



Corporate Presentation  
September 2016

## Coal sector fundamentals

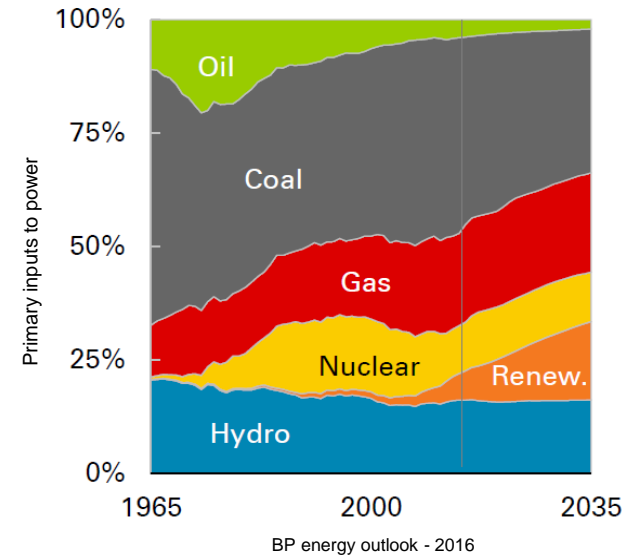
### What changed?

#### Domestic

- Eskom demand down yoy against expectations of substantial increase
- 2 new power stations with total 9600MW planned to come on stream from 2016 onwards ~ in practice, commissioning delays resulting in start date moving to 2017/18
- Reduced electricity demand leading to downward revision of Eskom coal supply gap ~ from initial estimate of 60mt to 22mt in period up to 2025

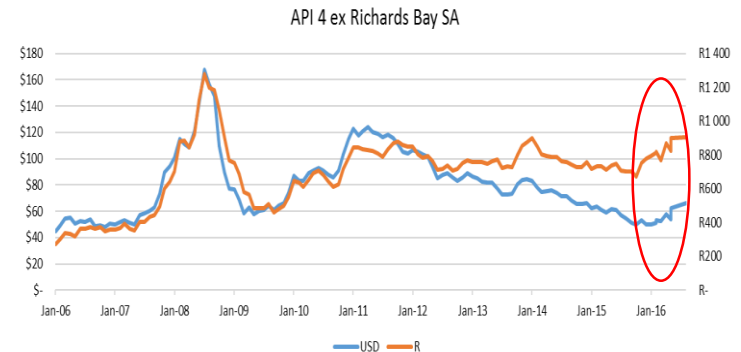
#### International

- Slowdown in China's industrial output much larger and earlier than forecast
- Offtake of import thermal coal dropped 100mt in single year with significant impact on prices
- Rise in Indian consumption has not compensated for Chinese decline



## Highly volatile market conditions

- In response to i) oversupply; ii) oil price collapse; and iii) Paris climate change accord, coal prices dropped 20-30% y-o-y to end 2015 at \$50/t, the lowest level in 10 years
- Unexpected recovery of coal prices evident from March given added impetus by Chinese output cuts resulting in a 30% surge YTD
- Analyst forecasts indicate low probability of further upside from current levels of mid-\$60s per tonne
- Macro conditions increase importance of cash and constrain availability of cheap financing



## **Our strategy**

- ✓ We believe in the fundamentals of the South African thermal coal industry and aim to be a meaningful player in the consolidation of the fragmented emerging or 'junior' coal mining sector to achieve scale and resilience.
- ✓ Taking inherent geological factors into consideration, we believe that we are able to operate within the lower cost quartile by leveraging our enviable skills base and employing an appropriate blend of the latest available technologies across the portfolio of assets.

## **Our focus near term**

- ✓ Finalise capital raising to fund growth
- ✓ Address additional BEE requirements at Vunene to comply with Eskom procurement policy
- ✓ Complete refurbishment of underground mine at Vunene & bring Penumbra into full production
- ✓ Secure revised long-term coal supply agreement with Eskom
- ✓ Increase exposure to export and domestic non-Eskom markets to 40% of total sales

## **Our focus medium term**

- ✓ Restructure the group to achieve better mix of controlled vs uncontrolled entities
- ✓ Assess prospects for diversification by commodity and/or geography
- ✓ Ongoing monitoring of cleaner energy technology trends

## Production

- ✓ Strong production growth across the portfolio with the Mbuyelo Coal controlled Manungu mine coming into production in June 2015
- ✓ Continuous focus on production costs to achieve lowest quartile cost per strip ratio under challenging geological conditions ~ 18% down compared to 2014 at Vunene
- ✓ Refurbishment of the underground mine at Vunene well advanced with first blast achieved in Feb 2016 and over 20 years expected life-of-mine

