

EXXARO RESOURCES LIMITED  
Incorporated in the Republic of South Africa  
(Registration Number: 2000/011076/06)  
JSE share code: EXX  
ISIN: ZAE000084992  
ADR code: EXXAY  
Bond Code: EXX05  
ISIN No: ZAG000160334  
(Exxaro or the company or the group)

**FINANCE DIRECTOR'S PRE-CLOSE MESSAGE**  
**Financial year ending 31 December 2023 (FYE23)**

*This is an overview of the group's expected business performance for FYE23, encompassing strategic, operational, and financial information. Unless otherwise indicated, all comparisons are against the financial year ended 31 December 2022 (FY22).*

**DEAR STAKEHOLDER**

As of 31 October 2023, Exxaro recorded eight lost time injuries resulting in a lost time injury frequency rate (LTIFR) of 0.06 against the set target of 0.05. The current LTIFR indicates a 50% regression in performance when compared to the same period last year. Exxaro has recorded three high potential incidents across the group, compared to five for the full year ended 31 December 2022. To prevent potential incidents, various safety initiatives have been deployed across all our business units.

In early 2023, global economic performance exceeded expectations, mainly led by the post-pandemic recovery. Despite the continued challenges of elevated inflation, sharply higher global interest rates, turbulence in the banking sector and geopolitical conflicts, the global economy has managed to avert a recession. As the year progressed, global sentiment changed and weighed negatively on global economic activity and commodity markets.

In respect of Exxaro's key commodities, the API4 coal export price index is expected to average US\$122 (FY22: US\$271) per tonne, free on board (FOB), and the iron ore fines price US\$119 (FY22: US\$120) per dry metric tonne, cost and freight (CFR) China.

Total coal production (excluding buy-ins) is expected to remain flat, and sales volumes are expected to decrease by 2%.

In terms of our capital allocation programme, we expect the capital expenditure for our coal business to be about 57% higher when compared to FY22. This increase is mainly driven by higher spend at Grootegeluk and Belfast.

As at 31 October 2023, the group had a net cash balance of R13.5 billion (excluding Cennergi Holdings Limited's (Cennergi) net debt of R4.1 billion). As mentioned in August 2023, we will retain cash of between R12 billion and R15 billion to fund our growth strategy.

We will provide a detailed account of FYE23 business performance and an outlook on the subsequent six months (1H24) when we announce our annual financial results on or about 14 March 2024.

Yours sincerely  
Riaan Koppeschaar  
Finance Director

## MACRO-ECONOMIC ENVIRONMENT

### GLOBAL ECONOMY AND COMMODITY PRICES

World real GDP growth increased from an annual rate of 1.8% quarter on quarter in 4Q22 to 2.4% in 1Q23. Aside from an appreciation to 2.9% in the second quarter 2023, the moderate economic growth pace, recorded in 1Q23, is expected to continue for the rest of 2023. Strong momentum in the US, with increased economic activity in Japan, India and Brazil provided the necessary support to the world economy. After a 3.1% increase in 2022, world real GDP is expected to expand by 2.6% in 2023.

For most of 2023, seaborne thermal coal prices have remained under pressure due to weak demand in Europe and Northeast Asia. Both thermal coal and gas prices declined significantly as Europe remained very well stocked with both gas and thermal coal. Stronger renewables availability further reduced the role of gas and thermal coal in the European energy mix. Towards the end of 2023, natural gas supply risks, the Israel-Hamas war and the uncertainty of the Northern Hemisphere winter were the key drivers for the energy complex markets and pricing.

Despite the property sector weakness in China, the seaborne iron ore market was supported by the resilience of China's steel output as the much-anticipated steel capacity cuts remained modest. In addition, the property market policy easing, announced in August, is expected to stimulate property demand and, in turn, stabilise the overall sentiment within the sector.

## OPERATIONAL PERFORMANCE

### COAL OPERATIONS

#### MARKETS

2023 has been characterised by coal price decreases due to a decrease in high Calorific Value coal demand, driven by sufficient gas and coal stocks in Europe and Japan, Korea, and Taiwan (JKT). The coal price decrease was exacerbated by warmer than usual winter temperatures, robust performance in renewables and nuclear, and significantly lower gas prices.

2023 also saw a resurgence in Indian demand compared to FY22 levels, due to lower coal prices.

Changes in global trade flows were seen, as Australia resumed supply into China from a previous trade ban, and Russian supplies to Europe and Japan reduced drastically, with Korea adopting a gradual approach of weaning itself off Russian dependency.

