MCMining LIMITED

ABN 98 008 905 388

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

CORPORATE DIRECTORY

REGISTERED OFFICE

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BOARD OF DIRECTORS

Non-executive

Bernard Pryor (Chairman)
An Chee Sin
Andrew Mifflin
Brian He Zhen
Khomotso Mosehla
Shangren Ding

Executive
Brenda Berlin (resigned 15 February 2021)
Sebastiano (Sam) Randazzo (appointed Interim Chief Executive Officer 15 February 2021

COMPANY SECRETARY

Tony Bevan

	AUSTRALIA	UNITED KINGDOM	SOUTH AFRICA
AUDITORS	**PricewaterhouseCoopers** Level 15 125 St Georges Terrace Perth WA 6000 Australia	**N/A**	**PricewaterhouseCoopers Inc.** 4 Lisbon Lane Waterfall City Jukskei View 2090 South Africa
BANKERS	**National Australia Bank Limited** Level 1, 1238 Hay Street West Perth WA 6005 Australia	**ABSA Bank** Palazzo Towers West Monte Casino Boulevard Johannesburg South Africa	

CORPORATE DIRECTORY (CONTINUED)

	AUSTRALIA	UNITED KINGDOM	SOUTH AFRICA
BROKERS	**N/A**	**Tennyson Securities** 65 Petty France London SW1H 9EU United Kingdom	**N/A**
LAWYERS	**N/A**	**N/A**	**WHITE & CASE LLP** Katherine Towers, 1st Floor 1 Parklane, Wierda Valley Sandton Johannesburg 2196 South Africa
NOMAD/ CORPORATE SPONSOR	**N/A**	**Strand Hanson** 26 Mount Row, Mayfair London, W1K 3SQ United Kingdom	**Investec Bank Limited** 100 Grayston Drive Sandown 2196 Johannesburg South Africa

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The reports and statements set out below comprise the half-year report presented to shareholders:

The Directors of MC Mining Limited ("MC Mining" or "the Company") submit herewith the financial report of MC Mining and its subsidiaries (the "Group") for the half-year ended 31 December 2020. All amounts are expressed in US dollars unless stated otherwise.

In order to comply with the provision of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of the directors of the company during or since the end of the half-year are:

Bernard Pryor (Chairman)	Khomotso Mosehla
An Chee Sin	Sebastiano (Sam) Randazzo
Andrew Mifflin	Shangren Ding
Brian He Zhen	Brenda Berlin*

* - Executive director

Brenda Berlin resigned on 15 February 2021. Sebastiano (Sam) Randazzo was appointed interim Chief Executive Officer on 15 February 2021. All other directors held office during and since the end of the previous financial year.

Review of Operations

Principal activity and nature of operations

The principal activity of the Company and its subsidiaries is the mining, exploration and development of coking and thermal coal properties in South Africa.

The Company's principal assets and projects include:

- Uitkomst Colliery, an operating metallurgical coal mine ("Uitkomst");
- Makhado Project, a hard coking and thermal coal exploration and evaluation project (the "Makhado Project" or "Makhado");
- Vele Colliery, on care and maintenance, a semi-soft coking and thermal colliery ("Vele Colliery"); and
- Three exploration stage coking and thermal coal projects, namely Chapudi, Generaal, and Mopane, in the Soutpansberg Coalfield (collectively the "GSP Projects").

The Company's focus on safety continued with four lost time incidents ("LTI's") recorded during the six months under review (FY2020 H1:7).

Uitkomst Colliery - Newcastle (Utrecht) (100% owned)

Uitkomst comprises the existing underground coal mine with a planned life of mine ("LOM") extension directly to the north of current operations, totalling 18 years remaining LOM. The LOM extension requires the development of a north adit (horizontal shaft) and the colliery has applied for an amendment to its authorisations prior to commencing this extension. This development is subject to receipt of the regulatory approvals, available funds and prevailing market conditions.

Uitkomst sells sized coal (peas) products and a 0 to 40mm product into the metallurgical domestic market for use as pulverised coal while the peas are supplied to local energy generation facilities. In addition, it sells high-ash, coarse discard ("middlings"), thereby increasing the overall yield from Uitkomst's ROM coal.

Four LTI's were recorded during the period.

Production tonnages for the period were 246,229 tonnes. Sales tonnages were 139,103 tonnes, consisting of 127,534 tonnes of Uitkomst ROM, and 11,569 tonnes of middlings. Revenue for the period was $8,802,697 with a gross loss of $415,811.