## Marketing

- ✓ Redirected more coal to domestic market in light of 25% drop in international coal prices during 2015 against continued robust demand in the local market
- ✓ Recovery of prices in 2016 enabled a switch back to export markets, with a 600kt export offtake agreement concluded mid-2016
- ✓ Negotiations to secure revised long-term coal supply agreement with Eskom for duration of underground life-of-mine progressing well

## Business development

- ✓ Completed acquisition of Penumbra mine in December 2015 with a plan to restart production in late 2016



# Financial Performance

## 31 December 2015



## Financial dashboard 2015

ICHOR COAL N.V.		Financial Dashboard		
Volume Metrics	Unit	2015	2014	Variance
Sales volumes	t	1 660 399	1 877 165	-11,5%
Rom production	t	1 868 921	1 844 441	1,3%
Overburden BCM	bcm	14 747 527	10 958 620	34,6%
Strip ratio	ratio	7,89	5,94	-32,8%
Financial Metics	Unit	2015	2014	Variance
Revenue	EUR k	46 236	48 630	-4,9%
Gross profit	EUR k	6 063	12 110	-49,9%
EBITDA	EUR k	-1 271	7 265	-117,5%
EBIT	EUR k	-24 269	-109	22165,1%
YEAR	Unit	Sales	Production	Strip Ratio
2014	t	1 877 165	1 844 441	5,94
2015	t	1 660 399	1 868 921	7,89

*Still subject to audit opinion*

Statement of Financial Position	Unaudited Dec 2015 EUR k	Dec 2014 EUR k	Variance %
Non-current assets	158,317	150,432	5%
Current assets	9,691	26,196	-63%
<b>Total assets</b>	<b>168,008</b>	<b>176,629</b>	
Issued capital	6,792	6,792	0%
Capital reserves	87,562	87,562	0%
Other equity	-52,260	-30,117	-74%
<b>Total equity</b>	<b>42,094</b>	<b>64,236</b>	
Non-current liabilities	113,657	103,199	10%
Current liabilities	12,257	9,193	33%
<b>Total equity and liabilities</b>	<b>168,008</b>	<b>176,629</b>	

*Still subject to audit opinion*

Statement of comprehensive income			
	Unaudited Dec 2015 EUR k	Dec 2014 EUR k	Variance %
Revenue	46,236	48,630	-5%
Cost of sales	-40,174	-36,520	10%
<b>Gross profit</b>	<b>6,062</b>	<b>12,110</b>	
Income from investments	8,786	-246	-3675%
Other income	6,678	2,369	182%
Depreciation, amortization and impairments	-22,996	-7,374	212%
Selling and distribution expenses	-80	-81	-1%
Other operating expenses	-19,606	-2,777	606%
General and administrative expenses	-3,113	-4,110	-24%
<b>Operating profit</b>	<b>-24,269</b>	<b>-109</b>	
Finance revenue	19,849	394	4938%
Finance costs	-12,376	-16,978	-27%
<b>Loss before income taxes</b>	<b>-16,796</b>	<b>-16,693</b>	

