

1 INTRODUCTION

The mineral resources and ore reserves underpinning Exxaro's current operations and growth projects are summarised in the tables on pages 12 to 23. Mineral resources and ore reserves are reported as those remaining on 31 December 2016 and compared with the corresponding estimates as reported on 31 December 2015. Significant changes in the resource or reserve figures are explained by footnotes to each table. Annual coal production, including a two-year forecast and comparison with the previous financial year, is included in appendix A, table 15.

The content of this report, including the integrated Exxaro mineral resource and reserve statement, is compiled from detailed independent reports and statements, aligned with the JSE Listings Requirements (section 12), received from responsible competent persons at the various operations and projects. The individual reports are available on request from the group company secretary. In addition, each operation or project maintains an individual competent person's report 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 table of the SAMREC Code and are scrutinised and updated when required.

Mineral resources are reported including resources that have been converted to ore reserves and at 100% Exxaro ownership, irrespective of the individual operation or project's attributable shareholding (detailed where appropriate in this report). An exception is our reporting for Gamsberg and Black Mountain, as figures from Vedanta Resources plc represent resources excluding those mineral resources converted to reserves. The 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 (ore reserves) and eventually in future (mineral resources).

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, Exxaro uses a systematic review process that measures the level of maturity of the exploration work done, the extent of the geological potential, the mineability, security of tenure and associated geological risks/opportunities to establish an eventual extraction outline (EEO). The outline reflects the boundary within which occurrences are considered to have reasonable and realistic prospects for eventual economic extraction (RRPEEE). Exxaro continuously examines various aspects of the mineral resource estimation process; in 2016, we have conferred specifically on concepts put forward by the SAMREC (2016) and SANS (2015) revisions and will apply these concepts during the 2017 estimation period and end-2017 mineral resource reporting.

The location, quantity, quality and continuity of grade/quality and geology within the EEO are known to varying degrees of confidence and continuously tested through exploration activities such as geophysical surveys, drilling and bulk sampling. Mineral 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. A formal, annually compiled and signed-off exploration strategy outlines activities 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.

Ore reserves have the same meaning as mineral reserves, as defined in the applicable reporting codes. Ore reserves are estimated using relevant modifying factors at the time of reporting (mining, metallurgical, economic, marketing, legal, environmental, social and regulatory 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 life-of-mine plan and independent competent persons' reports. Reported ore reserves are derived from indicated and measured mineral resources only, ie those modified or converted into proved or probable ore reserves, such as run-of-mine, which in turn have been scheduled for processing.

Exxaro is keenly aware of the importance of its mineral assets, both for the short-term profitability of its operations and its sustainability in future. The optimisation of mineral assets beyond what is generally referred to as mineral resource management is being driven as a priority. Changes in the resources market, increased awareness of protecting the natural environment and changing legislation and statutory requirements demand a change in the utilisation strategy and execution of mining operations. Exxaro therefore continuously assesses the various life-of-mine strategic plans to consider the best way of addressing these challenges.

