ANNOUNCEMENT **30 September 2022**

RESULTS FOR THE FULL YEAR ENDED 30 JUNE 2022

MC Mining Limited (**MC Mining** or the **Company**) is pleased to provide its audited financial statements for the year ended 30 June 2022 (the **Period**). All figures are denominated in United States dollars unless otherwise stated and the full report is available on the Company's website, https://www.mcmining.co.za/component/jdownloads/send/102-2022/1724-booklet-afs-year-ended-30-june-2022.

Financial review

- The loss after tax for the Period was $20.8 million or 12.65 cents per share (FY2021: loss after tax of $11.8 million or 7.76 cents per share);
- Contributing to the loss of $20.8 million were non-cash charges of $18.3 million (FY2021: $9.6 million) which includes the following:
  - net impairment expense of $14.9 million (FY2021: $6.8 million)
  - depreciation and amortisation of $2.6 million (FY2021: $2.6 million)
  - share based payment expense of $0.8 million (FY2021: $0.2 million).
- Revenue of $23.5 million (FY2021: $20.7 million) and cost of sales of $21.0 million (FY2021: $20.3 million) resulted in a gross profit of $2.6 million (FY2021: $0.4 million) for the Period;
- The carrying value of an exploration asset neighbouring the Vele semi-soft coking and thermal coal colliery (**Vele Colliery** or **Vele**) and rights that form part of the Greater Soutpansberg Project (**GSP**) were assessed during the Period, resulting in an impairment of $14.9 million. The Vele Colliery was impaired by $6.5 million in the prior year;
- Administrative expenses increased from $5.3 million in FY2021 to $6.8 million in the reporting period due to:
  - Employee expenses increasing to $2.7 million (FY2021: $2.3 million) due to the non-cash share based payment of $0.8 million (FY2021: $0.2 million);
  - The detailed studies completed on the Makhado hard coking coal project (**Makhado Project** or **Makhado**) contributed to professional fees increasing to $1.1 million (FY2021: $0.2 million);
  - Overhead expenses increased 10% to $2.7 million (FY2021: $2.5 million);
- Finance costs from borrowings and finance leases increased marginally to $1.7 million (FY2021: $1.6 million);
- MC Mining entered into a Convertible Advance and Subscription Agreement (the **CAS Agreement**) with South African based mining group, Senosi Group Investment Holdings (Proprietary) Limited

(**SGIH**) and under the terms of the CAS Agreement, received ZAR46 million ($3.5 million) and the Company subsequently converted this amount to equity by issuing 38.4 million ordinary shares to SGIH; and

- Unrestricted cash balances at year-end of $3.0 million (FY2021: $3.2 million).

Operational review

- Health and safety remains the highest priority and there were no fatalities (FY2021: nil) and six lost-time injuries (**LTIs**) were recorded during the Period (FY2021: six LTIs);
- The operational results for the Uitkomst metallurgical and thermal colliery (**Uitkomst** or U**itkomst Colliery**) compared to the preceding period are detailed below:

	FY2022	**FY2021**	**%△**
Production tonnages			
Uitkomst ROM (t)	470,597	490,100	(4%)
Inventory volumes			
High quality duff and peas at site (t)	15,534	4,553	241%
High quality duff and peas at port (t)	22,169	-	N.M.
	37,703	**4,553**	**728%**
Sales tonnages			
Own ROM (t)	199,065	265,879	17%
Middlings sales	26,031	26,382	2%
	225,096	**292,261**	**15%**
Financial metrics			
Revenue/t ($)	104	70	49%
Production costs/saleable tonnes ($)^	85	60	41%

