FINANCE DIRECTOR'S PRE-CLOSE MESSAGE

FINANCIAL YEAR ENDING 31 DECEMBER 2018 (FYE18)

This message covers the expected business performance and capital expenditure of the Exxaro group for FYE18.

Dear stakeholder

Below is an update on the group's business performance for FYE18. Unless otherwise indicated, all comparisons are against financial year ended 31 December 2017 (FY17).

We recorded a year-to-date lost-time injury frequency rate (LTIFR) of 0.12 (FY17: 0.12) against a set target of 0.11. We are pleased to report zero (0) fatalities and zero (0) "high potential incidents" during 2H18. Exxaro remains committed to its zero-harm vision and efforts to reduce incidents through the safety improvement plan are in place.

During 2H18 escalating trade tension has weighed on market sentiment, however, commodity specific factors continued to support commodity prices. In respect of Exxaro's key commodities for FYE18, the API4 coal export price index is expected to average US$98 per tonne, free on board (FOB), and iron ore fines price US$69 per dry metric tonne, cost and freight (CFR) China.

On the production front our coal business continued to be resilient with a year-on-year increase of 3% in production volumes forecast (excluding buy-ins). As expected coal capex will be 42% higher compared to FY17, attributable to the timing of sustaining capex at the Exxaro Coal Central (ECC) operations, Leeuwpan OI and the timing of expansion capex at Grootegeluk and Belfast. However, the expenditure for FYE18 is expected to be 10% lower than guided in August 2018, primarily as a result of timing and optimisation initiatives.

Exxaro has taken note of the newly published *Broad-Based Black Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry, 2018* (Mining Charter) and intends to align with the requirements of the implementation guidelines, expected to be released by the end of November 2018.

We will provide a detailed account of FYE18 business performance when we announce our financial results on 14 March 2019.

Yours sincerely

Riaan Koppeschaar

Finance director

www.exxaro.com

EXXARO RESOURCES LIMITED
Incorporated in the Republic of South Africa
(Registration number: 2000/011076/06)
JSE share code: EXX ISIN: ZAE000084992
ADR code: EXXAY ("Exxaro" or the "company")

exxaro

POWERING POSSIBILITY

TABLE 1: COAL PRODUCTION AND SALES VOLUMES ('000 TONNES)

	Production				Sales			
	FYE18 forecast[1]	FYE18 previous guidance[2]	FY17 actual	% change previous guidance	FYE18 forecast[1]	FYE18 previous guidance[2]	FY17 actual	% change previous guidance
Thermal	44 074	43 502	42 843	1	43 786	44 713	43 258	(2)
Commercial domestic: Waterberg	26 950	26 533	23 405	2	25 398	25 617	22 466	(1)
Commercial domestic: Mpumalanga[3]	10 374	10 074	12 038	3	4 055	4 210	5 777	(4)
Commercial exports					7 586	7 999	7 612	(5)
Tied operations[4]	6 750	6 895	7 400	(2)	6 747	6 887	7 403	(2)
Metallurgical	2 321	2 329	2 132		1 190	1 301	1 190	(9)
Commercial: domestic	2 321	2 329	2 132		1 190	1 301	1 190	(9)
Total coal	46 395	45 831	44 975	1	44 976	46 014	44 448	(2)
Semi-coke	23	23	86		33	33	88	
Total (excluding buy-ins)	46 418	45 854	45 061	1	45 009	46 047	44 536	(2)
Thermal coal buy-ins	1 034	948	504	9				
Total (including buy-ins)	**47 452**	**46 802**	**45 565**	**1**	**45 009**	**46 047**	**44 536**	**(2)**

[1] Based on latest internal management forecast assumptions. Final numbers may differ by ±3%.
[2] Provided in 30 June results presentation in August 2018.
[3] Mafube trading division buy-ins of 1 009kt (FY17: 1 660kt) from Mafube Joint Venture (JV) are included under thermal coal production.
[4] Mines managed on behalf of and supplying their entire production to Eskom.

