MCMining

LIMITED

December 2017 Interim Financial Statements

David Brown
Chief Executive Officer

Brenda Berlin
Chief Financial Officer
(appointed 1 March 2018)

15 March 2018

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iii. a person or entity regulated by the Reserve Bank of South Africa;
iv. an authorised financial services provider, as defined in the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002);
v. a financial institution, as defined in the Financial Services Board Act, 1990 (Act No. 97 of 1990);
vi. a wholly owned subsidiary of a person contemplated in sub-paragraph (iii), (iv) or (v), acting as agent in the capacity of an authorised portfolio manager for a pension fund registered in terms of the Pension Funds Act, 1956 (Act No. 24 of 1956) or as a manager for a collective investment scheme registered in terms of the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002);or
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Important Notice
Recipients of this presentation should refer to the Independent Technical Statements for MC Mining Limited Limited available on the Company's website (www.mcmining.co.za), for full details of the coal resource and reserve estimates referred to in this presentation and the basis on which those estimates have been prepared.

Competent persons' statement

The lead Competent Person responsible for the declaration of the Uitkomst Resources and Coal Reserves as presented in this announcement is Mr Daniel (Daan) van Heerden (Director, Minxcon): B Eng (Min.), MCom (Bus. Admin.), MMC, Pr.Eng. (Reg. No. 20050318), FSAIMM (Reg. No.37309), AMMSA. Mr van Heerden is independent of Uitkomst Colliery (Pty) Ltd, its directors, senior management and advisors. Mr van Heerden has worked in the mining industry for over 30 years. He has a vast amount of experience in managing underground and open cast mining operations in South Africa and abroad for world-class mining majors and junior mining companies. He was responsible for new business development for two major mining companies and has experience in mining mergers and acquisitions. He is currently heading the Mining Engineering division of Minxcon, where he is integrally involved in activities such as valuation, due diligence, finance structuring, change management required post the event, feasibility studies, life of mine plans, technical reviews and writing of technical reports for various commodities.

The compilation of the reserves and resources for the Makhado Project, Vele Colliery and Greater Soutpansberg Project is according to the Australasian Joint Ore Reserves Committee (JORC) guidelines, carried out by the Company's independent Competent Person, John Sparrow. The principle Competent Persons involved in this declaration are Mr JCHK Sparrow and Mr MJ Bronn. Mr Sparrow is in the full time employ of the Company as the Group Geologist, and Mr Brom is a consultant and previously served as the Chief Operating Officer of the Company. Mr Sparrow is a registered professional scientist of good standing with the South African Council for Natural Scientific Professions, SACNASP(400109/03). Mr Bronn is a qualified mining engineer and registered member of good standing with the South African Institute of Mining and Metallurgy (SAIMM). Both parties have consented to the inclusion of the resources and reserves in this presentation.

The units of measure in this presentation are metric, with tonnes = 1,000kg and includes technical information that requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding off and consequently introduce an error. Where such errors occur MC Mining Limited does not consider them to be material. All amounts are in United States dollars ($) or South African rand (R).

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Agenda

Introduction & Strategy	David Brown
Operational & Project Review	David Brown
Financial Review	Brenda Berlin
Outlook & Conclusion	David Brown

