESERVE REPORT (CONTINUED)

Mpumalanga province

Arnot, an Eskom tied mine, is in closure after the coal-supply agreement (CSA) with Eskom ended on 31 December 2015. The mine produced thermal coal for over 40 years, using various mining methods, predominantly bord-and-pillar (currently mechanical), opencasting and short-walling between 1995 and 2005. A prefeasibility study on the commercial viability of Arnot in 2016 found that there are several areas that can be profitably mined for the thermal coal market. However, due to the absence of a confirmed contractual service agreement (CSA), no Coal Reserves are declared.

During the reporting period, Exxaro disinvested from the North Block Complex (NBC) coal mine and adjacent coal project of Paardeplaats and these are therefore not included in the 2018 statement.

Matla, an Eskom tied underground operation, is some 20km west of Kriel in Mpumalanga. The operation is an underground mine that extracts coal through three underground mines. Mining activities at mine 1 ceased in 2015 due to pillar instability but a relocation study that entails developing a new box-cut and tunnels to access Coal Reserves was completed and received approval in principle from Eskom in the reporting year. Mine 2 and mine 3 use bord-and-pillar, continuous-mining (CM) and shortwall (SW) coal-mining methods, but geological conditions to support SW mining methods are decreasing and will end. A project to replace the soon-to-be redundant SW equipment with its CM equivalent was presented to Eskom.

Mines 2 and 3 produce coal from seams 2 and 4, which is blended to provide the quality of product necessary for Matla power station. Both coal seams' mineable Reserves are rapidly diminishing, and both mines will have to access additional reserves. Two expansion projects, consisting of a decline and incline (respectively) below and above current workings at Mine 2 and 3 were approved by Eskom in 2018, unlocking seams 2 and 4 Coal Reserves. A new vent shaft at mine 3 to support the expansion awaits Eskom approval.

Matla accesses Coal Reserves under challenging geological and mining conditions. Thinning coal seams, variability in coal quality and roof conditions due to the impact of intrusive dykes and sills, as well as geological faulting, present challenges for coal extraction in a number of mining sections. Focused exploration activities, including surface and downhole geophysical surveys and vertical and horizontal drilling, are employed to proactively outline and align the impacts with mine planning. New information from the 2017/18 drilling campaign and results from a revision of historical information were used to update the geological model and scrutinise the classification of Coal Resources. The results improved the outline of the Indicated and Measured Resource strings, and this refinement is reflected in the movement between the various Coal Resource categories. The change in the resource base resulted in a 5.7% decrease in the Coal Reserve after the LoMP was revised. The reduction of pillar-extraction recovery based on the review of the extraction process to enhance

ventilation and safety as well as considering actual extraction figures in the reporting period resulted in a further 13% decrease in Coal Reserves.

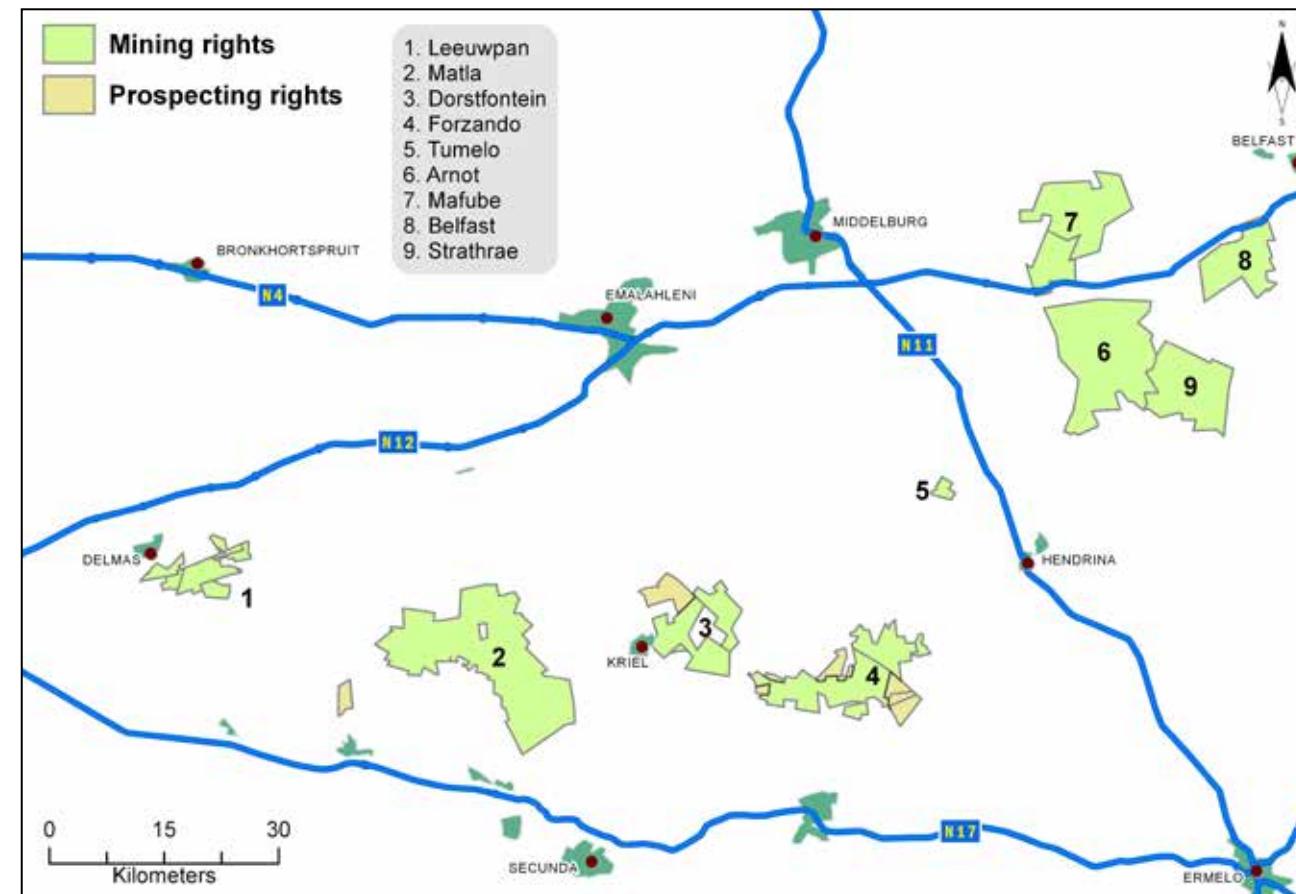
In line with Exxaro's commitment to unlock value, an expansion project to extend the LoM of Leeuwpan, an open pit operation in Delmas, Mpumalanga, by 10 years was implemented in 2018. The updated plan incorporates changes in the price structure of the export market, with higher prices for lower-energy products leading to higher yields. The R500-million optimisation project will enhance Leeuwpan's performance by better aligning access roads to the site, as well as upgrading the existing plant and producing high-quality thermal and metallurgical coal for domestic and export markets. The road relocation and box-cut of the expansion project were successfully concluded in the reporting period. An investigation surrounding the OI reserve resulted in unlocking additional Coal Resources (~2.7Mt) and are included as Probable Reserves in the LoM until all environmental approvals are secured. Significant dyke activity and a prominent dolerite sill that overlies both the resource blocks of UB and OI (Leeuwpan expansion), negatively affecting both slope stability and coal quality, are investigated through open-hole drilling and down-hole geophysical surveying. The impacts are proactively accommodated in mine planning.

The ECC complex comprises the Dorstfontein, Forzando and Tumelo operations. Dorstfontein complex lies just north-east of the town of Kriel, in Mpumalanga. The complex comprises DCMW (West), an underground mine, and DCME (East), an opencast operation, as well as Rietkuil (Vhakoni), an adjacent project for which approval is pending of a section 102 of the MPRDA to incorporate this right into the DCME mining right. New information (130 holes) triggered an update of the

geological model in 2017. A revision of the LoM in the reporting period, specifically considering the 2017 geological model, resulted in a significant amount of seams 2 and 4 material being included in underground Coal Reserves. The DCMW seam 4 project was implemented in 2018, unlocking seam 4's lower Coal Reserves through an incline in existing mine infrastructure. Expansions of the Dorstfontein assets illustrate the continuous and successful drive to unlock value for ECC.

The Forzando complex (FZO), a part of ECC, is 10km north of Bethal, and just south of the Dorstfontein complex. FZO complex comprises two underground mines, Forzando North (FZON) and Forzando South (FZOS), and both mining rights were executed in 2013 for a period of 16 years. Forzando accessed some historical workings at FZON (under care and maintenance since 2014) successfully in the reporting year, increasing production and quality of the overall coal product mix. Mining in general is affected by geological faulting and dolerite (sill and dyke) activity, resulting in poor roof conditions and restricting access to potential resource areas. These challenges are thoroughly investigated and accommodated in mine planning and the team is addressing the impact through focused infill drilling (characterisation) and effective grade-control practices (managing mining losses).

Exxaro's mining and prospecting rights in Mpumalanga





OUR CONSOLIDATED MINERAL RESOURCE AND RESERVE REPORT (CONTINUED)

The person in Exxaro designated to take corporate responsibility for Mineral Resources, Henk Lingenfelder, the undersigned, has reviewed and endorsed the reported estimates. Mr Lingenfelder is a member of the Geological Society of South Africa and registered (400038/11) with the South African Council for Natural Scientific Professions. He has a BSc (hons) in geology and 23 years of experience as a geologist in coal, iron ore and industrial minerals.



JH Lingenfelder

BSc geology (hons)

Pr Sci Nat (400038/11)

Group manager geoscience

Roger Dyason Road

Pretoria West

0183

The address for South African Council for Natural Scientific Professions:

Private bag x540

Silverton

0127

Gauteng

South Africa

The person in Exxaro designated to take corporate responsibility for Mineral Reserves, Chris Ballot, the undersigned, has reviewed and endorsed the reported estimates. Mr Ballot is a mining engineer registered (20060040) with the Engineering Council of South Africa. He has 22 years of experience in iron ore, mineral sands and coal in various technical and management roles. His qualifications include BEng (mining), GDE and MBA.



CC Ballot

BEng (mining)

ECSA 20060040

Manager mining processes

Roger Dyason Road

Pretoria West

0183

The address for Engineering Council of South Africa:

Private bag x691

Bruma

2026

Gauteng

South Africa

Both parties have consented to the inclusion of Mineral Resources and Mineral Reserves estimates in the integrated report 2018. Exxaro has written confirmation from the competent persons that the reporting is compliant with the SAMREC Code, the relevant portions of table 1 and the JSE section 12 requirements, and they consent to the publication of the report.





Corporate governance

- 104 Role of the board
- 112 Corporate governance
- 119 Our group executive committee
- 121 Audit committee report
- 124 Remuneration and nomination committee report
- 128 Summary remuneration report
- 130 Social and ethics committee report
- 134 Sustainability, risk and compliance committee report
- 138 Investment committee report
- 140 Administration





MACRO-ECONOMIC

SKILLS

SUSTAINABILITY

REINVENTION

MINING

ROLE OF THE BOARD

As the Exxaro group of companies is an integral part of society, the board assumes ultimate responsibility for the performance and affairs of the company. In doing so, it effectively represents and promotes Exxaro's legitimate interests. In turn, as a responsible corporate citizen, Exxaro considers the legitimate needs, interests and expectations of its stakeholders now and in future.

Our board creates sustainable value for our stakeholders through ethical and effective leadership of the Exxaro group. It is the focal point and custodian of good corporate governance in the group in line with King IV. The board sets the strategic direction of the group and the way in which specific governance areas are conducted within a framework of effective controls, approves policy and planning that gives effect to the group strategy and direction, monitors implementation of the strategy and planning, and finally ensures accountability for organisational performance through, among others, reporting and disclosure.

The board acknowledges its crucial role in exercising ethical and effective leadership in the group to achieve the following governance outcomes in line with King IV:

- The group being recognised for having an ethical culture
- The group creating positive value
- The board having effective control over the performance and affairs of the group
- The group's legitimacy not being compromised.

