



ANNOUNCEMENT

29 October 2018

FIRST MAKHADO PROJECT HARD COKING COAL OFF-TAKE AGREEMENT SECURED

MC Mining Limited (“**MC Mining**”) is pleased to announce the conclusion of a Coal Purchase Agreement (the “**Agreement**”) for hard coking coal (“**HCC**”) to be produced by the Makhado hard coking and thermal coal project (“**Makhado Project**” or “**Makhado**”) located in South Africa’s Limpopo province. The parties to the Agreement are MC Mining’s subsidiary, Baobab Mining & Exploration (Pty) Ltd (“**Baobab**” or the “**Company**”), the owner of the Makhado Project, and Huadong Coal Trading Center Co, Ltd (“**HDCTC**”), a Chinese state-owned enterprise and a subsidiary of the China Forestry Group Corporation (the “**Purchasing Group**”).

The Purchasing Group is the owner of the Zhonglin Rugao, Zhonglin Xinminzhou and Zhonglin Suqian ports as well as Yangtze River water and harbour space and canal shoreline, together with 780,000 tonnes of berth-space. HDCTC has logistics and bulk commodity trading interests, utilising the Purchasing Group’s substantial logistics infrastructure, and traded in excess of five million tonnes (“**t**”) of iron ore and coal during the past two years.

Key highlights:

- three year off-take resulting in the supply of a minimum of 400,000t of HCC per annum to HDCTC (half of Makhado’s annual HCC production);
- the Makhado Project is expected to produce up to 800,000t of HCC annually as well as between 900,000t and 1,000,000t of export quality thermal coal;
- the Agreement confirms the quality of the Makhado HCC and international demand for the product; and,
- represents another significant step in the development of the Makhado Project which will generate significant employment opportunities in the Limpopo province.

Under the terms of Agreement, the first supply of HCC is due 18 months after construction of the Makhado Project commences and is subject to the following conditions precedent:

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Chairman Bernard R. Pryor **Chief Executive Officer** David H. Brown **Chief Financial Officer** Brenda Berlin

Non-executive directors Peter G. Cordin, Andrew D. Mifflin, Khomotso B. Mosehla, Thabo F. Mosololi, Shangren Ding, An Chee Sin, Brian He Zhen

- Baobab confirming by 1 April 2019 that it has secured funding for the capital, mining and operations for its Makhado Project, extendable by 12 months;
- HDCTC and the Company procuring the necessary internal and regulatory approvals to proceed with the Agreement, also by 1 April 2019; and
- Makhado site works commencing by 30 June 2020.

It is envisaged that the coal will be sold free-on-board (FOB) at the Matola Terminal in Maputo, Mozambique. The HCC sales price per the Agreement is linked to a published index price, confirming the marketability of Makhado's coal. International prices of HCC have been positive over the last 18 months and the Company is confident that long-term prices will remain favourable.

South Africa produces significant quantities of thermal coal, primarily used for heat, steam and electricity generation, sold to domestic and export customers. However, the country has a very limited domestic supply of high-quality metallurgical coal resulting in coke producers having to import HCC for the manufacture of metallurgical coke. This coke is used in furnaces with iron ore and a flux (lime) to produce pig iron (steel). It is anticipated that the balance of Makhado's HCC production (not sold to HDCTC) will be sold domestically.

The development of MC Mining's flagship Makhado Project is expected to facilitate economic growth in the Limpopo province and the Agreement has the potential to generate significant foreign currency inflows for South Africa. The timeframes envisaged in the Agreement are in line with the Heads of Agreement ("HOAs") signed with China Railway International Group Co., Ltd., announced in September 2018. The HOAs will result in the negotiation of a funding package for the Makhado engineering, procurement and construction ("EPC") coal handling and processing plant, 85% of the EPC costs and contract mining operations, conditional upon the finalisation of mutually acceptable terms and conditions by June 2019.

The Agreement was brokered by Apex Commodity Markets Limited ("**Apex**"), a boutique physical commodity brokerage headquartered in London and with representation in China, South Africa, Austria, Canada and the United States. Apex focuses on niche products and projects, mainly within the dry bulk commodity space, including spot and off-take contracts as well as corporate finance transactions. Apex will charge a market related commission for

coal sold in terms of the Agreement, facilitating the sales as well as communications between the Company and HDCTC.

David Brown, CEO commented:

“The signing of the first HCC off-take agreement is a significant step for Makhado, reaffirming its world class coal qualities and international appetite for this type of coking coal. South Africa is a traditional producer of thermal coal with currently no significant HCC being produced which results in producers having to import the commodity. Makhado’s coking coal has the necessary attributes to replace some of these imports whilst the development of the project will generate employment opportunities in the Limpopo province and make a positive contribution to the national balance of payments.

We are currently progressing negotiations with other potential domestic customers for the balance of the Makhado HCC, positioning MC Mining as South Africa’s pre-eminent producer of high-grade metallurgical coal.”

Authorised by
David Brown
Chief Executive Officer

For more information contact:

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Investec Bank Limited is the nominated JSE Sponsor

About MC Mining Limited:

MC Mining is an AIM/ASX/JSE listed coal exploration, development and mining company operating in South Africa. MCM’s key projects include the Uitkomst Colliery (metallurgical coal), Makhado Project (coking and thermal coal), Vele Colliery (coking and thermal coal), and the Greater Soutpansberg Projects (MbeuYashu).

Forward-Looking Statements

This Announcement, including information included or incorporated by reference in this Announcement, may contain "forward-looking statements" concerning MC Mining that are subject to risks and uncertainties. Generally, the words "will", "may", "should", "continue", "believes", "expects", "intends", "anticipates" or similar expressions identify forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond MCM's ability to control or estimate precisely, such as future market conditions, changes in regulatory environment and the behaviour of other market participants. MCM cannot give any assurance that such forward-looking statements will prove to have been correct. The reader is cautioned not to place undue reliance on these forward looking statements. MCM assumes no obligation and do not undertake any obligation to update or revise publicly any of the forward-looking statements set out herein, whether as a result of new information, future events or otherwise, except to the extent legally required.

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Statements of intention are statements of current intentions only, which may change as new information becomes available or circumstances change.