GLOBAL ECONOMY AND COMMODITY PRICES

Global economic growth momentum started to **wane** somewhat during **2H18.**

As a result, global real GDP for 2018 is expected to edge down marginally to 3.2%, compared to 3.3% in 2017. However, the continuation of relatively strong economic activity during 2H18, together with the Chinese domestic stimulus initiatives, supply side reforms and strict implementation of pollution measures remained supportive to commodity markets.

During 2018, the coal market was impacted by China's tightening of import restrictions, more so towards the end of 2H18 as higher coal inventory at power plants and lower seasonal demand put seaborne prices under significant pressure.

Chinese steel production reached a record high during 2H18, while production elsewhere started to soften. Iron ore supply from the majors was mixed throughout the latter part of 2H18, which on balance, lead to a very tight Chinese iron ore market resulting in higher iron ore prices. A marginal domestic Chinese supply increase is expected to limit any further significant price increases.

The titanium dioxide (TiO_2) pigment market fundamentals softened during 2H18 with de-stocking in Asia and Europe ending the pricing momentum recorded until 1H18. However, the TiO_2 feedstock price momentum continued during the period under review.

Brent crude oil price moderated towards the end of 2H18 against the backdrop of the easing of further supply concerns. The United States of America issued waivers for six months to several countries allowing them to continue importing Iran crude oil after the effective date for the reintroduction of the sanctions.

COAL COMMODITY UPDATE

COAL MARKETS

Producers continued to export higher quality product to benefit from the higher export sales prices. Demand in the domestic market remained strong leading to supply shortages and local coal prices remaining firm.

Export sales prices remained strong for most of the year with API4 averaging US$98 per tonne. There is still great uncertainty regarding China's stance towards coal imports after issuing a total ban on imported coal, which led to both Indonesian and Australian coals being diverted to India and forcing the discounts on lower qualities to widen. Current demand from India for lower quality SA coal is still subdued given the cheaper options from Australia and Indonesia.

PRODUCTION AND SALES VOLUMES

Commercial mines

Thermal coal production from Waterberg is expected to increase by 15% in line with Eskom demand and strategic stockpiling for the implementation of the GG6 expansion project. Production at the Mpumalanga commercial mines is expected to be 14% lower, mainly due to the sale of the North Block Complex (NBC) operation, the Mafube Springboklaagte reserves being depleted and Mafube Nooitgedacht ramping up as well as production challenges experienced at ECC.

COAL COMMODITY UPDATE
PRODUCTION AND SALES VOLUMES continued

Metallurgical coal is anticipated to increase by 9%, following a stacker incident hampering production at Grootegeluk in 4Q17.

Coal buy-ins are expected to be 105% higher (9% higher against previous guidance) due to the unavailability of sufficient own coal, mainly at Mafube and ECC to fulfil contracts.

Export sales volumes are expected to be marginally lower than FY17 due to less availability of export product from Mafube and ECC which were countered by higher product from Leeuwpan. FYE18 export volumes are also expected to be 5% lower than the previous guidance as a result of (i) sluggish Indian sales during August and September following the Chinese import ban on Australian and Indonesian coal which were then diverted and competed with South African (SA) coal in this market and (ii) adverse weather conditions affecting the operations at Richards Bay Coal Terminal (RBCT) during October and first half of November causing severe disruptions to the loading of vessels.

Sales to Eskom are expected to increase by 5% driven by higher sales from Grootegeluk, partly offset by lower sales from NBC due to the delay in the renewal of the Eskom contract and the subsequent sale of this mine end October 2018.

Domestic thermal coal sales, excluding sales to Eskom, are expected to show a net decrease of 1%, mainly due to sales volumes from Leeuwpan being diverted to the export market as well as lower sales from ECC, partly offset by higher sales from NBC due to some Eskom product sold in the domestic market.

Mpumalanga domestic sales are expected to be lower than previous guidance due to Leeuwpan product diverted to the export market, which in turn was affected by adverse weather conditions at RBCT.

Tied mines

Thermal coal production and sales are both expected to decrease by 9%. As mentioned previously, this is mainly due to the Matla Mine 2 wall ceasing production in the middle of March. Matla Mine 3 had an extended move in 1H18 as a result of geological conditions exacerbated by the aftermath of the delay in approval of major capital projects.

