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OUTLOOK

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The five-year downturn in coal markets (since 2011) has been challenging, but not without benefits. It has forced companies to make do with less, to drive costs down while improving productivity and efficiencies.

This has been a painful process at times, particularly when it affected our people, but Exxaro is now better positioned to capitalise on opportunities in our core sector and related fields. Importantly, the lessons learned in our pursuit of operational excellence are now being applied to organisational excellence - creating a resilient company able to turn 21st century challenges into new economies through innovation to create a better life for all stakeholders.

We expect more supportive conditions in 2017 for most of our chosen coal market segments, domestically and internationally. We are confident that the strength of our diversified product portfolio will create new opportunities in this environment. Equally, we expect improved operational results from our coal business in the year ahead, based on:

- › Stable trading conditions in domestic markets
- › Higher international coal prices compared to 2016
- › Our operational excellence process delivering further results
- › Technology and innovation improvements.

Exxaro has a long-standing relationship with Eskom and we continue to work on strengthening this, importantly by honouring our supply and quality commitments in contracts that extend 30 to 40 years into the future. For those of our mines where production is tied to Eskom supply, ensuring the necessary capital expenditure has been approved by Eskom and the regulatory approval process is under way. We appreciate the utility's desire to accelerate transformation in the sector and will continue to engage with its representatives. From a business

perspective, we are making good progress in balancing our exposure to Eskom, with most of our projects geared to export markets.

We are realising incremental benefits from another long-standing relationship with a state-owned entity. Exxaro and Transnet Freight Rail are making significant progress in unlocking the Waterberg - with our partnership translating into projects on coal supply and rail capacity deployment.

In the energy field, we have made solid progress in our renewable energy joint venture with Tata. Cennergi now has two operating wind farms feeding into the national grid while benefiting community stakeholders. We have also partnered with other leaders in the field of energy efficiency to run pilot projects at our operations, focused on developing new energy solutions.

At present, we expect the performance of our investment portfolio (SIOC and Tronox) to be supported by a favourable commodity price outlook for 2017.

At all times in the current market, we are concentrating on managing those elements within our control to ensure our group is more immune to factors outside our control. Chief among these is currency volatility. The rand exchange rate against the US dollar is expected to remain volatile for most of 2017 due to the combination of significant event risks and volatility in the US dollar.

Overall, we are more optimistic about the outlook for our group over the short, medium and longer term than in recent years. We have proven our resilience over a challenging period and look forward to capitalising on the opportunities ahead.