To achieve these objectives, the board is committed to ensuring good corporate governance throughout the group, in line with the recommendations of King IV. At all times, it ensures the appropriate application of the 16 principles of the King IV code by adopting the required and relevant practices,

or alternative appropriate practices as determined by the board, that will give effect to these principles in the context of both the company and the group. Our King IV application register is on page 115.

Board committees assist the board in discharging its duties and responsibilities, but without abdicating the board's responsibilities. Each committee has formal, approved, written terms of reference that are reviewed annually to ensure effective delegation of roles and responsibilities from the board. To ensure effective leadership, the board monitors how its committees discharge their responsibilities for group operations by annually setting key performance indicators (KPIs) for each committee. Individual reports from committee chairs begin on page 121.

While King IV allocates responsibility for implementing a group governance framework to the board, the board recognises each subsidiary as a separate and independent juristic person to whom its directors owe fiduciary duties. In tandem with its responsibility to set a group corporate governance framework that articulates and gives effect to the strategic direction and

exercise of authority across the group, the board also ensures these arrangements are appropriate within the group. In the case of a conflict between the duties of a director to a subsidiary company and the interests of the holding company, the duties of the director to the subsidiary company must prevail.

The board charter

To guide its effective functioning, the board approved an amended charter at the end of 2017, the provisions of which at all times are subject to all statutory and regulatory requirements, including the Companies Act 71 of 2008, as amended (the Act), JSE Listings Requirements, Exxaro's memorandum of incorporation and King IV. Following implementation of the new BEE shareholding transaction and the commitment to annually review its charter, this was again reviewed in 2018.

The purpose of the board charter is to regulate the parameters within which the board operates and to ensure Exxaro applies the principles of good corporate governance in all its dealings. The charter also sets out the roles and responsibilities of the board and individual directors, including the composition and relevant procedures of the board.

Any director or member of a board committee may bring any material matter which they deem appropriate to the notice of the chair, lead independent director, CEO or finance director.

How the board added value in 2018

Value distribution – 2018			
Our people	Investors	Government	Community
R3 486 million Salaries and wages	R5 483 million External dividends	R1 007 million Direct taxes	R84.8 million Investment and volunteerism
R260 million Training and bursaries	R2 351 million dividends to Eyesizwe	R153 million Indirect tax	
		R485 million Royalties and levies	
		R1 155 million UIF and PAYE	

Board of directors

The board is constituted in terms of Exxaro's memorandum of incorporation as well as the board charter, in line with the requirements of King IV.

Following the replacement BEE transaction that was implemented in December 2017, a number of directors resigned/retired and new appointments were made. We have continued to ensure that the majority of our board members are independent non-executive directors, and we strengthened the independence of our board from seven independent non-executive directors in 2017 to nine in 2018. Individual members bring considerable and diverse demographics, skills and experience to the boardroom, in line with King IV. This ensures decisions are taken prudently, effectively and efficiently, and ensures the interests of shareholders are protected.

Appointment of directors

Directors are appointed through a formal process. The remuneration and nomination committee (remco) is responsible for identifying suitable candidates as independent non-executive directors to be proposed to the board and, on its recommendation, to shareholders for approval. Remco is also responsible for overseeing that the required independent background checks are done and that proposed candidates provide the required information as recommended in the King IV code.

The following directors retired/resigned from the board in 2018:

Director	Designation	Effective date
Ms S Dakile-Hlongwane	Non-executive director	6 March 2018
Dr CJ Fauconnier	Independent non-executive director	24 May 2018
Dr D Konar	Independent non-executive director and chairman of the board	24 May 2018
Mr S Mayet	Independent non-executive director	24 May 2018
Dr MF Randera	Non-executive director	6 March 2018
Mr D Zihlangu	Non-executive director	6 March 2018

The board thanked all these directors for their contributions and guidance during their tenures and wishes them all the best in their future endeavours.

The following appointments to the board were made in 2018:

Director	Designation	Effective date
Ms GJ Fraser-Moleketi	Lead independent non-executive director	23 May 2018
Ms D Mashile-Nkosi	Non-executive director	6 March 2018
Ms L Mbatha	Non-executive director	6 March 2018
Mr MJ Moffett	Independent non-executive director	23 May 2018
Mr LI Mophatlane	Independent non-executive director	23 May 2018
Ms A Sing	Independent non-executive director	6 March 2018

Details on the rotation and election of directors appear in the notice of the AGM of 2018.

Induction and training

On appointment, new directors undergo an induction programme to facilitate their understanding of the business environment and markets in which the company operates. This programme is facilitated by the group company secretary and includes, inter alia, information and guidance on:

- Group structure and business objectives
- Financial performance
- Reciprocal expectations
- Familiarisation through site visits and consultation with senior management
- Corporate policies and procedures, and information on directors' roles and responsibilities in terms of legislation, regulatory requirements and best practice.

All directors undergo continuing professional development and are required to attend regular briefings as arranged by the company on changes in legislation, governance and the business environment.

ROLE OF THE BOARD (CONTINUED)

The board of directors in 2018

Name	Appointment date	Board	Committees			Social and ethics	Investment
			Audit	Remuneration	Sustainability, risk and compliance		
J van Rooyen	13/08/2008	Chair	Former chair	Member			
S Dakile-Hlongwane*	21/02/2012 - 6/03/2018	Former member			Former member	Former member	
CJ Fauconnier*	01/11/2013 - 24/05/2018	Former member	Former member	Former chair	Former chair	Former member	
GJ Fraser-Moleketi	23/05/2018	Member		Member			Invitee
MW Hlahla	04/06/2015	Member			Member		
D Konar*	01/11/2006 - 24/05/2018	Former chair and former member	Former invitee	Former member	Former invitee	Former invitee	Former invitee
PA Koppeschaar	01/07/2016	Member					
D Mashile-Nkosi	06/03/2018	Member					
S Mayet*	18/8/2015 - 23/05/2018	Former member					
L Mbatha	06/03/2018	Member			Member		
MDM Mgojo	04/06/2015	Member					
VZ Mntambo	28/11/2006	Member		Member			
MJ Moffett	23/05/2018	Member	Member		Member		Member
LI Mophatlane	23/05/2018	Member	Invitee			Invitee	Chair
EJ Myburgh	01/09/2016	Member	Member	Chair		Former member	Member
V Nkonyeni	03/06/2014	Member	Chair				Member
MF Randera*	13/06/2012 - 06/03/2018	Former member			Former chair		
A Sing	06/03/2018	Member		Member		Chair	
PCCH Snyders	01/07/2016	Member			Chair	Member	Member
D Zihlangu*	28/11/2006 - 06/03/2018	Former member		Former member			

* Resigned/retired

Board attendance

Attendance is based on four quarterly meetings, ad hoc special committee meetings, two governance sessions, two strategy days and three special board meetings, calculated against the number of meetings the individual was required to attend.

Director	Designation	Attendance since appointment
J van Rooyen (chairman)	Independent non-executive director and chairman of the board	100%
S Dakile-Hlongwane¹	Former non-executive director	0%
CJ Fauconnier²	Former independent non-executive director	100%
GJ Fraser-Moleketi	Lead independent non-executive director	88%
MW Hlahla	Independent non-executive director	100%
D Konar³	Former independent non-executive director and chairman of the board	100%
PA Koppeschaar	Executive director: finance	100%
D Mashile-Nkosi	Non-executive director	60%
S Mayet⁴	Former independent non-executive director	100%
L Mbatha	Non-executive director	100%
MDM Mgojo	Executive director: chief executive officer	82%
VZ Mntambo	Non-executive director	80%
MJ Moffett	Independent non-executive director	75%
LI Mophatlane	Independent non-executive director	100%
EJ Myburgh	Independent non-executive director	86%
V Nkonyeni	Independent non-executive director	100%
MF Randera⁵	Former non-executive director	0%
A Sing	Independent non-executive director	90%
PCCH Snyders	Independent non-executive director	100%
D Zihlangu⁶	Former non-executive director	100%

¹ Ms S Dakile-Hlongwane resigned as a director on 6 March 2018

² Dr CJ Fauconnier retired as a director on 24 May 2018

³ Dr D Konar retired as a director on 24 May 2018

⁴ Mr S Mayet retired as director on 24 May 2018

⁵ Dr MF Randera resigned as a director on 6 March 2018

⁶ Mr D Zihlangu resigned as a director on 6 March 2018

Board leadership

A new independent non-executive chairman, Mr J van Rooyen, was appointed in 2018. The board therefore continues to be led by an independent non-executive chairman, in compliance with paragraph 3.84 of the JSE Listings Requirements and recommended practices of King IV.

The role of the chairman is separate and distinct from that of the chief executive officer (CEO) and the separation of powers and responsibilities, as set out in the board charter, ensures no single person has unfettered decision-making powers and that the appropriate balance of power exists at board level.

The new board charter adopted on 30 November 2017 provides for the appointment of a lead independent director in line with the principles of King IV. Following nominations received for this role, the board conducted assessments and, at its meeting on 14 June 2018, appointed Ms GJ Fraser-Moleketi as lead independent director. Her business experience in Africa and multiple roles at the United Nations are valuable contributions to the skill set on the board.

ROLE OF THE BOARD (CONTINUED)

Roles and responsibilities

Functions	Responsibilities
Chairman	<ul style="list-style-type: none"> ● Is an independent non-executive director ● Is responsible for representing the board with shareholders and indirectly with other stakeholders on performance ● Is responsible for ensuring the integrity and effectiveness of the governance process of the board ● Is responsible for maintaining regular dialogue with the CEO on all operational matters and will consult with the board promptly on any matter that gives him cause for major concern ● Acts as facilitator at board meetings to ensure no director dominates discussion, that appropriate discussion takes place, that members' opinions are aired, and discussions result in logical and understandable outcomes ● Plays a crucial role in ensuring the board is properly led ● Provides the necessary direction for an ethical and effective board and should form the link between the board, CEO and management
CEO	<ul style="list-style-type: none"> ● Leading the execution of approved strategy, policy and operational planning and the chief link between management and the board ● Monitoring and managing the day-to-day operational requirements and administration of the company ● Developing and recommending business plans, policies and objectives for consideration by the board and considering business, economic and political trends that may affect the operations of the company ● Managing/ensuring the submission of reports, financial statements and consolidated budgets for consideration by the board ● Overseeing the financial management of the company, including financial planning, cash flow and management reporting ● Involving himself in group affairs via the executive committee and acting as its chair ● Not causing or permitting any practice, activity or decision by or in the company that is contrary to commonly accepted good business practice, good corporate governance or professional ethics
Lead independent non-executive director (LID)	<ul style="list-style-type: none"> ● Leading in the absence of the chair ● Serving as a sounding board for the chair ● Acting as an intermediary between the chair and other members of the governing body, if necessary ● Dealing with shareholders' concerns where contact through normal channels has failed to resolve concerns, or where such contact is inappropriate ● Strengthening independence on the governing body if the chair is not an independent non-executive member, for whatever reason ● Chairing discussions and decision making by the governing body on matters where the chair has a conflict of interest ● Leading the performance appraisal of the chair

The group company secretary

Mrs SE van Loggerenberg was appointed as group company secretary and legal from 1 October 2017.

The board recognises the pivotal role of the group company secretary in establishing effective processes and systems to ensure that good corporate governance forms part of the fibre of the organisation and is entrenched in its culture.

In compliance with paragraph 3.84(i) of the JSE Listings Requirements, an annual evaluation of the incumbent company secretary was carried out to consider and satisfy itself of Mrs van Loggerenberg's competence, qualifications and experience. The formal evaluation confirmed:

- Her competence score of 97.67%
- Confirmed the suitability of her qualifications
- Confirmed her experience of over 10 years in the mining industry and 17 years in various capacities in the fields of governance, risk and compliance.

The board is comfortable that she maintains an arm's-length relationship with individual directors and confirms that she is neither a director nor public officer of the company or any of its subsidiaries.

Board composition

As indicated below, the board comprises the appropriate balance of knowledge, skills, experience, diversity and independence to discharge its governance role and responsibilities objectively and effectively.

