



INDEPENDENT BOARD COMMITTEE'S RESPONSE TO GOLDWAY'S SECOND SUPPLEMENTARY BIDDER'S STATEMENT

The independent board committee (**IBC**) of MC Mining Limited (**MCM** or the **Target**) refers to the A\$0.16 off-market takeover offer by Goldway Capital Investment Limited (**Goldway**) for all of the shares in MCM not currently owned by associates of Goldway (**Offer**).

As stated in the Target's Statement dated 4 March 2024 (**Target's Statement**) and confirmed in the Supplementary Target's Statement dated 18 March 2024 the IBC unanimously recommends that shareholders **DO NOT ACCEPT** the Goldway Offer. The IBC continues to hold this view.

Since the IBC made its recommendation that shareholders **DO NOT ACCEPT** the Goldway Offer, Goldway has attempted to discredit the IBC's recommendation, including by publication of Goldway's second supplementary bidder's statement dated 14 March 2024 (**Second Supplementary Bidder's Statement**). The IBC believes it is important to respond to the various statements and opinions made by Goldway in its Second Supplementary Bidder's Statement, and accordingly makes the following comments:

1. Comments in relation to the Independent Expert's Report and requirements of section 640 of the Corporations Act

Goldway has made statements in its Second Supplementary Bidder's Statement that MCM *"has breached the Act by failing to include the IER within the statutory timeframe"*.

These statements by Goldway are not accurate. The Target has not breached its obligations under section 640 of the *Corporations Act 2001 (Cth)* (**Act**) to provide a target's statement and accompanying independent expert's report. The Supplementary Target's Statement dated 18 March 2024 included the Independent Expert's Report (**IER**) prepared by BDO Corporate Finance (WA) Pty Ltd ACN 124 031 045 (**BDO** or the **Independent Expert**) and has been sent to Shareholders and is available on the ASX website, www.asx.com.au, and MCM's website at www.mcmMining.co.za. References to a target statement in section 640 of the Act include a target statement as supplemented. The Target's Statement issued by MCM within the statutory timeframe disclosed to Shareholders that a Supplementary Target's Statement with IER would be issued.

As announced on 18 March 2024, the IER prepared by BDO has concluded that the Offer is **neither fair nor reasonable to shareholders**.

Shareholders are urged to read the Target's Statement and the Supplementary Target's Statement in their entirety before making a decision on the Offer. The Offer is scheduled to close on Friday, 5 April 2024 at 7.00pm (Sydney time)/10.00am (South Africa time), unless extended by Goldway.

2. Comments in relation to the Vele Aluwani Colliery

(a) Status of Vele

Goldway has made statements in its Second Supplementary Bidder's Statement that the Vele Aluwani Colliery (**Vele**) has been “*under care and maintenance since January 2024*” and that there has been no disclosure by MCM of the “*closure and on-going care and maintenance costs of Vele*”.

The IBC maintains that MCM has complied with its disclosure obligations in relation to Vele. In December 2022, Vele was outsourced and recommissioned for operations by Hlaithembeni Outsourcing Services (Pty) Ltd (**HOS**). During December 2023 and January 2024 HOS downscaled operations at Vele, following which the production optimisation strategy at the colliery (Operation Shandukani) commenced. Representatives of MCM, HOS and Overlooked Colliery Group (owned by Consortium member, Senosi Group Investment Holdings Proprietary Limited (**SGIH**) and a major shareholder of Goldway) had numerous meetings in December 2023 regarding the downscaling activities at Vele. The parties agreed on the implementation of the Operation Shandukani turnaround plan which may potentially incorporate underground mining at Vele for semi-soft coking coal (**SSCC**), typically a higher value product than thermal coal. Further, the downscaling of operations at Vele have been discussed and was unanimously approved by the MCM Board at a meeting attended by Consortium representatives.

The downscaling for optimisation process at the Vele colliery does not mean that Vele is “under care and maintenance”. Placing a mine under “care and maintenance” is a statutory process and requires Ministerial approval once an application for care and maintenance has been submitted, which has not been done.