China and India were the main demand drivers due to their economic growth and buoyant power demand.

The South African domestic market demand remained stable throughout the year across multiple products. The decline in export pricing compressed margins and eroded profitability of alternative export channels. Operational challenges and equipment failures at Eskom's power stations impacted on the offtake of power station coal in the Waterberg region.

### PRODUCTION AND SALES VOLUMES

The table below shows a year-on-year comparison of production and sales performance between FY22 and FYE23 as well as FYE23 compared to previous guidance.

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

	Production				Sales			
	FY22 Actual	FYE23 Previous Guidance <sup>1</sup>	FYE23 Current Forecast <sup>2</sup>	FYE % Change Previous Guidance	FY22 Actual	FYE23 Previous Guidance <sup>1</sup>	FYE23 Current Forecast <sup>2</sup>	FYE % Change Previous Guidance
Thermal	41 136	39 379	40 555	3	41 402	39 697	40 700	3
Waterberg	27 849	26 430	26 629	1	26 800	25 610	25 719	-
Mpumalanga	7 130	6 936	7 913	14	3 231	3 240	3 840	19
Exports					5 214	4 843	5 128	6
Tied <sup>3</sup>	6 157	6 013	6 013	-	6 157	6 004	6 013	-
Metallurgical	1 988	2 832	2 427	(14)	691	737	748	1
Waterberg	1 988	2 832	2 427	(14)	691	737	748	1
<b>Total (excluding buy-ins)</b>	<b>43 124</b>	<b>42 211</b>	<b>42 982</b>	<b>2</b>	<b>42 093</b>	<b>40 434</b>	<b>41 448</b>	<b>3</b>
Thermal coal buy-ins	20	175	175	-				
<b>Total (including buy-ins)</b>	<b>43 144</b>	<b>42 386</b>	<b>43 157</b>	<b>2</b>	<b>42 093</b>	<b>40 434</b>	<b>41 448</b>	<b>3</b>

<sup>1</sup>Provided at results presentation for the six-month period ended 30 June 2023 on 17 August 2023.

<sup>2</sup>Based on latest internal management forecast assumptions and estimates. Final numbers may differ by ±5%.

<sup>3</sup>Matla Mine supplying its entire production to Eskom.

## Production

Thermal Coal production from Waterberg is expected to remain in line with previous guidance.

A 14% production increase against the previous guidance is expected at the Mpumalanga commercial mines, mainly attributable to Belfast producing at full capacity following a recovery from the 2022 fatality impact. Production also improved at Leeuwpán and Mafube which was enabled by optimal logistical resource scheduling within the Transnet Freight Rail (TFR) limitations, and placement of additional product in the market.

Metallurgical coal production is anticipated to decrease by 14% impacted due to poor rail performance.

Coal buy-ins are expected to be in line with previous guidance.

## Sales

Domestic thermal sales are expected to remain in line with the previous market guidance in the Waterberg region.

Mpumalanga domestic thermal coal sales are expected to increase by 19%, mainly attributable to the increased domestic sales of product originally destined for the export market.

The forecasted 6% increase in export sales volumes from previous guidance is driven by optimal logistical resource scheduling to mitigate low TFR performance. Increased export sales are planned at Mafube and Leeuwpán, offset by decreased export sales at Belfast, where product has been placed in the domestic market. Overall export sales are expected to decrease by 2% in FYE23 compared to FY22, due to poor rail performance to Grootegeluk.

Metallurgical coal sales are expected to be in line with previous guidance.

## Tied mines (Matla)

Thermal coal production and sales are both expected to be in line with previous guidance.

## LOGISTICS AND INFRASTRUCTURE

TFR railed 39.43Mt to Richards Bay Coal Terminal (RBCT) from January to October 2023, equivalent to an annualised tempo of 47.44Mtpa. The performance from Grootegeluk averaged three trains per week due to the impact of security, vandalism, and locomotive shortages. The Mpumalanga export rail performance averaged eight trains per week for the same period. Even though the coal export industry has supported TFR where opportunities arose, no improvement in tonnage railed has been experienced.

## ENERGY OPERATIONS

Cennergi's wind operations are forecasted to generate 720 GWh of electricity for FYE23 (FY22: 671 GWh). Although Tsitsikamma experienced an Eskom distribution line fault in 1H23 resulting in 15GWh of lost generation over the one-month period, an improvement in wind performance is expected from FY22. The average plant availability is forecast to be above the contracted availability of 97%.