MAJOR CONTRACTS UPDATE: TIED MINES

Exxaro and Eskom have engaged through an arbitration process to resolve contractual arrangements at Arnot. The arbitration process has been finalised and a decision has been granted in Exxaro's favour whereby Eskom needs to top up the environmental trust fund and pay for all future rehabilitation costs.

Matla Mine 2 and Matla Mine 3 are forecast to produce 6.5Mt for FYE18. Exxaro has received confirmation from Eskom that a significant portion of the funds needed for the Matla Mine 1 project is available to Exxaro for the project. The arbitration process has therefore been suspended to allow engagement with Eskom on the remaining funds. Exxaro continues to engage with Eskom to provide the required capital funding, as per the tied mine Coal Supply Agreement (CSA).

CAPEX AND PROJECTS

Exxaro expects capital for its coal business to increase by 42% compared to FY17. This is mainly due to:

- **the timing of GG6 expansion and Belfast projects;**
- **timing of Leeuwpan OI; and**
- **higher sustaining capex, mainly at ECC.**

The expected higher capex is partly offset by:

- **optimisation on sustaining capital at Grootegeluk (trucks, shovels, stacker and reclaimers as well as the discard and backfill phase 2 project).**

In spite of this year-on-year increase, FYE18 capex is expected to be 10% lower than the guidance provided in August 2018 primarily because of timing on the GG6 expansion and Belfast projects. Sustaining capital is also expected to be lower due to timing and further optimisation.

TABLE 2: COAL CAPEX (Rm)

	FYE18 current forecast[1]	FYE18 previous guidance[2]	FY17 actual	% change previous guidance
Sustaining	**2 533**	3 089	3 203	(18)
Waterberg	**1 629**	1 911	2 687	(15)
Mpumalanga	**904**	1 141	516	(21)
Other		37		(100)
Expansion	**2 887**	2 908	601	(1)
Waterberg	**1 959**	2 025	440	(3)
Mpumalanga	**928**	883	161	5
Total	**5 420**	5 997	3 804	(10)

[1] *Based on latest internal management forecast assumptions and estimates, excluding tied operations. Final numbers may differ by ±5%.*
[2] *Provided in 30 June results presentation in August 2018.*

WATERBERG

Total capex is expected to be 15% higher than FY17, mainly due to higher expansion capital (GG6) partly offset by timing and some optimisation on sustaining capital (trucks, shovels, stacker and reclaimers as well as the discard and backfill phase 2 project).

FYE18 capex is expected to be 9% lower than the guidance provided in August 2018 primarily because of the timing and optimisation of sustaining capital.

GG6 expansion

Construction on the new small coal plant is progressing well. The first GG2 shut was successfully completed and work relating to the new filter plant and stockyard is progressing well. Overall the project is within budget and on schedule with first coal expected during 2H20.

The project will complete hot commissioning (as planned) by December 2020 with project close out by June 2021. The main project risks relate to the performance of the plant's main construction contractor and the integration activities with existing operations. The risks are currently in hand and being managed on a continuous basis.

Thabametsi mine

Exxaro and Marubeni/Kepco (the lead developers of the Thabametsi Independent Power Producers (IPP)) continue to engage on the definitive CSA and associated infrastructure agreements. Financial close is expected during 2Q19, due to the IPP awaiting 'Licence to Operate' approvals, which are required for financial close. Alternative exploitation strategies are being explored, in the eventuality that the IPP is not constructed, including the integration of the Thabametsi resource into the Grootegeluk complex.

MPUMALANGA

Belfast

Bulk earthworks and plant construction are progressing on schedule. The re-build and upgrade of the provincial road has commenced and resettlement of the affected households and graves are progressing well with civil infrastructure nearing completion. The project remains within budget and on schedule to deliver first coal during 1H20.

Leeuwpan

The Department of Roads and Transport issued a completion certificate for the road diversions and both roads were opened for public use on 27 September 2018. The box cut on the OI reserves was handed over to operations on 18 September 2018. The focus is now on the plan to relocate the community which has commenced and expected to be completed by December 2019.

