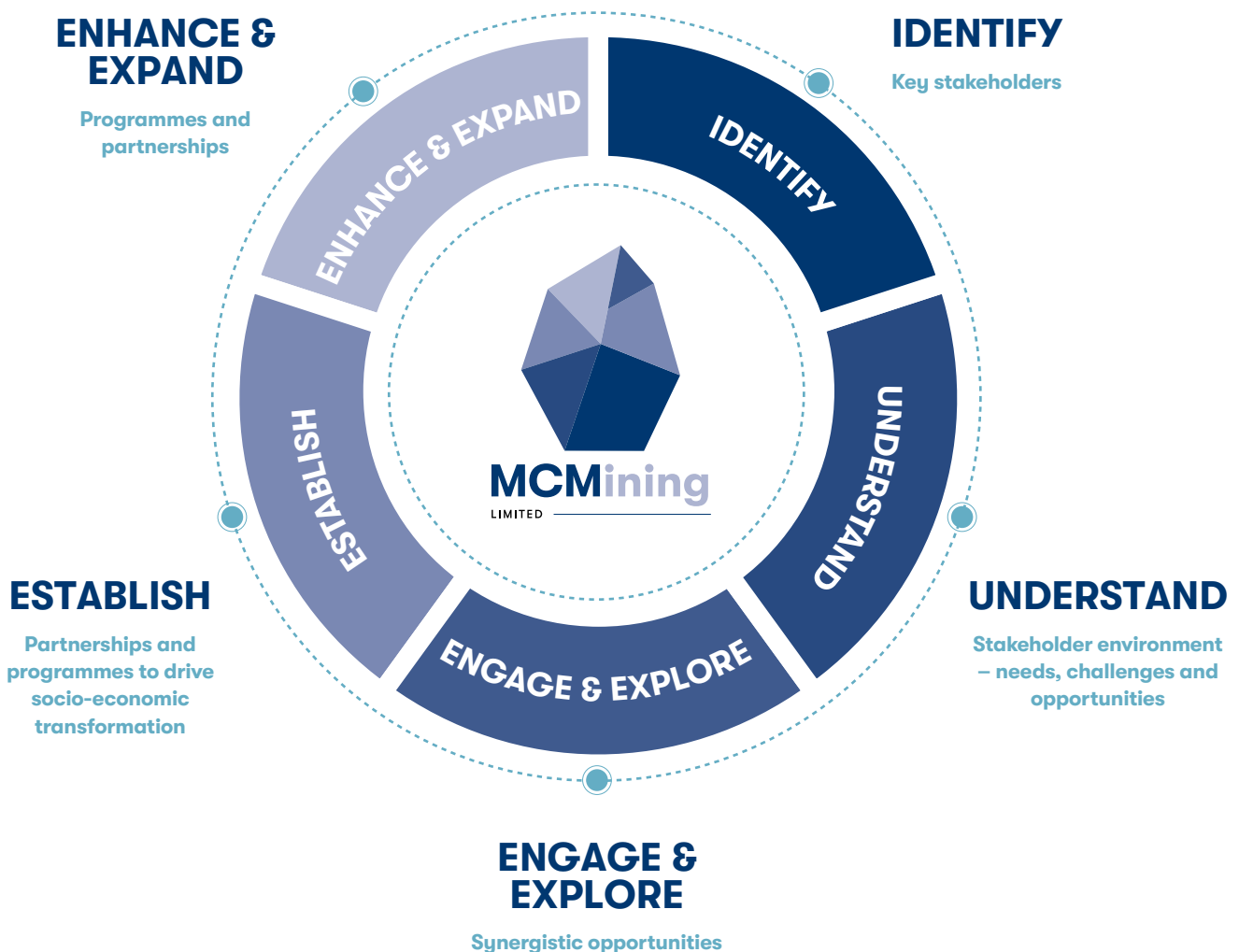


INTRODUCTION

CREATING SUSTAINABLE VALUE THROUGH A SHARED VALUE APPROACH

Earning and maintaining our social licence to operate



SAFETY AND HEALTH

Our number one priority is our greatest asset, our people. Above all else, the safety and health of our people takes precedence and we employ a proactive and preventive approach towards ensuring that each day we achieve our goal of no harm.