Financial close of the 68 MW Lephale Solar PV Project (LSP) at Grootegeluk occurred on 30 June 2023. Construction is underway and commercial operations are anticipated in 1H25.

## CAPITAL ALLOCATION

We remain focused on supporting our early value coal strategy and sustaining the business operations through our Capital Excellence journey.

**TABLE 2: COAL CAPEX (R'million)**

	<b>FY22 Actual</b>	<b>FYE23 Previous Guidance<sup>1</sup></b>	<b>FYE23 Current Forecast<sup>2</sup></b>	<b>% Change Previous Guidance</b>
Sustaining	1 374	2 344	2 460	5
Expansion	231	54	54	-
<b>Total</b>	<b>1 605</b>	<b>2 398</b>	<b>2 514</b>	<b>5</b>

<sup>1</sup> Provided at results presentation for the sixth-month period ended 30 June 2023 on 17 August 2023

<sup>2</sup> Based on latest internal management forecast assumptions and estimates, excluding tied operations. Final numbers may differ by ±5%.

Capital expenditure for FYE23 is expected to be 5% higher compared to the previous guidance provided in August 2023.

Our Capital Excellence journey is being embedded, resulting in investment in projects that have a high impact on business performance being prioritised.

### Matla Mine 1 project

The Matla Mine 1 Relocation project commenced with construction in August 2020. Eskom has now approved all required funding to implement the project. The expected completion date of the Matla Life of Mine project is 1H26.

## PORTFOLIO OPTIMISATION

### INVESTMENT IN GROWTH

We actively evaluate and participate in investment processes for our minerals and energy businesses.

### SALE OF NON-CORE ASSETS AND INVESTMENTS

As part of the broader Exxaro strategic review, the company continuously seeks opportunities to unlock value to support its Sustainable Growth and Impact strategy. As previously mentioned, Exxaro has identified that the FerroAlloys business is no longer a strategic fit within our envisaged Minerals business portfolio and a sales process has commenced in 3Q23 to dispose of our entire shareholding in Exxaro FerroAlloys Proprietary Limited. Exxaro aims to enhance the economic participation of Black-owned companies in the South African economy. In line with this intent, Exxaro has earmarked the FerroAlloys disposal process to target Black ownership. The sales process is anticipated to be concluded in 2Q24.

## SUSTAINABLE DEVELOPMENT

### CLIMATE CHANGE RESPONSE STRATEGY IMPLEMENTATION

Our draft decarbonisation roadmap (roadmap) to carbon neutrality by 2050 has been completed and currently reflects short-, medium- and long-term targets. Our short-term emission reduction target of 40% by 2026, which is based on the FY22 emissions, remains relevant. In line with Exxaro's philosophy of inclusiveness and stakeholder engagement, we have embarked on a business unit consultation phase on the roadmap to get further insights and inputs for refinement purposes. It is envisaged that this consultation process will be completed by the end of 1Q24.

### SOCIAL INVESTMENT AND DEVELOPMENT

Social investments at 31 October 2023 amount to R1 392.2 million, compared to R 1 344.27million for the same period in FY22, building on the FY22 trend and commitment to creating socio-economic impact in host communities. The local procurement spend on black SMME's constitutes 74% of the social investment. Combined, these initiatives supported 240 SMME's and provided 360 employment opportunities.

## LEGAL MATTERS

Shareholders of Exxaro are hereby advised that on 23 November 2023, the Company received service of an application seeking the permission of the High Court of South Africa to certify classes for purposes of a class action for damages against Exxaro and three of its subsidiaries, being Exxaro Coal (Pty) Ltd, Exxaro Coal Mpumalanga (Pty) Ltd and Mafube Coal Mining (Pty) Ltd, as well as 14 other respondents.

The application is brought by 27 applicants, comprising of current and former mineworkers who state they have contracted coal mine dust lung disease, alternatively, by the dependants of mineworkers whose deaths they state are probably attributable to coal mine dust lung disease contracted on certain coal mines during specified time periods. They seek to hold the respondents liable on the basis that the respondents are alleged to have owned, controlled, managed, or operated the mines or employed the mineworkers at those mines.

The Company is currently reviewing the application and obtaining legal advice on the appropriate course of action.

## OUTLOOK FOR 1H24

### ECONOMIC CONTEXT

Global inflation is expected to continue its downward path, although towards the end of 2023, energy-related pressures temporarily stalled this trajectory. As a result, policy interest rates are anticipated to remain restrictive for longer, affecting both global investment sentiment and economic activity.