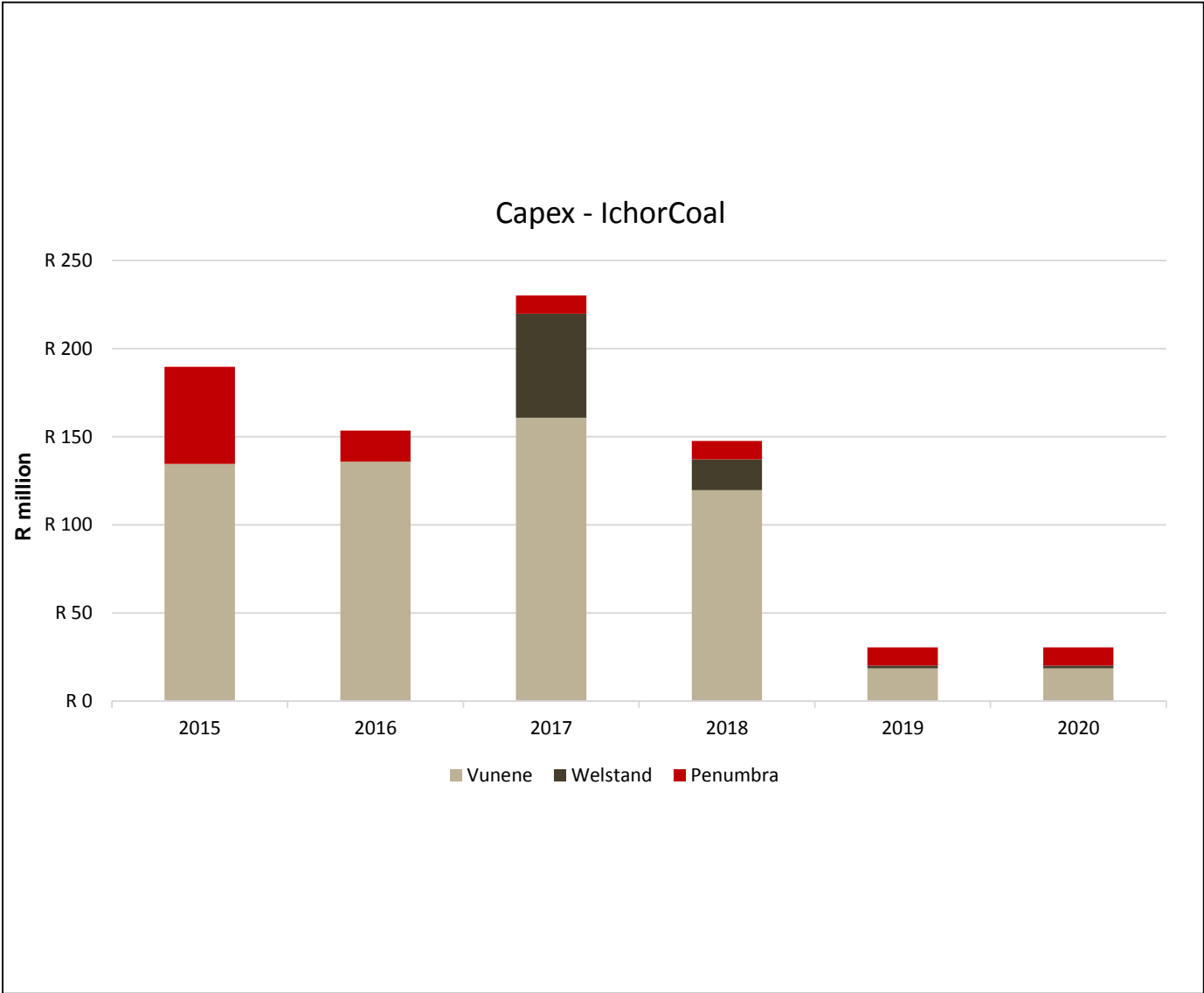
***Still subject to audit opinion***



## Key results drivers

- ✓ 200kt drop in sales volumes as export market became unprofitable due to a 25% decline in average international coal prices y-o-y plus minor operational issues
- ✓ Deterioration in the strip ratio to 7,88 from 5,93 in prior year due to more challenging geological conditions as the opencast section gets closer to end of life.
- ✓ Cost containment measures limited increase in production costs despite worsening strip ratio, increasing 10% y-o-y
- ✓ Ebitda loss mainly driven by 19% depreciation in the rand exchange rate against the euro resulting in €14,9m foreign exchange losses.
- ✓ Depreciation was a major factor in the results due to an impairment loss recognised in relation to Vunene of €10,8m and increase in Vunene opencast closure costs.
- ✓ Capital expenditure of €12m relating to underground development costs at Vunene.