Makhado Coking Coal Project (93.3% owned)

The MC Mining Board approved the revised evaluation plan for the Makhado project in phases accelerating the time to market compared to previous plans that envisaged initial development occurring on the eastern side of the project, achieving MC Mining's stated strategy of self-sufficiency while ensuring continued scalability. Phase 1 includes the construction of the west pit and modifications to the existing Vele processing plant while Phase 2 incorporates development of the Makhado processing plant and related infrastructure as well as mining of the east and central pits.

The construction of the Phase 1 pit, including plant and infrastructure, is planned to take nine months, with the first coal sales in month ten. The west pit will generate approximately 3,000 thousand tonnes per annum of ROM coal that will be crushed, screened and scalped at Makhado and the residual circa 2,000 thousand tonnes of scalped ROM coal will be trucked to the Vele Colliery for final processing. Phase 1 will produce approximately 540 thousand tonnes per annum of hard coking coal and 570 thousand tonnes per annum of a thermal coal by-product that will be trucked to Musina siding for sale to the domestic and export customers, utilising previously tested road and rail logistics infrastructure.

In the prior period, the Company signed an off-take agreement with ArcellorMittal South Africa ("AMSA") for the purchase of between 350 thousand and 450 thousand tonnes of Phase 1 hard coking coal annually. An off-take agreement for the Phase 1 thermal coal by-product was also secured, with prices linked to the US dollar export prices.

The conclusion of the two off-take agreements allowed the Company to progress the Phase 1 composite debt/equity funding initiatives and resulted in the Industrial Development Corporation ("IDC") credit committee approval of a ZAR245,000,000 term loan facility in July 2019 to fund the construction of the Project. The equity portion of the funding package is expected to be completed in H2 CY2021.

The Phase 2 east and central pits are proposed to be developed in *circa* CY2023 and the entire Makhado Project has a minimum LOM of some 46 years. Phase 2 will produce approximately 4,000,000 tonnes per annum of ROM coal that should yield some 1,700,000 tonnes per annum of saleable hard coking coal and thermal coal.

The Company signed an off-take agreement in FY2019 with ArcelorMittal South Africa Limited

The Company has also signed an off-take agreement with Huadong Coal Trading Center Co., Ltd, a Chinese state-owned enterprise, for the off-take of up to 450,000 tonnes per annum of hard coking coal to be produced in Phase 2.

The project has all the regulatory permits required to develop the project and commence mining.

Vele Colliery - Limpopo (Tuli) Coalfield (100% owned)

The Vele Colliery recorded no LTIs during the period.

The colliery remained on care and maintenance during the period.

The Colliery's processing plant will be modified as part of the Phase 1 of the Makhado Project and Vele's regulatory authorisations accommodates the requirements of the modifications.

The recommencement of mining at the Vele Colliery is aligned with the timing of the government gazetted Musina-Makhado Socio Economic Zone. Compliance with regulatory and licensing requirements at the Colliery is monitored through internal inspections, external audits conducted by the Department of Water and Sanitation ("DWS"), as well as audits conducted by the Environmental Compliance Officer. Vele also participates in the Project Steering Committee, in line with the historical October 2014 Biodiversity Off-take Agreement between the Company, the Department of Environmental Affairs (DEA) and the South African National Parks (SANParks).

Greater Soutpansberg Projects (GSP) -74% owned

GSP comprises Chupudi, Generaal, and Mopane coal projects.

The South African Department of Mineral Resources ("DMR") granted a mining right for the Chapudi coking and thermal coal project in December 2018. The mining right for Generaal was granted in October 2019. The granting of both mining rights has been appealed.

The Mopane project mining right was granted on 4 February 2021 (refer 'Events after the reporting period' below).

Corporate

The IDC loan facility of $16,370,400 (ZAR240,000,000) (the "IDC Facility"), originally secured in March 2017 was restructured during the period. In addition to the initial $8,185,000 (ZAR120,000,000) draw down in May 2017 (the "First Drawdown"), the IDC agreed that the Company's subsidiary, Baobab Mining & Exploration Proprietary Limited ("Baobab"), draw down $2,728,400 (ZAR40,000,000) representing the second tranche drawn on that loan facility (the "Second Drawdown"). The remaining $5,456,800 (ZAR80,000,000) undrawn balance was then cancelled.