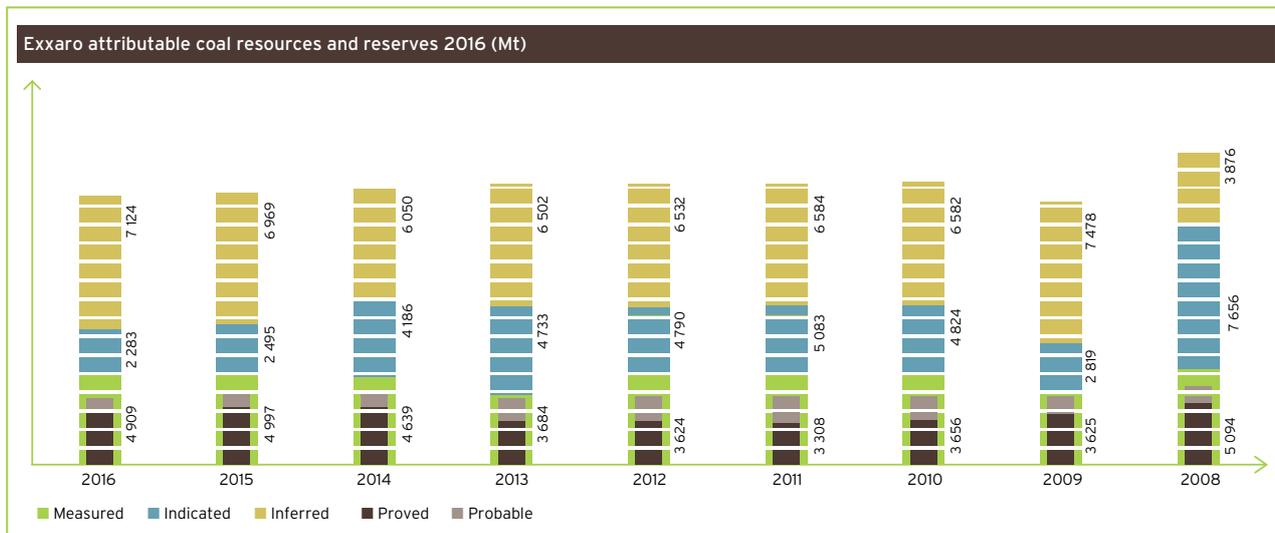
Mineral resources and ore reserves quoted fall within existing Exxaro mine or prospecting rights. Rights are of sufficient duration (or convey a legal right to convert or renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules. The only exceptions 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 ore reserves exist for life-of-mine plans extending well beyond the period for which they were granted. The processes and calculations associated with reserve estimation have been reviewed by internal competent persons and are audited by external consultants when deemed essential for transparency.

In the case of mines or projects in which Exxaro does not hold the controlling interest, figures have been compiled by competent persons from those companies and have not been audited by Exxaro.

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 (figure 4). The fully owned coal 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.

1 INTRODUCTION (CONTINUED)

Figure 1: Exxaro attributable coal resources and reserves



The Exxaro total attributable coal resource has decreased (~2,8%) mainly as a result of mining depletion and, to a lesser extent, updated geological models. Changes in total resources and movements in individual categories are more prominent at operations than projects, reflecting the current Exxaro strategy to focus primarily on optimising core operations. A significant amount of brownfields exploration has been conducted in recent years. Exploration drilling focused on the medium term, targeting areas of current or emerging geological complexity (eg Matla and Grootegeluk coal mines) as well as long term to extend our life-of-mine plans (eg Dorstfontein, Forzando and Matla).

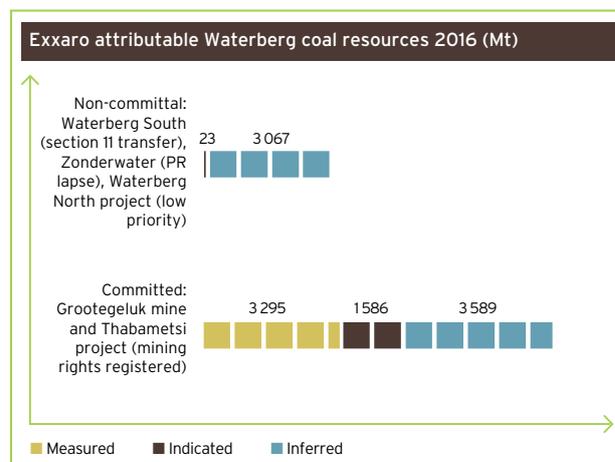
The Grootegeluk geological model was updated in the reporting year with a significant amount of new information. The development of this large open-pit operation poses a number of challenges, including an increase in total sulphur content, thinning of the upper benches used for the production of semi-soft coking coal (SSCC) as well as the increase in the magnitude of fault displacement. In response to these challenges, we have created a short-term grade-control model and introduced a new geometallurgy simulation approach. In addition, movements within resource classification categories signify the conservative, although assertive, approach taken to thoroughly address short, medium and long-term challenges through well-focused exploration drilling. The Grootegeluk life-of-mine plan is currently under review and a number of projects to enhance existing performance are in an advanced stage, with the construction of the GG6 (upgrading the GG2 plant) beneficiation plant being the most exciting. The expansion will add a second stage of beneficiation to the existing GG2 plant and upgrade the two tip-bins to a higher capacity. The project aims to triple the capacity of the current GG6 plant, producing an SSCC suitable for the export market as well as power station coal.

