



ANNOUNCEMENT

25 March 2024

INDEPENDENT BOARD COMMITTEE'S RESPONSE TO GOLDWAY'S THIRD 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 regarding the Offer, Goldway has attempted to criticise and undermine the IBC and dismiss the findings of the Independent Expert¹ in an effort to justify its A\$0.16 price which significantly undervalues MCM². Continuing this theme, MCM has now received a copy of the Third Supplementary Bidder's Statement dated 21 March 2024 (**Third Supplementary Bidder's Statement**). The IBC wishes to update Shareholders and respond to the statements made by Goldway in its Third Supplementary Bidder's Statement:

1. Independent Expert's Report

(a) No change to the conclusion 'neither fair nor reasonable'

Goldway has sought to discredit the reliability of the Independent Expert's Report prepared by BDO and the independent specialist report (**ISR**) prepared by SRK Consulting (Australasia) Pty Ltd (**SRK**).

The Independent Expert's Report is and continues to be a reliable independent expert's opinion. The use of specific valuation methodologies by BDO and SRK, the reasonable basis for their selection and the grounds and assumptions for BDO's opinion are matters for BDO, the independent expert and SRK, the independent technical specialist. Both BDO and SRK are highly experienced experts in their

¹ The Independent Expert's Report (**IER**) prepared by BDO Corporate Finance (WA) Pty Ltd (**BDO**) and contained in MCM's Supplementary Target's Statement dated 18 March 2024 concluded that the Offer is **neither fair nor reasonable** to Shareholders.

² 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).

respective fields and each piece of work has been undertaken in accordance with the requirements of the *Corporations Act 2001 (Cth) (Act)*, ASIC regulatory guidance and professional valuation and ethical standards.

Goldway's statements in its Second Supplementary Bidder's Statement and Third Supplementary Bidder's Statement have falsely claimed that the Vele Aluwani colliery (**Vele**) is under "care and maintenance" and that Shareholders face the "imminent risk of insolvency". These statements are inaccurate and there has been no change in the status of the assets or financial position of MCM which were considered by the Independent Expert. The Independent Expert has confirmed to MCM their valuation approach and findings and that no changes are required to be made to either the Independent Expert's Report or the ISR. The IBC would suggest that Goldway and the Consortium members are not independent valuation experts and have vested interests in justifying their views on appropriate valuation approaches.

(b) Comments on valuation methodology and reasoning

Goldway has claimed that the Independent Expert's opinion is "perplexing and difficult to comprehend". However, the IBC is of the view that the Independent Expert's opinion is very clear in its conclusion (Section 14, Conclusion of the IER). The Independent Expert considers the Offer to be not reasonable for Shareholders "because the advantages of accepting the Offer do not sufficiently outweigh the value differential between the value of an MC Mining share and the value of the Offer Consideration"³.

Section 9.1 of the IER explains the Independent Expert's selection of valuation methodologies used to value an MCM Share. Goldway has claimed that a "sum of parts" valuation methodology is flawed. However, the choice of a "sum of parts" methodology (which considers the component and underlying assets and liabilities using the most suitable valuation approach) is an appropriate and industry standard methodology in this case, especially for an entity such as MCM, which has different mining assets at different stages of development.

Goldway has also stated that the Independent Expert has failed to address certain disadvantages or risks of solvency, dilution, financing and liquidity risks and cash costs associated with operating MCM. All of these risks are typically faced by a developer. They are effectively recognised in the use of the Market Value approach to valuation,

³ Section 14 of the Independent Expert's Report.

and specifically by SRK in the indexing of comparable valuations according to increasing confidence of coal mineralisation and stage of development⁴.

BDO as Independent Expert specifically considered the liquidity of MCM Shares and in accordance with regulatory guidance did not use a quoted market price valuation (**QMP**) method due to the low level of liquidity over the assessed period.