VISIBLE FELT LEADERSHIP

The Company's leadership engages in regular visible felt leadership and visits the operation and projects to ensure that safety remains a priority.

RISK MANAGEMENT

The identification, analysis and mitigation of risks remains a primary area of focus at MCMining. Safety Management Systems and risk management is geared towards potential hazards and controls and related contractor-based risks. Mandatory codes of practice are regularly reviewed and updated ensuring practices remain relevant and that all risks are identified and appropriately mitigated.

CONTRACTOR MANAGEMENT

MCMining manages contractors as employees and ensures compliance to all relevant procedures required for a safe working environment.

SAFETY PERFORMANCE

During the period under review MCMining recorded one LTI when a contractor employee at the Uitkomst Colliery injured their hand.

ENSURING A HEALTHY WORK ENVIRONMENT

The Company remains totally committed to ensuring our workforce is healthy and MCMining's health system is premised on the conviction that occupational disease is preventable.

We have adopted robust medical assessments as well as a medical monitoring programme to achieve our aim of no new cases of occupational diseases and preventative management will continue during FY2019.

OUR PEOPLE, OUR ASSETS

MCMining's focus is on ensuring a zero harm culture is embedded in all activities. The reporting of near-miss and high potential incidents continues to play a fundamental role in driving a safety culture that is committed to achieving zero harm at our operation and projects. The integration of the Uitkomst Colliery increased our staff complement and our focus continued to be on:

Visible felt leadership

Risk management

Contractor management



PRIMARY HEALTHCARE

MCMining's commitment remains on ensuring a healthy workforce and we make primary healthcare services available to employees and contractors which includes, amongst others, family planning, antenatal care, chronic disease monitoring and medication, HIV counselling and testing as well as anti-retroviral treatment and malaria testing and prevention.

OCCUPATIONAL HYGIENE

An independent occupational hygienist is employed to conduct regular occupational hygiene monitoring at our operation and projects ensuring compliance with airborne pollutants, thermal stress and occupational noise requirements.

STAKEHOLDER ENGAGEMENT

MCMining operates in a very dynamic, multi-stakeholder environment which includes shareholders, communities, government, environmental groups, and the broader civic society. Perceptions towards mining and its impacts remain negative, and there is increasing opposition to mining projects.

We recognise therefore, that there is a link between positive corporate performance and societal progress. Our stakeholder engagement model is based on a shared value approach in which we seek to create lasting value for stakeholders, for our communities in particular, while achieving economic success.

Engaging with our stakeholders (those who are interested in and affected by our operations and projects) is fundamental to creating sustainable value. Our engagement strategy,

managed at an executive level in the corporate affairs department, aims to build lasting relationships through inclusive, transparent and regular engagement.

Our engagement activities are unique to each stakeholder group, in line with the mandates, concerns and issues of each group. Our strategy for community development is premised on the need to foster social cohesion and create an enabling environment for the development of sustainable communities.



MINING

ENVIRONMENT

AGRICULTURE

HERITAGE

Engagement with regulatory authorities, at a national, provincial and local level, is regular and interactive and focuses on compliance within the framework of the mining industry. This proactive engagement has resulted in partnerships with various authorities as we jointly promote the aims of the National Development Plan (NDP) to increase employment, improve skills and build capacity.

The South African legislative environment is dynamic, requiring proactive engagement with authorities to maintain our legal licence to operate. This has resulted in continued and sustained compliance with the regulatory framework of the MPRDA, National Environmental Management Act (NEMA) and the National Water Act (NWA).

Our commitment to and active and direct participation in the EMC, established for the Vele Colliery in 2011, has resulted in increased levels of compliance, and new benchmarks set in relation to the co-existence of

mining, environment, agriculture and heritage.