Four projects are located near Grootegeluk mine (figure 3). The Thabametsi project, to the west of Grootegeluk mine, will supply coal to the Thabametsi power plant that was selected as

a successful bidder under the Department of Energy's coal baseload IPP procurement programme. The first phase of mine development is an open-pit operation that would utilise coal from the Volksrust formation, and will provide power station coal (some 3Mt per year) to the adjacent Thabametsi power plant. This project signifies an exciting new phase for Exxaro in the Waterberg.

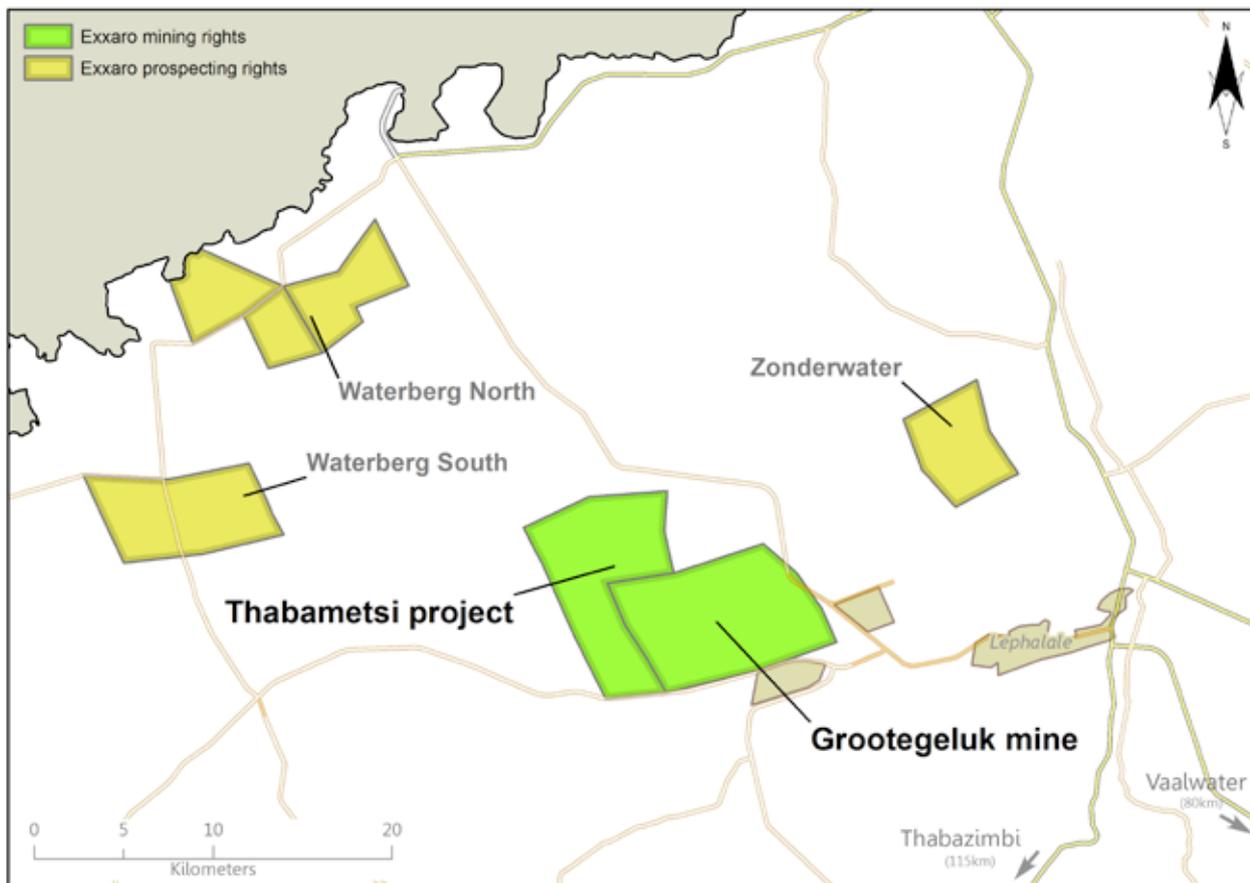
The Zonderwater underground coal gasification project has been discontinued after concluding a due-diligence study. An ensuing review on the current potential for conventional underground coal mining proved unsatisfactory and Exxaro will therefore relinquish the prospecting right when it lapses in early 2017. The approval of a section 11 for the Waterberg South project is pending and there is a reasonable expectation that this application will be granted in 2017, transferring ownership to a new holder.