^all costs are incurred in South African Rand

- The Uitkomst Colliery produced 470,597 tonnes (t) (FY2021: 490,100 t) of run of mine (**ROM**) coal during the twelve months to 30 June 2022, 4% lower than the previous year;
- 22,169t (FY2021: 0t) of coal were at the Durban port at the end of June 2022 for export under the terms of the Coal Sales & Marketing Agreement (**Marketing Agreement**) with Overlooked (Proprietary) Limited (**Overlooked**), announced by the Company in July 2022;
- A further 15,534t (FY2021: 4,553t) of high-quality coal was at Uitkomst at the end of June, available for export under the Marketing Agreement;
- Uitkomst sold 225,096t of coal in FY2022 (FY2021: 292,261t) comprising 199,065t (FY2021: 265,879t) of premium duff and sized peas and 26,031t (FY2021: 26,382t) of high ash, coarse discard coal - generating sales revenue of $23.5 million (FY2021: $20.7 million);

- Payment of the final instalment of ZAR35 million (approximately $2.3 million) for the key Lukin and Salaita properties, ensuring MC Mining owns all surface rights required for the Makhado Project mining area;

- Makhado Project composite debt/equity funding initiatives continued, including detailed due diligence processes by potential funders and included the completion of the Makhado Project Bankable Feasibility Study (**BFS**) 'Base Case' by independent mining consultancy firm, Minxcon (Proprietary) Limited (**Minxcon**). The Base Case scenario confirms the project's robust economic fundamentals, a key input in the due diligence process for potential funders;

- Limited activities at the Company's Makhado Project, Vele Colliery and GSP during FY2022;

- The Industrial Development Corporation of South Africa Limited (**IDC**) agreed to extend the repayment date for the R160 million ($9.8 million) loan plus accrued interest, to 30 November 2022;

- The terminal drawdown date of the additional R245 million ($15.0 million) IDC term loan for the development of Makhado, was also extended to 30 November 2022, subject to the IDC re-affirming its financial due diligence and credit approval;

- The API4 coal price improved during FY2022, with the average price for the 12-months increasing from $81/t in FY2021 to $213/t for the reporting period, resulting in Uitkomst's revenue per tonne increasing (FY2022: $104/t vs. FY2021: $70/t) despite the proportionally lower year-on-year sales volumes of higher quality peas and duff; and

- The increase in Uitkomst's production costs per saleable tonne is due to increased explosives, fuel and employee costs as well as the 23% reduction in year-on-year sales volumes.

Corporate features

- Appointment of shareholder representative Non-Executive Director, Mr Junchao Liu, following the retirement of Mr Shangren Ding;
- Resignation of long standing non-executive Chairman Bernard Pryor;
- Appointment of Mr Nhlanhla Nene as Non-Executive Director and Chairman of MC Mining;
- Appointment of Mr Godfrey Gomwe as Managing Director and Chief Executive Officer (**CEO**) and resignation of Sam Randazzo as Director and Interim CEO;
- Appointment of Mr Matthews Senosi of SGIH as a Non-Executive Director of the Company; and
- Securing of a ZAR60 million ($3.5 million) Standby Loan Facility (the **Standby Facility**) from Dendocept (Proprietary) Limited, a 1.4% shareholder in MC Mining.

Going concern

Attention is drawn to the disclosure in the annual financial statements on the going concern assumption (refer note 1 of the annual financial statements), noting that there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are satisfied however, at the date of signing the financial report, that there are reasonable grounds to believe that the Group will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis. The directors have based this on a number of assumptions which are set out in detail in note 1 to the financial report. In order to meet its working capital requirements, the Group is exploring and progressing several alternative strategies to raise additional funding including, but not limited to:

- The issue of new equity for cash in the Company to current and new shareholders, of which the Group has a demonstrated history of success in this regard. On 27 September 2022, the Company commenced with a fully underwritten, renounceable Rights Offer that will raise gross proceeds of A$40 million (refer to 'Subsequent events' in Note 10 of the annual financial statements);
- The issue of new equity for cash in the subsidiary company that owns the Makhado project;
- Further debt funding;
- Cash generated from the Company's collieries; and
- Further contractor BOOT funding arrangements.

The Group also has the capacity if necessary to reduce its operating cost structure in order to minimise its working capital requirements and defer the timing of any future capital raising.