Vele semi-soft coking and thermal colliery

Introduction & Strategy: David Brown

Uitkomst Colliery in Kwazulu Natal, acquired 30 June 2017

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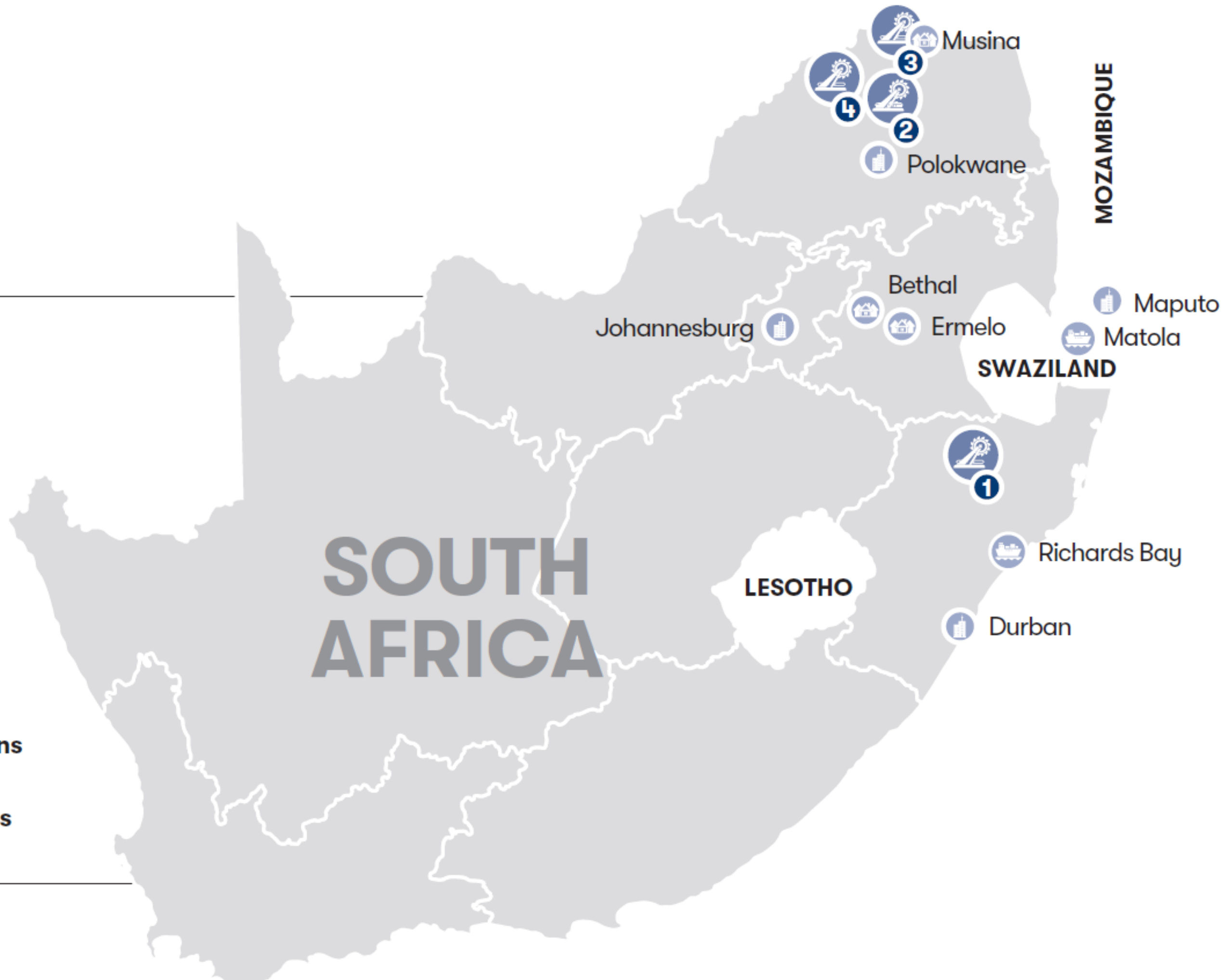
MC Mining's operation and projects' locations



1. Uitkomst Colliery
2. Makhado Project*
3. Vele Colliery
4. Greater Soutpansberg Project*

* *Coal exploration project*

LEGEND

MC Mining assets **Towns**

Cities **Ports**

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MC Mining's project pipeline

Vision to responsibly produce in excess of 2.0 million tonnes per annum of saleable product by 2020*

CURRENT	SHORT-TERM		MEDIUM & LONG-TERM	
UITKOMST	MAKHADO PROJECT	2ND CASH GENERATOR	VELE COLLIERY	GSP
Production asset Cash generative Expansion opportunity	Fully licenced Current process: 1. Surface rights access 2. Offtake agreements 3. Financing	Targets being assessed Potential 1 to 3 mtpa	Fully licenced On care & maintenance	Mining Right applications being processed Significant coking and thermal coal resources

*Excluding a 2nd cash generator

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MC Mining's FY2018 strategy assessment (at end H1)

