



ANNOUNCEMENT

28 January 2020

## REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019

### UITKOMST COLLIERY GENERATES PLEASING RESULTS

MC Mining Limited ("MC Mining" or the "Company") which operates in South Africa, together with its subsidiaries, hereby provides its update for the three months ended 31 December 2019, the second quarter (the "Quarter") of the Company's 2020 financial year. All figures are denominated in United States dollars unless otherwise stated. Safety metrics are compared to the preceding quarter while financial and operational metrics are measured against the comparable period in the previous financial year. A copy of this report is available on the Company's website, [www.mcmining.co.za](http://www.mcmining.co.za).

#### Salient operational features

- Safety initiatives continued at the high-grade Uitkomst metallurgical and thermal coal mine ("Uitkomst Colliery" or "Uitkomst") with two lost-time injuries ("LTIs") recorded during the Quarter (FY2020 Q1: five LTIs);
- Optimisation initiatives and changes in mine management implemented during H2 CY2019 resulted in Uitkomst's run-of-mine ("ROM") coal production for the Quarter increasing 13% compared to the December 2018 period (127,021 tonnes ("t") vs. 112,562t);
- Sales of high-grade metallurgical, thermal and high-ash middlings coal was 24% higher than the comparative period (84,578t vs. 68,359t);
- 8,817t of high-ash middlings coal sold during the Quarter (FY2019 Q2: 0t);
- Continuation of composite debt/equity funding initiatives for the Makhado hard coking coal project ("Makhado Project" or "Makhado");
- Vele semi-soft coking and thermal coal colliery ("Vele Colliery") remained on care and maintenance during the Quarter, but the Vele processing plant is expected to be refurbished and recommissioned as part of Phase 1 of the Makhado Project; and
- The South African Department of Mineral Resources ("DMR") granted a mining right for the 74% owned Generaal coking and thermal coal project ("Generaal Project"), one of the three projects comprising the Company's Greater Soutpansberg Project ("GSP").

#### Coal market and financial features

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- API4 export thermal coal prices increased from \$59/t in September 2019 to \$83/t in December 2019 with average prices for the Quarter of \$76/t (FY2019 Q2: 96/t);
- Premium hard coking coal (“HCC”) prices declined significantly in the second half of CY2019 with average prices during the Quarter of \$139/t (down from \$223/t Q2 FY2019); and
- Available cash at Quarter-end of \$3.5 million (\$5.3 million at the end of September 2019) with restricted cash of \$0.03 million.

**David Brown, CEO commented:**

“Uitkomst generated extremely pleasing results for the Quarter with the change of mine management and optimisation initiatives implemented at the colliery earlier in H2 CY2019 yielding positive results and ROM coal production improved 13% on the comparative three-months. This follows the 8% improvement in ROM coal production recorded in the September 2019 quarter. The Quarter also witnessed increases in API4 export coal prices accompanied by improved domestic demand for Uitkomst’s metallurgical and thermal coal. This resulted in sales for the three months increasing 24% compared to Q2 FY2019, improving operating cash flows and profitability. The colliery continues to assess potential coal marketing opportunities.

The Company had a very successful CY2019 with the completion of key milestones required for the development of our flagship, fully permitted Makhado Project. This included the acquisition of the remaining properties and securing of Phase 1 hard coking and thermal coal off-take agreements. Phase 1 utilises the existing Vele Colliery processing facility as well as previously tested logistics infrastructure and has an internal rate of return in excess of 45% and a payback of less than 2.5 years. The progress facilitated the commencement of the Phase 1 composite debt/equity funding initiatives and resulted in the Company securing a \$17 million term-loan from the IDC, which will contribute to the \$52 million required to develop Phase 1 and reflects their support for the Makhado Project. MC Mining is progressing the remaining Phase 1 funding requirements and anticipates that these will be completed in H1 CY2020 with construction commencing in H2 CY2020.”

## **QUARTERLY COMMENTARY**

### **Uitkomst Colliery – Utrecht Coalfields (70% owned)**

The completion of a re-training programme and continued key focus on safety contributed to the improved performance at Uitkomst and the colliery recorded two LTIs during the Quarter (FY2020 Q1: five LTIs).

The optimisation initiatives and management changes implemented during H2 CY2019 continued to yield improvements and ROM coal production was 13% higher than the comparable period (127,021t vs 112,562t).