There were a number of directors who resigned/retired from the board after Main Street 333 Proprietary Limited was unwound through the BEE transaction. Members had to be nominated anew by Eyesizwe (RF) Proprietary Limited, which now holds 30% of the shares in Exxaro. This offered an opportunity to promote race and gender diversity targets for board composition.

As per JSE Listings Requirements paragraphs 3.84(i) and 3.84(j) and King IV, the board must set race and gender diversity targets, which have been set.

Diversity of skills and experience:

The board skills matrix is on page 18.

Director classification

In line with King IV, non-executive members may be categorised as independent if the board concludes there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision making in the best interest of the company.

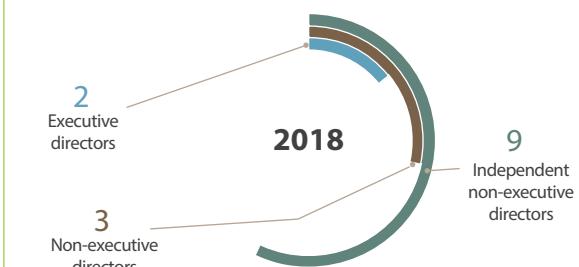
We have two non-executive directors that have served on the board in an independent capacity for over nine years. An assessment has been conducted annually since 2017, and it has been concluded that these members exercise objective judgement and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision making.

After a formal assessment, the board concluded that the majority of directors are independent.

- Independent non-executive directors = 64.3%
- Non-executive directors = 21.4%
- Executive directors = 14.3%

There has been a marked increase in the independence of our board from 2017, from 50% to 64% independent non-executive directors, with non-executive directors declining to 21% from 36% in 2018.

Director classification



ROLE OF THE BOARD (CONTINUED)

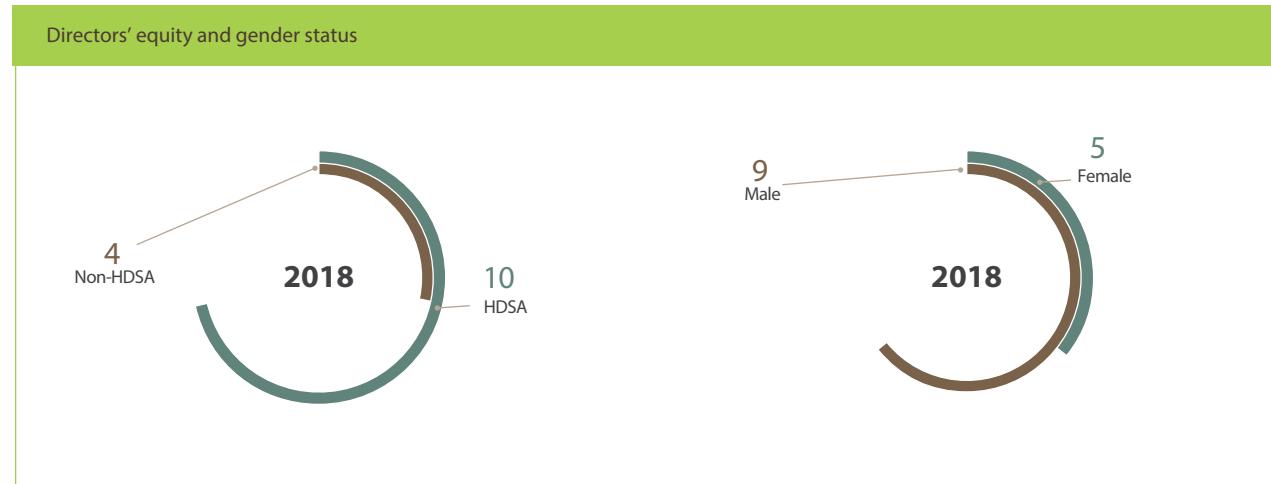
Gender and racial diversity

In line with King IV, the board charter and remco terms of reference, race and gender targets have been set for the board. This coincided with the appointment of new directors in 2018, after shareholders approved implementation of the replacement BEE transaction.

Compliance against targets:

- HDSA target of 50%:
 - HDSA: 71.4%
 - Non-HDSA: 28.6%
- Gender target of 30% HDSA women:
 - Female: 35.7%
 - Male: 64.3%

There has been a marked increase from 2017 in our HDSA female representation, from 14% to 36%.



Director tenure

The implementation of the replacement BEE transaction in 2018 coincided with the resignation/retirement of a number of directors and appointment of new directors, following shareholder approval.

Appointment and the period of office of directors are as follows:

- New directors, appointed in casual vacancies during the year, will hold office only until the next AGM, at which they will retire and be available for re-election
- All non-executive directors are subject to retirement by rotation and re-election by shareholders at least once every three years, consistent with the memorandum of incorporation
- If an executive director's employment is terminated for any reason, that director will be deemed to have resigned as a director of the company on the same date.



Diversity of age

The retirement age for an executive director is 63, and 70 for a non-executive director. The board is entitled to recommend the re-election of a non-executive director who has passed the age of 70, provided that remco and the board recommend to shareholders that the individual is suitable for re-election. This re-election will occur on an annual basis once the director has reached age 70.

To ensure continuity of experience and knowledge, the company has adopted a process of staggered re-election of directors, in terms of the memorandum of incorporation.

Our directors:

70+ years = 1
60 - 69 years = 4
50 - 59 years = 5
40 - 49 years = 4

The performance of our board

Key performance indicators

As explained in prior reports, the board and committees set annual KPIs to ensure that, in addition to general requirements placed on these bodies, their attention is directed to key activities that support and enable management to achieve the group strategy. We recognise that these KPIs are still more quantitative in nature, but we aim to mature them into more meaningful qualitative measures to give stakeholders an in-depth understanding of the performance of the board and its committees.

The board and committee evaluation for 2018 therefore only focused on whether these KPIs had been achieved.

Key performance indicator (KPI)	2018
Continue to enhance the visibility and agreement at board level of key risks facing the company and associated mitigation plans by embedding a structured institutional process, agreeing the level of risk tolerance the company is willing to accept in pursuit of its strategic objectives	
Address both board and personal enhancement opportunities identified in the board effectiveness review and improve board diversity as opportunities allow	
Cultivate a formal process to review financial advisers/consultants and others to Exxaro and make changes as appropriate	
Innovation and information management (IM): govern technology and information that support the organisational culture change to the new digital way of working. Oversee improvement of EBIT or throughput by digitalising operations	
Enterprise and supplier development: continue to ensure legislative compliance with sector codes that regulate both supplier and enterprise development; monitor drive toward supplier diversity by focusing on new entrants to the Exxaro value chain, as well as the social impact of the enterprise development strategy, including new jobs created and beneficiaries supported	

● *Significant skills and experience (10+ years, in-depth, main focus area, weekly use of skills, line accountability)*

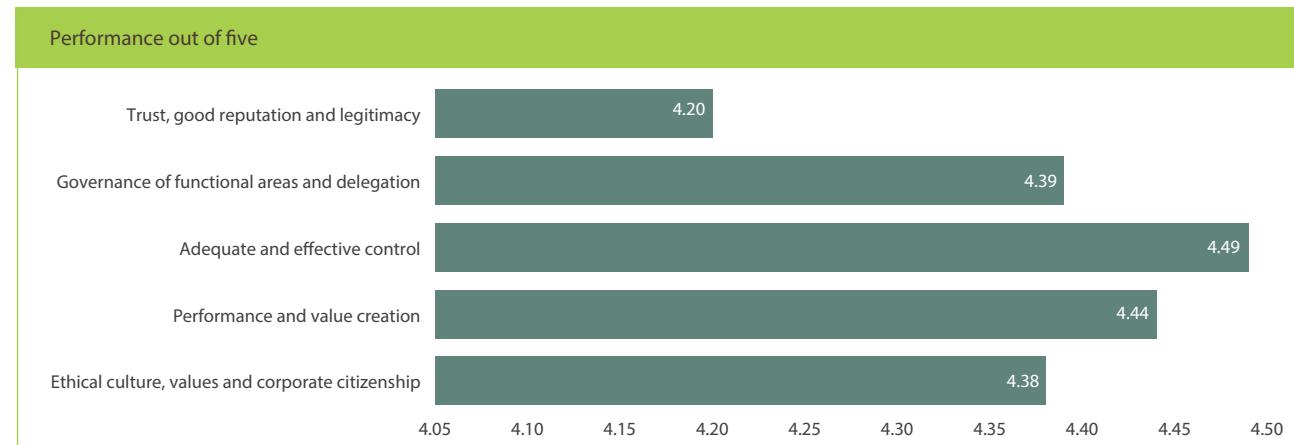
Committee KPIs are discussed in each committee report.

Board evaluation

Formal evaluations of the board, committees and individual directors, including the chair and committee chairs, are performed at least every second year by an independent third party. In the review period, the assessment used an electronic survey process administered by the group company secretary as well as a qualitative assessment approach.

This evaluation process is twofold: to review the governance system and processes supporting effective leadership and, secondly, to assess group and individual performance against set criteria. The outcome of the board evaluation process is shown below:

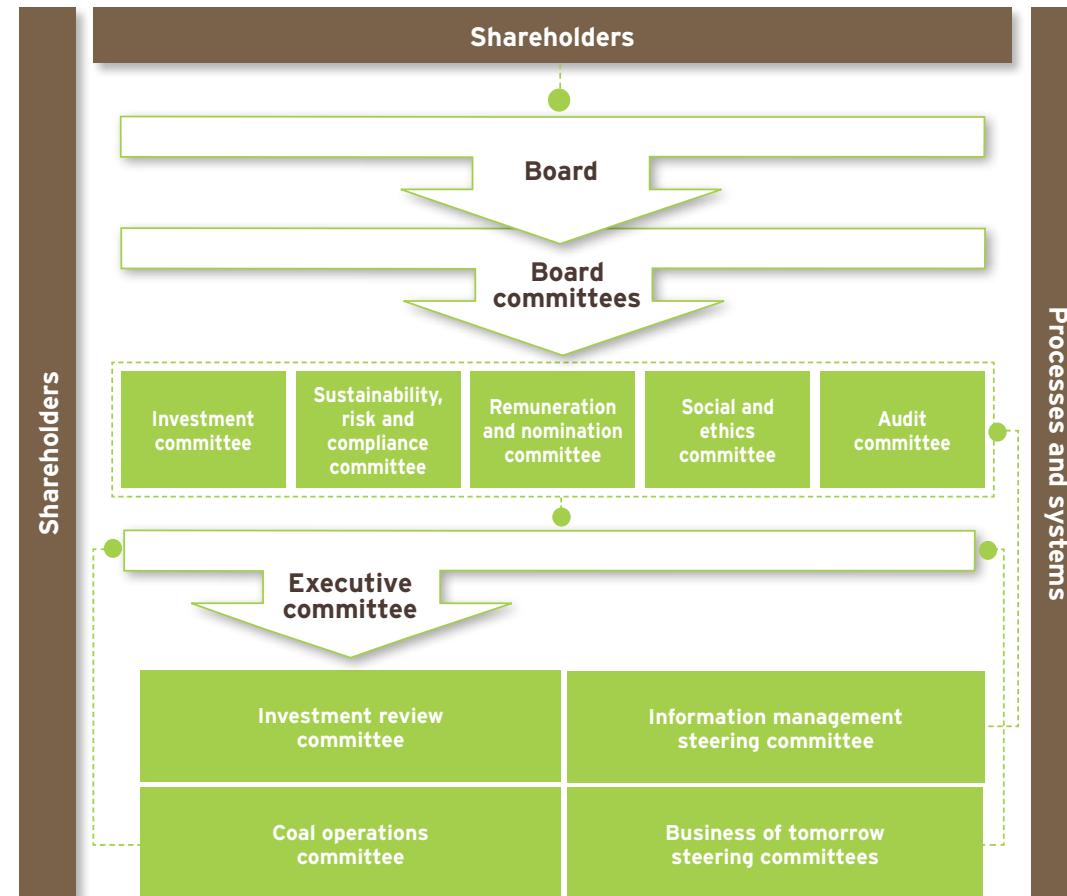
Observations were ranked as follows: 1 – poor 2 – needs some improvement 3 – satisfactory 4 – good 5 – meets best practice



CORPORATE GOVERNANCE

The board of directors of Exxaro Resources Limited is fully committed to the principles of good corporate governance as elaborated in King IV. The directors regard these as fundamental to achieving King IV governance outcomes, including the business success and sustainability of the company, through the ethical and effective leadership of the board. Transparency, accountability and integrity – the pillars of responsible corporate citizenship – permeate everything we do and ultimately deliver value to our shareholders and our broader stakeholder groups, including the communities in which we operate.