Mafube Nooitgedacht

The ramp down of contractors on site is underway with the engineering maintenance infrastructure and pollution control dam handed over to operations. The remaining infrastructure being completed includes the transfer dam, water treatment plant and haul road. All work is planned for completion by 15 December 2018 to coincide with project close out.

LOGISTICS AND INFRASTRUCTURE

Transnet Freight Rail (TFR) railed 61.24Mt to RBCT from January 2018 to October 2018 equivalent to an annualised rail tempo of 72.19Mtpa.

TFR's North-West Corridor expansion project is progressing on schedule, with all long-lead items ordered and capital funds approved and allocated. TFR infrastructure upgrades are on track and scheduled for completion by August 2019 to take infrastructure capacity up to 9.5Mtpa. The rail wagon build programme is in place to augment the wagon complement where needed and locomotive capacity is allocated from the Transnet market demand strategy.

Grootegeluk Complex's rapid loadout station and rail yard upgrade project remains on schedule and within budget, and is still aligned with TFR's North-West Corridor expansion project. Joint operational readiness workshops have started to ensure commissioning of the upgraded rail capacity towards the end of 3Q19.

FERROUS COMMODITY UPDATE

SISHEN IRON ORE COMPANY PROPRIETARY LIMITED (SIOC)

Guidance on SIOC's equity-accounted contribution will be provided when we have reasonable certainty on its FYE18 financial results.

TITANIUM DIOXIDE (TiO_2)

TRONOX LIMITED (TRONOX)

Exxaro remains committed to monetising its remaining 24% interest in Tronox to focus on core activities, fund capital commitments, repay debt and make distributions to shareholders. On 26 November 2018, Exxaro and Tronox reached an agreement to address the following key matters:

- the terms of Exxaro's support for Tronox's intention to redomicile from Australia, where it is currently incorporated, to the United Kingdom;
- Exxaro's accelerated disposal of its 26% member's interest in Tronox Sands Limited Liability Partnership in the United Kingdom (Tronox UK) for a consideration of R2.0 billion in cash, representing Exxaro's indirect share of the loan accounts in Tronox's South African subsidiaries (Tronox SA) at 30 September 2018;
- a further clarification of the terms and conditions agreed between Exxaro and Tronox in 2012, when Tronox was formed, by which Exxaro can dispose of its 26% equity interest in Tronox SA in exchange for 7.2 million Tronox shares or the cash equivalent thereof (the Disposal). In addition to the existing triggers, Exxaro and Tronox have agreed that the Disposal can be triggered upon the occurrence of certain events, including confirmation or agreement that Tronox SA has met the relevant ownership requirements in relation to their existing mining rights, in the context of the newly published Mining Charter; and
- the terms on which Exxaro can proceed with a staged process to monetise its remaining Tronox stake of 28.7 million shares during 2019, subject to market conditions, including Exxaro's grant to Tronox of a right to acquire such shares at a market-related price in lieu of Exxaro selling them in the market or to any third parties.

ENERGY

CENNERGI PROPRIETARY LIMITED (CENNERGI)

The two wind-farm projects, Amakhala Emoyeni (AE) and Tsitsikamma Community Wind Farm (TCWF), are running at slightly lower than planned capacity due to lower than anticipated wind speeds. However, lower wind speeds were partially offset by better than contracted generation and distribution asset availabilities.

BUSINESS OF TOMORROW

Investment relating to our business of tomorrow strategy remains immaterial to the financial performance of the group. Our approach to this future growth (and diversification) of our business remains one of capital light and obtaining a return on investment of greater than 30%.

SALE OF NON-CORE ASSETS AND INVESTMENTS

The group's interests in Black Mountain Mining Proprietary Limited and the Chifeng Kumba Hongye Corporation Limited's (Chifeng) refinery remain non-core and Exxaro intends to ultimately divest from these investments.

As already reported, on 2 March 2018, Exxaro concluded a sale of asset agreement for the disposal of the NBC operation. The divestment from the Glisa and Eerstelingsfontein assets was finalised and Universal Coal Development IV Proprietary Limited (Universal) took ownership of these assets on 1 November 2018. The mining right for the Paardeplaats portion was granted and Exxaro is now awaiting approval of the Section 11 transfer, to transfer the mining right to Universal.