Strategy	Status	Deliverable
Continued focus on safety	✓	No LTI's for over three financial years
Acquisition of a second cash generating asset	✗	➢ Several potential acquisition targets being assessed
Regulatory advancement of the Makhado Project	✓✗	➢ Suspension of IWUL lifted by the Minister ➢ Surface rights partially resolved, awaiting completion of legislated expropriation process over the key Lukin and Salaita properties
Funding and off-take agreements for the development of the Makhado Project	✓✗	➢ Negotiations with potential off-take customers ongoing ➢ Discussions with prospective funders commenced in early Q3 FY2018
Restructuring and strengthening of MC Mining's balance sheet	✓	➢ IDC debt funding in place ➢ 20:1 share consolidation completed ➢ Positive working capital balance at half year-end ➢ No Going Concern issues at 31 December 2017 ➢ Re-balance the Company's portfolio
Sale of the Mooiplaats Colliery	✓	Completed during the reporting period

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Mooiplaats Colliery Disposal

- Colliery was sold during the period reducing overhead costs by $1.4 million annually
- The R179.9 million ($14.5 million) purchase price will be settled as follows:
  - R67 million ($5.4 million) received during the period – R15 million ($1.2 million) was paid to settle Mooiplaats Black Economic Empowerment partner
  - Ten, equal quarterly deferred payments totalling R112.9 million ($9.1 million*), subject to the fulfilment of the remaining condition precedent
- The remaining condition precedent, namely DMR approval for the incorporation of portions of the farm Klipbank into the Mooiplaats Colliery mining right, anticipated in July 2018
- The first deferred payment of R11.3 million ($913k) is due in August 2018, pending DMR approval of the mining right amendment

*as at 31 December 2017

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Operational & Project Review: David Brown

Uitkomst Colliery south adit and conveyor to the processing plant

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Uitkomst: cash generative, producing asset

- Uitkomst Colliery was acquired on 30 June 2017 for R275 million ($20.6 million) of which R25 million ($1.9 million) is deferred for 24 months
- High grade metallurgical coal as well as sized domestic and export thermal coal sold
- MC Mining purchased 91% of the project with the remaining 9% held by Black Economic Empowerment (BEE) partners, including employees and local communities
- To satisfy the South African Mining Charter, an additional 21% interest in Uitkomst will be sold to BEE partners in H2 FY2018, on a vendor financed basis
- Uitkomst has a 17-year life of mine (LOM), including the north adit
- Produced 346,336 tonnes of run of mine coal (ROM) during the period, including 265,609 tonnes from the south adit and 80,727 tonnes of purchased ROM
- Surplus plant capacity allows for purchase of 3rd party ROM for processing
- Uitkomst purchased ROM and blending slurry, yielding sales of 308,275 tonnes during the six months
- Cash producing asset, generating revenue of $17.0 million and a gross profit of $2.7 million for the period
- Development of north adit to increase coal supply currently being investigated with geotechnical drilling expected to be completed in Q3 CY2018
- Once all regulatory approvals are in place, construction of a north adit expected take seven months to complete
- North adit options could increase ROM production by 150,000 tonnes per annum and reduce operating expenses due to shorter man and materials transport distances and hence, improve operating efficiencies

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Uitkomst: cash generative, producing asset cont.

	September 2017 quarter (t)	December 2017 quarter (t)	H1 FY2018 (t)
Production tonnages			
Uitkomst ROM	125 108	140 501	265 609
Purchased ROM to blend	45 313	35 414	80 727
	170 421	175 915	346 336
Sales tonnages			
Own ROM	80 677	94 271	174 948
Slurry used for blending	36 489	17 201	53 690
Purchased ROM to blend	48 266	31 371	79 637
	165 432	**142 843**	**308 275**
Financial metrics			
Revenue/t ($)	50.03	61.09	55.14
Production cost/ saleable tonnes ($)	43.20	43.47	43.32

- Net positive cash generated from operations during the six months

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Makhado: 'greenfields' evaluation asset

- Makhado Project right-sized to reduce execution risk and align production with current market options – Makhado 'Lite' evaluation project approved by the MC Mining Board in September 2017 to move forward with the next stages of the project
- Lower operational risks during early phases of the project
- Competent Persons Report (CPR) completed in January 2018 recording the following key metrics:

	Makhado Lite
ROM production	4 Mtpa
LOM	46 years
Hard coking coal (HCC) production	0.7 to 0.8 Mtpa
Thermal coal production	0.9 to 1.0 Mtpa*
Construction capital (real)	R1,053 million ($79 million)
Construction period	12 months
Long term thermal coal price/t	$60.00
Long term HCC price/t	$120.00
Average ZAR:US$ exchange rate	R13.40**
NPV	R2,053 million ($153 million)

*Assumes 5,200k/cal product is produced

**Average ZAR:USD exchange rate over the 46-year LOM (real) (east, central and west pits)

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Makhado: 'greenfields' evaluation asset cont.

