



Manganese Metal Co

**PRESENTATION TO NERSA
ON ESKOM'S PRICE APPLICATION for 2018**

10 November 2017

www.mmc.co.za

Creating strength.

- Eskom is rated as our most critical business partner.
- Reliability of electrical supply has been exceptional over the past 40+ years.
- Eskom's operational and administrative service/support is excellent.
- MMC's operates an continues electro-winning plant and as such:
 - Our “load factor” is constant at just short of 1, making us an invaluable base load customer.
 - We operate at full capacity 24/7/365 irrespective of tariff structure and therefore we have little scope to economically optimise our production considering peak vs off-peak hours or summer vs winter tariffs.
- Price increases over last 8 year is suffocating the company and seriously compromising our sustainability.

10 Key Facts About MMC

1 **30,000 tpa** nominal production of 99.9% Mn quality, operating at full capacity

3 **1974** over 40 years' industry experience

5 **360 GWh** Electricity consumed annually

7 **ISO certification** Quality Management 9001 and Environmental Protection 14001

9 **Long term contract** manganese ore supply from South32

2 **World's largest producer** of selenium-free electrolytic manganese metal (EMM)

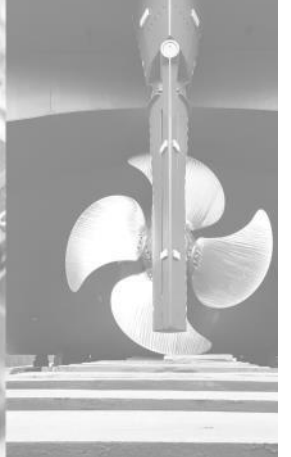
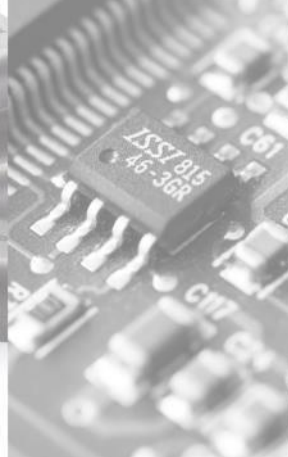
4 **+400** employees with an active CSI programme

6 **+95%** of production is exported after beneficiation

8 **World class operation** in terms of safety standards and process control systems

10 **Firm supply agreement** with Eskom, dual redundancy built into power supply circuit