Our corporate governance framework is depicted below:



King IV

An organisation "... can no longer be seen as existing in its own narrow universe (or 'society') of internal stakeholders and the resources needed to create value – it also operates in, and forms part of, general society. In this view, the licensor of an organisation is not just those individuals and entities within its narrowly defined value chain, but society as a whole." Mervyn E King SC, chair of the King Committee.

Since publication of King IV in November 2016, Exxaro has made significant progress in communicating King IV to our people as part of our excellence in action journey. Continued training at strategic, tactical and operational level ensures

that every director and employee understands the importance of good corporate governance and that all need to play a part in ensuring Exxaro acts as a responsible corporate citizen.

Code of ethics

Ethics involves applying moral standards – standards of good, right and fair conduct – which are supported by values, to shape the decisions and actions of individuals in the company in the pursuit of our business objectives. In line with the company's vision to outperform the mining and mineral sector in creating value for all stakeholders through exceptional people and superior processes, the conduct of our businesses and employees is characterised by fundamental values:

● Teamwork

We **succeed together** through a climate of respect and equality.

● Committed to excellence

We speak the **truth** and **accept accountability** for our actions.

These values have been developed for the benefit of Exxaro and its employees to guide the moral way of acceptable and responsible behaviour without which business life cannot be sustained.

Our values provide general guidelines on how we interact with each other and our stakeholders, reflecting what is important to us and how we conduct ourselves. Recognising that our public reputation is one of our most important assets, we are committed to achieving the highest ethical standards in all our business operations.

We recognise our obligations to all our stakeholders, particularly shareholders, clients, employees, business partners, competitors, the authorities, the environment and the wider community. Maintaining the trust and confidence of all our stakeholders is the responsibility of every employee.

In all our actions, the values and associated behaviours must be used to guide and direct the way we conduct ourselves. This code is supported by company policies and procedures for specific issues, processes and situations.

The directors of the company have approved and endorsed a revised code from 1 September 2018 and are committed to comply with both the letter and spirit of this code. It contains the ethical standards to which we commit ourselves, both as an organisation and in terms of individual conduct by members of Exxaro.

The code should be read in conjunction with all the company's policies and procedures, specifically:

- Whistle-blowing
- Fraud prevention
- Conflicts of interest
- Gifts and benefits from suppliers
- Recruitment and selection
- Anti-bribery and corruption
- Fraud response
- Fraud investigation process.

● Empowered to grow and contribute

Developing and **deploying** our knowledge and ingenuity to **achieve** our **vision**. We **focus** on people, create freedom to innovate and collaborate, respect individuality, have fun and rise to challenges.

● Honest responsibility

We take **ownership**, provide visible **leadership** and encourage collaboration, commitment and **creativity** for the benefit of all.

CORPORATE GOVERNANCE (CONTINUED)

Conflicts of interest

The board has also adopted a new conflict-of-interests policy late in 2018, which reinforced that ethical and responsible leadership and effective governance practices require that all employees act in the best interest of their employer and requires employees to make fair and objective decisions. It is therefore not permissible for employees or their related parties to engage in conduct, whether by acting or failing to act, that would amount to a conflict or the potential of a conflict of interest with the company.

The policy also regulates processes and procedures in line with the Companies Act 71 of 2008 (Companies Act), setting out duties and obligations that a director and prescribed officer owes to the company, including the disclosure of personal financial interests. However, the policy should not be applied in a manner that is contrary to or replaces such duties and obligations.

The responsibility for avoiding conflicts of interest does not end with individual employees, prescribed officers or directors, but extends to their close family and friends or other beneficiaries who may have interests that conflict with those of the group.

Enterprise risk management

Our enterprise risk management (ERM) framework has reached a high level of maturity. This framework integrates risk management across Exxaro to support our vision, mission and values and increases the likelihood of achieving our business objectives as well as the objectives set out in King IV.

The risk management function, through the combined assurance model, coordinates with internal audit to obtain evidence on the effectiveness of treatment/control activities in achieving the desired/planned risk treatment. Through the combined assurance model, assurance providers such as internal audit, sustainability KPI audits and external assurance providers, self-assessments and accreditation reviews, we monitor the effectiveness of significant risk treatments and compliance with regulatory requirements, non-binding rules, codes and standards that the company has adopted, as well as policies and procedures.

Compliance

Exxaro subscribes to a compliance philosophy that supports the organisation being an ethical and responsible corporate citizen, one that creates sustainable value for all stakeholders by striving for operational efficiency, growth and regulatory compliance within a framework of responsible corporate citizenship.

As such, a number of compliance audits are conducted by external assurance providers annually at our mining operations to provide the board with comfort on the effectiveness of compliance management throughout the group, and integrate this with the ERM and combined assurance reporting.

Delegation to management

The Exxaro delegation-of-approval framework and policy is reviewed annually to provide direction and delegate power to management. The board is satisfied that the framework contributes to role clarity and the effective exercise of authority and responsibilities.

Corporate governance services

In terms of King IV, the board is the focal point and custodian of corporate governance in the organisation. Therefore, in addition to corporate governance information being presented and made available to the board throughout the year, biannual governance sessions are scheduled to obtain professional and independent guidance on corporate governance and legal duties in an ever-changing environment.

During these sessions in 2018, we specifically focused on:

- Failure in corporate governance leading to corporate scandals and/or collapse
- Duties of directors – conflicts of interest
- Anti-bribery and fraud awareness training and compliance
- Evolving the Exxaro culture.

Apply and explain

In line with King IV's move to 'apply and explain' as a way of supporting a claim that good governance is practised, for each King principle we summarise our actions as well as associated policies and processes to support Exxaro's claim of good corporate governance.

KING IV compliance

Governance outcomes	Number	Principles	Applicable policies and processes	Status evaluation
Ethical culture	1.1	The governing body should set the tone and lead ethically and effectively	<ul style="list-style-type: none"> • Board charter (reviewed in 2019) • Social and ethics committee terms of reference (reviewed in 2019) • Appointing directors after assessing skills and competence as well as thorough background check 	
	1.2	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture	<ul style="list-style-type: none"> • Approving and overseeing new code of ethics • Social and ethics committee overseeing anti-bribery and corruption programme implementation, including employees and service providers • Approving and overseeing group-wide conflicts-of-interest policy 	
	1.3	The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen	<ul style="list-style-type: none"> • Sustainability KPIs rank equally to financial KPIs to track the achievement of strategic objectives • KPIs are monitored quarterly by the board and its respective committees • Sustainability KPIs include environmental, social, compliance and human capital elements 	
Performance and value creation	2.1	The governing body should lead the value-creation process by appreciating that strategy, risk and opportunity, performance and sustainable development are inseparable elements	<ul style="list-style-type: none"> • Strategy is reviewed and approved annually by the board • Sustainability KPIs are reviewed and approved annually by the board • Strategic deep-dive is conducted every two years • Strategic risks are assessed annually • KPIs are linked to all material issues per capital and risk thresholds are attached to every KPI • Performance against each KPI is tracked quarterly • Enterprise risk management (ERM) framework and risk appetite approved by the board • Impact of external and internal events are monitored for their effect on the strategic risk profile 	
	2.2	The governing body should ensure that reports and other disclosures enable stakeholders to make an informed assessment of the performance of the organisation and its ability to create value in a sustainable manner	<ul style="list-style-type: none"> • The integrated report is based on an integrated reporting process throughout the year • The integrated report sets out strategic objectives, the business model, material issues that impact the business, and risks that prevent Exxaro from achieving its objectives • Material issues are assessed annually and financial materiality is reviewed by the audit committee • The integrity of the integrated report is reviewed by the audit committee • The integrated report and annual financial statements are approved by the board annually 	

Significant skills and experience (10+ years, in-depth, main focus area, weekly use of skills, line accountability)



CORPORATE GOVERNANCE (CONTINUED)

Governance outcomes	Number	Principles	Applicable policies and processes	Status evaluation
Adequate and effective control	3.1	The governing body should serve as the focal point and custodian of corporate governance in the organisation	<ul style="list-style-type: none"> ● Corporate governance remains the accountability of the board as a whole ● King IV gap analysis conducted internally in 2017 ● King IV internal audit conducted in 2018, with no material findings ● Corporate governance is entrenched throughout the organisation in all levels of decision making ● Board charter reviewed in 2017 and again in 2019 ● Board governance sessions conducted twice a year, and mandatory for directors and executive management ● Subsidiary directors receive formal training annually 	
	3.2	The governing body should ensure in its composition a balance of the skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities	<ul style="list-style-type: none"> ● The nomination committee ensures the composition of the board has the appropriate level of skills, experience, diversity and independence ● Nomination committee terms of reference reviewed in 2017 and again in 2019 ● An approved skills and experience matrix facilitates the appointment of directors ● Race and gender targets are approved by the board ● A formal appointment letter is given to the director on appointment ● A declaration of outside interest is made on appointment and reviewed annually. Declarations are also made before any meetings begin ● A lead independent director is appointed by the board ● There is a formal division between the duties of the CEO and the chair as per the board charter ● The board charter was reviewed in 2017 and again in 2018 	
	3.3	The governing body should consider creating additional governing structures to assist with the balancing of power and the effective discharge of responsibilities, but without abdicating accountability	<ul style="list-style-type: none"> ● The board has delegated certain powers to the audit committee; social and ethics committee; sustainability, risk and compliance committee; remuneration and nomination committee; and investment committee ● All board committees have formally approved terms of reference, that were reviewed in 2017 and 2019 ● The composition of board committees is assessed annually ● The composition of committees complies with the Companies Act, Exxaro's memorandum of incorporation (MoI), King IV and the terms of reference of each committee 	

 Significant skills and experience (10+ years, in-depth, main focus area, weekly use of skills, line accountability)

Governance outcomes	Number	Principles	Applicable policies and processes	Status evaluation
Adequate and effective control (continued)	3.4	The governing body should ensure that the appointment of and delegation to competent executive management contributes to an effective arrangement by which authority and responsibilities are exercised	<ul style="list-style-type: none"> There is a clear division of power between the CEO and the chair as per the approved board charter The performance of the executive committee is monitored by the board There are formal terms of reference for the executive committee A delegation of authority is approved by the board and reviewed at least annually The company secretary is appointed by the board The performance of the company secretary is assessed annually 	
	3.5	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness	<ul style="list-style-type: none"> A formal assessment is conducted by the chair This is augmented by questionnaires annually 	
	4.1	The governing body should govern risk and opportunity in a way that supports the organisation in defining its core purpose and to set and achieve strategic objectives	<ul style="list-style-type: none"> The ERM framework is approved by the board and periodically reviewed Strategy, risk, risk appetite and performance are linked via the strategic performance dashboard Independent assurance on the risk management process is conducted annually 	
	4.2	The governing body should govern technology and information in a way that supports the organisation in defining its core purpose and to set and achieve strategic objectives	<ul style="list-style-type: none"> IT governance is formally delegated by the audit committee to the IM (information management) steering committee This committee has formal terms of reference and its scope includes reviewing IT strategy in support of the overall business, reviewing IT risks, IT audit findings and IT compliance The IM steering committee reports quarterly to the audit committee 	
	4.3	The governing body should govern compliance with laws and ensure consideration of adherence to non-binding rules, codes and standards	<ul style="list-style-type: none"> The compliance policy is formally approved by the board The compliance process is fully integrated with the risk process Compliance awareness on high legal risks is conducted annually The compliance process is independently assured annually 	
	4.4	The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the creation of value in a sustainable, manner	<ul style="list-style-type: none"> The remuneration strategy and policy are determined by the remuneration committee The remuneration policy is voted on at the AGM Formal engagement takes place with shareholders The remuneration policy is independently assessed 	

Significant skills and experience (10+ years, in-depth, main focus area, weekly use of skills, line accountability)



CORPORATE GOVERNANCE (CONTINUED)

Governance outcomes	Number	Principles	Applicable policies and processes	Status evaluation
Adequate and effective control (continued)	4.5	The governing body should ensure that assurance results in an effective control environment and integrity of reports for better decision making	<ul style="list-style-type: none"> ● The internal audit charter and plan is approved by the audit committee ● The external audit plan is approved annually by the audit committee ● Internal and external audit reports are risk-based ● The combined assurance forum, with formally approved terms of reference, coordinates all assurance activities ● All findings are monitored by the audit committee ● Internal audit performance is part of the KPIs of every executive team member ● A chief audit executive is appointed internally, is independent from management and chairs the combined assurance forum 	
Trust, good reputation and legitimacy	5.1	As part of its decision making in the best interests of the organisation, the governing body should ensure that a stakeholder-inclusive approach is adopted, which takes into account and balances their legitimate and reasonable needs, interests and expectations	<ul style="list-style-type: none"> ● A formal stakeholder policy is approved by the board ● Stakeholder relations are monitored by the social and ethics committee ● Stakeholder affairs are holistically managed by an executive who is adequately resourced ● All operations have an approved stakeholder engagement plan ● All directors attend the AGM 	

 Significant skills and experience (10+ years, in-depth, main focus area, weekly use of skills, line accountability)

OUR GROUP EXECUTIVE COMMITTEE

Our group executive committee comprises the chief executive officer (CEO), finance director and six members of top management.