- Significantly lower capital required to construct the project – reduced water, electricity, plant and rail infrastructure requirements
- ROM production anticipates HCC yields ~19.0% and ~25.1% thermal coal yields
- Makhado costs updated during the reporting period using:
  - Four contract mining proposals received during Request for Quotation (RFQ) process to provide full mining services
  - Three lump sum, turnkey proposals received to construct the processing plant and associated infrastructure and, operate the plant
- Construction costs of R1,053 million ($79 million) with a 42-month payback period
- Combination of debt and equity will be used to fund the project, to be finalised once off-take agreements signed and access to site secured
- MC Mining anticipates that approximately 50% of HCC sold locally with the balance and all thermal coal exported
- Discussions with potential local and international HCC customers ongoing
- Thermal product satisfies export quality requirements and will be sold internationally
- Special Economic Zone (SEZ) gazetted by the South African government in September 2017 for the development of an energy and metallurgical zone to be located nearby MC Mining's Limpopo assets is an encouraging initiative expected to be developed over the next ten years as it could include a coal-fired power plant, coking coal battery, steel and stainless steel plants

Vele: ‘brownfields’ development project

- Post period-end, IWUL approval granted authorising the non-perennial stream diversion required for the Vele plant modification project
- Vele assessed for impairment in H1 FY2018:
  - Significant political change in South Africa accompanied by a strengthening of the rand against the dollar
  - MC Mining’s strategic focus shifting to the development of the Makhado Project
  - Development of the SEZ potentially delaying the re-commencement of Vele production to FY2022 - a change in development plan compared to the previous period
  - Aforementioned factors resulted in an impairment of $87.5 million, the majority of which related to exchange rate changes
- Vele positioning within MC Mining to be finalised before the end of the current financial year

GSP: massive pipeline – medium-term potential

- Chapudi, Generaal and Mopane are early stage coking and thermal coal exploration projects in the Soutpansberg coal field
- Collectively comprise the GSP with over 1.6 billion tonnes of coal (minable tonnes in situ)
- Significant resource base of coking and thermal coal products
- Consolidation of tenements and ore bodies required to improve mine planning optionality, flexibility and economies of scale
- Access to domestic and export markets using existing rail capacity
- High potential for positive impact on job creation and other social upliftment programmes
- Requirements to deliver on strategy:
  - Participate in regional impact study
  - Identify GSP ‘sweet spots’ – will not mine all areas and not simultaneously
  - Advance project design

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Regulatory status of MC Mining's assets

Project	NOMR granted by the DMR			IWUL granted by the DEA			EA granted by the DEA			Access to surface rights secured
	Granted	Duration	Status	Granted	Duration	Status	Granted	Duration	Status	
Uitkomst (Kwazulu Natal)	✓	Until 2023	(1)	✓	10 years (granted in 2011)	Fully compliant	✓	LoM	Application to include planned north adit submitted	✓
Makhado Project (Limpopo)	✓	30 years	Received May 2015	✓	20 years	(2)	✓	LoM	Amended and validity period extended by 5 years	✓(3)
Vele (Limpopo)	✓	30 years	Fully compliant	✓	20 years	(4)	✓	LoM	Fully compliant (5)	✓
GSP (Limpopo)	DMR accepted NOMR applications for the various component projects in 2013 – approval outstanding			No applications for IWUL submitted – to be submitted upon granting of NOMR			No applications for EA submitted – to be submitted upon granting of NOMR			×

DMR – Department of Mineral Resources
DEA – Department of Environmental Affairs
DWS – Department of Water & Sanitation
LEDET – Limpopo Province Department of Economic Development, Environment & Tourism

NOMR – New Order Mining Right - authorisation to mine resources in accordance with approved mine plan
IWUL – Integrated Water Use License - water use limits for construction and mining activities
EA – Environmental Authorisation to undertake mining activities

Notes:
(1) Extension will be submitted to extend the NOMR for life of mine (LoM) i.e. to 2034.
(2) Appeal lifted in FY2017 and expected to be assessed by the Water Tribunal in FY2018.
(3) Majority of surface rights required for the project have been obtained, access to Lukin and Salaita farms is outstanding.
(4) Vele IWUL received and has been extended for an additional 20 years and amended in-line with the plant modification project. Application in respect of the diversion of non-perennial streams approved in Q3 FY2018.
(5) MC Mining has committed to spending R55 million over 25 years on bio-diversity and cultural heritage in line with the off-set agreement.