ECC sold all its shares and claims in Manyeka Coal Mines Proprietary Limited (Manyeka), which has a 51% shareholding in Eloff Mining Company, to Universal. The transaction was concluded on 31 October 2018. Universal is operating a mine adjacent to the Eloff reserves.

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

RESPONDING TO COMMUNITY CHALLENGES

We are on track to achieve our level 4 BBBEE recognition level attributable to the implementation of our Enterprise and Supplier Development (ESD) strategy. The recipients of the financial support (from Gauteng, Limpopo and Mpumalanga provinces) have realised benefits such as an increase in their asset base, refinancing of assets at more affordable rates, which eases the business 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. For the year-to-date, we have focused on education and infrastructure projects in the two provinces of our operations.

In Mpumalanga, our education enhancement programmes benefited 929 learners and 104 teachers at a total cost of R15.1 million; we completed 33 houses at a cost of R6.4 million for community members, which created 26 employment opportunities during construction.

In Limpopo, we are almost complete with a 36 kilometre 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 ECD centres and a community hall as part of the post-mine closure investment.

IMPLEMENTATION OF EMPLOYEE AND COMMUNITY EMPOWERMENT SCHEME

Exxaro is awaiting the publication of the implementation guidelines of the final version of the Mining Charter released on 27 September 2018, to determine the impact on Exxaro. This includes compliance with the Mining Charter and meeting the aspirations of Exxaro's stakeholders including shareholders, employees and communities adjacent to its operations. Based on the final Mining Charter and implementation guidelines it is anticipated that the proposed new share schemes for employees and communities will only be implemented during the first half of 2019.

OUTLOOK FOR 1H19

We expect sustainable improvement in the physical operating results of the coal business driven primarily through our continued focus on:

- business optimisation and operational excellence strategies aimed at eliminating process waste, reducing the standard deviation in performance and by visualising our end-to-end business processes across the entire value chain to enable in-time decision making;
- the implementation of enabling infrastructure that will further support our overall digital strategy and allow us, to more rapidly, test proof of concepts across our bottleneck areas and allow for quicker adoption of successful concepts across the different business units; and
- the next wave of doing and using data analytics, implementing predictive maintenance, advanced process control and value based automation in selected areas of the operation.

For 1H19, a stable domestic market is anticipated supported by high prices due to the tightness of supply in premium quality coal.

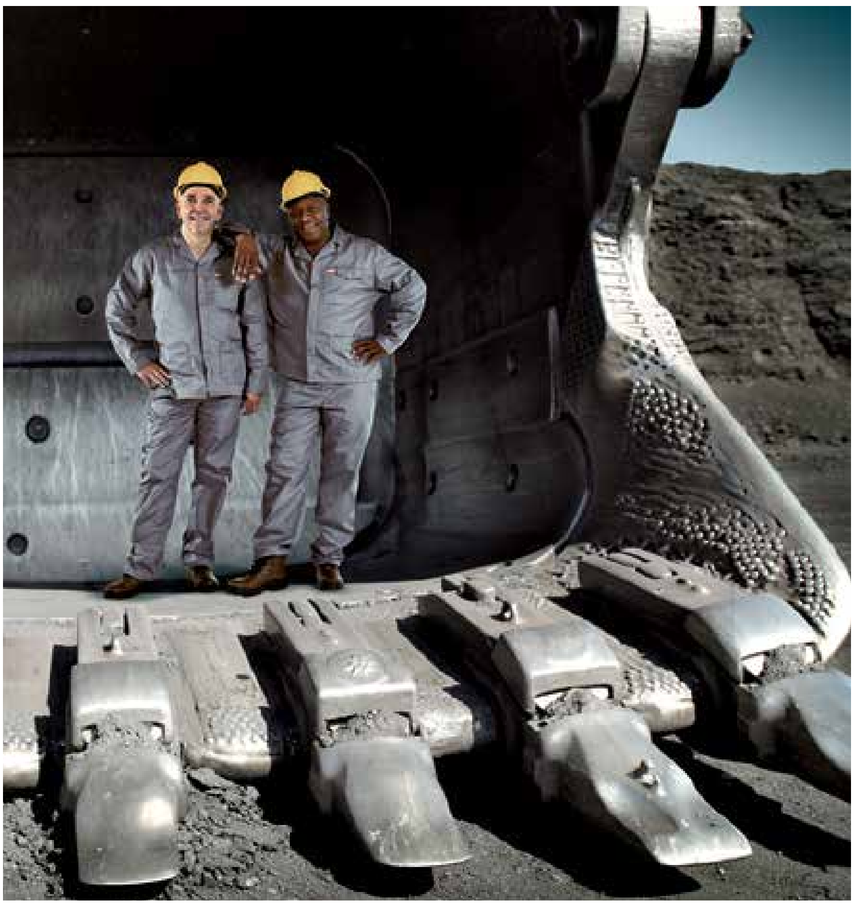
On the international front, higher Calorific Value (CV) markets are expected to remain fairly strong with softer pricing from current spot levels. Demand from lower CV markets is expected to remain healthy with pricing once again being strongly influenced by Chinese policy decisions, Indian import coal demand and Indonesian output, as witnessed during 2H18.

