



ANNOUNCEMENT

13 March 2020

HALF-YEAR RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2019

MC Mining Limited ("MC Mining" or the "Company") is pleased to provide its reviewed interim financial report for the six months ended 31 December 2019 (the "Period"). All figures are denominated in United States dollars unless otherwise stated and the full report is available on the Company's website, www.mcmining.co.za.

Highlights

Operational salient features

- The high-grade Uitkomst metallurgical and thermal coal mine ("Uitkomst Colliery" or "Uitkomst") regrettably recorded seven lost-time injuries ("LTIs") during the Period (FY2019 H1: one LTI). As a result, the Company introduced a mandatory safety re-training programme which all staff have participated in;
- Uitkomst's run-of-mine ("ROM") coal production pleasingly increasing 11% compared to H1 FY2019 period (262,696 tonnes ("t") vs. 237,715t) as a result of optimisation initiatives and changes in mine management;
- Sales of high-grade metallurgical and thermal coal derived from Uitkomst ROM coal of 147,234t (H1 FY2019: 157,452t);
- 14,587t of high-ash middlings coal sold during the Period (FY2019 H1: 0t);
- Term loan facility concluded with the Industrial Development Corporation of South Africa Limited ("IDC") for R245 million (\$17.4 million), the initial step in the composite debt and equity funding package for the construction of Phase 1 of the Makhado hard coking coal project ("Makhado Project" or "Makhado");
- Steady progress in the composite debt/equity funding initiatives for Makhado which the Company anticipates will be completed in H1 CY2020;
- Vele semi-soft coking and thermal coal colliery ("Vele Colliery") remained on care and maintenance with its processing plant to be refurbished and recommissioned as part of Phase 1 of the Makhado Project; and

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Chairman Bernard R. Pryor CFO and acting CEO Brenda Berlin

Non-executive directors Andrew D Miffiln, Khomotso B. Mosehla, Shangren Ding, An Chee Sin, Brian H Zhen, Sebastiano Randazzo

- The South African Department of Mineral Resources and Energy (“**DMRE**”) 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**”).

Corporate and market features

- Extension for a further six months of the R120 million (\$8.5 million) facility from the IDC to MC Mining’s subsidiary, Baobab Mining and Exploration Proprietary Limited, for the development of Makhado;
- Pressure on API4 thermal coal prices resulted in an average price of \$69/t compared to \$99/t in H1 FY2019; and
- The slowdown in the global economy led to demand weakness and average premium hard coking coal (“**HCC**”) prices for the Period declined to \$148/t, 28% lower than the comparative period’s \$206/t.

Subsequent events

- Resignation of David Brown as Chief Executive Officer and Executive director on 31 January 2020, and the appointment of Brenda Berlin as Acting CEO.

Financial review

- The loss for the Period was \$7.1 million or 4.95 cents per share compared to a loss of \$3.6 million or 2.49 cents per share for H1 FY2019;
- The 30% decline in API4 coal prices resulted in revenue decreasing to \$11.4 million (FY2019 H1: \$15.2 million) and despite a reduction in the cost of sales (\$11.1 million vs. \$12.3 million), gross profit declined to \$0.3 million (FY2019 H1: \$2.9 million); and
- Available cash at the end of the Period of \$3.8 million (\$8.8 million at the end of June 2019) with restricted cash of \$0.03 million.

Brenda Berlin, Acting CEO commented:

“The optimisation initiatives implemented at the Uitkomst Colliery during the Period yielded very positive results with ROM coal production increasing by 11%. The initiatives also led to a more predictable production profile and notwithstanding revenue being adversely affected by the 30% decline in API4 coal prices, Uitkomst was cash generative for the Period. The

colliery also undertook a review of its cost base to ensure that costs are aligned to its production profile and the cost per ROM tonne was 22% lower than H1 FY2019.

The Company has completed significant milestones required for the development of our flagship, fully-permitted Makhado Project, facilitating the continuation of Phase 1 funding initiatives. The first step was a \$17.4 million term loan from the IDC and reflects their support for the project. This loan is a significant contribution towards the securing the \$37 million required to develop Phase 1. Following this, discussions with potential funders for the balance are progressing and we anticipate that this process should be completed in H1 CY2020, with construction commencing in Q3 CY2020. The completion of Phase 1 will result in MC Mining being the pre-eminent South African producer of hard coking coal.”

Project and Operation Review

Uitkomst Colliery (70% owned)

Uitkomst employs approximately 554 employees and despite safety continuing to be a key focus, the colliery recorded seven LTIs in six separate incidents during the Period (FY2019 H1: one LTI). A safety re-training programme was completed and this has subsequently resulted in a positive safety trend, with only one LTI recorded subsequent to the end of the Period.

The optimisation initiatives at Uitkomst yielded improved ROM coal production, 11% higher than the comparable period (262,696t vs 237,715t). The ROM coal mined was from an area of lower quality than the prior year, generating high-grade metallurgical and thermal coal sales of 147,234t (FY2019 H1: 157,452t). The prior year sales included 6,035t of coal derived from purchased ROM coal (FY2020 H1: 0t) while Uitkomst sold 14,587t (FY2019 H1: 0t) of high-ash middlings coal during the Period.