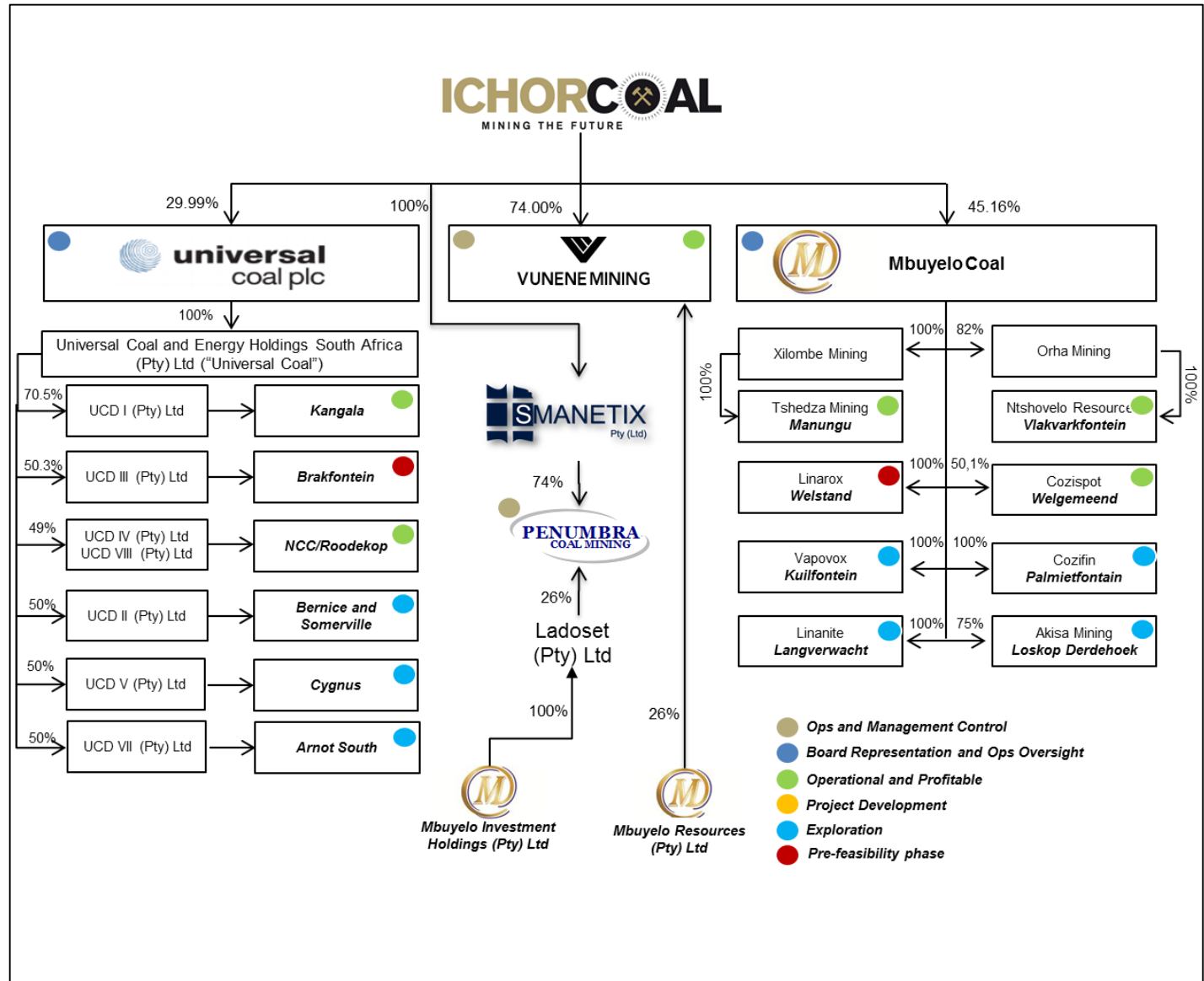
Key results drivers



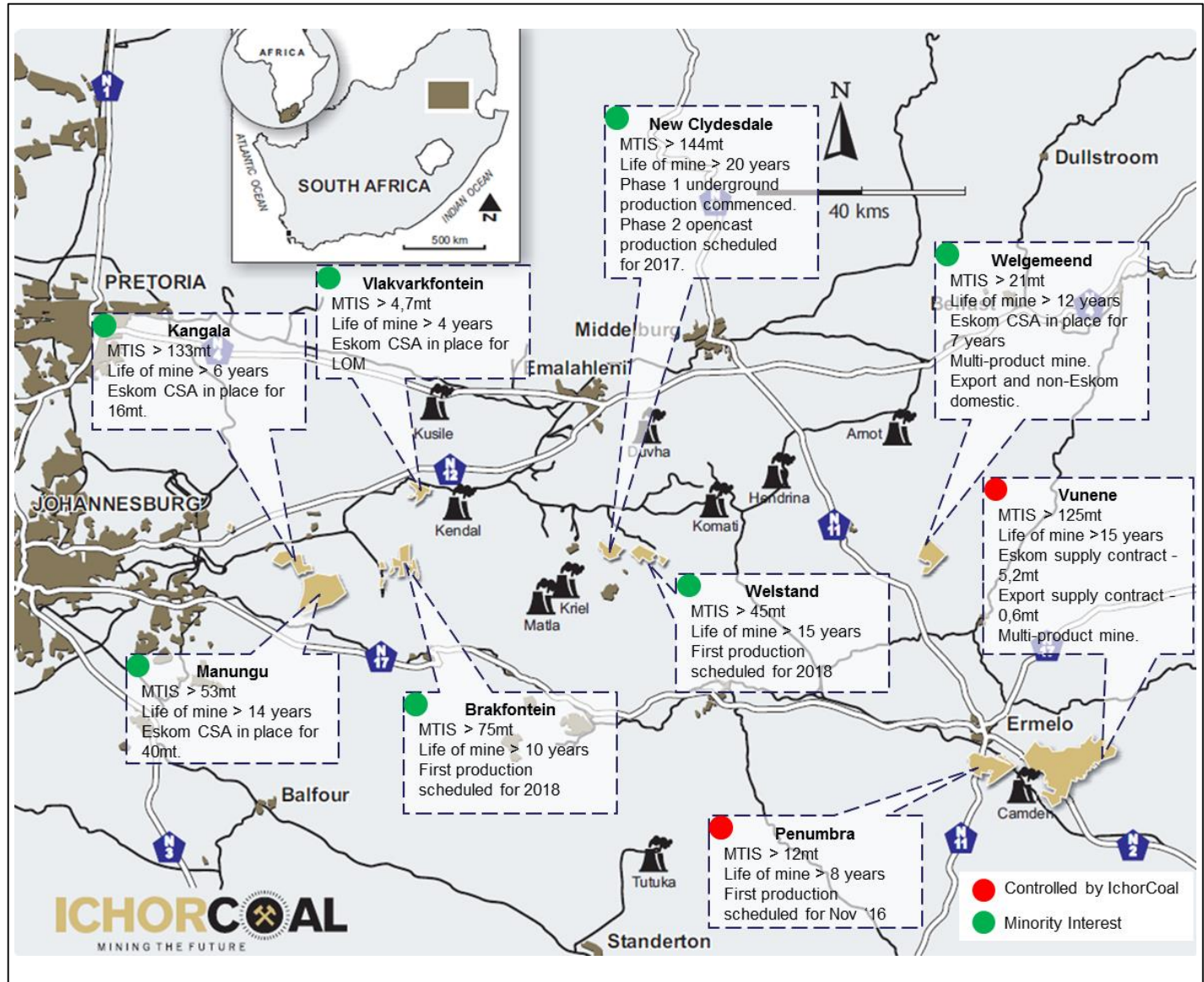
# Asset Overview



## Group structure

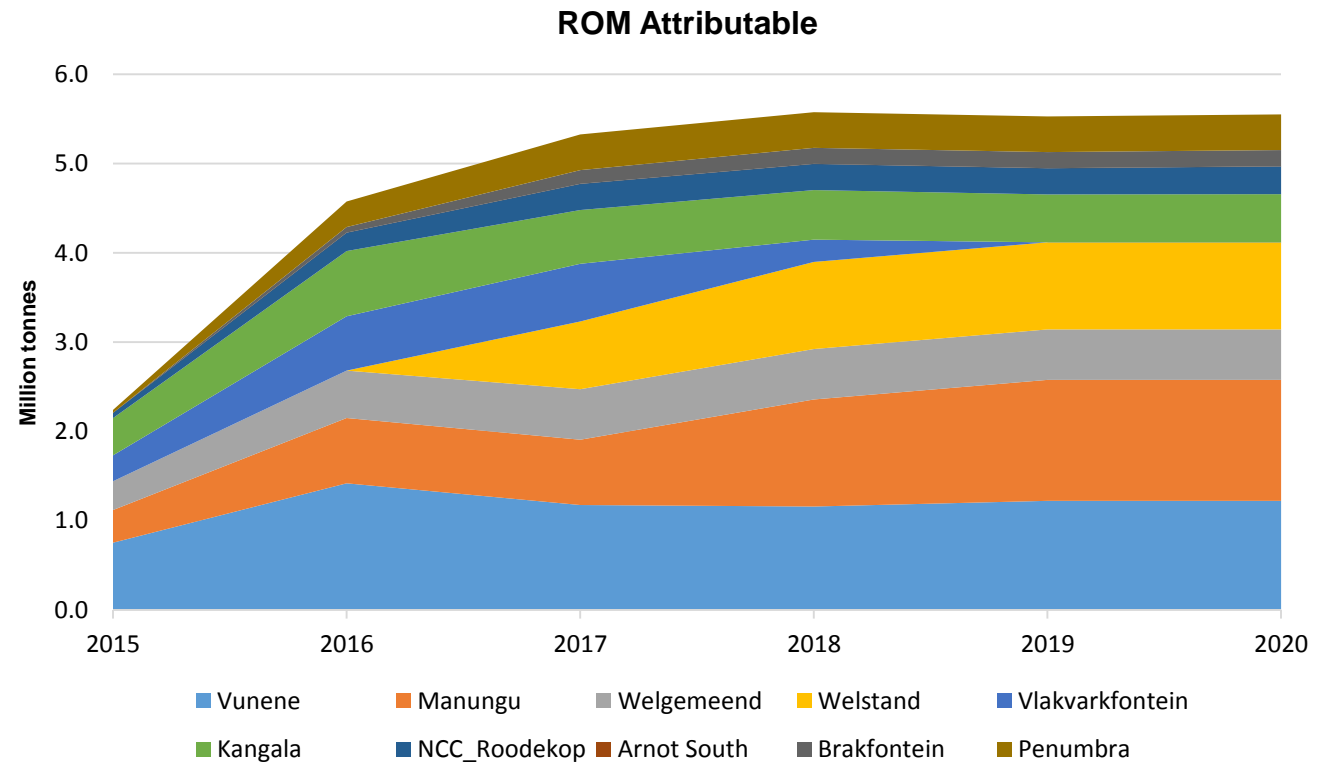


## Asset location



# Projected 5-year production profile

Attributable  
production profile  
forecast





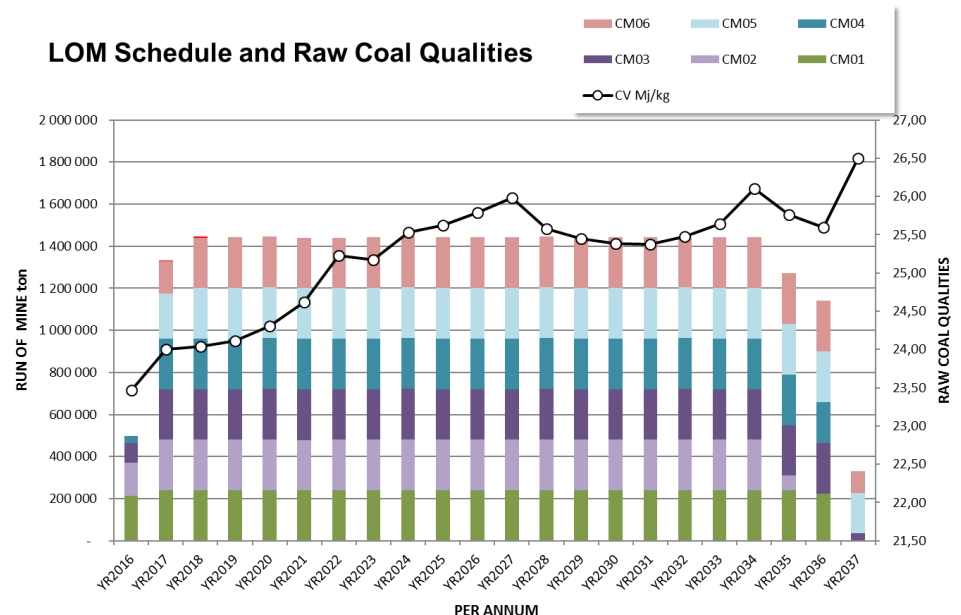
# Vunene Mining



IchorCoal has significant interests in several high profile domestic mining companies with core operations currently at Vunene Mining

## Overview

- 125mt resource
- Zero fatal accidents since inception. Achieved 2000 fatality free production shifts on 21 December 2015. Zero lost time accidents in 2015.
- 18% reduction in cash cost per strip ratio – 2015 vs 2014
- Coal supply agreement in place with Eskom until October 2016.
- Opencast reserves will be depleted by H1 2017.
- First phase of the underground refurbishment project well advanced with first production expected in Q3 2016.
- Underground life of mine in excess of 20 years.
- Coal supply agreement for underground production being negotiated.
- Export offtake agreement for 600kt signed and being delivered upon.
- Underground mining cost expected to be in line with opencast