The role of the executive

The board delegates authority to executive management, via the CEO, to manage, direct, control and coordinate the day-to-day business activities and affairs of the company, subject to statutory limits and other limitations set out in the delegation-of-authority framework.

Executive committee

Within the authorities delegated by the board, the key tasks of the executive committee (exco) are to:

- Oversee the financial, operational and safety performance of the company
- Guide Exxaro in its relations with shareholders and other key stakeholders, including staff, regulators, politicians, environmental groups and the media
- Develop and recommend group strategy for board approval
- Oversee the implementation of strategy within the group risk appetite, both as approved by the board
- Receive and consider regular reports from the management committee to monitor and drive improved financial performance
- Keep under review the adequacy of reporting arrangements and effectiveness of internal control and risk management
- Approve expenditure and other financial commitments as specified in the delegations-of-authority framework

- Where expenditure and other financial commitments are above authorities delegated to the committee, make recommendations to the board seeking the necessary approvals
- Clear all papers (with only minor exceptions due to practical difficulties) intended for consideration by the board and board committees ahead of circulating, or making recommendations to the board
- Perform other functions as determined by the board from time to time
- Review and approve terms of reference of the coal operations and investment review committees.



Mr MDM Mgojo
Chief executive officer



Mr PA Koppeschaar
Finance director



Mrs V Balgobind
Executive head: human resources



Mr W Diedericks
Executive head: strategy and business development

Gender and race diversity

Race:

HDSA ---> **5**
Non-HDSA ---> **3**

Gender:

Male ---> **6**
Female ---> **2**



Mr JG Meyer
Executive head: projects and technology



Mr Mongezi Veti
Executive head: sustainability



Mr M Mthenjane
Executive head: stakeholder affairs



Dr N Tsengwa
Executive head: coal



OUR GROUP EXECUTIVE COMMITTEE (CONTINUED)

Other management committees and forums that support the executive

Investment review committee

The purpose of this committee is to oversee management-review processes for major investments, ensuring that:

- Each project meets the strategic, technical and investment requirements of the company, including the identification and management of project-related risks
- Critical decisions, project parameters and governance processes are addressed prior to committing funds
- Each project enhances the portfolio value of the company.

In addition, it also has the authority to approve some projects to reduce the approval timeframe for smaller projects.

Within authorities delegated by the board to exco, the key tasks of this committee are to:

- Consider economic parameters and commodity prices to assist capital-budgeting process
- Take note of group-wide weighted average cost of capital and hurdle rates to determine whether a project qualifies for committed funding
- Assess reports from independent specialists on their review of projects and their support of or opposition to a project
- Consider projects within strategic parameters determined by the portfolio review committee, ensuring any potential investments will complement the group's portfolio

- Review all identified risks (including those identified during financial and technical analysis) and ensure appropriate risk management strategies are implemented at respective project phases
- Review the projects pipeline for capital projects
- Request technical interventions and reviews where appropriate
- Assess financing options
- Once satisfied that an investment is appropriate, approve projects within its approval mandate and recommend those beyond its mandate to exco and the board, in line with the latest board-approved delegation-of-authority policy and matrix
- Recommend any material scope changes (where the project was approved) for approval, in line with the latest board-approved delegation-of-authority policy and matrix.

Information management steering committee

Exxaro has developed a strategic response to sustainability risks in climate change and rapidly changing technology, and is driving innovation excellence to support its operations. An effective information and technology function is at the forefront of the company's strategic direction on innovation, digitalisation and automation. The information and technology management (IM) function contributes to a high-performing business by enabling superior production and protecting core assets such as information. IM policies guide user behaviour and raise security awareness, supported by continuous security monitoring.

The purpose of the committee is articulated in principle 12 of King IV. As a management subcommittee of the audit committee, it oversees IM governance, implementation and enforcement. It also supports the audit committee's mandate to ensure business resilience and mitigate incidents, including cyber attacks and adverse social media events.

Combined assurance forum

The purpose and activities of the combined assurance forum appear on page 54.

AUDIT COMMITTEE REPORT



Dear shareholders, I am pleased to present the audit committee report for the year ended 31 December 2018.

Purpose

The committee is constituted as a statutory committee of the company in terms of section 94 of the Companies Act 71 of 2008, as amended (the Act), and a committee of the board in terms of all other duties assigned to it by the board.

Its terms of reference were reviewed following publication of the King IV Report on Corporate Governance for South Africa, 2016 (King IV™) and a new set of terms of reference adopted at the end of 2017. In line with King IV, the committee plays an essential role in providing independent oversight on the effectiveness of assurance functions and services, as well as the integrity of the annual financial statements.

The committee reviewed its terms of reference again in 2018 in light of recent corporate failures, nationally and internationally, to ensure increased oversight on the reporting of its major subsidiaries.

The role of the committee is to fulfil the statutory duties as set out in section 94(7) of the Act and to assist the board in providing independent oversight of the following:

- Quality and integrity of the company's financial statements and related public announcements
- Integrity and content of the integrated reporting process
- Qualification and independence of the external auditor
- Scope and effectiveness of the external audit function
- Scope and effectiveness of the combined/integrated assurance process
- Effectiveness of the company's internal controls and internal audit function
- Integrity and efficacy of the risk management process, specifically internal controls and financial reporting risks, through assurance on system controls and policies in place.

In terms of the Act, the committee has an independent role with accountability to both the board and Exxaro's shareholders. It does not assume the functions of management, which remain the responsibility of executive

Meetings

Four quarterly meetings were held in 2018. Attendance of 100% throughout the year illustrates high levels of engagement by our committee members.

Designations and attendance since appointment (and for duration of membership) are shown below:

Name	Designation	Attendance since appointment
Mr V Nkonyeni	Independent non-executive director and chairman	100%
Mr EJ Myburgh	Independent non-executive director	100%
Mr MJ Moffett	Independent non-executive director	100%
Dr CJ Fauconnier **	Former independent non-executive director	100%
Mr J van Rooyen *	Former independent non-executive director and chairman	100%

** Dr CJ Fauconnier retired as a director of the company and chairman of this committee on 24 May 2018

* Mr J van Rooyen was appointed chairman of the board and retired as a member of this committee

directors, prescribed officers and other members of senior management, nor does it assume accountability for functions performed by other committees of the board.

Composition

The committee at all times consisted of three independent non-executive directors in the review period. The chairman of the board is not a member of the audit committee, but a permanent invitee to all meetings. The chief executive officer, finance director, chief audit executive, as well as the independent external auditor and internal auditor, are also permanent invitees to meetings. In addition, Mr LI Mophatlane was a permanent invitee and consultant to the committee from June 2018.

Annually, two sessions (aligned with approval of interim and annual financial results) are held with both the independent external auditors and internal auditors, respectively, where management is not present, to facilitate an exchange of views and concerns to further strengthen the independent oversight by the committee.



AUDIT COMMITTEE REPORT (CONTINUED)

Statements

External auditors

The group's independent external auditors are PricewaterhouseCoopers Incorporated (PwC). Fees paid to the auditors are disclosed in note 7.1.3 to the group and company annual financial statements for the year ended 31 December 2018. Exxaro has an approved policy to regulate the use of non-audit services by the independent external auditors. This differentiates between permitted and prohibited non-audit services and specifies a monetary threshold against which approvals are considered. In the review period, PwC was paid R32 million (2017: R36 million), which included R26 million (2017: R26 million) for statutory audit and related activities as well as R6 million (2017: R10 million) for non-audit services, mainly for tax advisory services, agreed upon procedures for a REM Channel Survey and an investment circular for the proposed disposal of the remaining Tronox Limited investment. The committee is satisfied with the level and extent of non-audit services rendered during the year by PwC and that these did not affect its independence.

The committee annually assesses the independence of PwC and repeated this assessment at its meeting on 8 March 2019. PwC was required to confirm that:

- It is not precluded from reappointment due to any impediment in section 90(2)(b) of the Act
- In compliance with section 91(5) of the Act, compared to membership of the firm on reappointment in 2018, more than one-half of the members remain in 2019
- It remains independent, as required by section 94(7)(a) of the Act and JSE Listings Requirements.

Based on this assessment, the committee again nominated PwC as independent external auditors for 2019. Shareholders will therefore be requested to re-elect PwC in this capacity for the 2019 financial year at the annual general meeting (AGM) on 23 May 2019.

The committee noted the rotation and change in PwC audit partner from Mr JFM Kotze to Mr TD Shango, following Mr Shango's suitability assessment as required by this committee in terms of paragraph 3.84(g) (iii) and section 22.15(h) of the JSE Listings Requirements.

Internal auditors

The company's internal audit function is outsourced to EY and its responsibilities are detailed in an internal audit charter approved by the committee and reviewed annually. Its main function remains to express an opinion on the effectiveness of risk management and the internal control environment in the group. The committee is satisfied with the overall performance of the internal audit function provided by EY.

Annual financial statements

The committee reviewed the company and group annual financial statements 2018 and accounting practices in detail and is satisfied that the information in these statements and application of accounting policies and practices are reasonable.

Statement on effectiveness of internal financial controls

During the year, the committee, with input and reports from the independent external auditor and internal auditor, reviewed Exxaro's system of internal financial controls, as

underpinned by the enterprise risk management framework. Informed by these reviews, the committee confirmed there were no material areas of concern that would render internal financial controls ineffective.

Finance director and finance function

The committee has reviewed an internal assessment of the expertise and experience of Mr PA Koppeschaar, the finance director, and is satisfied he has the appropriate skills to meet his responsibilities. The evaluation also considered the appropriateness of the expertise and adequacy of resources of the finance function.

Combined assurance

In terms of King IV, assurance has been broadened to cover all sources – including external assurance, internal audit, management oversight and regulatory inspections. In addition, the combined assurance model has been expanded to incorporate and optimise all assurance services and functions so that, taken as a whole, these enable an effective control environment and support the integrity of information used for internal decision making by management, the governing body and its committees, and of the organisation's external reports.

The combined assurance forum has been constituted to coordinate assurance activities in the group in compliance with the enhanced requirements of King IV, as a minimum. The forum will implement and embed the combined assurance framework principles as approved by the audit committee. Permanent invitees to the forum are representatives from the independent external auditor, internal auditor, other major assurance providers as well as members of the audit committee and sustainability, risk and compliance committee of the board.

The committee is satisfied with arrangements in place for ensuring an effective combined assurance model in the group.

