



ANNOUNCEMENT

27 March 2019

ADDITIONAL MAKHADO PROJECT PHASE 1 INFORMATION

MC Mining Limited (“**MC Mining**” or the “**Company**”) announced the phased development of its flagship Makhado hard coking and thermal coal project (“**Makhado Project**” or “**Makhado**”) on 14 March 2019 (the “**Development Announcement**”)¹. All figures are denominated in United States dollars unless stated otherwise.

This announcement supplements the Development Announcement, providing additional information in relation to Phase 1 and highlights that Phase 2 will be developed according to the 2017 Makhado ‘Lite’ project plan. The Makhado ‘Lite’ project plan was announced on 27 October 2017² revising the original Makhado Project development plan. This revision entailed production of four million tonnes per annum (“**Mtpa**”) of run-of-mine (“**ROM**”) coal commencing in the east and central pits and included the construction of the Makhado Project processing plant and related infrastructure.

The March 2019 Development Announcement confirmed that the phased approach to Makhado will fast-track delivery of saleable coal to market, reduce project capital requirements and moderate execution risk. The development of Phase 1 will commence in the west pit producing an estimated 3Mtpa of ROM coal, with Phase 2 (the Makhado ‘Lite’ project plan) being developed in *circa* CY2022 generating an estimated 4Mtpa of ROM coal. As a result, construction of the Phase 1 west pit together with modifications to the existing Vele processing plant anticipated to commence in Q3 CY2019.

The west pit forms part of the Makhado Project Mineral Resource and Mineral Reserves included in the independent Competent Person’s Report (the “**CPR**”) prepared in accordance with the JORC Code[#]. The CPR was prepared by the independent MSA Group and disclosed on 1 February 2016³ and distinguishes Makhado’s Resources and Reserves underpinning Phase 1 and Phase 2 production targets. None of the Reserves supporting these targets are based on Inferred Resources.

Technical parameters and modifying factors to convert Resources to Reserves

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Neither the technical parameters nor modifying factors have changed since the publication of the CPR and the total ROM Reserve tonnes remained constant at 172.757 million tonnes (“**Mt**”). The key technical parameters contained in the CPR, which are also applicable to Phase 1, are summarised below.

Modifying factors used to determine the Makhado Project Resource:

To obtain	Modifying factor
Gross tonnes in situ (“ GTIS ”)	All coal in the mining right area that is contained within the selected horizons greater than 0.5m in thickness (true thickness).
Total tonnes in situ (“ TTIS ”)	The GTIS tonnage discounted by an appropriate percentage to the level of geological confidence (10% - Measured, 15% - Indicated and 20% - Inferred).
Mineable tonnes in situ (“ MTIS ”)	The TTIS tonnage adjusted to a maximum mining depth (200m) from the limit of oxidation (20m), excluding all coal where the volatile matter content at a wash density of 1.4, is less than 20%.

Modifying factors used to determine the Makhado Project Reserve:

To obtain	Modifying factor
Reserve MTIS	The conversion of the Resource MTIS taking into account all social, legal, environmental and physical constraints. This is then run through a Whittle® optimization for all the relevant financial, mining and processing factors to provide a pit shell for the 10% ash content primary hard coking coal (“ HCC ”) product and run through a life-of-mine (“ LOM ”) and advanced destination scheduler.
Extractable Reserve	A further 5% geological loss factor is applied to further cater for unknown geological conditions that may be encountered in the pit at a mining block level.
ROM Reserve	The conversion of the Extractable Reserve to a ROM Reserve by the application of the expected level of contamination and making allowance for the mining recovery factor at a mining block level.