The ROM coal generated high-grade metallurgical and thermal coal sales of 75,761t compared to 67,606t in Q2 FY2019 and included the sale of carry-over inventory from the previous quarter of 6,815t (FY2019 Q2: 4,414t). Uitkomst sold 8,817t (FY2019 Q2: 0t) of high-ash middlings coal during the Quarter (FY2019 Q2: nil t).

Uitkomst's revenue benefitted from improved production levels as well as higher API4 coal prices compared to the preceding three months. However, the average API4 international thermal coal prices were 21% lower than the comparative period in 2019 (\$76/t vs \$96/t). Production costs per ROM tonne declined from \$49/t to \$36/t, benefitting from the 13% increase in ROM coal production, a 3% weakening of the ZAR:US\$ exchange rate as well as a reduction in mining costs following the implementation of cost control measures.

	Quarter to end-Dec 2019	Quarter to end-Dec 2018	% ▲
<b><i>Production tonnages</i></b>			
Uitkomst ROM (t)	127 021	112 562	13%
<b><i>Sales tonnages</i></b>			
Own ROM (t)	75 761	67 606	12%
Middlings sales	8 817	-	100%
Purchased ROM to blend (t)	-	753	(100%)
	<b>84 578</b>	<b>68 359</b>	<b>24%</b>
<b><i>Quarter financial metrics</i></b>			
Revenue/t (\$)	70.25	91.25	(23%)
Revenue/t (ZAR)	1 033	1 306	(21%)
Production cost/ROM tonnes (\$) ^	36.08	48.92	(26%)

^ costs are all South African Rand based

The Uitkomst Colliery has an estimated 15-years life-of-mine ("LOM") which includes the development of a north adit (horizontal shaft). The colliery is in the process reassessing options regarding the design of the planned north adit.

#### **Makhado Hard Coking Coal Project – Soutpansberg Coalfield (69% owned)**

The fully permitted Makhado Project recorded no LTIs (FY2020 Q1: nil) during the Quarter.

MC Mining's flagship Makhado Project has very favourable economics and the phased development thereof will deliver positive returns for shareholders. Makhado has a LOM in excess of 46 years comprising a nine-year Phase 1 LOM and Phase 2, which will be mined for more than 37 years.

The Company made significant progress in the development of Makhado during CY2019, including securing off-take agreements for the Phase 1 HCC and thermal coal by-product and the construction of the project will position MC Mining as South Africa's pre-eminent HCC producer.

The Makhado Phase 1 construction comprises the development the west pit and modifications to the existing Vele Colliery processing plant and the funding required is some R700 million (\$52 million) and includes the settlement of the existing 2017 IDC loan facility. The Company has progressed the fund raising initiatives to secure the funding for the construction of Phase 1 and anticipates that this will be completed in H1 CY2020 followed by a nine-month construction period, with first coal sales in H1 CY2021. The initial step in the Phase 1 composite debt/equity funding process was the conclusion of a conditional R245 million (\$17.0 million) term loan facility from the Industrial Development Corporation of South Africa Limited ("IDC"). The Company is in the process of various initiatives to raise the balance, including positive discussions with debt providers, current shareholders and potential new shareholders at both group and project level.

Phase 1 is a critical step in the development of Phase 2 of the Makhado Project, which also has significant positive economics, and the Company has already secured off-take agreements for *circa* 50% of the approximately 0.8 million tonnes per annum of Phase 2 HCC.

#### **Vele Semi-Soft Coking and Thermal Coal Colliery – Limpopo (Tuli) Coalfield (100% owned)**

The Vele Colliery remained on care and maintenance during the Quarter and no LTIs were recorded during the period (FY2020 Q1: nil).

There were no further developments to report during the Quarter and the Vele processing plant is expected to be refurbished and recommissioned as part of Phase 1 of the Makhado Project

#### **Greater Soutpansberg Project – Soutpansberg Coalfield (74% owned)**

The GSP recorded no LTIs (FY2020 Q1: nil) during the Quarter. The GSP is located within close proximity to the Musina-Makhado Special Economic Zone, an area designated by government to focus on, amongst others, energy and metallurgical industries.