2018 overview

Other key issues that received attention during the year:

- Reviewed and discussed the audited annual financial statements and related disclosures with the finance director, general manager: risk, compliance and assurance, internal audit and the independent external auditor, and recommended the annual financial statements to the board for approval
- The impact of external factors on financial KPIs (key performance indicators) in the strategic performance dashboard and adjustment of best realistic measures to reflect this reality
- Attendance of independent non-executive directors at the combined assurance forum
- The impact of adopting IFRS 9 and IFRS 15

Key performance indicators

2018 KPI	Score (out of 5)
Provide robust independent scrutiny of the company values of assets in the balance sheet, going-concern assumption and other judgement areas	4
Continue scrutinising risk assessment and ensure alignment on all assurance activities (combined assurance)	4
Maintain oversight of inventory, receivables and basis of determining valuation	4
Ensure the effectiveness of internal audit and IT is handled seamlessly and professionally, addressing challenges and needs comprehensively	3
Monitor developments in mandatory firm rotation in South Africa and implications for Exxaro, as well as tenure of current external auditors	4
Provide support to and challenge management in its endeavours to refinance Exxaro's debt periodically on acceptable terms	4

2019 KPI
Review audit committee KPIs (including new rand/tonne KPI) quarterly and understand management plans for out-of-appetite KPIs, periodically review management plans
Oversee splitting of audit and risk functions to enhance corporate governance in Exxaro
Review the macro assumptions to be used for budgets
Review IT strategy and ensure alignment with the Exxaro strategy
Approve levels of materiality to be used for internal and external audit (including audit protocols and classification of findings)
Ensure alignment of combined assurance plan, internal audit and external audit plan
Ensure there is a link between internal audit findings and the Exxaro risk profile
Track closing of level 1 internal audit findings and understand root causes attached to level 1 internal audit findings and repeat internal audit findings
Sign-off on the integrity of the integrated report

Conclusion

The committee, in carrying out its duties, has due regard to the principles and recommended practices of King IV. It is satisfied it has considered and discharged its responsibilities in accordance with its terms of reference.

On behalf of the committee



Mr V Nkonyeni
Chairman

Pretoria
24 April 2019

REMUNERATION AND NOMINATION COMMITTEE REPORT



Dear shareholders, I am pleased to present the remuneration and nomination committee report for the year ended 31 December 2018. The full remuneration policy and implementation report appears in our supplementary report online.

Purpose

This committee enables the board to effectively discharge its duties in relation to the group's remuneration and nomination aspects. It provides independent and objective oversight that will:

- Assist the board in ensuring that the group remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term, as all performance conditions inevitably have an impact on the company's financial results and should lead to sustainable long-term value creation.
- Make recommendations to the board to ensure that:
 - The board and its committees have the appropriate structure, size and composition to execute their duties effectively based on the factors listed in King IV
 - Directors are appointed through a formal and transparent process for nominating, electing and appointing executive and non-executive directors to fill vacancies as these arise
 - Induction and ongoing training and development of directors take place
 - Formal succession plans for the board, including executive directors, are in place
 - The performance of the board, its committees and individual members is regularly evaluated
- Exxaro's performance and progress against its social and labour plans are monitored.

The committee does not assume the functions of management, which remain the responsibility of executive directors, prescribed officers and other members of senior

management, nor does it assume accountability for functions performed by other committees of the board.

Composition

The board ensures that members of this committee have a suitably balanced blend of skills and experience to enable the committee to discharge its functions.

For the review period, the committee comprised a majority of independent non-executive directors. Attendees include the chief executive officer, finance director, executive head: human resources (HR) and other individuals with specific skills and expertise to assist members in their deliberations.

Meetings

Name and designation	Attendance
Mr EJ Myburgh Independent non-executive director and chairman	100%
Ms GJ Fraser-Moleketi Lead independent non-executive director	100%
Mr VZ Mntambo Non-executive director	100%
Mr J van Rooyen Independent non-executive director	100%
Dr CJ Faucouner* Former independent non-executive director and chairman	100%
Dr D Konar* Former independent non-executive director	50%

*Dr CJ Faucouner and Dr D Konar retired as directors of the company on 24 May 2018

2018 In overview

Chief executive officer (CEO) performance summary

Mxolisi Mgojo

Output	Weight	Target	Comment	Score out of 5
Operational excellence	25	Stretch targets	Demonstrated stretching controllable drivers	4.00
		R/tonne/product group measured versus stretch budget	Budget not achieved	3.00
		Cash flow against budget	15% improvement on budget	5.00
Sustainability	10	LTIFR improvement	Actual achievement worse than target	2.00
		JSE SRI rating	No material findings on assurance report	4.00
Improve portfolio	10	Improvement in HEPS against peers	Improvement 4% better than peers	5.00
		Value and fit of growth portfolio	Growth portfolio aligned with vision and strategy	4.00
Corporate citizenship	10	King IV (ethics and activities)	Ethics actively and frequently encouraged and acted on	4.00
Exxaro brand	5	Perception of the Exxaro brand among stakeholders	Perception well managed with frequent interactions	4.00
Compelling strategy	20	Develop and implement a long-term strategy that will support the Exxaro vision	Developed, approved and communicated vision and strategy Implementation tracked and reported	3.00
Leadership and people	20	Progress against employment equity plan	Acceptable plan, 5% improvement against plan	4.00
		Preferential procurement	5% better than 2014 mining charter targets	4.00
		Employer of choice	5% better than planned	4.00
Performance rating	100			3.66

REMUNERATION AND NOMINATION COMMITTEE REPORT (CONTINUED)

Finance director (FD) performance summary Riaan Koppeschaar

Output	Weight	Target	Comment	Score out of 5
Vision and strategy	30	Group finance aligned with Exxaro strategy	Actively leading formulation, finalisation, approval, communication and implementation	3.00
		Sufficient funding for growth, compliance with loan covenants	Net debt 150% covered by term facilities and interest cover >8	5.00
Sustainability	15	Effective combined assurance framework, risk-based and with sufficient cover	Methodology established, communicated and risks managed at committee level	4.00
		Audit findings resolved	Not all findings resolved	1.00
Reputation (Exxaro brand)	5	Positive contribution to the image of the company	Plays major role in improving image and perception survey	4.00
Leadership and people	25	Talent management fast-tracking and performance management of own employees	Talent benchmark defined. Performance tracked and measured	3.00
		Achievement of 2014 mining charter targets	+15% better than 2014 mining charter targets	5.00
		Capital process roll out in Exxaro and capital projects meet targets	Process defined and sufficient controls established	3.00
Culture initiative and implementation	5	Roll out of culture themes and associated implementation	80% of plan implemented	3.00
Improvement portfolio	5	Achieve own cost budget, including labour-cost reduction	Target achieved	3.00
Operational excellence	10	Effective financial, management reporting and budgeting process	Accurate, on time, with no uncontrollable delays	3.00
Corporate citizenship	5	R235 million savings from strategic sourcing, business unit supply chain management and capital buying	+5% above target	4.00
Performance rating	100			3.66

Other key issues that received attention during the year:

- Preparation of an amended skills and experience matrix to be used for future board and committee succession planning, which includes the new strategic focus of the company
- Retirement of three non-executive directors, as well as directors resigning post-unwinding the BEE transaction, followed by appointing new non-executive and independent directors to the board, including this committee, on recommendations from the nomination committee
- The annual remuneration review of non-executive directors, CEO, FD and group company secretary
- Management share scheme: long-term incentive and deferred bonus plan general offer and vesting
- Approving the revised line-of-sight incentive scheme for implementation. This has resulted in a significant decline in absenteeism and created positive competition
- Overseeing the status of attracting and retaining talent in the company
- Tracking and monitoring the HR and payroll-related internal and external audit findings.

Key performance indicators

The table below shows the average rating for each KPI. A rating of 1 to 4 was used where 1 is the lowest score:

2018 KPI	Score (out of 5)
Ensure Black Economic Empowerment consequences are appropriately managed for both executive directors and others	3.00
Review metrics for annual bonus to ensure they are aligned with Exxaro's strategy	3.67
Consider effectiveness of current remuneration advisers and whether we need to change	3.00
Review incentive plans to confirm they are having the desired impact	3.67
Review skills set on board, and address, taking account of representivity and independence	3.67
Ensure human resources policies, relationships with business and stakeholders is fair, consistent and sustainable	3.67

Remuneration committee summary

2019 KPI

- Review Remco KPIs quarterly and understand management plans for out-of-appetite KPIs; periodically review management plans
- Review the remuneration philosophy and policy, and ensure implementation of the Deloitte recommendations, including whether Exxaro's employees are remunerated adequately
- Review whether a gender-based disparity gap exists
- Review the Exxaro people strategy and ensure alignment with business strategy (including workforce of the future strategy)
- Review whether seven-day work week is achieving the desired objectives
- Review the employment equity plan in support of the overall Exxaro strategy
- Track implementation of the new Exxaro culture journey

Conclusion

The committee, in carrying out its duties, has due regard to the principles and recommended practices of King IV. It is satisfied it has considered and discharged its responsibilities in accordance with its terms of reference.

On behalf of the committee

Mr EJ Myburgh

Chairman

Pretoria

24 April 2019

SUMMARY REMUNERATION REPORT

The detailed 2018 remuneration report appears in the supplementary report and provides an overview of the remuneration policy for all employees, executive directors and senior management, as well as non-executive directors and prescribed officers.

No changes were made to the remuneration policy in the review period. The remuneration philosophy and policy are available on our website, www.exxaro.com.

2017 shareholder vote

The non-binding vote on the 2017 remuneration report was:

- Approval of remuneration policy: 82.9%
- Approval of the implementation of remuneration policy: 83.3%.

Key remuneration decisions in 2018

Notable matters and key areas of focus for the committee for the review period included:

- In the absence of the revised mining charter, a new equity share option plan (ESOP) for employees was not implemented
- The committee instead implemented an interim cash scheme, equivalent to a dividend payment. The base calculation used to determine the dividend payment is equal to 500 units (1 unit representing 1 share) or less (depending on the employees' length of service)
- The conclusion of two-year wage agreements in July 2018 for Exxaro FerroAlloys Proprietary Limited
- Share scheme offers to management for 2018
- Approving the mandate for the 2018 reward allocation

- Approving production-based incentives for tied and commercial mines
- Appointing new directors to the board, necessitated by the replacement BEE transaction and filling vacancies due to directors resigning from the board or at the end of their term of office.
- Approving adjustments to the long-term incentive plan (LTIP) and deferred bonus plan (DBP) awards and grants following the BEE transaction and Tronox Limited disposal, and subsequent special dividend, detailed below.

Remuneration advice

Exxaro continues to obtain independent and professional advice on remuneration matters. In the review period, we obtained advice from consultants who, in the view of the committee, can be regarded as fully independent:

- Deloitte advised the committee on how the Tronox and BEE transactions impacted long-term incentive schemes
- Deloitte advised on the structure and content of this remuneration report
- Remuneration benchmark data was procured from various consultants:
 - PwC and Mercer for non-executive, executive and general staff remuneration benchmarks

- PwC, Mercer, Khokhela, 21st Century and EY for non-executive and executive director benchmarks
- PwC for remuneration trends in the mining industry
- Korn Ferry Hay benchmarks on specific positions.

2019 focus areas

- A replacement ESOP scheme will be developed in 2019, following promulgation of the revised mining charter and implementation guidelines
- Review metrics for annual incentives to ensure they drive value and are aligned with Exxaro's strategy
- Review incentive plans to confirm they are having the desired impact
- Review fee structure for non-executive directors
- Compliance with revised mining charter and measures to achieve targets
- Ensure human resource policies and relationships with stakeholders are fair, consistent and sustainable.

In the view of the committee, Exxaro's remuneration strategy delivered a sound value proposition to employees in the past year. The table summarises the outcome of our remuneration policies as applied to prescribed officers for FY18.