MC Mining's substantial Resources and Reserves

Abridged summary of JORC compliant resource & reserve statement – 31 December 2017	JORC-compliant resources (measured, indicated and inferred)[1,2]			JORC compliant reserves (proven & probable)[2]
Project name	**Gross tonnes in situ (Mt)**	**Total tonnes in situ (Mt)**	**Mineable tonnes in situ (Mt)**	**Reserves (Mt)**
Uitkomst (Kwazulu-Natal)	25.853	23.832	22.624	8.224
Makhado Project [(3)] (Soutpansberg)	795.608	691.695	344.766	172.757
Vele (Limpopo)	793.952	671.320	361.569	291.395
GSP (Soutpansberg)	7,161.021	5,751.716	1,660.229	-
Total	**8,776.434**	**7,138.563**	**2,389.188**	**472.375**

Notes:
(1) Resources are stated inclusive of reserves; Mt = million tonnes
(2) Independent Technical Statement for the GSP (1 February 2017)
(3) The Resource, defined in accordance with the 2012 JORC Code, updated in January 2016

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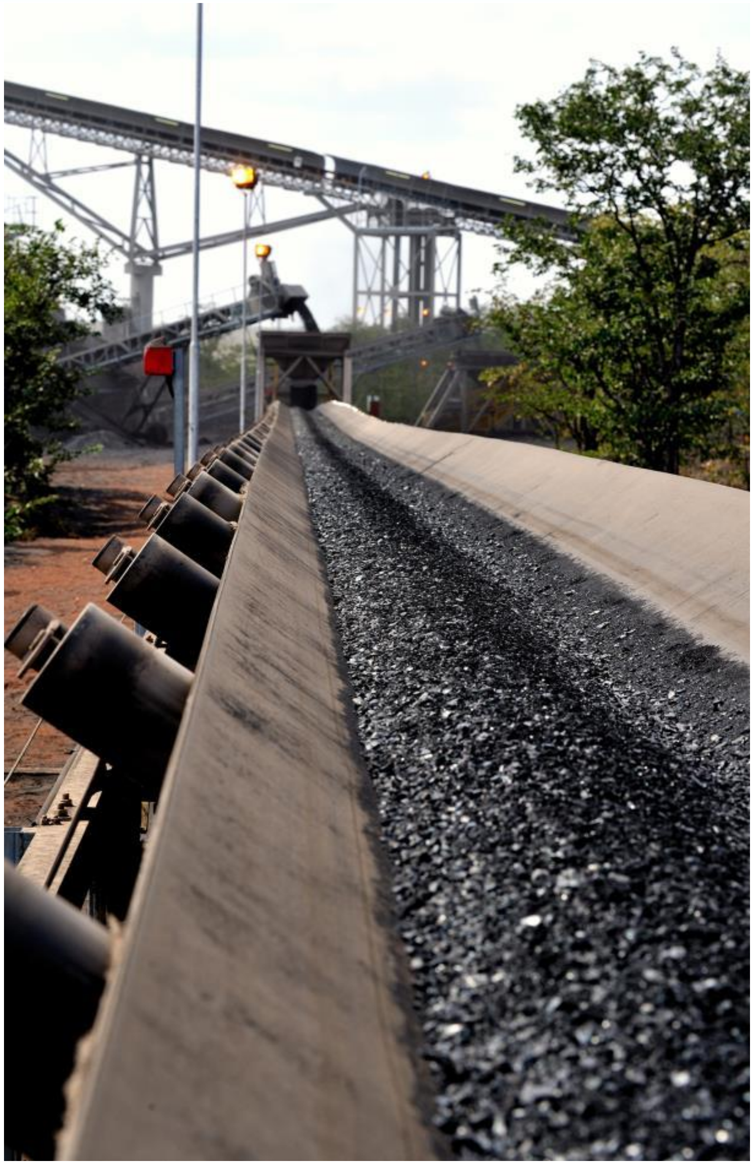
Financial Review: Brenda Berlin