The Chapudi, Mopane and Generaal Projects comprise MC Mining's longer-term coking and thermal coal GSP. The mining right applications for the three project areas were submitted to the DMR during 2013 with the Chapudi Project mining right granted in December 2018. The Generaal Project contains over 407 million gross

tonnes *in situ* of inferred coal resources<sup>1</sup> and was granted a mining right by the DMR during the Quarter. The Mopane Project mining right application is at an advanced stage and the Company is hopeful that the granting thereof will occur in the near future.

## Markets

The slowdown in the global economy during CY2019 continues to adversely affect metallurgical coal markets with average premium HCC prices during the Quarter of \$139/t (FY2019 Q2: \$223/t). However, HCC prices trended positively post Quarter-end increasing to \$149/t in January 2020. Increased international demand for South African thermal coal resulted in more favorable prices for Uitkomst coal, with average API4 thermal coal prices improving from \$61/t in Q1 FY2020 to \$76/t during the Quarter (FY2019 Q2: \$96/t).

Authorised by

**David Brown**

**Chief Executive Officer**

**This announcement is inside information for the purposes of Article 7 of Regulation 596/2014.**

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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. MC Mining'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 (coking and thermal coal).

## 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",

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<sup>1</sup> The GSP independent Competent Persons Report can be found on the Company's website: <http://www.mcmining.co.za/our-business/projects/gsp-mbeu-yashu>

"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 MC Mining's ability to control or estimate precisely, such as future market conditions, changes in regulatory environment and the behaviour of other market participants. MC Mining 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. MC Mining 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.

#### **Statements of intention**

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

MC Mining has ensured that the mineral resources quoted are subject to good governance arrangements and internal control. The Company has engaged external independent consultants to update the mineral resource in accordance with the JORC Code 2012 and SAMREC 2016. The units of measure in this report are metric, with Tonnes (t) = 1,000kg. Technical information that requires subsequent calculations to derive subtotals, totals and weighted averages may involve a degree of rounding and consequently introduce an error. Where such errors occur MC Mining does not consider them to be material.

**Tenements held by MC Mining and its Controlled Entities**

<b>Project Name</b>	<b>Tenement Number</b>	<b>Location</b>	<b>Interest</b>	<b>Change during Quarter</b>
Chapudi Project*	Albert 686 MS	Limpopo~	74%	
	Bergwater 712 MS		74%	
	Remaining Extent and Portion 2 of Bergwater 697 MS		74%	
	Blackstone Edge 705 MS		74%	
	Remaining Extent & Portion 1 of Bluebell 480 MS		74%	
	Remaining Extent & Portion 1 of Bushy Rise 702 MS		74%	
	Castle Koppies 652 MS		74%	
	Chapudi 752 MS		74%	
	Remaining Extent, Portions 1, 3 & 4 of Coniston 699 MS		74%	
	Driehoek 631 MS		74%	
	Remaining Extent of Dorps-rivier 696 MS		74%	
	Enfield 512 MS (consolidation of Remaining Extent of Enfield 474 MS, Brosdoorn 682 MS & Remaining Extent of Grootvlei 684 MS)		74%	
	Remaining Extent and Portion 1 of Grootboomen 476 MS		74%	
	Grootvlei 684 MS		74%	
	Kalkbult 709 MS		74%	
	Remaining Extent, Remaining Extent of Portion 2, Remaining Extent of Portion 3, Portions 1, 4, 5, 6, 7 & 8 of Kliprivier 692 MS		74%	
	Remaining Extent of Koodoobult 664 MS		74%	
	Koschade 657 MS (Was Mapani Kop 656 MS)		74%	
	Malapchani 659 MS		74%	
	Mapani Ridge 660 MS		74%	
	Melrose 469 MS		74%	
	Middelfontein 683 MS		74%	
	Mountain View 706 MS		74%	
	M'tamba Vlei 654 MS		74%	
	Remaining Extent & Portion 1 of Pienaar 635 MS		74%	
	Remaining Extent & Portion 1 of Prince's Hill 704 MS		74%	
	Qualipan 655 MS		74%	
	Queensdale 707 MS		74%	
	Remaining Extent & Portion 1 of Ridge End 662 MS		74%	
	Remaining Extent & Portion 1 of Rochdale 700 MS		74%	
	Sandilands 708 MS		74%	
	Portions 1 & 2 of Sandpan 687 MS		74%	
	Sandstone Edge 658 MS		74%	
	Remaining Extent of Portions 2 & 3 of Sterkstroom 689 MS		74%	
	Sutherland 693 MS		74%	
	Remaining Extent & Portion 1 of Varkfontein 671 MS		74%	
	Remaining Extent, Portion 2, Remaining Extent of Portion 1 of Vastval 477 MS		74%	
	Vleifontein 691 MS		74%	
	Ptn 3, 4, 5 & 6 of Waterpoort 695 MS		74%	
	Wildebeesthoek 661 MS		74%	