(b) Valuation of Vele

The Independent Specialist Report prepared by SRK Consulting (Australasia) Pty Ltd (**SRK**) and contained in the IER took into account that Vele's operations have temporarily stopped, while it re-optimises¹.

Goldway's Offer Price is still significantly below the Independent Expert's valuation range. BDO assessed the value of an MCM Share prior to the Offer between A\$0.214 and A\$0.356, with a preferred value of A\$0.285 per MCM Share (on a controlling interest basis).

The IBC believes that Goldway's Offer Price does not, among other matters, take into account the true life of mine Coal Resources at Vele.

It is also important to note that since Vele was recommissioned in December 2022, all coal produced at Vele has been sold to an associate of the Overlooked Colliery Group, owned by

¹ Section 8.3.2 of SRK's Independent Specialist Report, contained as Appendix 4 to the Independent Expert's Report annexed to MCM's Supplementary Target's Statement dated 18 March 2024.

Consortium member, SGIH, which is in turn controlled by a non-independent director, Mr Matthews Senosi . The IBC believes that HOS as well as interests associated with SGIH would also benefit from the implementation of the optimisation production strategy at Vele. If Shareholders accept the Offer, the IBC is of the view that Shareholders will lose the opportunity to share in the value upside of the Vele optimisation strategy.

As previously disclosed in the Target's Statement, the activities and performance of MCM are subject to various infrastructure, operational and development risks. Shareholders are advised to read in full section 9 of the Target's Statement regarding risks in relation to the Offer as a minority Shareholder and risks in relation to MCM where remaining as a Shareholder in MCM.

3. Comments in relation to the Uitkomst Colliery and the Makhado Project

Goldway has made various statements about the assets, costs and value of MCM's mineral assets, including the Uitkomst Colliery and the Makhado Project.

The IBC notes for the following reasons why the statements of Goldway are misleading:

- (a) Goldway states that *“[w]hen cashflow positive, the cash generated from Uitkomst is immaterial and insufficient to cover the administrative and corporate costs of MCM.”*
 - (i) Uitkomst substantially contributes to head office costs. Uitkomst generated net positive operational cash flows (after capex) of over R87m for the six months to 31 December 2023 and continues to be net cash positive and contribute to corporate costs.
 - (ii) Goldway's comparison of MCM's costs to cash flows being generated from Uitkomst does not take into account the optimisation cost reduction strategies for the Uitkomst and Vele collieries and the one-off corporate costs incurred in connection with the Goldway Offer.
- (b) Goldway states that the *“the NPV of the Makhado Project has decreased significantly since June 2013.”*
 - (i) Goldway's statements of comparison are based on a definitive feasibility study (**DFS**) announced in 2013, which is based on assumptions that are different to the economic and operating (including life of mine) assumptions, processing and production plans and strategies that currently apply to the development of the Makhado Project.
 - (ii) In June 2023, MCM announced a significant increase in the Makhado Project's mineable Coal Reserves and at the same time MCM generated a full life of mine (**LOM**) plan for the 27-years of production. As previously disclosed in the Target's Statement, the IBC is of the view that the timing of the initial indicative takeover bid received in September 2023 seeks to take advantage of the increased LOM plan for the Makhado Project.

- (iii) The capital investment required for the revised Makhado Project strategy has also decreased significantly. The peak funding requirement for the initial DFS in 2013 was US\$432.8m, with total construction costs estimated at US\$403.6m resulting in a 6-year payback period.
- (iv) In comparison, the peak funding requirement for the revised strategy is approximately 77% lower at US\$96m, with an estimated average payback period of 3.5 years².

The Offer Price of A\$0.16 per MCM Share that is being offered by Goldway is:

- (a) below the initial 5 September 2023 indicative price range of A\$0.20 to A\$0.23 (**Initial Indicative Offer**) proposed by the major shareholders and initial Consortium members, Dendocept Proprietary Limited and SGIH; and
- (b) significantly below the valuation range assessed by the Independent Expert of between A\$0.214 and A\$0.356 per MCM share.