Executive	2018 rating results			2017 and 2018 remuneration overview					
	Special performance reward*	Short-term incentive	Long-term incentive plan	Year	Notional cost of employment (NCOE)	Short-term incentives	Long-term incentives	Total remuneration	Other payments
MDM Mgojo Chief executive officer	4	Tier 1: All employees received an 8.33% payout (maximum payout: 8.33%) Tier 2: All employees received a 2.58% payout (maximum payout: 10%)	The conditional awards offered between April 2015 and March 2016 vested in FY18. As the HEPS target was achieved, all employees received 100% of conditional awards offered	2018	6 933 519	3 321 854	15 701 939	25 957 312	200 240
PA Koppeschaar Finance director	4			2017	6 503 463	3 598 366	2 585 196	12 687 025	2 530
V Balgobind Executive head: human resources	4	Tier 1: All employees received an 8.33% payout (maximum payout: 8.33%) Tier 2: All employees received a 2.58% payout (maximum payout: 10%)	The conditional awards offered between April 2015 and March 2016 vested in FY18. As the HEPS target was achieved, all employees received 100% of conditional awards offered	2018	5 163 873	2 215 820	4 057 988	11 437 681	10 760
AW Diedericks Executive head: strategy and business development	4			2017	4 520 625	2 275 231	1 301 286	8 097 142	2 530
JG Meyer Executive head: projects and technology	4	Tier 1: All employees received an 8.33% payout (maximum payout: 8.33%) Tier 2: All employees received a 2.58% payout (maximum payout: 10%)	The conditional awards offered between April 2015 and March 2016 vested in FY18. As the HEPS target was achieved, all employees received 100% of conditional awards offered	2018	3 135 624	1 126 004	1 669 362	5 930 990	6 956
MI Mthenjane Executive head: stakeholder affairs	4			2017	2 908 065	1 260 065	143 678	4 311 808	32 730
Dr N Tsengwa Executive head: coal operations	4	Tier 1: All employees received an 8.33% payout (maximum payout: 8.33%) Tier 2: All employees received a 2.58% payout (maximum payout: 10%)	The conditional awards offered between April 2015 and March 2016 vested in FY18. As the HEPS target was achieved, all employees received 100% of conditional awards offered	2018	3 818 186	1 371 114	4 700 652	9 889 952	5 260
SE van Loggerenberg Company secretary	4			2017	3 688 623	1 598 280	1 058 546	6 345 449	60 323
M Veti Executive head: sustainability	4	Tier 1: All employees received an 8.33% payout (maximum payout: 8.33%) Tier 2: All employees received a 2.58% payout (maximum payout: 10%)	The conditional awards offered between April 2015 and March 2016 vested in FY18. As the HEPS target was achieved, all employees received 100% of conditional awards offered	2018	3 895 210	1 398 774	4 670 528	9 964 512	5 260
Mr EJ Myburgh Chairman	4			2017	3 688 623	1 598 280	1 063 570	6 350 473	60 330
Mr EJ Myburgh Chairman	4	Tier 1: All employees received an 8.33% payout (maximum payout: 8.33%) Tier 2: All employees received a 2.58% payout (maximum payout: 10%)	The conditional awards offered between April 2015 and March 2016 vested in FY18. As the HEPS target was achieved, all employees received 100% of conditional awards offered	2018	3 747 913	1 345 878	3 874 158	8 967 949	6 260
Mr EJ Myburgh Chairman	4			2017	3 612 482	1 565 289	889 223	6 066 994	2 530
Mr EJ Myburgh Chairman	4	Tier 1: All employees received an 8.33% payout (maximum payout: 8.33%) Tier 2: All employees received a 2.58% payout (maximum payout: 10%)	The conditional awards offered between April 2015 and March 2016 vested in FY18. As the HEPS target was achieved, all employees received 100% of conditional awards offered	2018	4 070 181	1 746 518	3 770 366	9 587 065	69 942
Mr EJ Myburgh Chairman	4			2017	3 842 326	1 933 844	741 789	6 517 959	2 530
Mr EJ Myburgh Chairman	4	Tier 1: All employees received an 8.33% payout (maximum payout: 8.33%) Tier 2: All employees received a 2.58% payout (maximum payout: 10%)	The conditional awards offered between April 2015 and March 2016 vested in FY18. As the HEPS target was achieved, all employees received 100% of conditional awards offered	2018	2 092 998	646 948	698 287	3 438 233	21 310
Mr EJ Myburgh Chairman	4			2017	1 791 590	615 239	149 382	2 556 211	7 030
Mr EJ Myburgh Chairman	4	Tier 1: All employees received an 8.33% payout (maximum payout: 8.33%) Tier 2: All employees received a 2.58% payout (maximum payout: 10%)	The conditional awards offered between April 2015 and March 2016 vested in FY18. As the HEPS target was achieved, all employees received 100% of conditional awards offered	2018	3 696 666	1 327 476	4 364 615	9 388 757	6 260
Mr EJ Myburgh Chairman	4			2017	3 571 190	1 547 397	910 083	6 028 670	2 530

* Out of five.

In 2018, Dr Con Fauconnier stepped down as non-executive director and chairman of this committee. We are deeply grateful for his guidance and wisdom over the years.

I thank my fellow committee members for their support and wise counsel in the review period. I also thank the executive head of human resources and her staff for their hard work and dedication in ensuring Exxaro remains competitive in the market and an employer of choice for all its employees.



Mr EJ Myburgh
Chairman

24 April 2019

SOCIAL AND ETHICS COMMITTEE REPORT



Dear shareholders, I am pleased to present the social and ethics committee report for the year ended 31 December 2018.

Purpose

The committee is constituted as a statutory committee of the company for those statutory duties assigned to it in terms of section 72(4) of the Companies Act of 2008 (read in conjunction with regulation 43 of the Companies Regulations, 2011) (the Act), and as a committee of the board for all other duties assigned by the board.

In addition, as emphasised in the King IV Report on Corporate Governance for South Africa, 2016 (King IV™), this committee's role is to have oversight of and report on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. This will help to ensure sustainability while serving the interests of stakeholders on whom the business depends.

The role of the committee is to:

- Fulfil statutory duties set out in regulation 43 to the Act
- Oversee and report on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships
- Assist the board in facilitating and supporting the development of transformation objectives, ensuring the corporate culture is supportive of the approach and monitoring and reporting actual performance against transformation objectives.

The committee has an independent role, with accountability to the board. It does not assume the functions of management, which remain the responsibility of executive directors, prescribed officers and other members of senior management, nor does it assume accountability for functions performed by other committees of the board.

Composition

The committee comprised a majority of independent directors throughout the period as per the recommendations of King IV to ensure that independent judgement is brought to bear. Standing invitees include the chairman of the board, chief executive officer, finance director, executive head: stakeholder affairs and general manager: risk, compliance and assurance. Other individuals with specific skills and expertise are invited to assist members in their deliberations.

Meetings

Four meetings were held in 2018, and one special meeting.

Name	Designation	Attendance since appointment
Ms GJ Fraser-Moleketi	Permanent invitee and consultant	100%
Ms L Mbatha	Non-executive director	100%
Mr LI Mophatlane	Permanent invitee and consultant	100%
Mr EJ Myburgh	Former member and independent non-executive director	100% to date of resignation as member
Mr PCCH Snyders	Independent non-executive director	100%
Ms A Sing	Independent non-executive director and chairman	75%
Ms S Dakile-Hlongwane*	Former independent non-executive director	100% to date of retirement
Dr CJ Fauconnier**	Former independent non-executive director	100% to date of retirement
Dr MF Randera*	Former non-executive director and chairman	100% to date of retirement

*Ms S Dakile-Hlongwane and Dr MF Randera resigned as directors of the company on 6 March 2018

**Dr CJ Fauconnier retired as a director of the company on 24 May 2018

Ethics programme

As responsibility for governance of ethics is one of the principles of King IV, the committee plays a key role in setting the direction for how ethics should be approached and addressed by Exxaro.

In giving direction on organisational ethics, the committee considered and approved for adoption by the board:

- A new code of ethics policy for the company
- Anti-bribery and corruption policy
- Anti-corruption and fraud-prevention training content.

It also has oversight of implementation initiatives for Exxaro's anti-bribery and anti-corruption (ABAC) programme to ensure management remains on track with the strategic objectives of the programme and is actively addressing any shortcomings. Initiatives in 2018 included:

- An updated anti-fraud and anti-corruption philosophy statement confirming the group's zero-tolerance approach was distributed through all relevant channels
- Updated ABAC and whistleblowing awareness through poster and media campaigns
- ABAC awareness training for over 5 000 employees and contractors across the group through compulsory attendance of video animation addressing relevant ethics-related policies, tender fraud, conflict of interest, and whistleblowing
- Data analytics between the employee and vendor database where data matches were checked against conflict-of-interest declarations
- Identification of vendors for a detailed due-diligence based on internally developed risk criteria
- An independent ABAC risk assessment to identify areas requiring additional focus in 2018 and 2019 to strengthen the overall programme
- Independent assessment of the programme's robustness in terms of ISO 37001.

The committee ensures that the board is sufficiently equipped to achieve its goal of having a sustainable ethical culture. Although this responsibility has been delegated, the board remains accountable for the way in which this is discharged.

SOCIAL AND ETHICS COMMITTEE REPORT (CONTINUED)

Management supports the committee through its ethics committee that considers and addresses matters of ethics (including all hotline reports and forensic investigations) in detail, and reports to this committee.

Comparable statistics for January to December over a five-year period:

	2014	2015	2016	2017	2018
Investigations	260	348	533	330	482
Disciplinary inquiries	131	168	149	96	185
Criminal cases registered	122	113	107	35	42
Arrests	105	153	52	45	49
Copper theft					
Cases	48	63	45	23	54
Value	2 886 989	6 788 634	3 733 342	563 255	3 245 438
Recovered	835 179	917 623	1 143 940	254 082	911 148
Total value (including copper) (R)	9 272 726	15 875 156	27 809 756	4 208 451	7 197 338
Total recovered (including copper) (R)	6 191 047	8 991 011	21 937 978	1 442 337	1 868 459

Other key issues that received attention during the year:

- Considering the outcome of an audit of social and labour plans in the group, specifically on local economic development programmes that meaningfully contribute to mine community development
- Highlighting the importance of enterprise supplier development (ESD) in achieving the approved BBBEE strategy, and monitoring progress in implementing ESD strategy
- Monitor and report on the company's performance against BEE targets

- Monitor and report on progress in implementing the anti-fraud and anti-bribery and corruption programme, including adoption of a new code of ethics policy, anti-bribery and corruption policy as well as anti-corruption and fraud-prevention training content
- Issuing holding statements against a number of companies following adverse media releases in 2017 and 2018, as well as considering their lifting
- Approval and amendment to Exxaro's political donations policy

- Review and measure management actions against KPIs on the strategic performance dashboard to ensure the company is on track to achieve its strategic objectives
- Monitor the four categories of disciplinary offences in the company, namely:
 - Absence without permission
 - Negligent work performance
 - Alcohol or drug-related offences
 - Non-compliance with company rules.

Key performance indicators 2018

2018 KPI	Score (out of 5)
Ensure there is clear ownership and accountability of the transformation policy	3.50
Ensure that Exxaro submits all charter scorecard returns to the Department of Mineral Resources (DMR) and engages positively and proactively to protect mining rights	3.50
Drive tangible delivery from the transformation programme, especially housing	3.00
Ensure we make early and demonstrable progress with new social and labour plan (SLP) commitments	3.00
Ensure management is addressing our social and ethics obligations in line with King IV	3.50
Liaise and improve working relationship with leadership of communities around our mines and proactively assist in ensuring the viability of initiatives they are engaged in for Exxaro	3.50

Key performance indicators 2019

2019 KPI
Review SEC KPIs quarterly and understand management plans for out-of-appetite KPIs; periodically review management plans (including 2018 mining charter and BBBEE targets)
Review transformation strategy in support of overall Exxaro strategy
Review ESD strategy, including targets
Review stakeholder engagement strategy and plan
Review ethical culture of the organisations
Review ABAC programme implementation, including roll out of conflict-of-interest programme

In 2019, the company will implement the following:

- Compulsory online ABAC training to some 650 employees at top, senior and middle-management level
- Continuous electronic monitoring of potential conflicts between the employee and vendor database
- Completion of an ethics survey to determine any additional focus areas to improve the ABAC programme.