The $16,370,400 (ZAR240,000,000) loan facility restructure was conditional upon the Company raising $869,235 (ZAR15,000,000) in the form of new equity. That condition was satisfied in August 2020 at which time 13,331,433 new shares were issued raising $869,235 (ZAR15,000,000).

In July 2019 Baobab secured a new albeit conditional $16,711,450 (ZAR245,000,000) loan facility from the IDC (the "New Facility"), the initial step in the overall Makhado Phase 1 debt/equity funding package.

The New Facility remains part of the composite Makhado Phase 1 funding package, subject to the repayment of the ZAR160 million from the First Drawdown and the Second Drawdown, along with accrued interest thereon, on or before the extended repayment date of 31 July 2021 (see "Events after the reporting period" below).

Financial review

The loss after tax for the six months under review was $2,657,222 or 1.80 cents per share compared to a loss after tax of $7,058,992, or 4.95 cents per share for the prior corresponding period.

The loss for the period under review of $2,657,222 (FY2020 H1: $7,058,992) includes:

- revenue of $8,802,697 (FY2020 H1: $11,358,549) and cost of sales of $9,218,508 (FY2020 H1: $11,077,048), resulting in a gross loss of $415,811 (FY2020 H1: gross profit $281,501);
- there was no impairment recognized in the current period.
- income tax credit of $247,863 (FY2020 H1: credit of $256,437);
- net foreign exchange gain of $75,182 (FY2020 H1: loss of $179,906) arising from the translation of borrowings and cash due to movement in the ZAR:USD and ZAR:AUD exchange rates during the period.
- employee benefit expense of $1,043,960 (FY2020 H1: $2,998,014);
- other expenses of $1,321,335 (FY2020 H1: $2,178,059);
- depreciation of $44,250 (FY2020 H1: $237,9528) in administrative expenses.

As at 31 December 2020, the Company had cash and cash equivalents of $1,964,201 compared to cash and cash equivalents of $2,678,162 at 30 June 2020.

Authorised and issued share capital

MC Mining had 154,419,555 fully paid ordinary shares in issue as at 31 December 2020. The holders of ordinary shares are entitled to one vote per share and are entitled to receive dividends when declared.

Dividends

No dividends were declared by or paid by MC Mining Limited during the six months.

Basis of preparation and going concern

The attached interim financial statements for the half-year ended 31 December 2020 contains an independent auditor's review report which includes an emphasis of matter paragraph with regards to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The directors have prepared a cash flow forecast for the twelve-month period ended 31 March 2022, taking into account available facilities, additional funding that is expected to be raised and expected cash flows to be generated by Uitkomst, which indicates that the Group will have sufficient cash to fund their operations for at least the twelve-month period from the date of signing this report.

The IDC Facility (capital amount $16,370,400 (ZAR240,000,000)) is to be repaid on 31 July 2021 and the Company's cash flow forecasts include the assumption that it can negotiate a deferred settlement over time of the First Drawdown (capital amount of $8,185,000 (ZAR120,000,000)) to when Makhado Phase 1 is at steady state production, as opposed to being payable in July 2021, with the balance being rolled into a New Facility with the IDC. This is conditional on the Company raising further funding of approximately $22,850,350 (ZAR335,000,000) for the development of Phase 1 of the Makhado project (the "Additional Funding"). The Company is exploring and progressing a number of alternatives to raise the Additional Funding including, but not limited to, the issue of new equity for cash in both the Company and its subsidiary companies which own the Makhado project, the sale of minority stakes in the corporate entities holding the Makhado project, further debt funding and contractor funding, such as build, own, operate, transfer ("BOOT") arrangements.

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, as well as the potential funder's due diligence process. As such, whilst the directors are confident, there can be no guarantee that the required funds will be raised. In the event that the parties cannot reach agreement on further deferment terms or the Company does not repay the loan by the repayment date, the financing documentation allows for the IDC Facility to be converted into equity.

For further information, refer to note 2 of the interim financial statements together with the auditor's review report.

Events after the reporting period

On 4 February 2021, the South African Department of Mineral Resources & Energy granted the mining right for exploitation of the Mopane coking and thermal coal project.

On 29 January 2021, the IDC extended the repayment date of the $10,913,600 (ZAR160,000,000) drawn down from the IDC Facility via the First Drawdown and the Second Drawdown to 31 July 2021.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Legislative Instrument 2016/191, and in accordance with that Instrument amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 27 of the half-year report.