Further, the Independent Expert, in considering whether the Offer is reasonable and the advantages of accepting the Offer, expressly considered future financing and dilution risks in section 13.1.2 of the IER (the Offer provides the opportunity to exit the coal industry).

Goldway has claimed that the *"methodology in the SRK Report does not take into account the level of coal production by MCM"*. The Market Value approach that SRK has used is an industry standard valuation approach. In section 8.3.2 of SRK's Independent Specialist Report SRK has taken appropriate account of the coal resources and reserves and the level of production at the various mining sites by selecting appropriate comparable market transactions and implied resource value multiples. As previously noted in MCM's market announcement on 21 March 2024, SRK considered *"coal confidence, coal resource estimation differences, coal type and reasonable prospect of eventual economic extraction"*.

Goldway also referred to the 'sum of parts' valuation methodology and claimed that deducting only the current net liabilities from the assets of the Makhado Project as at 31 December 2023 *"IS MISLEADING AND IGNORES THE CONSIDERABLE IMMEDIATE CONTINUED OVERHEAD CASH COSTS OF MCM AS AN ENTITY LISTED ON THREE MAJOR EXCHANGES WITH AN ATTENDANT LARGE HEAD OFFICE INFRASTRUCTURE."* It also stated that, *"it is common market practice in undertaking such a valuation that appropriate deductions are made for the head office overhead in addition to the net liabilities"*. This is inaccurate as the assets were valued by the Independent Expert using a Market Approach, not an Income Approach. Arbitrarily deducting the expected future corporate overheads is not appropriate in this case as the Market Approach also does not consider any potential future operating cash flow generated from MCM's assets. Further, although it is common practice to deduct the present value of corporate costs not allocated to business operations when an Income Approach is adopted, listed company costs that would be able to be saved by any potential acquirer in a change of control transaction are typically excluded from these costs. Goldway has

⁴ Section 8.3.2 and Fig. 8.1 of SRK's Independent Specialist Report contained as Appendix 4 to the Independent Expert's Report in MCM's Supplementary Target's Statement.

stated in its Bidder's Statement that it intends to delist MCM if the Minimum Acceptance Condition⁵ is met.

The Bidder, Goldway, also stated that the *"Independent Expert only provides two disadvantages that they have considered in arriving at their conclusion that the Offer is "unreasonable"*". BDO considered an equal number of advantages and disadvantages when reaching its conclusion about the reasonableness of the Offer. These are set out in section 13.1 and 13.2 of the IER respectively.

The Independent Expert has clearly disclosed the material reasonableness factors it considered when reaching its opinion on reasonableness. Goldway's statement that, *"[t]he opinion of unreasonableness was therefore based on a flawed valuation reflecting an unrealistic transaction price that Vulcan Resources was ostensibly not willing to pursue with no material disadvantages capable of being identified"*, is a misrepresentation of the Independent Expert's Report and reasoning. The indicative pricing of the Vulcan Resources did not influence or distort the separate fairness assessment undertaken by BDO. As required by ASIC regulatory guidance, when considering reasonableness, an expert is able to consider the likelihood of alternative offers.

In summary, the IBC believes that Shareholders should have more regard to the Independent Expert's Report than the misleading valuation statements made by Goldway, which is neither an expert nor independent.

2. Explanation of the Minimum Acceptance Condition

Shareholders are reminded that Goldway **cannot** act upon its intentions to delist and privatise MCM for the benefit of the Consortium members if Goldway only reaches a combined relevant interest of 75% pursuant to the Offer.

In order for the Offer to be declared unconditional, Goldway, together with the 64.3%⁶ shareholding of the Consortium members, will be required to reach by 5 April 2024 a combined relevant interest of 82.19%, not 75%, of the issued shares of MCM. Since the Offer opened on 16 February 2024, Goldway has received conditional acceptances from only 8.29% of Shareholders, taking Goldway's relevant interests to 71.69% as at 22 March 2024.