MCMining's CO-EXISTENT MODEL

The membership of the EMC includes representatives from relevant organs of state at a national, provincial and local level, civic society (represented by the Save Mapungubwe Coalition), farmers' forum and other stakeholder groups identified during the environmental impact assessment (EIA) process. The quarterly meetings are well attended, and are characterised by robust debate and constructive discussion on global best practice. There is a shared mindset to ensure improved levels of compliance at Vele Colliery.

THE MAKHADO PROJECT

We continue to make progress to advance the Makhado Project. The huge potential of this project to drive socio-economic development within and amongst the project's seven beneficiary communities can only be reached through our shared value approach.

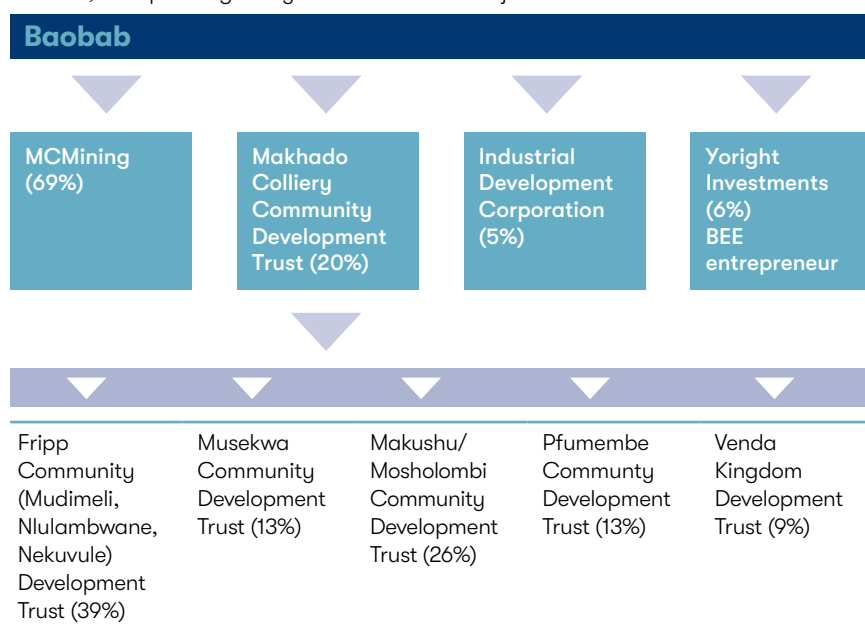


STAKEHOLDER ENGAGEMENT CONTINUED

Ownership of the project

The Makhado Project is located within a multi-stakeholder environment, stretching across five farms, with seven beneficiary communities. The signature of an agreement, between the Company and the Makhado Colliery Community Development Trust, to enable the acquisition of a 20% stake in the project was the culmination of a two-year process of engagement with the various communities on the structure and shareholding split of the Trust to reach a consensus view on equal split of the shares amongst communities.

Baobab, the operating entity for the Makhado Project is owned as follows:



Licensing

The Makhado Project has the complete suite of regulatory authorisations required. During the period, the Pretoria High Court dismissed, with costs, the interim interdict against the project's EA, obtained by the Vhembe Mineral Resources Forum and others. This favourable judgement was received after years of protracted litigation with this group to halt all mining and associated activities. The judgement is a further confirmation of the Company's beyond compliance approach at Makhado, and government's support of the project.

We continue to engage with regulatory authorities as the Makhado Project progresses. In January 2018, Baobab submitted an application for amendment to the EA in terms of NEMA due to a change in scope relating to the Makhado Lite Project, which required an interim change to product transport from rail, to road.

Surface rights access

For mining activities to commence on Lukin and Salaita, the Company requires access to these two privately owned farms. These farms are subject to a government run and managed land claims process for claims lodged by the Musekwa community, one of the shareholders in the Makhado Project. The Company has commenced the process to obtain access to the two farms in terms of its Mining Right.