During 1H19, the performance of our SIOC investment will be supported by a balanced iron ore market, a stable fines price and lump premium and continued strong demand for higher-grade products.

Although global economic activity is edging down marginally with a challenging market sentiment because of escalating trade tension, the commodity price support of 2H18 is expected to continue into 1H19. The rand/dollar exchange rate is expected to remain volatile.

REVIEW OF THE UPDATE

The information in this update is the responsibility of the directors of Exxaro and has not been reviewed or reported on by Exxaro's external auditors.



TELECONFERENCE CALL DETAILS

A dial-in teleconference call on the details of this announcement will be held on Wednesday, 28 November 2018 at 12:30 (GMT+2:00).

PARTICIPANT TELEPHONE NUMBERS (ASSISTED):	
Johannesburg (Telkom)	010 201 6800
Johannesburg (Neotel)	011 535 3600
UK	0 333 300 1418
Other countries (Neotel)	+27 11 535 3600
Other countries (Telkom)	+27 10 201 6800
USA and Canada	1 508 924 4326

PLAYBACK

A playback will be available until 7 December 2018. To access the playback, dial one of the following numbers using the playback code 18996#:

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

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EDITOR'S NOTE

Exxaro is one of the largest South Africa-based diversified resources companies, with main interests in the coal, titanium dioxide, iron ore and energy commodities. www.exxaro.com

ENQUIRIES

Mzila Mthenjane, Executive Head: Stakeholder Affairs
Tel: + 27 12 307 7393
Mobile: +27 83 417 6375
Email: Mzila.mthenjane@exxaro.com

exxaro
POWERING POSSIBILITY

EXXARO RESOURCES LIMITED

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LEGEND

4Q17 – Fourth quarter ended 31 December 2017
1H18 – Six-months period ended 30 June 2018
FY17 – Financial year ended 31 December 2017
FYE18 – Financial year ending 31 December 2018
2H18 – Six-months period ending 31 December 2018
1Q19 – First quarter ending 31 March 2019
2Q19 – Second quarter ending 30 June 2019
3Q19 – Third quarter ending 30 September 2019
1Q20 – First quarter ending 31 March 2020
1H20 – Six-months period ending 30 June 2020
2H20 – Six-months period ending 31 December 2020
4Q20 – Fourth quarter ending 31 December 2020

COMMODITY PRICES SOURCE

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

DISCLAIMER

The financial information on which any outlook statements are based have not been reviewed nor reported on by Exxaro's external auditors. These forward-looking statements are based on management's current beliefs and expectations and are subject to uncertainty and changes in circumstances. The forward-looking statements involve risks that may affect the group's operations, markets, products, services and prices. Exxaro undertakes no obligation to update or reverse the forward-looking statements, whether as a result of new information or future developments.

28 November 2018