Despite unprecedented rolling load-shedding, South Africa's real GDP grew by 0.9% year-on-year in the first six months of 2023. The modest upside reflected higher investment in machinery and other equipment and a better than anticipated response to load-shedding. The ongoing constraints of inadequate electricity and logistics supply have limited the local economy's future productive potential.

During 2023, the rand lost significant value against major global currencies. Intensified load shedding with the perceived risk of a potential grid collapse, a widening current-account and fiscal deficit, US dollar strength, global recessionary risk and widespread geopolitical tensions were the main reasons attributed to rand weakness. The anticipated positive change in global economic sentiment, with interest rates peaking and pivoting, together with the associated implications, as the catalyst for investor confidence and economic activity, are expected to support the USD/ZAR exchange rate into 2024.

## COMMODITY MARKETS AND PRICE

Despite the uncertainty regarding the severity of Europe's winter and potential risks around natural gas availability and prices, continued strong Chinese thermal coal imports are anticipated to remain supportive of prices.

Winter restocking in Europe and JKT is expected to drive prices higher than current levels in 1Q24. This is likely to be supported by increased economic growth in China and India. Europe's drive for decarbonisation and an increase in renewables will continue, further dampening coal demand in the long term, including a decrease in power demand to pre-Covid levels (2020). The risk of further gas cuts from Russia remains, albeit efficiently managed through buffer storage.

Ample supply from Australia and Indonesia due to strong production as a result of dry weather is expected to keep prices steady on the seaborne market.

Rising iron ore supply and exports will be a limiting factor for the iron ore prices during 1H24. Supply increases from major miners are expected, with a relatively flat Chinese demand. A stronger for longer pricing environment is expected to prevail, supported by higher marginal cost levels.

A positive outlook on Eskom's availability factor presents some upside on the supply of power station coal in FY24. Export pricing will continue to strongly influence the economics of the road trucking of coal to alternative export channels and subsequently drive demand for export product in the domestic market in FY24.

## OPERATIONAL PERFORMANCE

Our coal business performance continues to be impacted by logistical challenges, and low commodity prices. However, through our Optimization programme which focuses on improving efficiencies across the value chain combined with the utilization of insights from advance analytics, we continue to alleviate the impact of external factors on our business.

## 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 independent external auditors.

## TELECONFERENCE CALL DETAILS

A dial-in teleconference call on the details of this announcement will be held on Thursday, 29 November 2023 starting at 12:00 SAST.

## PRE-REGISTRATION LINK

To register for the conference call please pre-register through this link:

<https://services.choruscall.za.com/DiamondPassRegistration/register?confirmationNumber=6143486&linkSecurityString=1022e145de>

Please note that only registered participants will receive a dial-in number upon registration.

## PLAYBACK

A playback will be available one hour after the end of the conference until 4 December 2023. To access the playback, dial one of the following numbers using the playback code 45400:

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

To access the replay using an international dial-in number, please select the link below.

<https://services.choruscall.com/ccforms/replay.html>

Participants will be required to state their name and company upon entering the call.

## LEAD EQUITY SPONSOR AND DEBT SPONSOR

Absa Bank Limited (acting through its Corporate and Investment Banking division).



## JOINT EQUITY SPONSOR

Tamela Holdings Proprietary Limited



## EDITOR'S NOTE

Exxaro is one of the largest South Africa-based diversified resources companies, with main interests in the coal, iron ore and energy commodities. [www.exxaro.com](http://www.exxaro.com)

Annual financial results for the year ended 31 December 2023 will be announced on or about 14 March 2024.

## INVESTOR RELATIONS

Ms Ling-Ling Mothapo: Chief Investor Relations & Liaison  
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## **LEGEND**

*FY22 – Financial year ended 31 December 2022*

*1H23 – Six-month period ended 30 June 2023*

*2Q23 – Second quarter ended 30 June 2023*

*3Q23 – Third quarter ended 30 September 2023*

*4Q23 – Fourth quarter ending 31 December 2023*

*2H23 – Six-month period ending 31 December 2023*

*FYE23 – Financial year ending 31 December 2023*

*1Q24 – First quarter ending 31 March 2024*

*1H24 – Six-month period ending 30 June 2024*

## **COMMODITY PRICES SOURCE**

*Coal – IHS Energy*

*Iron ore – MB Online*

## **DISCLAIMER**

The financial information on which any outlook statements are based have not been reviewed nor reported on by Exxaro's external auditor. 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 because of new information or future developments.

29 November 2023