# **Penumbra Coal Mining (Pty) Ltd**





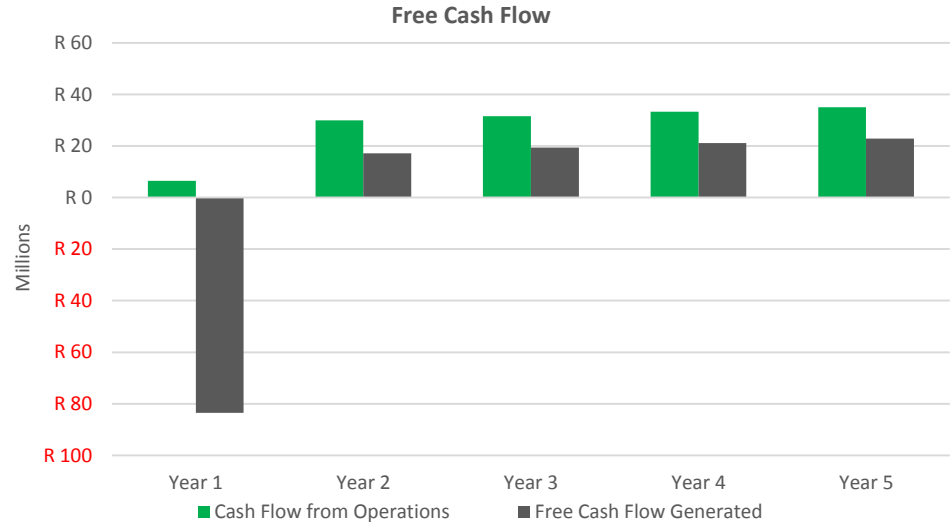
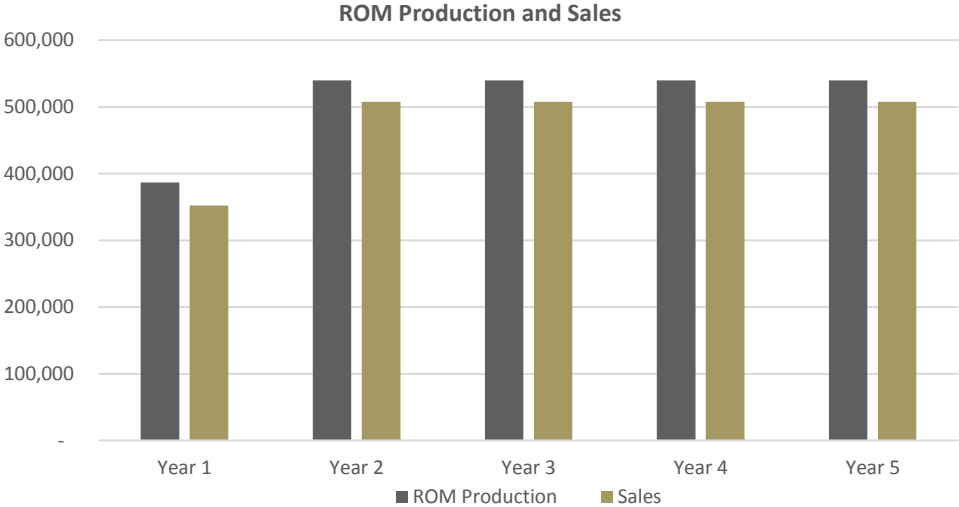
**Penumbra Coal  
Mining (Pty) Ltd  
(74%)**

- Acquired from Continental Coal in Dec 2015
- Water use license in place allows for a coal processing plant which provides optionality.
- A fully operational siding included in the acquisition – currently utilised by Vunene.
- All requisite regulatory approvals in place.
- Still under care and maintenance.
- First production expected in Q4 2016.
- Various marketing options including Eskom, local and export being evaluated.
- Numerous synergies exist between Penumbra and Vunene due to proximity.
- Some section equipment moved to Vunene – capex saving of circa R60m realised.



Penumbra Coal Mining (Pty) Ltd  
(74%)

5 year forecast –  
Eskom sales only



# Mbuyelo Coal





**Mbuyelo Coal (45%)**

**Manungu**



- 40mt phase 1 life-of-mine plan completed
- Coal supply agreement with Eskom signed for 40mt
- Full scale mining now in steady state
- Permanent beneficiation plant completed
- First coal delivered to Eskom in July 2015
- 410mt resource
- LOM > 30 years
- 100% yield – reducing total cash cost
- Relatively low strip ratios resulting in low mining costs and high margins



**Mbuyelo Coal (45%)**

**Welgemeend**

- Processing plant commissioned in May 2015
- Multi-product mine – export, other domestic and Eskom opportunities
- First export sales sailed in July 2015.
- Eskom coal supply agreement in place.
- Domestic prime product market being supplied with peas and nuts.
- All regulatory approvals in place.