Makhado Project Resource Statement as at 30 June 2018

Resource category	Seam	Seam thickness (m)	Raw RD (t/m³)	GTIS (Mt) (adj)	Geo-logical losses	TTIS (Mt) (adj)	MTIS (Mt) (adj)
Measured	Upper	2.86	1.91	49.739	10%	44.765	34.618
	Middle Upper	4.07	1.78	99.369	10%	89.432	61.795
	Middle lower	2.20	1.88	50.245	10%	45.221	35.721
	Bottom Upper	3.45	1.77	94.803	10%	85.323	61.068
	Bottom Lower	3.88	1.89	108.624	10%	97.761	71.823
Total/average Measured		16.46	1.84	402.781	10%	362.503	265.025
Indicated	Upper	2.70	1.95	46.302	15%	39.357	15.854
	Middle Upper	3.72	1.79	72.678	15%	61.776	16.015
	Middle lower	1.89	1.91	30.373	15%	25.817	9.242
	Bottom Upper	3.21	1.79	72.648	15%	61.751	15.682
	Bottom Lower	3.58	1.92	76.594	15%	65.105	19.950
Total/average Indicated		15.10	1.86	298.595	15%	253.806	76.743
Inferred	Upper	2.61	2.00	35.935	20%	28.748	2.560
	Middle Upper	4.40	1.81	20.372	20%	16.298	0.094
	Middle lower	2.24	1.90	5.884	20%	4.707	0.080
	Bottom Upper	3.72	1.92	16.302	20%	13.042	0.004
	Bottom Lower	4.25	1.95	15.739	20%	12.591	0.260
Total/average Inferred		17.22	1.93	94.232	20%	75.386	2.998
Grand total/average Makhado Resources		16.04	1.86	795.608	13%	691.694	344.766

RD - relative density

t – tonne

adj - adjusted

Makhado Project Reserves Statement as at 30 June 2018

The table below details the Makhado coal Reserves to be mined in each phase from the three mining blocks:

Mining block		Reserve category	MTIS Mt (adj)	Unknown geo-logical losses	Extractable Reserve Mt (adj)	Contam- ination	Mining recovery factor	ROM Reserve Mt (adj)
West pit	Phase 1	Probable	25.192	5%	23.933	5%	92%	23.119*
East pit	Phase 2		94.586	5%	89.857	5%	92%	86.802
Central pit			53.472	5%	50.799	5%	92%	49.071
West pit			15.000	5%	14.250	5%	92%	13.765
Grand total/average Makhado Reserves			188.250	5%	178.839	5%	92%	172.757

*equates to nine year LOM for Phase 1, comprising 13.4% of the total Makhado Reserves

Pertinent points in relation to the Makhado Reserves:

- The declared coal Reserves are based upon Measured and Indicated coal Resources only.

- The pit depths vary between 197m (east pit), 161m (central pit) and 121m (west pit).
- A depth cut-off of 30m was applied to exclude any oxidised material and only coal within the pit shells was considered.
- The estimated marketable Makhado coal Reserves were determined in accordance with the JORC code on the following basis:
 - two coal products will be produced at Makhado, namely a primary HCC product with a 10% ash content and a secondary thermal coal product with an energy content of 5,500kcal/kg net as received;
 - Makhado borehole core samples have been analysed at accredited and audited independent laboratories. The coal washability data for all coal particles greater than 0.5mm has been incorporated in a Minex© geological model and exported as full washabilities to the Mine II 4D© and XPAC© mine scheduling tools to calculate the product yields;
 - the washability and yields for all coal particles smaller and equal to 0.5mm is based on drop-shattered, dry and wet tumbled samples obtained from large diameter borehole cores that have been tested and analysed at accredited and audited independent laboratories;
 - mining dilution and processing modifications were simulated in the various processing modelling streams and incorporated in the Coal Handling and Processing Plant front-end engineering design (“FEED”) to estimate the primary and secondary product yields;
 - HCC produced from the west pit bulk sample was tested by a major steel producer and evaluated by independent accredited coal consultants who confirmed the technical specifications and coking properties of the HCC - it has a coke strength after reaction (CSR) of ~64%; and
 - the secondary thermal product has the typical specifications aligned with the standard internationally traded product (5,500 kcal/kg) that was validated at accredited and audited independent laboratories.

Forecast financial information

The Makhado Project financial parameters have changed since the publication of the CPR and the coal Reserves have a potential for economic extraction based on the production targets and financial considerations in the table below.

