

MINING THE FUTURE: EXXARO'S STRATEGIC PATH TO INNOVATION AND IMPACT

The story of Exxaro's JSE listing is deeply intertwined with the legacy Eyesizwe. Established in 1999 as NewCoal, later renamed Eyesizwe Coal, the company emerged from a landmark R360 million Black Economic Empowerment (BEE) deal involving Anglo American, BHP Billiton and Eskom. Eyesizwe quickly grew into a leading, Black-empowered enterprise and, at the time, became South Africa's fourth-largest coal producer, laying the foundation for what would eventually become Exxaro.

A few years later, Eyesizwe announced that it would form a strategic alliance with Kumba Resources' coal division and non-iron ore assets to form Exxaro Resources Limited (Exxaro). This transaction was one of the country's largest BEE deals at the time, which aimed to transform the mining sector by creating a Black-owned mining conglomerate.

Exxaro was listed on the Johannesburg Stock Exchange (JSE) in 2006 and has since grown to become one of the largest Black-empowered and diversified mining companies in South Africa, with operations and offices in Africa, Asia, Europe and Australia.

Eyesizwe Holdings now serves as a Special Purpose Vehicle (SPV) functioning as a parent company overseeing Eyesizwe Mining, amongst other subsidiaries. Today, Eyesizwe holds 31% shareholding in Exxaro.

Challenges Faced During the 2006 JSE Listing

Complex Restructuring: The formation of Exxaro involved merging Kumba's non-iron ore assets with Eyesizwe Coal, whose assets were from Anglo American and BHP Billiton. Therefore, the process required integrating diverse corporate cultures, systems, operations and operational practices.

Financial Implications: The BEE transaction incurred substantial costs, including facilitation cost to ensure a 10-year sustainable BEE structure. These non-recurring expenses impacted the company's financial statements during its inaugural year.

Market Perception and Investor Sentiment: While the empowerment deal was ground-breaking, some investors were cautious on the prospects of a separately JSE listed company, the amount of facilitation provided to ensure a sustainable transaction and Exxaro predominantly reliant on coal cash flows. Concerns centred around the complexities of the restructuring and the potential risks associated with integrating different business units and cultures as well as the long-term outlook for coal.

Despite initial apprehensions, investor sentiment towards Exxaro post- JSE listing was generally positive. The company's diversified asset base, including coal, mineral sands, and base metals, coupled with its commitment to transformation, positioned it favourably in the market. Over time, Exxaro demonstrated robust financial performance, with its market capitalisation growing from R20 billion at inception in 2006 to R71 billion in subsequent years, coupled with strong support from its BEE shareholder, Eyesizwe.

This growth reflected investor confidence in Exxaro's strategic direction and its role in promoting inclusive economic participation within South Africa's mining industry.

Strategic Initiatives

The JSE listing facilitated several strategic initiatives:

Diversification: Post-listing, Exxaro expanded its portfolio beyond coal, investing in mineral sands, base metals and renewable energy.

Renewable Energy: The acquisition of Cennergi in 2020 marked Exxaro's commitment to renewable energy, aligning with global sustainability trends.

International Expansion: The company established a presence in Europe, Australia and the USA, enabled by the company's initial investment in the US listed Tronox, broadening its market reach and resource base.

These initiatives were directly enabled by the enhanced profile resulting from the JSE listing.

Future Outlook

Exxaro's future plans are centred around sustainable growth and impact and diversification:

Energy Transition: The company aims to become carbon neutral by 2050, investing in renewable energy projects and transition minerals reducing its carbon footprint.

Minerals Expansion: Exxaro is exploring opportunities in minerals critical to the green economy, such as copper and manganese.

Technological Innovation: Embracing digital transformation to enhance operational efficiency and safety.

The JSE listing continues to play a pivotal role by providing access to capital markets, facilitating investor confidence and enabling strategic partnerships.

On the back of the equity listing on the JSE, Exxaro has also now put in place a bond programme giving access to the debt capital markets as additional sources of capital.

Stakeholder Feedback

Stakeholder response to the JSE listing has been largely positive.

Investors: Appreciated the company's commitment to transformation and its proactive approach to diversification and sustainability.

Sustainability: Being listed on the JSE ensures that there is public awareness that our coal is extracted in a responsible manner and is aligned with ESG best practice.

Employees: The JSE listing and subsequent growth have provided career development opportunities and enhanced job security, allowing us to incentivise our employees using our listed shares, ensuring alignment between employees and shareholders.

Customers: Recognised Exxaro's reliability and commitment to responsible sourcing, strengthening business relationships.

BEE shareholders: Having JSE listed equity gives exiting shareholders a route to liquidity.

Now, Exxaro's evolution from a traditional mining company into a diversified, future-focused enterprise reflects not only its own strategic foresight but also the strength of the ecosystem in which it operates. Its listing on the JSE provided more than just access to capital, it offered a platform for visibility, governance and long-term investor confidence. This foundation has supported Exxaro's bold steps into renewable energy, innovation and inclusive development, reinforcing its position as one of South Africa's leading Black-empowered companies.

As Exxaro continues to expand its impact, whether through sustainable mining, renewable energy, or community upliftment, the JSE and Exxaro share the vision for transformation and growth, as Exxaro helps shape a more sustainable and inclusive future for South Africa and beyond.

-ENDS-