Historic coal production at the Vele Colliery

H1 FY2018 Financial key features

- Balance sheet management and cash preservation continued
- MC Mining strives to attain self-sufficiency from a cash perspective and continually assesses cost reduction measures
- Cash burn reduced from $5.2 million in the prior period to $3.2 million in the current six months
- Cash balance increased to $10.2 million compared to $9.6 million at the beginning of the period
- Income statement loss largely due to non-cash movements including $87.5 million impairment of the Vele Colliery

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H1 FY2018 Income statement variances

- Revenue of $17.0 million generated by Uitkomst (H1 FY2017: $nil)
- Gross profit of $2.7 million produced by Uitkomst (H1 FY2017: $nil)
- Other operating losses include a net foreign exchange loss of $1.0 million vs. a profit of $2.9 million in comparable period
- Impairment of Vele Colliery - $87.5 million arising from a stronger rand and prioritisation of the Makhado Project
- Employee costs increased from $2.5 million to $3.9 million due to:
    - Strengthening of the AUD (3%) and ZAR (5%) against the USD compared to H1 FY2017
    - $1.3 million in once-off payments and long-term staff retention provision
- Income tax charge of $6.9 million includes $5.6 million arising from the reversal of the Vele Colliery deferred tax asset
- Basic loss per share of 78.39 US cents (H1 FY2017: 13.68 US cents)
- Headline loss per share of 10.43 US cents (H1 FY2017: 2.48 US cents)

Non-cash movements

	H1 FY2018 US$'000	H1 FY2017 US$'000
Loss before tax per the income statement	**(93,129)**	**(12,956)**
Profit/ (loss) from discontinued operations	2,660	(159)
Group loss for the six months	**(90,469)**	**(13,115)**
Add back non-cash items (continuing and discontinued operations):		
- Depreciation & amortisation	849	168
- Unrealised foreign exchange gains/ (losses)	1,364	(3,009)
- Share based payments	121	-
- Net finance income	1,248	381
- Net impairment expense	84,315	10,620
- Other non-cash items	701	(219)
- Working capital changes	(1,360)	(53)
'Cash loss' from continuing and discontinued operations for the period	**(3,231)**	**(5,227)**