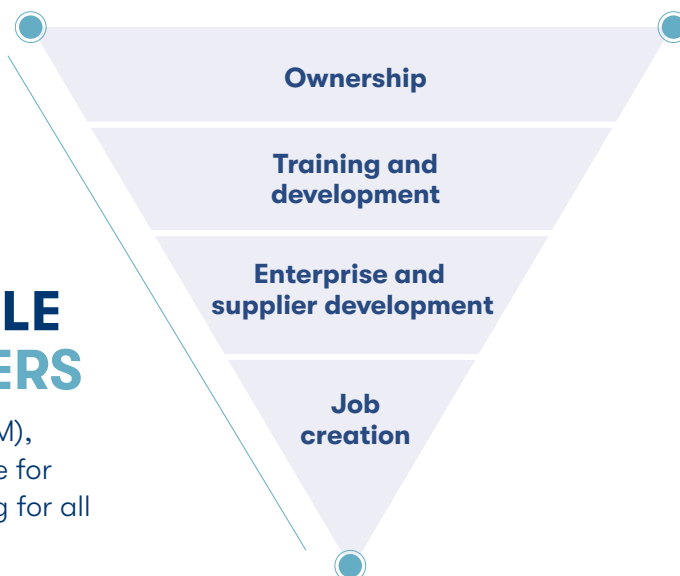
MAKHADO

Regulatory status

Licensing	Surface rights access	Off-take agreement	Funding
Fully permitted - NOMR - EA - IWUL	Two farms to be accessed for confirmatory geotechnical drilling and heritage studies	Marketing agreements to be secured for the hard coking and thermal coal	Funding to be raised

CREATING AND ENHANCING SUSTAINABLE VALUE FOR STAKEHOLDERS

Through Makhado's Sustainable Value Model (SVM), we strive to create and enhance sustainable value for stakeholders by maximising the benefits of mining for all stakeholders, in particular communities.



Ownership

The Makhado Colliery Community Development Trust holds a 20% stake in the Project.

Training and development



The first intake of students was registered at the Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA) accredited Makhado Centre of Learning (MCoL), on 2 October 2017, for various Workplace Readiness Programmes (WRPs). In January 2018, this group progressed to the Digital Learning Programme.

The second intake commenced with WRPs in January 2018 and are scheduled to complete their course at the end of September 2018. Currently, there are just under 200 students registered at the MCoL.

Enterprise and supplier development



The aim of the Makhado Enterprise Development Programme is to create sustainable jobs through the establishment and expansion of small and medium enterprises.



Some of the Makhado Centre of Learning employees from our beneficiary communities

Job creation

More than 850 jobs will be created during the 12 month construction phase of the Makhado Project and about 650 permanent jobs will be created during mining operations.

The project has already created 10 jobs through the MCoL, all of whom come from the seven beneficiary communities.

We continue to build lasting relationships with our stakeholders as part of our programme of readiness – preparing communities for the Makhado Project and ensuring that they are capacitated to access the opportunities which the project will provide.

MCMining's community centred SVM creates the basis for all our engagement activities and our transformative initiatives. We continue to measure progress against each of the pillars in the model.

STAKEHOLDER ENGAGEMENT CONTINUED

VELE COLLIERY

Vele Colliery required regulatory approvals for further infrastructure development and in January 2018, the DWS issued an IWUL for the non-perennial stream diversion which will support the plant modifications.

Regulatory status

Authorisation	Issuing authority	Status
NOMR	DMR	Granted in March 2010
EA	DEA	EA – July 2011 EA amendment for the PMP – January 2015 EA stream diversion – January 2017
IWUL	DWS	IWUL – December 2015 IWUL spring rehabilitation – November 2016 IWUL stream diversion – January 2018

BIODIVERSITY OFFSET AGREEMENT

In October 2014, an historic BOA was signed between MCMining (then CoAL of Africa), the DEA and the SANParks. The Project Steercomm comprising representatives from each of the signatory organisations, meets quarterly to oversee and manage the implementation of the BOA.

