

Corporate update

The primary purpose of this update is to outline to our stakeholders management plans to address the upcoming convertible bond maturity on 7 June 2019.

2017 audited financial statements

The 2017 annual accounts are in the final phase of the external audit process. In the interim the unaudited, abridged balance sheet, income and cashflow statements are being made available on the IchorCoal website today.

The group's balance sheet shows a positive equity of approximately €58m and a profit generated during the year of €41m.

The group's main source of income during the 2017 financial year was operational cash generated at Vunene Mining and the dividends received from its associates, Mbuyelo Coal and Universal Coal. In 2017 and 2018 the company received aggregate dividend income from both investments of €4.8m and €7.7m respectively. With the disposal of Vunene in August 2017, income consisted solely of dividends from then on.

Convertible bonds

At a meeting of IchorCoal bondholders on 20 June 2017, bondholders consented to an amendment of certain terms and conditions of the convertible bonds due in June 2017 resulting in the maturity of the bonds being extended by 2 years to 7 June 2019. Steps taken to realise sufficient liquidity for the redemption and their current status are outlined below. All the proceeds will be deployed towards the bond redemption.

Sale of Vunene and Penumbra

Management accepted an offer to sell its entire 74% interest in Vunene Mining and Penumbra Coal Mining at a purchase consideration of approximately €9.5m and €3.5m respectively. In the case of Vunene, all conditions precedent have been met and settlement effected in November 2018.

In the case of the disposal of Penumbra, the purchaser is yet to secure financing for the transaction. The purchaser however remains motivated to complete the purchase with the latest indication being that the purchase price will be settled in full most likely by the end of December 2019 and in any case no later than March 2020. Notably, the buyer has obtained in-principle approval for the financing and fulfilled most of the subject conditions with only a few remaining outstanding at this time. Consequently, there is still uncertainty with respect to the closing of this transaction which is being addressed with the purchaser. On the current timetable these funds will not be available by the June deadline.

Sale of Universal Coal

In an announcement on 3 May 2019, IchorCoal announced the disposal of its entire 29% equity stake in Universal Coal plc through an off-market transaction for a purchase consideration of A\$0.315 per share. The proceeds after transaction costs amounting to A\$47m – equivalent to approximately €29m at the prevailing exchange rate – were received on the 6th of May.

Sale of Mbuyelo Coal

IchorCoal owns a 45.16% share in Mbuyelo Coal. Mbuyelo Group – the majority owner of the company – has expressed an interest in acquiring a 10% stake and furnished a non-binding offer to that effect. The final price will depend on the outcome of negotiations currently underway to agree terms. It needs to be noted however that at the time of writing, no evidence has been furnished of the potential acquirer's ability to fund the purchase price. The price offered in the non-binding offer translates to approximately €19m.

Shareholder support

Given timing considerations and the remaining risk associated with the Mbuyelo and Penumbra disposals, IchorCoal is currently in discussions with its majority shareholder to advance a shareholder loan to cover the cash shortfall in view of the Bond repayment obligations. The exact amount will be determined closer to the redemption date. This will be repaid upon the conclusion of the sale of the Mbuyelo shares.

Restructuring of the convertible bonds

Notwithstanding the actions set out above, it was deemed prudent to approach bondholders in parallel to secure their consent to a possible restructuring of the convertible bonds. The main aim of this process is to secure flexibility in case any of the actions outlined above is delayed for whatever reason. Thus, a meeting of bondholders is being convened for early June which – if successful – will result in a 50% redemption of the principal outstanding on June 7th and extension of the redemption date for the remainder by 6 months. The extension will be based on substantially the same conditions with the main change being a higher coupon in the last 3 months, which will rise to 10% per annum should 50% of the convertible bonds remain outstanding at 30 September 2019.

Conclusion

In this exercise, the management and supervisory boards have taken care to balance the interests of all stakeholders and thus approach the asset disposals in an orderly manner that sought to preserve value. By and large, this has been achieved. A further update will be provided to shareholders in due course.

Cautionary notice

This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Words such as possibly, expected and value accretive or other similar words or expressions are typically used to identify forward-looking statements. Forward-looking statements are subject to risks, uncertainties and other factors that are difficult to predict and that may cause actual results of IchorCoal to differ materially from future results expressed or implied by such forward-looking statements. Such factors include, but are not limited to, risks relating to IchorCoal's ability to generate positive cash flows; general economic conditions; turbulences in the global credit markets and the economy; geopolitical events; the decision of the Bondholders to support the restructuring of the convertible bonds and other factors discussed in IchorCoal's public filings and other disclosures. Forward-looking statements reflect the current views of IchorCoal's management and assumptions based on information currently available to IchorCoal's management. Forward-looking statements speak only as of the date they are made, and IchorCoal does not assume any obligation to update such statements, except as required by law.