Where MMC Strengthens the World



Local community involvement

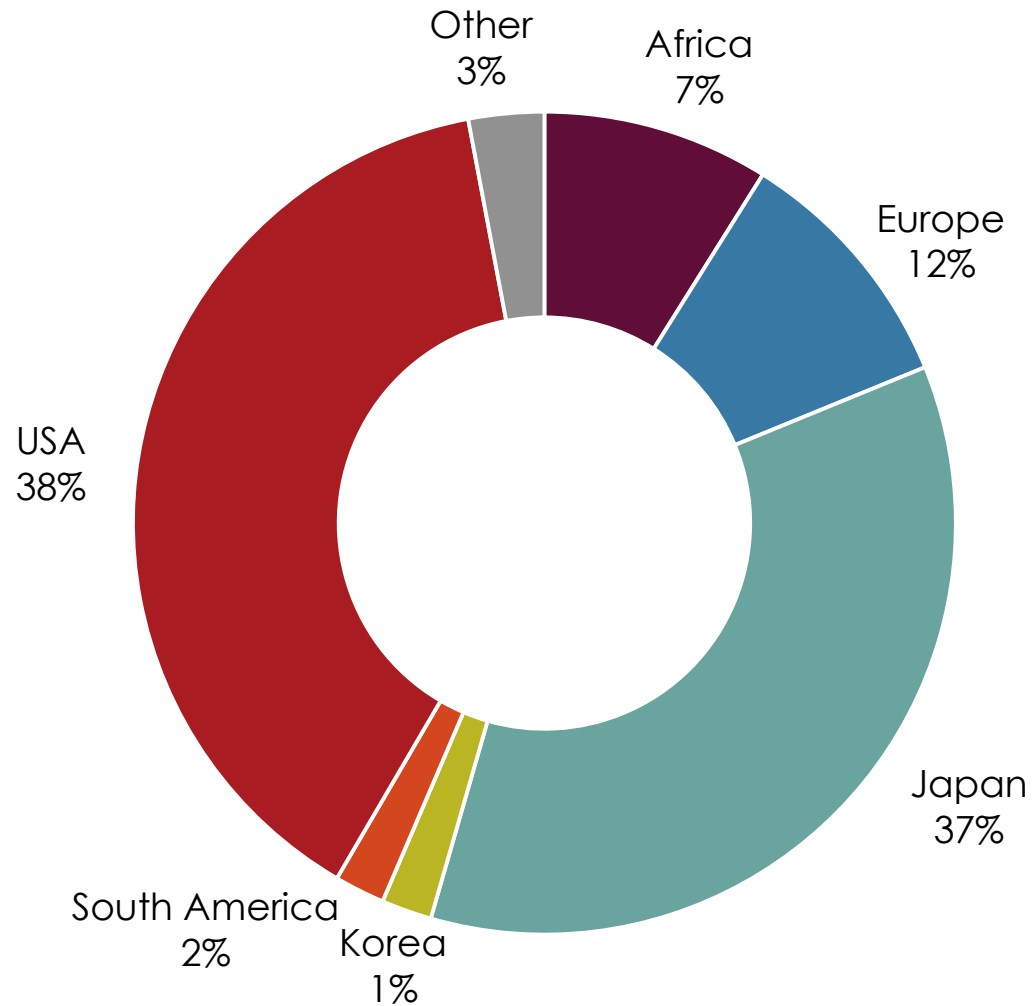
- MMC is a major employer in the greater Nelspruit region, with 400 permanent employees and ~250 regular contractors. Total indirect dependents estimated at 3,250.
- MMC's local community involvement and investments uplift the livelihood of many - some recent examples:
 - Our partnership with the **PENREACH** Educational upliftment program (visit www.penryn.co.za/pages/penreach)
 - Career guidance sessions held at local schools to create awareness on Science-related Career streams and preparation for University admission
 - Leadership Coaching Partnership with a School Principals development program called **Partners for Possibility** (visit <http://www.pfp4sa.org>)
 - Ad-hoc Educational Contributions to Penreach-sponsored schools within the local Municipality area
 - 7 Students currently busy with their Graduate Internship Work at MMC
 - Continued Support for SME Development in partnership with the Local branch of the Small Enterprise Development Agency (SEDA)
- Continued participation at the annual Electric Vehicle challenge, MMC has been sponsoring schools selected through the Penreach programme since 2012.



Career Guidance Sessions at one of the local High Schools

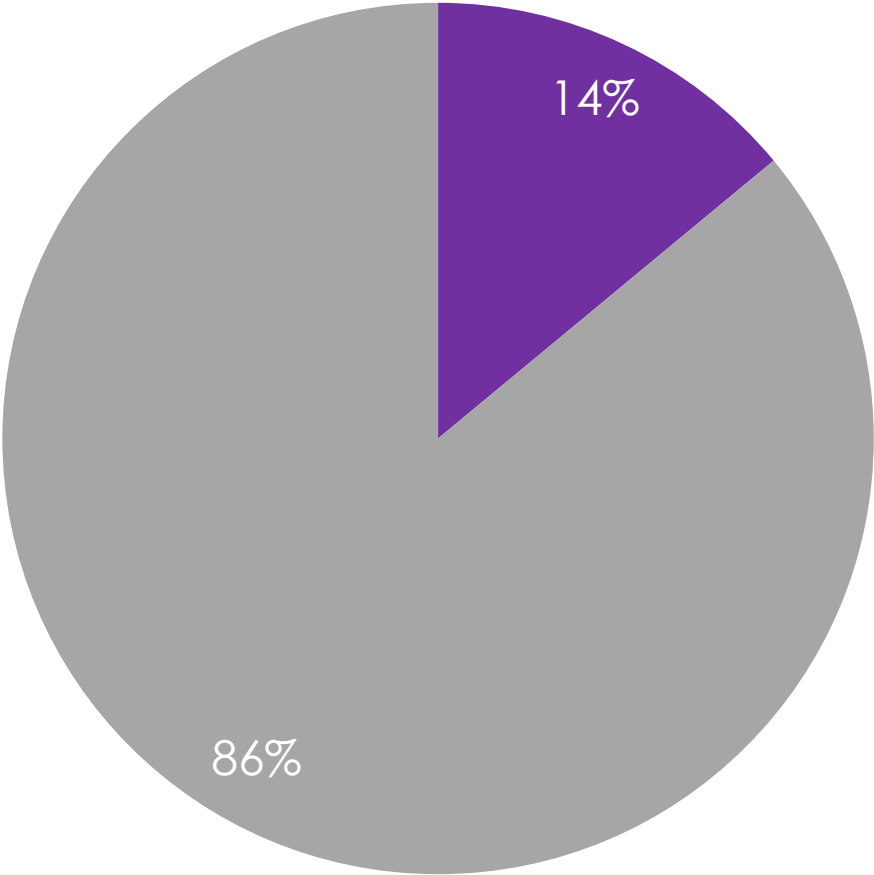
Beneficiation of South African Manganese Ore