Uitkomst’s revenue was adversely affected by pressure on international thermal coal prices - the average API4 coal price for the Period was 30% lower than the prior year (\$69/t vs \$99/t) while the ZAR:US\$ exchange rate weakened 4%. The decline in coal prices was somewhat offset by the premium above the API4 prices that Uitkomst receives for its sized-coal product. As a result, revenue per tonne was 23% lower than H1 FY2019. The increased volumes mined and optimisation initiatives resulted in production costs per ROM tonne declining from \$47.70/t to \$37.21/t, while the lower API4 prices resulted in the colliery’s EBITDA declining from \$3.1 million for the first half of FY2019 to \$1.2 million in H1 FY2020.

Key production and financial metrics for the Period are detailed below.

	H1 FY2020	H1 FY2019	%Δ
<i>Production tonnages</i>			
Uitkomst ROM coal (t)	262,696	237,715	11%
Purchased ROM coal to blend (t)*	-	12,466	(100%)
	262,696	250,181	5%
<i>Sales tonnages</i>			
Own ROM coal (t)	147,234	157,452	(7%)
Middlings sales (t)	14,587	-	100%
Purchased ROM coal to wash or blend (t)*	-	6,035	(100%)
	161,821	163,487	(1%)
<i>Financial metrics</i>			
Revenue/t(\$)	68.11	88.91	(23%)
Production costs/saleable tonnes (\$)	37.21	47.70	(22%)

**supply contract completed during FY2018*

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 the design of this development and will commence geological drilling for the siting of the adit during Q3 FY2020.

Makhado Coking Coal Project (95% owned - 69% post Broad Based BEE transaction)

Makhado has all of the regulatory permits required to commence mining operations and no LTIs were recorded during the Period (FY2019 H1: nil).

The Makhado Project 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. Phase 1 entails construction of the west pit and trucking of scalped and screened ROM coal to the existing, but to be modified Vele Colliery for final processing. The Company made significant progress in the development of Makhado during CY2019, including off-take agreements for circa 85% of the Phase 1 HCC, all of the thermal coal by-product as well as approximately 45% of the Phase 2 HCC. The conclusion of the off-take agreements allowed the Company to progress the Phase 1 composite debt/equity funding initiatives.

The initial step in the funding process was the conclusion of a R245 million (\$17.4 million) term loan facility from the IDC. The Company is in the process of various initiatives to raise the balance required of \$20 million and anticipates completing this in H1 CY2020, with construction commencing in Q3 CY2021. Some of the alternatives being progressed are:

- the issue of new equity in the Company to certain current as well as potential new shareholders;
- the issue of new equity for cash in the corporate entities that own the Makhado Project;
- debt funding; and
- contractor funding such as build, own, operate, transfer (BOOT) arrangements.

The development of Phase 1 will take nine months, with first coal sales in month ten. The project provides a quick payback of funds, facilitating the development of Phase 2. The second phase comprises the construction of the east and central pits, the Makhado processing plant and related infrastructure. Phase 1 is a critical step in the development of Phase 2 of the Makhado Project, which also has significant positive economics.

Vele Coking and Thermal Coal Colliery (100% owned)

The Vele Colliery remained on care and maintenance during the Period. No LTIs were recorded (FY2019 H1: nil).

The Vele processing plant will be modified as part of Phase 1 of the Makhado Project, facilitating the simultaneous production of HCC and thermal coal. These modifications includes amongst others, a new de-stoning plant, new fines circuit and froth flotation plant.

Greater Soutpansberg Project (74% owned)

The longer-term GSP recorded no LTIs (FY2019 H1: nil) during the Period. 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 GSP comprises the Chapudi, Mopane and Generaal project areas. Mining right applications for the three projects were submitted to the DMRE during 2013, with the Chapudi Project mining right granted in December 2018, a key step to unlocking value from these assets. The Generaal Project contains over 407 million gross tonnes *in situ* of inferred

coal resources¹ and was granted a mining right by the DMRE during the Period. 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.

Coal markets

The slowdown in the global economy adversely affected metallurgical coal markets and average premium HCC prices during the Period were \$148/t (FY2019 H1: \$206/t). API4 thermal coal prices remained under pressure with prices averaging \$61/t for the first three months of the Period. These improved in the Q2 FY2020 as a result of increased demand from India and average API4 prices for the Period were \$69/t, 30% lower than the \$99/t recorded in H1 FY2019.

Financial review

The loss for the Period was \$7.1 million (4.95 cents per share) compared to a loss of \$3.6 million (2.49 cents per share) in H1 FY2019. This loss includes:

- Revenue of \$11.4 million (FY2019 H1: \$15.2 million) and cost of sales of \$11.1 million (FY2019 H1: \$12.3 million) resulting in a gross profit of \$0.3 million (FY2019 H1: \$2.9 million);
- Net impairment of \$1.2 million (FY2019 H1: \$0.1 million);
- Income tax credit of \$0.3 million (FY2019 H1: expense of \$0.6 million);
- Net foreign exchange loss of \$0.2 million (FY2019 H1: gain of \$0.1 million) arising from changes in exchange rates during the Period;
- Employee benefit expense of \$3.0 million (FY2019 H1: \$2.6 million) included in administrative expenses;
- Depreciation of \$0.2 million (FY2019 H1: \$0.1 million), also in administrative expenses; and
- Other expenses of \$2.2 million (FY2019 H1: \$2.1 million).

MC Mining had cash equivalents of \$3.8 million on hand at the end of the Period, compared to cash and cash equivalents of \$8.8 million at the end 30 June 2019.

¹ 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>

Authorised by
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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. MC Mining's key projects include the Uitkomst Colliery (metallurgical coal), Makhado Project (hard coking coal and thermal coal by-product). 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", "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.