



ANNOUNCEMENT

2 August 2018

TRANSITION TO OWNER-OPERATED COLLIERY AT UITKOMST

MC Mining Limited (“MCM” or “MC Mining” or the “Company”) which operates in South Africa, is pleased to announce a sale of business agreement (the “Sale of Business Agreement”) with the independent mining contractor at the Uitkomst metallurgical and thermal coal colliery (“Uitkomst Colliery” or “Uitkomst” or the “Colliery”) that will result in the Colliery becoming an owner-operated mine.

The underground operations at Uitkomst have historically been undertaken by independent mining contractor, Khethekile Mining (Pty) Ltd (“Khethekile”). Under the terms of the Sale of Business Agreement Uitkomst has acquired all of Khethekile’s mining equipment (including conveyor systems and coal mining and transportation equipment) (the “Mining Assets”) and took transfer, in accordance with section 197 of the Labour Relations Act of South Africa, of some 340 Khethekile employees working at the Colliery and at Khethekile’s Newcastle offices (the “Transaction”).

The acquisition of Khethekile’s mining assets will cost R65 million (US\$4.9 million), which will be settled from ongoing business cash flows and includes:

- Cash consideration of R16.4 million (US\$1.2 million) of which R6.9 million (US\$0.5 million) was payable on closing, and the balance of R9.5 million (US\$0.7 million) is, in the event that there are no downward adjustments thereto, payable in 27 monthly instalments; and
- Assumption of the face value, as at 1 August 2018, of loans, trade payables and accrued expenses (together totalling R48.6 (US\$3.7 million) including a R20.4 million (US\$1.5 million) loan from Pan African Resources Management Services (Pty) Ltd.

The South African Competition Commission has approved the Transaction and all other conditions precedent have been met. Accordingly, the Transaction closed on 1 August 2018 and Uitkomst assumed full operational control of underground mining activities on this date.

The Uitkomst Colliery has a remaining life of mine of approximately 16 years, including a planned mine extension and the coal produced is sold into the domestic metallurgical and thermal markets. The insourcing of underground mining operations at Uitkomst is an opportunity to progress the overall performance at the Colliery and facilitates the implementation of a number of initiatives, including

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enhanced control of production costs as well as improved asset availability leading to increased run-of-mine (“ROM”) coal production.

Uitkomst is a high-grade thermal export quality coal deposit with metallurgical applications, which is situated in the Utrecht coalfields in KwaZulu-Natal. Uitkomst consist of an existing underground coal mine (Uitkomst - South Mine) and a planned life of mine extension into the northern area (Klipspruit - North Mine). The South Mine is an easily accessible and well-established operating mine. Existing infrastructure such as power supply, water supply, buildings, workshops, weighbridge, water storage and management facilities are all in place.

The Company acquired Uitkomst in June 2017 and has subsequently undertaken various initiatives at the mine, including aligning operations with best practice by increasing the Black Economic Empowerment ownership to 30%, in accordance with the draft Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry in South Africa.

David Brown, CEO commented:

“MC Mining acquired Uitkomst during 2017 and has implemented substantial changes at the Colliery, resulting in improvements and cost savings. However, more recently, mining production has been adversely affected by contractor equipment availability challenges and the Company investigated potential solutions. This resulted in the conclusion of negotiations with Khethekile’s owners to acquire the Mining Assets and take over the operations. The increase in ROM production evidenced in the June 2018 quarter is attributable to augmented Uitkomst management oversight at the Colliery during this process.

The Transaction results in employees previously employed by Khethekile being employed directly by Uitkomst with no disruption to operations and we are confident that the operational cost efficiencies, asset availability and production improvements will be realised. The direct control of Uitkomst mining operations is expected to result in a steady increase in output and the Colliery is expected to exceed FY2018’s production levels during FY2019.

MC Mining has undergone a substantial transformation with the purchase of the Uitkomst Colliery and this is set to be advanced with the insourcing of mining operations. A significant feature has been the evolving strength of the Uitkomst management team and I am confident that they will deliver on the integration of the Khethekile business as well as the various improvement initiatives.”

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 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.