The half-year report set out on pages 8 to 25, which has been prepared on a going concern basis, was approved by the board on 15 March 2021 and was signed on its behalf by:

Bernard Robert Pryor	**Sebastiano (Sam) Randazzo**
Chairman	Interim Chief Executive Officer
15 March 2021	15 March 2021

Dated at Johannesburg, South Africa, this 15th day of March 2021.

MC MINING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	Six months ended 31 Dec 2020 $'000	Six months ended 31 Dec 2019 $'000
Continuing operations			
Revenue	4	8,803	11,359
Cost of sales	5	(9,219)	(11,077)
Gross (loss)/profit		(416)	282
Other operating income	6	116	145
Other operating gains	7	292	319
Impairment reversal/(expense)	8	163	(1,237)
Administrative expenses	9	(2,409)	(5,415)
Operating loss		(2,254)	(5,906)
Interest income		83	159
Finance costs		(734)	(1,568)
Loss before tax		(2,905)	(7,315)
Income tax credit	10	248	256
LOSS AFTER TAX		(2,657)	(7,059)
Other comprehensive profit/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		17,146	57
Total comprehensive profit/(loss) for the period		14,489	(7,002)
Loss after tax for the period attributable to:			
Owners of the parent		(2,628)	(6,980)
Non-controlling interests		(29)	(79)
		(2,657)	(7,059)
Total comprehensive profit/(loss) attributable to:			
Owners of the parent		14,518	(6,923)
Non-controlling interests		(29)	(79)
		14,489	(7,002)
Loss per share			
Basic and diluted (cents per share)	12	(1.80)	(4.95)

The accompanying notes are an integral part of these condensed consolidated financial statements

MC MINING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	31 Dec 2020 $'000	30 June 2020 $'000
ASSETS			
Non-current assets			
Exploration and evaluation assets	13	92,757	78,714
Development assets	13	24,821	20,720
Property, plant and equipment		28,015	24,396
Right-of-use assets	14	1,709	1,819
Other financial assets		4,592	3,743
Restricted cash	15	91	57
Total non-current assets		151,985	129,449
Current assets			
Inventories		1,306	1,109
Trade and other receivables		4,048	1,311
Tax receivable		-	162
Cash and cash equivalents	15	1,964	2,678
Total current assets		7,318	5,260
Assets classified as held for sale		-	274
Total assets		159,303	134,983
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	737	907
Deferred consideration	17	2,677	2,220
Borrowings	18	492	566
Provisions		6,598	4,996
Deferred tax liability		4,548	4,078
Total non-current liabilities		15,052	12,767
Current liabilities			
Lease liabilities	16	881	928
Deferred consideration	17	-	101
Borrowings	18	18,316	13,029
Trade and other payables		8,202	6,463
Provisions		214	197
Overdraft	15	1,960	2,214
Current tax liabilities		403	341
Total current liabilities		29,976	23,273
Total liabilities		45,028	36,040
NET ASSETS		114,275	98,943
EQUITY			
Issued capital	19	1,041,884	1,041,080
Accumulated deficit		(898,131)	(895,591)
Reserves		(28,821)	(45,918)
Equity attributable to owners of the parent		114,932	99,571
Non-controlling interests		(657)	(628)
TOTAL EQUITY		114,275	98,943

The accompanying notes are an integral part of these condensed consolidated financial statements

MC MINING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Issued capital $'000	Accumulated deficit $'000	Share based payment reserve $'000	Capital profits reserve $'000	Warrants reserve $'000	Foreign currency translation reserve $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2020	1,041,080	(895,591)	1,460	91	1,134	(48,603)	99,571	(628)	98,943
Total comprehensive profit/(loss) for the period	-	(2,628)	-	-	-	17,146	14,518	(29)	14,489
Loss for the period – continuing operations	-	(2,628)	-	-	-	-	(2,628)	(29)	(2,657)
Other comprehensive loss, net of tax	-	-	-	-	-	17,146	17,146	-	17,146
Share based payments	-	-	267	-	-	-	267	-	267
Performance rights expired	-	88	(88)	-	-	-	-	-	-
Performance rights forfeited		-	(272)	-	-	-	(272)	-	(272)
Shares issued	869	-	-	-	-	-	869	-	869
Share issue costs	(65)	-	-	-	-	-	(65)	-	(65)
Warrants issued	-	-	-	-	44	-	44	-	44
Balance at 31 December 2020	1,041,884	(898,131)	1,367	91	1,178	(31,457)	114,932	(657)	114,275
Balance at 1 July 2019	1,040,950	(884,297)	2,234	91	1,134	(28,060)	132,052	89	132,141
Total comprehensive profit/(loss) for the period	-	(6,980)	-	-	-	256	(6,724)	(654)	(7,378)
Loss for the period – continuing operations	-	(6,980)	-	-	-	-	(6,980)	(79)	(7,059)
Freewheel de-recognised	-	-	-	-	-	199	199	(575)	(376)
Other comprehensive loss, net of tax	-	-	-	-	-	57	57	-	57
Share based payments	-	-	466	-	-	-	466	-	466
Performance rights forfeited	-	754	(754)	-	-	-	-	-	-
Performance rights expired	-	-	(72)	-	-	-	(72)	-	(72)
Balance at 31 December 2019	1,040,950	(890,523)	1,874	91	1,134	(27,804)	125,722	(565)	125,157