Key Phase 1 outputs	Notes	
LOM – west pit*		9 years
ROM production rate*		~3Mtpa
Production target – HCC*		~0.54Mtpa
Production target – thermal coal*		~0.57Mtpa
HCC yield (including fines)*		~19%
Thermal coal yield*		~20%
Construction period*		9 months
Capital expenditure*	1	\$29.1m
Peak funding*	2	\$33.5m
Mining cost	3	\$10/ROM t
Long-term HCC price	4	\$160/t
Long-term thermal coal price (API#4)	5	\$80/t
Rand dollar exchange rate*		R13.75
Resultant IRR*		>45%
Resultant peak funding payback*		<2.5 years

**disclosed in the Development Announcement*

Notes:

1. Assessed by DRA Global during a February 2019 FEED process, delivering a +/-10% accurate estimate.
2. Includes estimated working capital requirements during the construction and ramp-up periods.
3. Quotes from independent mining contractors obtained in February 2019.
4. The Company has taken a more robust view in its projection of long-term prices as a result of HCC prices remaining favourable during the past 24 months. The \$160/t long-term assumption is for the 'HCC64 mid vol' index and is gross of expected logistics costs to final markets and negotiated, confidential discounts.
5. The long-term thermal coal price assumed by the Company is based off the API#4 price (free-on-board, Richards Bay), then energy adjusted and discounted for the estimated discount of a 5,500kcal product to that of the API#4 product.

The Phase 1 composite funding plan discussed in the Development Announcement requires MC Mining to raise some \$50 million, made up of new debt (\$20 million) and additional equity funding (\$30 million). The Company is in advanced discussions with a potential debt provider for an amount of *circa* \$20 million and expects material terms and conditions to be approved by the debt provider's credit committee in Q2 CY2019. These debt funds, together with the new equity will be used to the

develop Makhado Phase 1 and early settle the existing Industrial Development Corporation of South Africa Limited loan. The financial and technical projections included above are based on internal Company forecasts.

David Brown, Chief Executive Officer commented:

“The information gathered during the February 2019 Makhado FEED process has been incorporated into Phase 1 of the Makhado Project. The development of this phase entails the construction of the west pit, modification of the existing Vele processing plant and the utilisation of road and rail infrastructure previously tested. This approach reduces the capital requirements and the period for delivery of saleable coal to market, moderating execution risk.

The Company is in advanced thermal coal off-take discussions with various parties and expects that the marketing and fundraising elements will be completed during Q2 and Q3 CY2019 respectively, with construction of Phase 1 commencing thereafter. This positions MC Mining to be able take advantage of favourable future global coking coal prices, generating near-term positive returns for shareholders. The development of Phase 2 is expected to commence in *circa* CY2022 and will generate an estimated 4Mtpa of ROM coal.”

Authorised by

David Brown

Chief Executive Officer

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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 and thermal 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.

Statements of intention

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

Qualified Persons Statement

The technical information contained in this announcement has been reviewed and approved by Mr Sparrow in terms of the Resource declaration and Mr Bronn in terms of the Reserve declaration. Mr Sparrow is a registered professional scientist of good standing with the South African Council for Natural Scientific Professions (SACNASP 400109/03) and Mr Bronn is a qualified mining engineer and registered member of good standing with the South African Institute of Mining and Metallurgy (SAIMM 704125). Mr Sparrow and Mr Bronn have agreed to the inclusion in the announcement of the matters based on the information in the form and context in which it appears.

¹ The 14 March 2019 Development Announcement can be found on the Company's website:

<http://www.mcmining.co.za/component/jdownloads/send/88-2019/1472-phase-1-of-the-makhado-project-approved>

² The Makhado Lite announcement can be found on the Company's website:

<http://www.mcmining.co.za/component/jdownloads/send/79-2017/1365-report-for-the-quarter-ended-30-september-2017>

³ The Makhado Project CPR including the Mineral Resource and Reserve Statement prepared by The MSA Group can be found on the Company's website:

<http://www.mcmining.co.za/component/jdownloads/send/58-2016/86-independent-competent-persons-report-on-the-makhado-coal-project-1-february-2016>

#JORC - Australian Joint Ore Reserves Committee Code