Much progress has been made since the signature of the agreement. The road in the Mapungubwe National Park has been upgraded at a cost of just over R2 million, the restoration and rehabilitation of heritage resources is ongoing, and the Archaeological Laboratory and Artefact Storage Centre is scheduled for completion in CY2019.

The EMC, established as an oversight committee in terms of the EA and the IWUL to monitor compliance at the colliery, continues to meet quarterly. We participate in the EMC at an executive level, and the robust debate and interactive engagement in this forum continues to drive the highest level of compliance at the colliery.

Despite the care and maintenance status at the colliery, we continue to implement the Social and Labour Plan (SLP) to facilitate the development of communities within the Musina municipality.

GREATER SOUTPANSBERG PROJECTS

The GSP, situated to the north of the Soutpansberg Mountains, comprises three projects: Mopane, Generaal and Chapudi, and we await the records of a decision in respect of the Mining Right applications submitted to the DMR in 2013.

The model of co-existence between mining, agriculture and heritage developed at Vele Colliery will be implemented within the GSP.

There were no activities relating to this project during the period under review.



EMPLOYMENT

During the period under review, the Company integrated the Uitkomst Colliery and the Mooiplaats Colliery, previously on care and maintenance, was sold while Vele remained on care and maintenance.

MCMining is committed to the strategic business objectives that drive employment equity and measures have been set in place to achieve these goals, reaffirming our aim to serve the interests of all stakeholders. The Company strives to achieve the desired employment equity status in a responsible manner, with due regard to the broader realities of the business and economic environments.

The key principles for this process include:

- Promotion of equal opportunities for all races and genders and fair treatment in the workplace
- Elimination of discriminatory practices and implementation of practical procedures to address employment equity barriers
- Eradication of all forms of harassment in the workplace

LABOUR RELATIONS

Relationships with employees are governed by the legal requirements of common and labour law, mutual agreement, societal influence, ethical considerations, customs and traditions and most importantly integrity, trust, consistency and fairness.

The Company subscribes to an integrated industrial relations system in which all parties are empowered

to freely communicate their views supported through a two-way communication structure.

REMUNERATION

MCMining's remuneration framework is based on the industry's agreed principles with the aim of attracting and retaining top talent to drive a high performance culture.

FIXED PAY

The Company's remuneration structure at corporate level is based on a total cost-to-company principle. MCMining has conducted benchmarking exercises at various intervals demonstrating that employee remuneration is within industry standards.

VARIABLE PAY: SHORT TERM DISCRETIONARY BONUS SCHEME

The discretionary bonus scheme rewards employees on the basis of both Company and individual performance providing employees with a predetermined bonus percentage based on the attainment of Nomination and Remuneration Committee-approved, Company and individual targets. The scheme is discretionary and is reviewed on an on-going basis, dependent on business requirements. The business scorecard is signed off by the Nomination and Remuneration Committee on an annual basis and this drives the individual performance management process. At lower level employment and subsidiary levels, use is made of a discretionary payment, equivalent to one month's salary, based on Company and individual performance.

VARIABLE PAY: LONG-TERM INCENTIVE PLAN

The Company has a shareholder approved long-term incentive plan based on industry standards. In terms of the incentive plan, the Nomination and Remuneration Committee approves the issuing of Performance Rights to qualifying employees on an annual basis.

HUMAN RIGHTS

No incidents of discrimination were reported during FY2018 and hence no corrective action was taken at the Company's operations. At our operations, we subscribe to the South African constitution which prohibits child labour as well as discrimination on any grounds and the Company promotes the preservation of human rights.

“MCMining's remuneration framework is based on the industry's agreed principles with the aim of attracting and retaining top talent to drive a high performance culture.”