The accompanying notes are an integral part of these condensed consolidated financial statements

MC MINING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	Six months ended 31 Dec 2020 $'000	Six months ended 31 Dec 2019 $'000
Cash Flows from Operating Activities			
Receipts from customers		7,930	12,188
Payments to employees and suppliers		(11,149)	(15,510)
Cash used in operations		(3,219)	(3,322)
Interest received		83	159
Interest paid		(98)	(18)
Tax refund		173	-
Net cash used in operating activities		(3,061)	(3,181)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(128)	(368)
Payments for exploration and evaluation assets	13	(33)	(1,293)
Proceeds on disposal of property, plant and equipment		463	1,641
Bio-diversity off-set agreement payment		-	(89)
Khethekile acquisition - deferred consideration payment	17	(111)	(119)
PAN deferred consideration payment		-	(1,063)
(Increase)/decrease in other financial assets		(303)	542
Payments for development assets	13	(2)	(4)
Net cash used in investing activities		(114)	(753)
Cash Flows from Financing Activities			
Lease repayments	16	(451)	(561)
Borrowings repayments	18	(197)	(297)
Shares issued net of share issue costs		804	-
Loans advanced - IDC		2,370	-
Debt issuance costs		(27)	-
Transfer to restricted cash		(24)	-
Net cash generated/(used) in financing activities		2,475	(858)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(700)	(4,792)
Cash and cash equivalents at the beginning of the half-year		464	8,811
Foreign exchange differences		240	(199)
Cash and cash equivalents at the end of the half-year	15	4	3,820

The accompanying notes are an integral part of these condensed consolidated financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134: '*Interim Financial Reporting'*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting'*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of financial instruments and assets held for sale. Cost is based on the fair values of the consideration given in exchange for assets.

All amounts are presented in United States dollars, unless otherwise noted.

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report and the half-year financial report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2020 annual financial report for the financial year ended 30 June 2020, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with the Australian Accounting Standards and with International Financial Reporting Standards ("IFRS").

Where applicable, certain comparatives have been adjusted to conform with current year presentation.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("the AASB") that are relevant to their operations and effective for the current reporting period.

2. GOING CONCERN

The Group incurred a net loss after tax for the half year ended 31 December 2020 of $2,657,000 (31 December 2019: loss after tax of $7,059,000) and a net cash outflow from operating activities of $3,061,000 (31 December 2019: $3,181,000). As at 31 December 2020 the Group had a net current liability position of $22,658,000 (30 June 2020: $18,013,000).

After the reporting period, the termination date of the $8,185,000 (ZAR120,000,000) tranche 1 and $2,728,400 (ZAR40,000,000) tranche 2 IDC loan facility was extended to 31 July 2021. The IDC has also agreed to extend the terminal drawdown date in respect of the conditional $16,711,000 (ZAR245,000,000) term loan facility agreed to partially finance the development of Phase 1 of the Makhado Project to 31 July 2021, subject to the IDC reaffirming its financial due diligence.

The directors have prepared a cash flow forecast for the twelve-month period ended 31 March 2022, taking into account available facilities, additional funding that is expected to be raised and expected cash flows to be generated by Uitkomst, which indicates that the Group will have sufficient cash to fund its operations for at least the twelve-month period from the date of signing this report.