SRK's valuation of the Makhado Project, employing a market-based approach, is higher than a valuation using the income valuation method. The IBC is of the view that if Shareholders accept the current Goldway Offer they will lose the opportunity to share in the value of the Makhado Project, subject to and once income from production is generated.

As previously disclosed in the Target's Statement, the development of the Makhado Project requires substantial funding and is subject to operational and development risks. Shareholders are advised to read in full section 9 of the Target's Statement regarding risks in relation to the Offer as a minority shareholder and risks in relation to MCM where remaining as a shareholder in MCM.

4. Comments in relation to the Greater Soutpansberg Project (GSP)

Goldway has made statements that the GSP assets have remained dormant and that *"the GSP is a considerable distance from the nearest port and its future viability is adversely impacted by persistent power and rail issues"*.

SRK's assessment of the Makhado Project and Greater Soutpansberg Project assets has taken into account the attributable Coal Reserves and Resources, surrounding infrastructure and services, geotechnical data, mining and land access rights, and potential risks and opportunities. SRK's analysis of implied resource multiples also recognises the reasonable prospects for eventual economic extraction. The market valuation method adopted by SRK

² Source: Public announcements made by MCM on 19 June 2013 (<https://www.mcmining.co.za/investors-and-media/announcements/2013>) and 30 June 2023 (<https://www.mcmining.co.za/investors-and-media/announcements/2023>).

only considered comparable transactions within South Africa, which are exposed to similar operating and infrastructure challenges.

Goldway has not disclosed in its Bidder's Statement Goldway's plans to address the rail and infrastructure challenges.

The IBC believes that Goldway is seeking to justify its undervalued Offer Price of A\$0.16. The Offer Price is significantly below the valuation range assessed by the Independent Expert. The Offer Price is also below the Initial Indicative Offer's valuation range that certain Consortium members, Dendocept and SGIH proposed for MCM. The IBC is of the view that if Shareholders accept the Offer Shareholders will lose the opportunity to share in future opportunity value to MCM of these GSP assets.

5. Comments in relation to Goldway's justification of the A\$0.16 Offer Price

Goldway has made various statements about MCM's debt position, additional Shares being issued and the status of Vele as justifying Goldway's A\$0.16 Offer Price.

Goldway has also stated that "*if successful with its Offer, Goldway will be required to inject considerable capital into MCM to remain solvent*". The IBC notes that as previously disclosed in the Target's Statement, after 5 April 2024 and by mid May 2024 MCM will be required to secure further funds, whether through equity or debt or a combination of both. Whether or not Goldway would be the entity providing capital will depend on the nature and structure of any fundraising. Although no assurance is provided that MCM will implement a rights issue, if a rights issue is conducted, all existing Shareholders at that time would receive a pro rata right to participate in the capital raising and acquire further shares in MCM.

Goldway has also stated that "*the Bidder Parties have invested considerable capital in MCM*". As past participation in the September 2022 rights issue indicates, Consortium members value the mineral assets of MCM and have previously invested on the basis of the going concern and development risks associated with a development company such as MCM. It is not uncommon for major shareholders to be a source of equity or other funding for a company. It is also usual for independent non-executive directors not to own shares in the company on which they sit to ensure 'independence' is maintained.

However, the IBC reminds Shareholders that the A\$0.16 Offer Price is significantly below the valuation range assessed by the Independent Expert. The A\$0.16 Offer Price is also below the September 2022 rights issue price of A\$0.20 per share and the September 2023 Initial Indicative Offer's valuation range.

The IBC considers that the statements made by Goldway are not compelling because:

- (a) the debt position of MCM is allowed for in the valuation of the Independent Expert. The overall debt position has not materially changed since June 2023. Further, as disclosed in MCM's interim financial statements released on 15 March 2024, finance costs reduced to US\$755k from US\$1.1m in the comparative period;

- (b) the Independent Expert's valuation of MCM shares is on the basis of a total of 407,890,744 shares being on issue, which includes the issue of the additional 8.2 million Shares approved by the MCM Board and issued to management personnel in November 2023³; and
- (c) the status of operations at Vele is taken into consideration by the Independent Expert.