⁵ The Minimum Acceptance Condition requires Goldway and its associates to reach a combined relevant interest of 82.19%, not 75%.

⁶ Aggregate shareholding of the Consortium members at the commencement of the Offer.

If Goldway fails to reach a combined relevant interest of 82.19% by 5 April 2024, then the 'Minimum Acceptance Condition' will not be satisfied, the Offer Period will not be extended for a further 10 Business Days and Goldway's Offer will fail and lapse on 5 April 2024. Any acceptances received by Goldway will be rescinded (no Offer Consideration will be paid) and no legal title in the shares will pass to Goldway.

In the event of failure of the bid, subsequent to 5 April 2024, the Board of MCM will then be able to re-commence the capital and fund raising initiatives that have been stymied since early August 2023 due to the conditions imposed by Goldway in relation to its Offer. The Consortium has offered a loan to MCM which will be evaluated amongst other funding alternatives currently being considered.

Accordingly, the IBC reiterates its unanimous recommendation that Shareholders **DO NOT ACCEPT** the Offer.

3. Statements about MCM's financial position and risks

Goldway is presenting misleading information to Shareholders in an effort to encourage acceptance of its Offer by stating that MCM has no funding alternatives other than reliance on the Consortium members.

As Shareholders are aware, an investment in a resource development company, such as MCM, involves various investment, operational and financing risks. The fact that MCM's financial statements have been noted with a material uncertainty as to the going concern basis of their preparation is not unusual. In fact, in November 2022, the Dendocept Group and Senosi Group Investment Holdings Proprietary Ltd increased their shareholdings in MCM through a A\$0.20 rights issue on the basis of a similar qualification in MCM's FY22 accounts.

The Directors of MCM continue to have reasonable grounds for a variety of alternative financing sources which are in addition to Consortium members. Once the Offer Period ends, the Board and Management will be able to pursue these funding pathways and strategies, in particular for the Makhado Project, without the restrictions placed on MCM due to Goldway's highly conditional and opportunistic Offer.

The IBC is of the view that there are suitable pathways to Makhado reaching income producing operations. MCM is considering various financing opportunities, including alternatives to equity funding, which would not involve any dilution to Shareholders. Shareholders who sell their Shares will forego the opportunity to participate in the exploration and production potential of MCM's development assets.

4. Statements about MCM's assets and operations

The IBC is of the view that Goldway is attempting to use its various Bidder's statements in respect of its highly conditional Offer to pressure Shareholders into believing that its undervalued Offer Price is fair and reasonable, which the IBC strongly refutes.

Goldway's statements about the operational and infrastructure risks and challenges faced by MCM omit to fully disclose how Goldway and the Consortium members will benefit from the mining and project assets of MCM.

Further, Goldway's statements that Vele has been placed "under care and maintenance" are false and fail to explain to Shareholders that Consortium associated directors on the Board of MCM have actively participated in decisions made about the optimisation strategy at Vele.

Shareholders are referred to the market announcement released by MCM on 21 March 2024 titled, "IBC's response to the Second Supplementary Bidder's Statement" for the reasons given by the IBC as to why Goldway's negative statements about Vele, the Uitkomst Colliery, the Makhado Project and Greater Soutpansberg Project are misleading.

5. Best and final offer and no extension of the Offer Period

Goldway has stated that the Offer Price of A\$0.16 per MCM Share is its best and final offer with no increase to the Offer Price in the absence of a competing proposal. It has also stated that it will not be extending the Offer Period in the absence of a competing proposal. The Offer is scheduled to close on 5 April 2024.

The IBC will continue to ensure that Shareholders are provided with **factual information** on which they can elect to accept or not accept the Offer and will respond to any misleading statements made by Goldway in respect of the Offer. For the reasons set out in this announcement and its 21 March 2024 announcement, as well as in the Target's Statements dated 4 and 18 March 2024, the IBC confirms and reiterates its unanimous recommendation that Shareholders **DO NOT ACCEPT** the 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).