The conclusion of the debt and equity raise is by its nature an involved process and is subject to successful negotiations with the external funders and shareholders. Any equity raise is likely to be subject to a due diligence process. The Group has a history of successful capital raisings to meet the Group's funding requirements. The directors believe that at the date of signing the annual financial statements there are reasonable grounds to believe that they will be successful in achieving the matters set out above and that the Group will therefore have sufficient funds to meet their obligations as and when they fall due.

Subsequent events

- MC Mining shareholders voted against the issue of a further 33.3 million new ordinary shares to SGIH and the Company repaid ZAR10 million ($0.6 million) of the ZAR20 million ($1.2 million) already advanced by SGIH, subsequent to year-end, with the balance due in October 2022;

- Marketing Agreement entered into with Overlooked, expiring on 31 December 2022 which facilitates the export of at least 20,000t of API4 (6,000k/cal) coal from Uitkomst on a monthly basis, allowing the Company to take advantage of international coal prices;
- Completion of a study by Minxcon assessing potential alternative development scenarios for Makhado to optimise capital expenditure and reduce operational costs. The scenarios assessed included possibly moving the Vele coal processing plant (**CPP**) and modifying this at Makhado or, the construction of a bespoke CPP at Makhado. Both additional development scenarios were developed to pre-feasibility level and would require additional capital expenditure but would significantly reduce the transport costs when compared to the Base Case scenario. While the BFS Base Case is economically robust, the additional two scenarios resulted in improved project economics;
- Commencement of a fully underwritten 1.012 for 1 renounceable rights issue offer (**Rights Offer**) of new ordinary shares of no par value in MC Mining (each, a **New Share**) at an issue price of A$0.20 ($0.14) per New Share for Eligible Shareholders in Australia (and New Zealand) and ZAR2.36 per New Share for eligible shareholders in South Africa. The rights issue will raise gross proceeds of A$40.0 million via the issue of approximately 200 million New Shares. The Rights Issue is expected to be completed in early November 2022.

Godfrey Gomwe, Chief Executive Officer and Managing Director of MC Mining, commented:

"The 2022 financial year was challenging for our Uitkomst Colliery which was affected by the civil unrest in KwaZulu-Natal during July 2021. Furthermore, the colliery's largest customer commenced with major maintenance and did not order any stock from March 2022. This led to Uitkomst commencing with production tests of a low ash coal for international steel mills as well as, the production of API4 coal to take advantage of favourable international thermal coal prices. The conclusion of the Standby Facility in June 2022 ensured that MC Mining had sufficient liquidity to fund the build-up of inventory, and this allowed for signature of a CAS Agreement in July 2022 and the first export of Uitkomst thermal coal during August 2022.

The Company advanced the Makhado Project during FY2022 and SGIH's investment in MC Mining in early CY2022 facilitated the payment of the outstanding balance for the two remaining properties required for the Makhado Project. MC Mining also completed the Makhado Project BFS on the low-capital, Base Case development scenario. The study was subsequently enhanced and alternative development strategies assessed, following which the Company has committed to the construction of a processing plant at Makhado. This development strategy has a higher peak funding requirement compared to the Base Case but generates improved returns for shareholders due to the lower operating, particularly transport costs.

The Makhado Project is shovel ready and the Company made significant progress to secure the cornerstone funding for the project during FY2022. This resulted in the launch of the fully underwritten Rights Issue in September 2022 and the MC Mining aims to conclude arrangements for the balance of *the funding in Q4 Y2022, allowing the construction of the Makhado Project to commence in early CY2023."*

Authorised by

Godfrey Gomwe

Managing Director & Chief Executive Officer

This announcement has been approved by the Company's Disclosure Committee.
All figures are in South African rand, United States dollars or Australian dollars unless otherwise stated.

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Investec Bank Limited is the nominated JSE Sponsor

About 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 Project (hard coking coal). Vele Colliery (semi-soft coking 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 does 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.