



ANNOUNCEMENT

15 July 2019

DEBT FUNDING SECURED FOR PHASE 1 OF THE MAKHADO HARD COKING COAL PROJECT

MC Mining Limited (“**MC Mining**”) is pleased to announce the approval by the Industrial Development Corporation of South Africa Limited (“**IDC**”) Credit Committee of a term loan facility (the “**Term Loan**” or “**Loan**”) to fund the construction of Phase 1 of the Makhado hard coking coal project (“**Makhado Project**” or “**Makhado**”).

The Term Loan reaffirms the economics of the Makhado Project and follows the conclusion of off-take agreements for the coal to be produced by Phase 1. Proceeds of the Loan will be utilised to develop the west pit and modify the existing Vele Colliery processing plant, with construction expected to take nine months followed by first coal production in month ten.

The Makhado Project is 69% owned by MC Mining’s subsidiary Baobab Mining & Exploration (Pty) Ltd (“**Baobab**”) with the IDC having a 5% interest and, in compliance with South African black economic empowerment (“**BEE**”) requirements, seven local communities own 20% and 6% is held by a black industrialist.

The salient features of the Term Loan are, subject to documentation:

- the IDC will advance R245 million (\$17.5 million¹) to MC Mining;
- draw-down can take place any time before 30 June 2021 and the Loan will endure for a period of seven years following draw-down;
- coupon of the South African Prime interest rate (currently 10.25%) plus a margin that reflects the significant progress made on Makhado as well as the increased confidence that the IDC has in the execution of the project; and

¹ All dollar amounts are based on an exchange rate of R14.00:US\$1.00

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- capital repayments will only commence 24 months after the first draw-down and will be repaid in 20 equal quarterly instalments.

The Loan is subject to various conditions precedent including:

- MC Mining issuing additional equity to shareholders for a minimum of R200 million (\$14.3 million); and
- settlement of the existing 2017 loan facility between the IDC, MC Mining and Baobab, which at 30 June 2019 amounted to R184.7 million (\$13.2 million), and termination of all agreements in this regard.

The security for the Term Loan includes:

- MC Mining, Baobab and Limpopo Coal Company (Pty) Ltd ("**Limpopo**"), the owner of the Vele Colliery, standing as sureties; and
- Baobab and Limpopo's assets pledged as security for the Loan.

The securing of the Term Loan is a key component for the development of Phase 1 of the Makhado Project. The total funding requirement for both Phase 1 and the settlement of the existing 2017 loan facility is some R700 million (\$50 million). The Term Loan will satisfy R245 million (\$17.5 million) of this, leaving a residual equity requirement of R455 million (\$32.5 million). MC Mining anticipates that an equity raise to secure the residual equity requirement will be completed in due course enabling construction activities to commence later in Q3 CY2019.

Phase 1 is a critical step in the development of Phase 2 of the Makhado Project, which also has significant positive economics. The construction of Phase 2 which is anticipated to commence from CY2022 will yield approximately 0.8 million tonnes per annum ("**Mtpa**") of hard coking coal and between 0.9Mtpa and 1.0Mtpa of export quality thermal coal. MC Mining has already secured off-take agreements for *circa* 50% of the hard coking coal.

David Brown, CEO commented:

“The approval of the IDC funding is a positive step for the development of MC Mining’s flagship Makhado Project. The company is positioned to become South Africa’s pre-eminent producer of high-grade metallurgical coal with long-term hard coking coal markets supported by growing global steel demand, driven by economic development and urbanisation.

The Loan reflects the IDC’s support for the development of the Makhado Project and replaces the 2017 financing that was utilised to fund pre-project activities, including securing the numerous regulatory licences and approvals. Phase 1 utilises the existing Vele Colliery processing facility as well as previously tested logistics infrastructure and with an internal rate of return in excess of 45% and a payback of less than 2.5 years, generates significant returns for shareholders. MC Mining will now progress the remainder of the Phase 1 funding requirements and anticipates that this will be completed in Q3 CY2019 with construction commencing later in the same period, followed by a short construction period of nine months.”

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 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 coking and thermal coal project, 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.