Conclusion

The committee, in carrying out its duties, has due regard to the principles and recommended practices of King IV. It is satisfied it has considered and discharged its responsibilities in line with its terms of reference.

On behalf of the committee



Ms A Sing
Chairman

Pretoria
24 April 2019

SUSTAINABILITY, RISK AND COMPLIANCE COMMITTEE REPORT



Dear shareholders, I am pleased to present the sustainability, risk and compliance (SRC) committee report for the year ended 31 December 2018.

Purpose

The committee is constituted as a committee of the board of the company in terms of the Companies Act of 2008 and Exxaro's memorandum of incorporation. Its terms of reference were reviewed after publication of the King IV Report on Corporate Governance for South Africa, 2016 (King IV™) and new terms of reference adopted at the end of 2017.

The role of the committee is to oversee Exxaro's consideration of and performance on all material non-financial issues, including social, risk, compliance, safety, health and environmental issues, and to ensure these are integrated into strategy and economic performance.

The committee is responsible for:

- **Risk management:** reviewing the enterprise risk management process, including key risks facing the company and group, and responses in place to address these. Technical debate on managing financial risk takes place at the audit committee; however, financial risks form part of the overall enterprise risk register, over which this committee has oversight.
- **Compliance:** reviewing legal and regulatory processes, and monitoring compliance to all laws, regulations and codes of good practice as set out in the regulatory universe. While this committee provides oversight on group compliance processes, technical discussions on social and labour plans, as well as labour laws and regulations, take place at the

remuneration and nomination committee, with technical discussions on financial compliance aspects taking place at the audit committee.

- **Sustainability:** oversight of technical and operational matters regarding the sustainability performance and reporting of the company.

The committee does not assume the functions of management, which remain the responsibility of executive directors, officers and other members of senior management nor does it assume accountability for functions performed by other committees of the board. The committee, in carrying out its duties, has due regard to the principles and recommended practices of King IV.

Composition

The committee consisted of a majority of independent directors throughout the period. The chairman of the board is invited to attend meetings. Other standing attendees include the chief executive officer, finance director, members of the executive committee, general manager: risk, compliance and assurance as well as the internal auditors. Other invitees include individuals with the necessary technical experience to assist members in technical deliberations as required.

Management supports the committee through several regular management committees: risk meetings at business units; sustainability forums; safety and health forums; and the combined assurance forum.

Meetings

Four quarterly meetings were held in 2018, with designations and attendance shown below:

Name	Designation	Attendance since appointment
Mr PCCH Snyders	Independent non-executive director and chairman	100%
Ms MW Hlahla	Independent non-executive director	75%
Mr MJ Moffett	Independent non-executive director	50%
Ms A Sing	Independent non-executive director	100%
Mrs S Dakile-Hlongwane*	Former non-executive director	100%
Dr CJ Fauconnier**	Former independent non-executive director and chairman	100%
Mr D Zihlangu*	Former non-executive director	100%

*Ms S Dakile-Hlongwane and Mr D Zihlangu resigned as directors of the company on 6 March 2018

**Dr CJ Fauconnier retired as a director of the company and chairman of this committee on 25 May 2018

Supporting value creation through strategic focus areas

Safety

The safety, health and wellbeing of our employees and communities where Exxaro operates is a priority. The company's aim is to achieve zero injuries and zero fatalities by setting targets to improve safety performance each year. All our operational business units have international health and safety accreditation (OHSAS 18001).

Sustainability

Exxaro's sustainability is founded on creative, mutually constructive relationships and common values with our stakeholders. We have included economic viability, natural environment and corporate social responsibility as integral and integrated parts of our strategy.

Compliance

For Exxaro, our licence to operate is key to a sustainable business and our operations are subject to continued assessment in an ever-changing regulatory environment. Exxaro is a responsible corporate citizen and plays an active role in protecting and preserving the environment affected by our mining operations. By reducing our carbon emission footprint, Exxaro was ranked #1 in environmental, social and governance performance on selected metrics by a leading mining analyst for resource companies under coverage in 2018.

Risk management

Enterprise risk management in the Exxaro group has reached a level of maturity that enables the committee to focus on material issues that could substantively influence the group's ability to create value over the short, medium and long term. Exxaro has established a combined assurance forum to coordinate all assurance activities in the group, in compliance with the enhanced requirements of King IV, as a minimum.

Other key issues that received attention during the year

As part of this committee's responsibility for risk management, compliance and sustainability, the following received attention:

- Outcome of various high-potential incident investigations and resultant learnings to ensure the prevention of future incidents



SUSTAINABILITY, RISK AND COMPLIANCE COMMITTEE REPORT (CONTINUED)

- Out-of-appetite KPIs in the strategic performance dashboard and measures to bring these within the required thresholds
- Assessment from internal audit on the effectiveness of the group's system of internal controls and risk management processes
- Quarterly report extracted from the issue tracking and monitoring system, which records all assurance findings in the group irrespective of origin, level of assurance, or service provider. These findings are also discussed in detail at management's quarterly combined assurance forum
- Risk-trend reporting by all mining operations in the group, which indicate the top 15 risks and related trends
- Approval and lifting of holding statements for various companies that were the subject of adverse media attention
- Adopting a new policy to facilitate achieving the group's enterprise and supplier development (ESD) strategy and amended codes of good practice (the codes) under section 9(1) of the Broad-Based Economic Amendment Act 46 of 2013. This policy also sets out ESD business processes and procedures to be followed by management
- Insurance renewal programme for the group, effective 1 July 2018 to 30 June 2019, and noting risks that are not insured or are not insurable
- Relevant GRI standards for material elements of the annual reports and commitment to continue using the integrated reporting framework
- Review of external assurance reports provided on:
 - Human capital: safety and occupational health
 - Natural capital: greenhouse gases, environmental compliance and water

- Social capital: employment equity, preferential procurement from BEE entities and community projects
- Manufactured capital: programmes for innovation

- Tracking progress to implement compliance self-assessment survey questions in electronic format for the 38 licence-to-operate sets of legislation and regulation to test compliance.

Key performance indicators

Key performance indicators 2018

2018 KPI	Score (out of 5)
Ensure safety remains a key priority for the company. Encourage management to maintain proactive momentum on improving safety performance and eliminate fatalities. Encourage management to maintain the focus on behaviour-based initiatives, including job observations and other leading indicators	4.00
Continue constructive engagement with the DMR so that real safety improvements are achieved	3.00
Ensure that improving our potential health and overall wellbeing remain a focus of the committee. Particular focus will be paid to continue the improvement in health performance	3.00
Require solutions to material environmental exposures, water crises, sulphur issues, and mine-closure plans	3.00
Continue to challenge management following significant SHE incidents, particularly fatalities and environmental breaches, and ensure management implements processes and policies to reflect specific and broad lessons from those incidents	4.00
Review SHE-related risks in the company's principal risks and scrutinise mitigation plans	4.00
Ensure comprehensive compliance with our legislative requirements and ongoing best practice with codes, standards, regulations wherever we do business	3.00

Key performance indicators 2019

2019 KPI

- Review SRC KPIs quarterly and understand management plans for out-of-appetite KPIs and periodically review management plans
- Review Exxaro's risk appetite
- Ensure a link between strategy, risk management and performance
- Periodically review top risks for the group, key operations and mega operations
- Review the compliance universe for Exxaro
- Review material sustainability KPIs for Exxaro and understand international developments in sustainability reporting
- Review Exxaro's climate-change strategy

Conclusion

The committee, in carrying out its duties, has due regard to the principles and recommended practices of King IV. It is satisfied it has considered and discharged its responsibilities in accordance with its terms of reference.

On behalf of the committee



Mr PCCH Snyders

Chairman

Pretoria

24 April 2019

INVESTMENT COMMITTEE REPORT



Dear shareholders, I am pleased to present the investment committee report for the year ended 31 December 2018.

Purpose

This committee was created in the second half of 2018 due to a specific need identified by the board. It has an independent role and makes recommendations to the board by monitoring and reporting on material acquisitions, mergers/investments, or disposal opportunities and ongoing material transactions and related matters in the scope of Exxaro's business of tomorrow. Investments that relate to coal operations and materials of the future are not reviewed by this committee.

Its role is to review the strategic fit, risk appetite as well as financial, technical and legal due diligences for major investments in the scope of Exxaro's business of tomorrow. It also ensures that all Exxaro's governance processes are adhered to at all times and that approved hurdle rates, set from time to time, are met before any funds are committed. In line with the company's delegation-of-authority policy and framework (as approved by the board from time to time), an investment opportunity must first be presented to the committee, where a detailed review is conducted in line with investment criteria approved by the board. Metrics for decisions by the board and the committee are presented and approved by the board to guide the committee in making an informed decision. Once the committee is satisfied that all investment criteria have been met, it recommends the opportunity for final approval to the board.

It acts as the delegated committee of the board on capital investments in the scope of Exxaro's business of tomorrow. It does not assume the functions of management, which remain the responsibility of executive directors, prescribed officers and other members of senior management, nor does it assume accountability for functions performed by other committees of the board. In carrying out its duties, it has due regard to King IV principles and recommended practices.

This committee also oversees the business-of-tomorrow steering committee (a management committee), which is required to report on its portfolio to this committee quarterly.

Composition

Members of the committee are appointed by the board, on recommendation of the remuneration and nomination committee. The board ensures there is a balanced blend of skills and experience to enable the committee to discharge its functions and will consider the need for ad hoc invitees with the necessary technical experience to assist members in their technical deliberations. Therefore, the committee may, in executing its responsibilities, co-opt third-party advisers to assist members in their deliberations and decisions.

The committee at all times consisted of five independent non-executive directors for the review period. In addition, the chief executive officer, finance director, general manager: business of tomorrow are permanent invitees to meetings.

Meetings

Since formation in the second half of 2018, two meetings were held, one being a special meeting. Attendance of 100% illustrates high levels of engagement by our committee members.

Name	Designation	Attendance since appointment
Mr MJ Moffett	Independent non-executive director	100%
Mr LI Mophatlane	Independent non-executive director and chairman	100%
Mr EJ Myburgh	Independent non-executive director	100%
Mr V Nkonyeni	Independent non-executive director	100%
Mr PCCH Snyders	Independent non-executive director	100%

2018 in overview

Key issues that received attention during the year:

- Extensive deliberation on the purpose and scope of the committee
- Determination of an effective, efficient and structured governance process, where:
 - Initial value propositions (IVPs) are considered by the business-of-tomorrow steering committee to assess first-stage opportunity prioritisation and approve IVPs to progress as viable opportunities to value proposition
 - Second-stage evaluation of value propositions and business case provides further levels of market and opportunity analysis to support initial investment decision
- After finalising business case and due diligences, the proposal is referred for deliberation and recommendation for funding to this committee. Specific funding governance has been adopted and all choices are guided by approved investment metrics
- Continued monitoring of investment terms, implementation and tracking of investments
- Consideration of various value propositions, including each overarching strategy and strategic entry point, as well as propositions for industrial energy-efficiency analytics technologies, aquaculture and agriculture digital exchange.

Key performance indicators

Key performance indicators 2019

2019 KPI

- Track Exxaro's business-of-tomorrow investment portfolio and achievement of milestones
- Approve a risk appetite for these investments in line with the group risk appetite
- Recommend investment decisions to the board, in line with Exxaro strategy
- Review the risk profile of the business-of-tomorrow function, risk profile of proposed investments and risk profile of operations such as Aquicure

Conclusion

The committee, in carrying out its duties, has due regard to the principles and recommended practices of King IV. It is satisfied it has considered and discharged its responsibilities line with its terms of reference.

On behalf of the committee



Mr LI Mophatlane

Chairman

Pretoria

24 April 2019

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Company registration number:

2000/011076/06
JSE share code: EXX
ISIN code: ZAE000084992

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Commercial bankers

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Corporate law advisers

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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.

Where relevant, comments exclude transactions which make the results not comparable. These exclusions are the responsibility of the group's board of directors and have been presented to illustrate the impact of these transactions on the core operations' performance and hence may not fairly present the group's financial position, changes in equity, results of operations or cash flows. These exclusions have not been reviewed nor reported on by the group's external auditors.



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