Historically Disadvantaged South Africans (HDSAs) statistics (%)*

	FY2018*	FY2017
Senior management	53	50
Management	53	70
Employees	100	90

* Includes white females

Employment by project

	Employees			Contractors		
	FY2018	FY2017	FY2016	FY2018	FY2017	FY2016
Uitkomst*	121	–	–	435	–	–
Makhado/Bakstaar	22	19	19	18	18	15
Vele/Harrisia	31	35	35	31	31	34
Corporate office	25	27	30	1	–	2
Mooiplaats	–	8	7	–	32	29

* Uitkomst acquired effective 30 June 2017

ENVIRONMENTAL MANAGEMENT

Aware of the dire need to balance the socio-economic potential of mining development with the potential impact on natural and heritage resources, MCMining is committed to sustainable mining, employing a co-existent model focused on developing and operating responsibly within permitted ecological and socio-cultural heritage boundaries alongside agricultural and tourist interests.

Our commitment to our stakeholders remains one of co-operative and transparent engagement and includes our shareholders, permitting authorities, neighbouring and/or host communities, and interest groups.

Our environmental management strategy is in line with the Company's aim of earning and maintaining both our legal and social licences to operate. The risk-based approach to environmental management focuses on the key areas of water stewardship, responsible resource consumption, proactive

forward-planning for sustainable mine closure, biodiversity and heritage management. An Environmental Management System (EMS) for Uitkomst Colliery was developed during the reporting period as the formal tool for environmental management and is scheduled for implementation during FY2019.

Vele Colliery continues to maintain its EMS, which is subject to quarterly independent audits, the reports of which are submitted to the permitting authority. The latest audit report concluded the following: "The auditor notes that the EMS has progressed significantly since its development and implementation during Q1 2014. Sound progress is noted in the continued improvement of the system, leading into a comprehensive environmental management tool that is being used to prevent impact to the environment, as well as ensure legal compliance and continued positive environmental performance."

WATER MANAGEMENT

MCMining's water management strategy, aligned with the co-existent model, continues to be governed by the following three principles:

- Responsibly sourcing water for our projects
- Mitigating negative impacts on existing industries
- Meeting our socio-economic commitment to aid in assurance of supply to host communities

Recent changes in climatic conditions have placed additional pressure on South Africa's status as a water-stressed country. The strain on available water supply and quality is a key environmental consideration for MCMining. In addition, the social challenges presented by the growing need for access to water in the areas in which we operate and, in which our projects are located, is a key driver in our planning and implementation processes.

WATER CONSUMPTION

Both Uitkomst and Vele Collieries operate a closed water system with zero discharge to the natural environment. MCMining's operations strive, through the implementation of continued improvement projects, to reduce water consumption by increasing the use of waste water in the processing of coal. MCMining employs the latest water management technology at its projects.



Water consumption at Uitkomst Colliery (000m³)

	FY2018	FY2017*
Water used for primary activities	40 310	
Potable water from external sources	122	
Non-potable water from external sources	0	
Surface water use	11 890	
Groundwater used	28 420	
Water recycled in process	859 552	

* Uitkomst Colliery was acquired by MCMining on 30 June 2017

Water consumption at Vele Colliery (000m³)*

	FY2018	FY2017	FY2016	FY2015
Water used for primary activities	—	15	708	27, 103
Potable water from external sources	—	—	—	—
Non-potable water from external sources	—	—	—	—
Surface water use	—	—	—	—
Groundwater used	—	1,770	708	32, 956
Water recycled in process	—	15	—	7,445

* Vele Colliery remained on care and maintenance and adjustments to the care and maintenance strategy resulted in no water being used during FY2018

ENERGY MANAGEMENT

Responsible utilisation of our available resources is a key focus area for MCMining. We remain committed to the application of best practice and technological developments to reduce consumption of energy resources where feasible.

During the reporting period, Uitkomst Colliery switched from a diesel generated and Eskom energy-mix, to a full Eskom electricity energy supply. Vele Colliery utilises a diesel generator to meet its energy requirements and Eskom will provide the full electricity requirements once the care and maintenance status is amended and production is resumed.

Monitoring our energy usage from the national grid and energy produced using diesel generators allows MCMining to identify any potential opportunity for energy-savings.