The Offer Price remains materially below the Independent Expert's valuation range.

6. Comments in relation to the financial position and performance of MCM

Goldway has made statements about its concern for the cash position of MCM. The financial position and solvency of MCM are matters for the Board's ongoing consideration, having regard to all of the circumstances of MCM, current cash flow forecasts and advice provided to all members of the Board, which include the Consortium's representatives.

As disclosed in MCM's Supplementary Target's Statement, the interim financial statements for the half year ended 31 December 2023 were released on 15 March 2024 and are available to view on the ASX website, www.asx.com.au, and MCM's website at <https://www.mcmining.co.za/investors-and-media/announcements/2024>. These interim accounts have been prepared on a going concern basis. Shareholders are advised to read these accounts in their entirety.

Goldway has made various statements about the financial position and performance of MCM, which Goldway has attributed to the *"high cost and sub-scale nature of MCM's producing assets"*. The IBC is of the view that these statements are misleading as MCM is a developer not a producer and that core value for MCM is primarily attributed to the potential future cash flows and development potential of Makhado, Vele and the GSP. The IBC believes that if Shareholders accept the Offer they will lose the opportunity to share in the upside value in MCM taking its development opportunities through to operation.

Goldway has also made a statement that *"[it] believes it is in the best interests of MCM Shareholders to privatise MCM"*. This statement of Goldway's opinion is inherently conflicted. In section 8.2 of the Bidder's Statement regarding Goldway's intentions in relation to the assets of MCM, Goldway has not explained how privatising MCM will overcome the operational and infrastructure challenges that Goldway is seeking to justify its Offer Price on. Section 8.2(b) of the Bidder's Statement states that the *"Bidders do not intend to make major changes to the core assets and operations of MCM other than to progress financing and development of its projects."* The IBC also notes that MCM is currently owed R20 million by HOS, who is in turn owed money by associates of Mr Senosi's entity, Overlooked Mining Pty Ltd (**Overlooked**).

³ As previously announced, 4,000,000 of these shares were issued to Mr Godfrey Gomwe, the Managing Director and Chief Executive Officer, pursuant to the vesting of Options in accordance with his employment agreement, as previously approved by shareholders at MCM's 30 November 2022 annual general meeting. A total of 4,225,542 shares were issued to certain members of MCM's management team on the vesting of Performance Rights previously granted in November 2020 and July 2022 as part of their remuneration.

Goldway's representatives on the Board are aware of the amount outstanding and the commitment which has been given to repay this amount by the end of April 2024.

The Bidder's Statement did not disclose details of these relationships. As noted above, the lack of disclosure about Goldway's intentions on how it will develop and operate the mining assets if the Offer is successful and how associates of the Consortium, such as Overlooked may remain involved is, in the opinion of the IBC, evidence of the conflict of interest that Goldway and the Consortium Bidder Parties, and their representatives on the Board of MCM, have in relation to the Offer.

7. Comments in relation to the Vulcan NBIO

The Target's Statement provides that if there is an alternative bidder or competing superior proposal the IBC will update MCM Shareholders accordingly.

As announced by the Company on 11 March 2024, the non-binding indicative offer received from Vulcan Resources (**Vulcan NBIO**) was never presented to Shareholders as a binding offer capable of acceptance by Shareholders. MCM was not aware that Vulcan Resources would not proceed to making a formal offer until receipt, subsequent to the announcement of the Vulcan NBIO, of Vulcan Resources' communication that it would not be proceeding.

As at the date of this announcement, the only binding offer capable of acceptance is the Goldway Offer.

However, the IBC continues to recommend Shareholders **DO NOT ACCEPT** the Goldway Offer of A\$0.16 per MCM Share as the Offer Price is significantly below the valuation range assessed by BDO, the Independent Expert.

A Shareholder who requires the certainty of a formal cash exit price and does not want to remain invested in MCM may take a different view to the IBC based on the Shareholder's individual circumstances.