Project Name	Tenement Number	Location	Interest	Change during Quarter
	Woodlands 701 MS		74%	
Kanowna	M27/41	Coolgardie^	2.99%	
West and	M27/47		2.99%	
Kalbara	M27/59		2.99%	
	M27/72,27/73		2.99%	
	M27/114		2.99%	
	M27/181		7.24%	
	M27/196		2.99%	
	M27/414,27/415		2.99%	
	P27/1826-1829		2.99%	
	P27/1830-1842		2.99%	
	P27/1887		2.99%	
Abbotshall	ML63/409,410	Norseman^	Royalty	
Royalty				
Kookynie	ML40/061	Leonora^	Royalty	
Royalty	ML40/135,136		Royalty	
Makhado	Fripp 645 MS	Limpopo~	69%#	
Project	Lukin 643 MS		69%#	
	Mutamba 668 MS		69%#	
	Salaita 188 MT		69%#	
	Tanga 849 MS		69%#	
	Daru 848 MS		69%#	
	Windhoek 847 MS		69%#	
Generaal	Beck 568 MS--	Limpopo~	74%	
Project*	Bekaf 650 MS-		74%	
	Remaining Extent & Portion 1 of Boas 642 MS-		74%	
	Chase 576 MS-		74%	
	Coen Britz 646 MS-		74%	
	Fanie 578 MS-		74%	
	Portions 1, 2 and Remaining Extent of Generaal 587 MS-		74%	
	Joffre 584 MS-		74%	
	Juliana 647 MS		74%	
	Kleinenberg 636 MS-		74%	
	Remaining Extent of Maseri Pan 520 MS-		74%	
	Remaining Extent and Portion 2 of Mount Stuart 153 MT--		100%	
	Nakab 184 MT--		100%	
	Phantom 640 MS--		74%	
	Riet 182 MT--		100%	
	Rissik 637 MS-		100%	
	Schuitdrift 179 MT-		100%	
	Septimus 156 MT--		100%	
	Solitude 111 MT-		74%	
	Stayt 183 MT--		100%	
	Remaining Extent & Portion 1 of Terblanche 155 MT--		100%	
	Van Deventer 641 MS-		74%	
	Wildgoose 577 MS-		74%	
Mopane	Ancaster 501 MS--	Limpopo~	100%	
Project*	Banff 502 MS-		74%	
	Bierman 599 MS-		74%	



Project Name	Tenement Number	Location	Interest	Change during Quarter
	Cavan 508 MS		100%	
	Cohen 591 MS--		100%	
	Remaining Extent, Portions 1 & 2 of Delft 499 MS-		74%	
	Dreyer 526 MS--		74%	
	Remaining Extent of Du Toit 563 MS-		74%	
	Faure 562 MS		74%	
	Remaining Extent and Portion 1 of Goosen 530 MS		74%	
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	Hermanus 533 MS-		74%	
	Jutland 536 MS--		100%	
	Krige 495 MS-		74%	
	Mons 557 MS-		100%	
	Remaining Extent of Otto 560 MS (Now		74%	
	Honeymoon)-			
	Remaining Extent & Portion 1 of Pretorius 531 MS-		74%	
	Schalk 542 MS-		74%	
	Stubbs 558 MS-		100%	
	Ursa Minor 551 MS--		74%	
	Van Heerden 519 MS--		74%	
	Portions 1, 3, 4, 5, 6, 7, 8, 9, Remaining Extent of		74%	
	Portion 10, Portions 13, 14, 15, 16, 17, 18, 19, 20,			
	21, 22, 23, 24, 26, 27, 29, 30, 35, 36, 37, 38, 39, 40,			
	41, 44, 45, 46, 48, 49, 50, 51, 52 & 54 of Vera 815			
	MS			
	Remaining Extent of Verdun 535 MS-		74%	
	Voorburg 503 MS—		100%	
	Scheveningen 500 MS-		74%	
Uitkomst	Portion 3 (of 2) of Kweekspruit No. 22	KwaZulu-Natal~	70%	
Colliery and prospects	Portion 8 (of 1) of Kweekspruit No. 22		70%	
	Remainder of Portion 1 of Uitkomst No. 95		70%	
	Portion 5 (of 2) of Uitkomst No. 95		70%	
	Remainder Portion1 of Vaalbank No. 103		70%	
	Portion 4 (of 1) of Vaalbank No. 103		70%	
	Portion 5 (of 1) of Vaalbank No. 103		70%	
	Remainder of Portion 1 of Rustverwacht No. 151		70%	
	Remainder of Portion 2 of Rustverwacht No. 151		70%	
	Remainder of Portion 3 (of 1) of Rustverwacht No. 151		70%	
	Portion 4 (of 1) Rustverwacht No.151		70%	
	Portion 5 (of 1) Rustverwacht No. 151		70%	
	Remainder of Portion 6 (of 1) of Rustverwacht No. 151		70%	
	Portion 7 (of 1) of Rustverwacht No. 151		70%	
	Portion 8 (of 2) of Rustverwacht No. 151		70%	
	Remainder of Portion 9 (of 2) of Rustverwacht No. 151		70%	
	Portion 11 (of 6) of Rustverwacht No. 151		70%	
	Portion 12 (of 9) of Rustverwacht No. 151		70%	
	Portion 13 (of 2) of Rustverwacht No. 151		70%	
	Portion 14 (of 2) of Rustverwacht No. 151		70%	
	Portion 15 (of 3) of Rustverwacht No. 151		70%	
	Portion 16 (of 3) of Rustverwacht No. 151		70%	