Energy consumption at Uitkomst Colliery

	FY2018	FY2017*
Energy from electricity purchased from Eskom (MWh)	5 058 971	
Diesel used (litres)	1 383 366	
Energy generated from diesel (GJ)	52 996 751	
Petrol used (kilolitres)	–	
Energy generated from petrol (GJ)	–	

* Uitkomst Colliery was acquired by MCMining on 30 June 2017

Energy consumption at Vele Colliery*

	FY2018	FY2017	FY2016	FY2015
Energy from electricity purchased from Eskom (MWh)	–	–	–	–
Diesel used (kilolitres)	19	26	47	63
Energy generated from diesel (GJ)	715	1, 005	1,837	2,423
Petrol used (kilolitres)	3	2	2	1
Energy generated from petrol (GJ)	109	81	79	10

* Vele Colliery remained on care and maintenance for the period

MONITORING AND COMPLIANCE

In line with MCMining's commitment to earning and maintaining our legal and social licences to operate, monitoring and auditing at both Uitkomst and Vele takes place, with Vele remaining on care and maintenance during the reporting period. All environmental audits have been conducted by independent consultants and include annual external IWUL audits, Environmental Management Plan (EMP) performance assessments and financial closure and liability assessments.

Monitoring includes ground and surface water quantity and quality assessments, bio-monitoring, ecotoxicology, plant moisture stress, alien invasive plant species and eradication status, habitat assessment, rehabilitation monitoring, biodiversity and avifaunal assessment, riverine forest monitoring, threatened and protected fauna and flora assessments as well as monitoring of identified heritage resources, as applicable to the operation.

Vele Colliery employs a full-time, independent Environmental Control Officer (ECO) to monitor compliance to the Colliery's Environmental Management Programme (EMPr), EA, IWUL and related specialist recommendations. The ECO conducts daily, weekly and monthly inspections against the various environmental licensing conditions. Further to this, quarterly audits are conducted, with the environmental performance reports of these audits submitted to the DEA as well as to Vele Colliery's EMC. This provides oversight over and above internal and external specialist monitoring and inspections. The last quarterly environmental performance report noted Vele Colliery's compliance as 99%, an improvement from the previous reporting period's 97.5%.

Vele's Water Monitoring Committee, EMC and Heritage and Biodiversity Sub-committee continue to meet on a quarterly basis and meetings are well represented by the permitting authorities, interested and affected parties, industry specialists and civil society.

The environmental monitoring and auditing management programme for Uitkomst Colliery is undertaken by an independent environmental consultancy aligned to the environmental licensing conditions of the Colliery's EMPr, IWUL and related specialist studies.

Regular dust, surface and ground water monitoring continues at the Makhado Project, despite no mining activity being undertaken. The results continue to indicate that the bulk sample pit has no impact on the air or water quality of the surrounding community.

INCIDENTS

There were no significant environmental incidents reported for the period under review.

COMPLAINTS

No formal complaints were lodged and/or received from local or affected communities regarding environmental matters at either Uitkomst or Vele.

CORPORATE SOCIAL INVESTMENT

Our approach to corporate social investment is also underpinned by the principles of shared value. It is also informed by our SLP to facilitate socio-economic transformation through meaningful job creation, building capacity within and amongst communities and the development of small and medium enterprises.

We recognise that partnerships with communities and regulatory authorities are fundamental to our goal to maximise the benefit of mining for our stakeholders.

Our focus areas of investment are:

- Education and skills development
- Enterprise and supplier development
- Infrastructural development

These core themes appear in all the various SLPs as they are aligned to the goals of the NDP raising economic growth, building skills and capacity and the achievement of a “decent standard of living for all South Africans”.



EDUCATION AND SKILLS DEVELOPMENT



The Makhado Centre of Learning – powering growth and education through change

The first intake of 76 students enrolled at the MCoL on 2 October 2017. Ten students from each of the beneficiary communities were selected, four from the broader Venda area, and two are current employees identified for training.