**Mbuyelo Coal (45%)**

**Vlakovarkfontein**

- Approx. 100kt/m to Eskom and other domestic markets
- Production flexibility
- 4 year LOM
- Low cost mine
- Eskom coal supply agreement in place for the life of mine.
- Vlakovarkfontein is now majority Mbuyelo Coal owned and operated following acquisition from Continental Coal





# Universal Coal



Universal Coal  
(29,99%)

## Kangala Colliery



- ✓ Fully operational and profitable
- ✓ CSA in place for phase 1 life of mine
- ✓ – 6,5 years remaining
- ✓ Low cost mine
- ✓ Production flexibility
- ✓ Export market exposure
- ✓ Life of mine extension to 16 years under investigation

## New Clydesdale – Existing Plant



- ✓ Underground production commenced in August 2016
- ✓ Multi product mine
- ✓ Export and non-Eskom domestic market exposure
- ✓ Coal plant commissioned in Sept 2016
- ✓ First commercial production achieved in September 2016
- ✓ Siding available

**Nonkululeko  
Nyembezi-Heita**

**(CEO)**



- Nonkululeko spent 6 years as CEO of ArcelorMittal South Africa, before which she was the Chief Corporate Strategy Officer at the Vodacom Group in South Africa
- Since May 2014 Nonkululeko Nyembezi-Heita is the independent non-executive Chairman of the Johannesburg Stock Exchange
- She began her career as an engineer at IBM in USA before returning to work for the company in South Africa. Nyembezi-Heita then switched direction to head the financial services group Alliance Capital Management before joining Vodacom

**Andries Engelbrecht**

**(COO)**







- Andries has 20 years of experience in the mining industry. Before joining IchorCoal he was the Chief Operating Officer of Riversdale Mining Limited, an Australian mining company specialized in coal mines in Africa. In this capacity, he was responsible for all projects on that continent
- Before that Mr. Engelbrecht was General Manager and Engineering Manager at Zululand Anthracite Colliery. He has also held positions at Khutala Colliery (Ingwe Coal Corporation) BHP Billiton and Richards Bay Coal Terminal



## Resources and Reserves

### Summary of Resources/Reserves as at Sept 2016

Resource / Operation	Reserves Proved	Resource Category			Mineable Tonnes in Situ (MTIS)	IchorCoal Shareholding	Attributable to IchorCoal
		Measured	Indicated	Inferred			
 Usutu Penumbra	3,76 4,00	36,0 8,5	54,1	35,4	125,5 8,5	74,0% 74,0%	92,9 6,3
 Manungu Welgemeend Welstand Vlakvarkfontein	48,49   4,66	44,4 20,5 32,1 4,7	8,0 0,6 8,0 0,0	0,5 0,1 4,9 0,0	52,9 21,2 45,0 4,7	45,2% 45,2% 45,2% 45,2%	23,9 9,6 20,3 2,1
 Kangala NCC/Roodekop Brakfontein Arnot South Berenice Cygnus Somerville	16,8 29,3 9,1    0,0	77,2 96,8 31,7 2,3 394,0 30,9 0,0	22,9 41,8 39,4 65,3 694,3 106,6 0,0	33,7 6,0 4,7 139,0 116,1 8,2 0,0	133,8 144,6 75,8 206,6 1204,4 145,7 0,0	21,1% 18,6% 15,1% 15,0% 15,0% 15,0% 15,0%	28,3 26,9 11,4 31,0 180,7 21,8 0,0
TOTAL MTIS					2168,7		455,2

Note: Resources stated inclusive of reserves

A **Measured Mineral Resource** requires that the nature, quality, amount and distribution of data are such as to leave the Competent Person with no reasonable doubt that the tonnage and grade of the mineralization can be estimated to within close limits and any variation within these limits would not materially affect the economics of extraction. This category requires a high level of confidence in, and understanding of, the geology and the controls on mineralization.

The **Indicated Mineral Resource** has sufficient confidence for mine design, mine planning or economic studies. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource but has a higher level of confidence than that applying to an Inferred Mineral Resource. Confidence in the estimate is sufficient to allow the appropriate application of technical and economic parameters and enable an evaluation of economic viability.

An **Inferred Mineral Resource** has a lower level of confidence than that applying to an Indicated Mineral Resource. Where Inferred Mineral Resources are extrapolated beyond data points, the proportion extrapolated must be described and disclosed. This category is intended to cover situations in which a mineral concentration or occurrence has been identified and limited measurements and sampling have been completed, but in which the data are insufficient to allow the geological or grade continuity to be interpreted with confidence. Due to the uncertainty that may be attached to some Inferred Mineral Resources, it cannot be assumed that all or part of an Inferred Mineral Resource will necessarily be upgraded to an Indicated or Measured Mineral Resource after continued exploration.

Note: The above depicts a summary of resources and reserves and is not intended to be a CPR.

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