Project Name	Tenement Number	Location	Interest	Change during Quarter
	Portion 17 (of 2) of Rustverwacht No. 151		70%	
	Portion 18 (of 3) of Waterval No. 157		70%	
	Remainder of Portion 1 of Klipspruit No. 178		70%	
	Remainder of Portion 4 of Klipspruit No. 178		70%	
	Remainder of Portion 5 of Klipspruit No. 178		70%	
	Portion 6 of Klipspruit No. 178		70%	
	Portion 7 (of 1) of Klipspruit No. 178		70%	
	Portion 8 (of 1) of Klipspruit No. 178		70%	
	Portion 9 of Klipspruit No. 178		70%	
	Remainder of Portion 10 (of 5) of Klipspruit No. 178		70%	
	Portion 11 (of 5) of Klipspruit No. 178		70%	
	Portion 13 (of 4) of Klipspruit No. 178		70%	
	Remainder of Portion 14 of Klipspruit No. 178		70%	
	Portion 16 (of 14) of Klipspruit No. 178		70%	
	Portion 18 of Klipspruit No. 178		70%	
	Portion 23 of Klipspruit No. 178		70%	
	Remainder of Portion 1 of Jackalsdraai No. 299		70%	
	Remainder of Jericho B No. 400		70%	
	Portion 1 of Jericho B No. 400		70%	
	Portion 2 of Jericho B No. 400		70%	
	Portion 3 of Jericho B No. 400		70%	
	Remainder of Jericho C No. 413		70%	
	Portion 1 of Jericho C No. 413		70%	
	Remainder of Portion 1 of Jericho A No. 414		70%	
	Remainder of Portion 2 (of 1) of Jericho A No. 414		70%	
	Portion 3 (of 1) of Jericho A No. 414		70%	
	Portion 4 (of 1) of Jericho A No. 414		70%	
	Portion 5 (of 2) of Jericho A No. 414		70%	
	Portion 6 (of 1) of Jericho A No. 414		70%	
	Margin No. 420		70%	
Vele Colliery and prospects	Portions of Overvlakte 125 MS (Remaining Extent, 3, 4, 5, 6, 13, 14)	Limpopo~	100%	
	Bergen Op Zoom 124 MS		100%	
	Semple 155 MS		100%	
	Voorspoed 836 MS		100%	
	Alyth 837 MS		100%	
Tshikunda	Certain portions of Unsurveyed State Land known as Mutale	Limpopo~	60%	
*	Form part of the Greater Soutpansberg Projects			
-	Lapsed – Mining Right Application Lodged			
--	Valid – Mining Right Application Lodged			
~	Tenement located in the Republic of South Africa			
^	Tenement located in Australia			
#	MC Mining's interest will reduce to 69% on completion of the 26% Broad Based BEE transaction			