The vision of the MCoL is to be the Makhado Colliery's partner to develop skills, build capacity and foster social cohesion within and amongst our beneficiary communities.

Recognising the role of education in addressing inequality and poverty, the objectives of the MCoL are:

- Responsive to the educational and development needs of our beneficiary communities
- Provide relevant training programmes, reflective of the dynamic environment in which we operate

Upon completion of their WRP, the first group of students has progressed to the Digital Learning Programme, and a new intake of 70 learners enrolled in January 2018.

Four facilitators and an administrator were appointed at MCoL all of whom come from our communities, bringing to ten the number of employees at the centre.

As the Makhado Project progresses, we will begin to implement the long-term plan for MCoL to include the following programmes:

- Operator training
- Technical programme
- Artisan training programme
- Security training programme

Upon commencement of construction, labour will be sourced from candidates who have completed the MCoL's training programmes.

EDUCATION

The Makhado Centre of Learning
– powering growth and education
through change

“MCoL: The Makhado Project’s partner to develop skills, build capacity and foster social cohesion within and amongst our beneficiary communities.”



Justice Mariba, graduate of the MCMining Bursary Fund



Eulenda Mukwevho, graduate of the Makhado Bursary Fund

MCMining Bursary Fund

The MCMining Bursary Fund was launched in 2009 to address the critical skills shortage in the Vhembe municipality. The intent was to develop a pipeline of technically skilled individuals who would then enter the mining and engineering sectors. There are currently five students on the bursary fund.

Justice Mariba, from Ha-Mudimeli, is one of our graduates, having completed his Post Graduate Diploma in Accounting at the University of Johannesburg. He joined Deloitte as a trainee account for his three-year training programme in January 2018, and recently passed his first qualifying examination. Once he has completed his articles, and successfully completed the second board exam, he will be the MCMining Bursary Fund’s first chartered accountant.

Makhado Bursary Fund

In 2016, a Makhado Bursary was offered to 10 students from communities within the Makhado Project area. For many, this was an opportunity for them to “realise their dreams” by gaining an education which would ultimately enable them to take their rightful place in society.

An additional three students were offered bursaries during 2017, resulting in the Makhado Bursary Fund currently having 13 students. Eulenda Mukwevho is doing her final year BA Public Management and Governance. She has applied to do her honours degree and if her university application is successful, the Makhado Bursary Fund will provide her with a full bursary.



MAKHADO
CENTRE OF LEARNING
KHA RI GUDE “LET US LEARN”

ENTERPRISE AND SUPPLIER DEVELOPMENT

The Makhado Project's Enterprise and Supplier Development Programme is a strategic mechanism to empower our beneficiary communities by creating and developing sustainable businesses through innovative and inclusive interventions.

This programme, offered in partnership with Raizcorp, registered its first entrepreneurs in November 2017. It seeks to develop an entrepreneurial culture in our project area, and unlock economic potential through enterprise development.



IDENTIFY
▼
INVEST
▼
INCUBATE
▼
INTER-CONNECT

OBJECTIVES:

- To **identify** new and existing entrepreneurs
- To **invest** time and capital in the implementation of the programme
- To **incubate** entrepreneurs over a three year period
- To **inter-connect** entrepreneurs with procurement opportunities offered by the Makhado Colliery

Enterprise and supplier development programme selection process



INFRASTRUCTURAL DEVELOPMENT

Vele Colliery adopted the Kranenberg Primary School located on the Pontdrift Road. This school was listed as one of government's 'forgotten schools' in 2003. During a site visit to the school, conducted in 2016, we found that ablution facilities were not functional and learners were still relieving themselves in the bush, more than 13 years after the publication of the study.

A classroom block and an ablution facility have been constructed and were handed over to the school at the end of September 2018.

This project is in addition to the sidewalk paving project which was completed at the end of CY2016.

The Makhado Project's approved SLP identifies two additional infrastructural projects. These include the upgrade of the community water supply system and the upgrade of Makushu Road.