Figure 2: Exxaro attributable Waterberg coal resources



1 INTRODUCTION (CONTINUED)

Figure 3: Exxaro mining and prospecting rights in the Waterberg



A number of Exxaro-owned open-pit and underground operations and projects are in Mpumalanga. The Matla operation is a captive coal supplier to Eskom and North Block Complex (NBC) produces power station coal for Eskom but also serves the export market and a number of local consumers with a range of coal products. Arnot, an Eskom captive mine, is in closure after termination of the coal-supply agreement with Eskom.

An extensive revision of Matla mine in the reporting year positions the operation ideally to overcome operational challenges should the necessary capital be timeously approved. Mine 1 was stopped in 2015 due to pillar instability but the potential impact was mitigated by moving mining sections and increasing production. A significant amount of new drilling information, update of the geological model and revision of the life-of-mine plan established a perfect platform for future operational expansion and excellence. Two feasibility studies were concluded to enhance future reserves (seams 2 and 4) by establishing an incline and decline above and below current workings and introducing additional continuous mining (CM) sections for when the shortwall ground is depleted. Both projects form part of the life-of-mine plan (LoMP) and, as stated, are awaiting final capital approval by Eskom.

At Leeuwpan mine, the extension (OI) feasibility study, a critical element of Leeuwpan's life-of-mine optimisation project, was concluded and approved by Exxaro management. The OI reserve contributes to some 50% of the operation's ore reserves and is a material part of its LoMP.

A full review of the Dorstfontein and Forzando operations at Exxaro Coal Central (ECC) has been concluded. The market strategy and LoMP were meticulously revised, extending the number of years in the LoMP at Dorstfontein from five to 15 years and at Forzando from five to 20 years. Focused exploration drilling supported the advancement of the Dorstfontein East open-pit (pit 1, North West extension) and underground (pit 3) reserve areas, with LoMP development of the underground Dorstfontein West and Forzando operations. Several exploration projects are adjacent to the Dorstfontein and Forzando operations. The strategy to conclude investigations of these assets and move them into the operational arena is progressing well. This is illustrated by the approval of a section 102 (ministerial consent) embracing the Forzando West prospecting right into the Forzando South mining right and a pending section 102 approval to include the Rietkuil Vhakoni resources into the Dorstfontein West mining right. ECC also holds a 51% interest in the Eloff prospecting right, near the town of Delmas and close to Exxaro's Leeuwpan operation. A mining right application, compiled in the reporting year, was submitted in the first quarter of 2017, underlining the growth potential of the larger ECC Complex.

The disinvestment from the Mayoko mineral asset and Inyanda coal mine were concluded in 2016, and are therefore excluded from the 2016 reporting.

1 INTRODUCTION (CONTINUED)

Figure 4: Locality map for Exxaro coal resources and reserves