MMC has over 100 customers in 25 countries

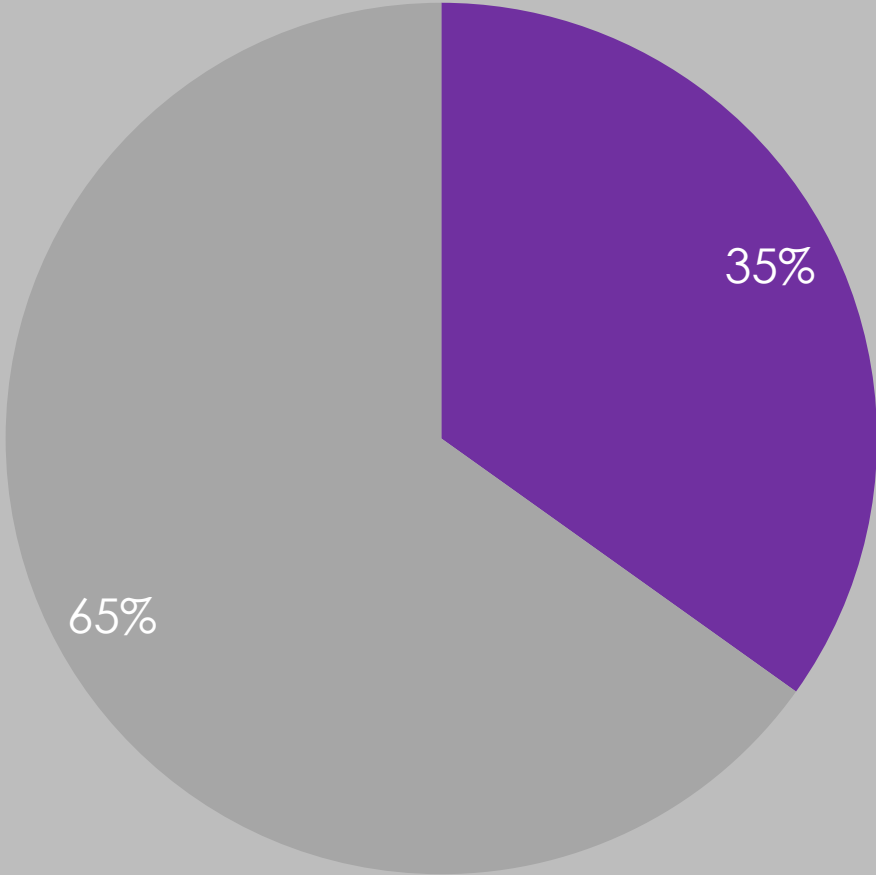


Ballooning Electricity Cost

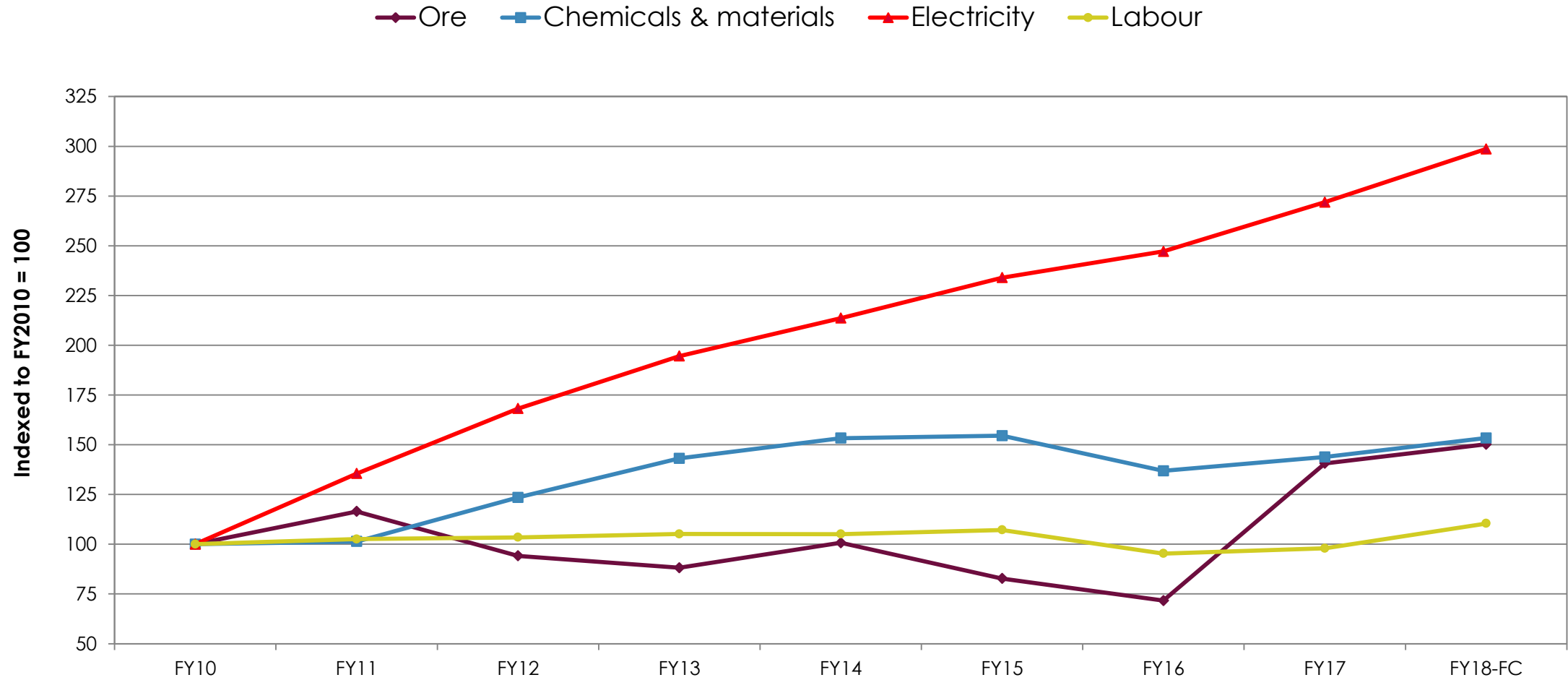
COP in 2007



COP in 2017



Electricity cost increases overshadows ALL other costs



Cost Curtailing by MMC

MMC competes internationally in an open market and cannot simply forward escalating input costs to our customers, as seems to be the rationale behind the current Eskom application.

In order for us to remain competitive (whilst absorbing Eskom increases) we have:

- Reduce staff by 25% during an S189 retrenchment exercise.
- Ceased capital expenditure on expansions projects.
- Improved efficiencies and maximised productivity.
- Evaluate and implement various electricity efficiency projects.
- Review various alternatives to Eskom for electricity.

Role of business & our perceived role of Eskom

- MMC beneficiates South African minerals.
- We employ 400+ people directly and 250 indirectly (All paying personal tax).
- We earn significant foreign currency.
- We pay corporate tax.
- We support Eskom, TFR as well as South African Aluminium producers.
- We invest in local communities.

Eskom must generate and sell electricity at the lowest possible price.

MMC cannot afford to fund Eskom to:

- Employ surplus people.
- Overpay for raw materials and services.
- Overrun on capital projects.

Lower electricity prices will result in more corporate tax for government to efficiently achieve its socio economic objectives.

The Future for MMC – if we have lower electricity tariffs



Estimated electrification impact per vehicle (avg NMC battery)⁽⁶⁾

40-50kg Ni	50-75kg Cu
5-15kg Co	5-15kg Mn

Conclusion

If above inflation increases are awarded to Eskom it will never transform to an efficient electricity producer.

As an electricity intensive user (35% of COP), MMC can't afford the increase as proposed by Eskom.

Eskom will lose another paying customer (360 GWh per annum) and will eventually destroy itself and the South African economy.