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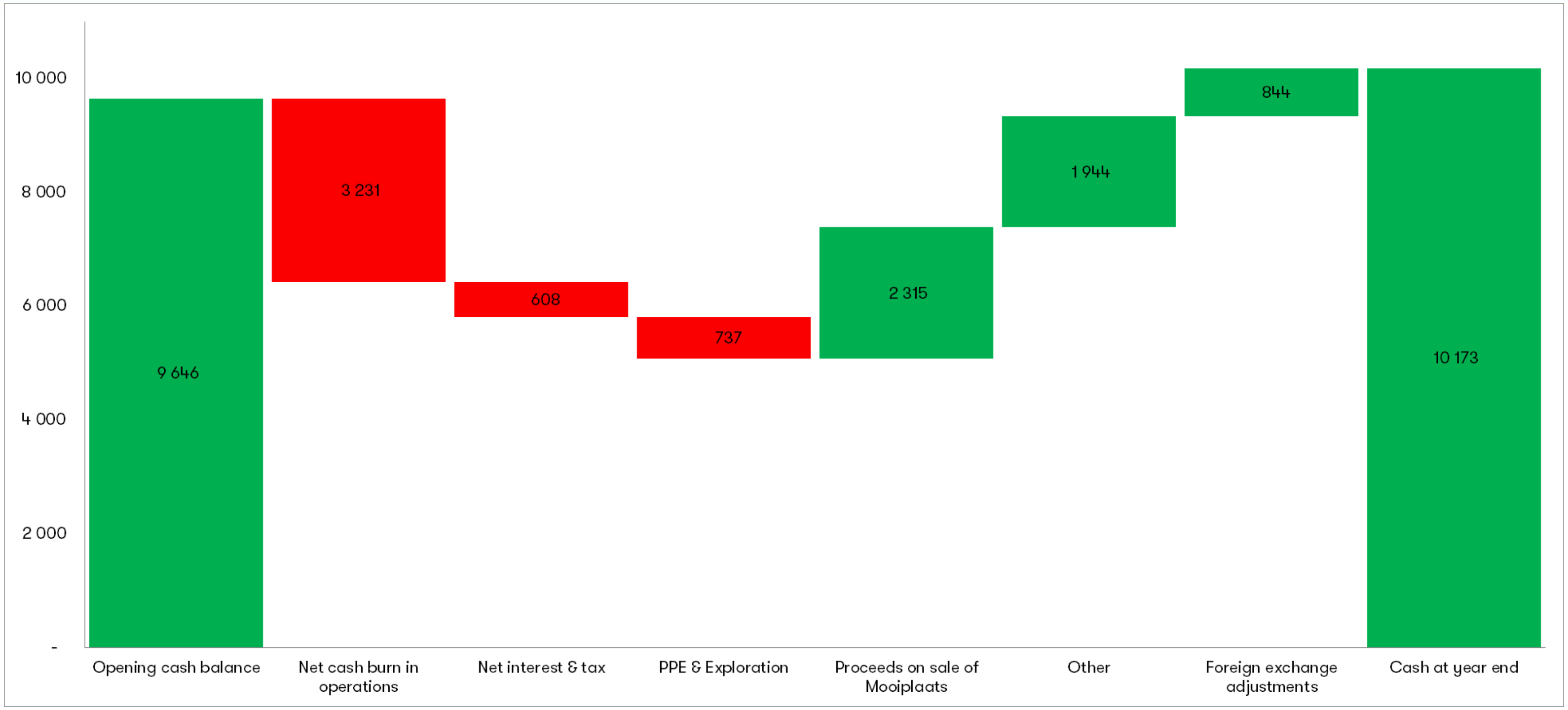
Cash flow analysis – H1 FY2018 ($'000)



Short and medium-term liquidity at the end of H1 FY2018	$'000
Cash at end of December 2017	10,173
Net current assets (excluding cash & Mooiplaats deferred payments)	2,135
Available IDC facility (R120 million)	9,701
Mooiplaats deferred payments (R112.9 million at 31 December 2017)	9,127
Total	**31,136**

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Outlook & Conclusion: David Brown

Blast drilling at the Vele Colliery

Coal market trends and pricing

Pricing improved significantly during CY2017

- There has been a significant reduction in investment in new capacity (less future supply will impact the market positively)
- SA in particular has seen very little new investment

Metallurgical coal

- HCC prices increased since January 2017 with prices over $200/t (Prime HCC) at the end of December 2017
- Short-term softening of prices expected but medium and long-term outlook supports profitable price levels

Thermal coal

- Thermal prices (API4) increased from January 2017 and were $90/t at period-end
- Export and domestic demand – opportunities exist

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Key deliverables to unlock intrinsic value

FY 2018

- Access Makhado site to complete geotechnical drilling
- Sign off-take agreements with Makhado HCC customers
- Arrange funding for the Makhado Project
- Acquisition of second cash generator

FY 2019

- Makhado construction activities commence

FY 2020

- Makhado in commercial production
- A potential 2.0 million saleable tonnes per annum produced (Uitkomst and Makhado)

DEFINED PATH FOR FUTURE VALUE CREATION

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MC Mining moving forward

Key advantages	Key risks
A major coal resource in South Africa - 8.9 billion gross tonnes in situ with an extended LOM – over 100 years	Political and policy uncertainty impacts the ability to raise funds
Well positioned for future provincial growth opportunities – establishment of the SEZ in close proximity to MC Mining's significant resources in the Limpopo Province	Continued commodity price trends (continued positive moves in H1 2018)
HCC differentiator – local and export supply	Logistics costs – distance to end user
Logistics in place and well tested	Insufficient shareholder support for acquisition of a second cash generator
Uitkomst cash generating asset covers a significant portion of overheads	Community impacts on project delivery
Access to IDC funding	
Sale of Mooiplaats completed, reducing overheads	
Further reduction of overhead structure to be implemented	

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Overall strategy

Drive to self-sufficiency during CY2018 to be achieved through the acquisition of a second cash generator and/ or a financed Makhado Project