8. Comments in relation to the status of the No Material Adverse Change Condition to Goldway's Offer

Goldway has made statements that it is currently investigating whether the 'no material adverse change condition' as set out in section 13.9(c) of the original bidder's statement dated 2 February 2024 (**MAC Condition**) is capable of being satisfied.

Goldway's Offer is conditional on no material adverse change occurring in relation to MCM before the end of the Offer Period.

In its Second Supplementary Bidder's Statement, Goldway stated that in the event that the MAC Condition is breached or cannot be satisfied, Goldway does not intend to waive this condition.

In the IBC's view, the MAC Condition has not been breached and the reasons given by Goldway for investigating the MAC Condition are inaccurate and misleading. As noted above, the Vele colliery is not being shut down and has not been put on 'care and maintenance'. As disclosed in MCM's Quarterly Activities Report on 31 January 2024, the production optimisation strategy is being progressed and will not result in MCM incurring costs or expenses in excess of A\$5 million (being the threshold within the meaning of a MAC Condition event). Rather, the current production optimisation strategy for Vele has resulted in operational cost reductions and is designed to improve the cash position and profitability of MCM, taken as a whole.

However, if Goldway were to take a different view and allege that the MAC Condition has been breached and is not waived, then, the conditional Offer would fail and lapse. In such a scenario, Shareholders who have accepted the Offer would not receive the Offer Consideration of A\$0.16 per MCM Share.

Goldway is required to give MCM and the Australian Securities & Investments Commission written notice on Friday 22 March 2024 providing an update on the status of the defeating conditions attaching to its Offer. The date for giving notice on the status of the defeating conditions can be extended if Goldway extends the close of the Offer to a date after 5 April 2024. The IBC will keep Shareholders informed of any developments in relation to the Offer, including in relation to the section 630(2) notice of status of defeating conditions required to be given by Goldway.

The IBC confirms and reiterates its unanimous recommendation that Shareholders **DO NOT ACCEPT** the Goldway Offer.

For questions, please contact the Target Shareholder Line on +61 461 444 038 between 9.00am and 7.00pm (Sydney time) on Business Days (if calling from within Australia) or between 11am - 1pm (Johannesburg time) or 9am - 11am (London time).

The IBC looks forward to your continuing support as we respond to the Goldway Offer.

Mr Nhlanha Nene
Chairman of MC Mining Limited

Mr Khomotso Mosehla
Chairman of the IBC

This announcement has been approved for release by MCM's Disclosure Committee.

The information contained within this announcement is deemed by MCM to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended.

Forward-looking statements

This announcement contains forward-looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. All statements other than statements of historical fact are by definition likely to be forward-looking statements. You should be aware that such statements are predictions and are subject to inherent risks and uncertainties, many of which are beyond the control of the MCM. Refer to section 9 of the Target's Statements for details about risks associated with the Offer and MCM. These forward-looking statements are based on, among other things, MCM's assumptions, expectations,

estimates, objectives, plans and intentions and the views of the IBC as at the date of this announcement. Although MCM and the IBC believe that the expectations reflected in any forward-looking statement included in this announcement are reasonable, no assurance can be given that such expectations will provide to be correct. Actual events or results may differ materially from the events or results expected or implied in any forward-looking statement.

None of MCM, BDO or SRK, nor any of their respective directors, officers, consultants or employees make any representation or warranty (whether express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any such forward-looking statements.

For more information contact:

Tony Bevan	Company Secretary	Endeavour Corporate Services	+61 42 1072 165
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Company advisers:

Richard Johnson / Rob Patrick	Nominated Adviser	Strand Hanson Limited	+44 20 7409 3494
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Rory Scott	Broker (AIM)	Tennyson Securities	+44 20 7186 9031
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Marion Brower	Financial PR (South Africa)	R&A Strategic Communications	+27 11 880 3924
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BSM Sponsors Proprietary 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 and thermal coal), Makhado Project (hard coking coal), Vele Colliery (semi-soft coking and thermal coal), and the Greater Soutpansberg Projects (coking and thermal coal).