2. GOING CONCERN (CONTINUED)

These cash flow forecasts referred to above include the following assumptions:

- Meeting commitments to creditors arising from continuing operations;
- A negotiated deferred settlement of tranche 1 of the IDC loan to when Makhado Phase 1 is at steady state production as opposed to being payable in July 2021 (refer note 18). The settlement of tranche 1 could also potentially be in equity;
- The settlement of tranche 2 of the IDC loan payable in July 2021;
- The drawdown of a new IDC term facility;
- In addition to the drawdown of the new IDC term facility referred to above, raising further funding of approximately $22,850,000 (ZAR335,000,000) ("Additional Funding") to finance the development of Phase 1 of the Makhado Project.

As a result of the above, there is a material uncertainty that may cast significant doubt on the entity'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.

This half-year report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern. Such adjustments could be material.

The directors are satisfied however that at the date of signing of the financial report, 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 the following pertinent matters:

- The Company is exploring and progressing a number of alternatives to raise the 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;
    - The issue of new equity for cash in subsidiary companies which own the Makhado project;
    - The sale of minority stakes in the corporate entities holding the Makhado project;
    - Further debt funding;
    - Contractor funding such as build, own, operate, transfer ("BOOT") arrangements.
- The Group 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; and
- through engaging with parties interested in alternate financing arrangements.

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. An equity raise may be subject to a due diligence process.

Subject to raising the Additional Funding, the development of Phase 1 of the Makhado project will subsequently commence within the twelve months following the signing of these annual financial statements. In addition, the Consolidated Entity's ability to continue as a going concern is dependent on the raising of the above-mentioned Additional Funding and on the successful development of Phase 1 of the Makhado project and its subsequent ramp-up to planned levels of production.

3. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Chief Executive Officer ("CEO") for the purposes of resource allocation and assessment of performance is more specifically focused on the stage within the mining pipeline that the operation finds itself in.

The Group's reportable segments under AASB 8 are therefore as follows:

- Exploration
- Development
- Mining

The Exploration segment is involved in the search for resources suitable for commercial exploitation, and the determination of the technical feasibility and commercial viability of resources. As of 31 December 2020, projects within this reportable segment include four exploration stage coking and thermal coal complexes, namely the Chapudi Complex (which comprises the Chapudi project, the Chapudi West project and the Wildebeesthoek project), Generaal (which comprises the Generaal Project and the Mount Stuart Project), Mopane (which comprises the Voorburg Project and the Jutland Project) and Makhado (comprising the Makhado project, and the Makhado Extension project).

The Development segment is engaged in establishing access to and commissioning facilities to extract, treat and transport production from the mineral reserve, and other preparations for commercial production. As at 31 December 2020, projects included within this reportable segment includes the Vele Colliery, in the early operational and development stage but currently on care and maintenance and Klipspruit which is included in the Uitkomst Colliery.

The Mining segment is involved in day to day activities of obtaining a saleable product from the mineral reserve on a commercial scale and consists of Uitkomst Colliery.

The Group evaluates performance on the basis of segment profitability, which represents net operating (loss) / profit earned by each reportable segment.

Each reportable segment is managed separately because, amongst other things, each reportable segment has substantially different risks.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

The Group's reportable segments focus on the stage of project development and the product offerings of coal mines in production.

3. SEGMENT INFORMATION (continued)

The following is an analysis of the Group's results by reportable operating segment for the period under review:

For the six months ended 31 December 2020

	$'000	$'000	$'000	$'000
	Exploration	**Development**	**Mining**	**Total**
Revenue	-	-	8,803	8,803
Cost of sales	-	-	(9,219)	(9,219)
Gross Profit	-	-	(416)	(416)
Other operating income	20	39	42	101
Other operating gains/(losses)	(8)	-	46	38
Administrative expenses	(258)	(296)	(128)	(682)
Profit and loss before interest	**(246)**	**(257)**	**(456)**	**(959)**
Interest income	20	-	8	28
Finance costs	(296)	(175)	(262)	(733)
Loss before tax	**(522)**	**(432)**	**(710)**	**(1,664)**

For the six months ended 31 December 2019

	$'000	$'000	$'000	$'000
	Exploration	**Development**	**Mining**	**Total**
Revenue	-	-	11,359	11,359
Cost of sales	-	-	(11,077)	(11,077)
Gross Profit	-	-	282	282
Other operating income	71	20	21	112
Other operating gains/(losses)	375	(124)	-	251
Administrative expenses	(619)	(434)	(233)	(1,286)
(Impairment)/impairment reversal	(1,804)	38	-	(1,766)
Profit and loss before interest	**(1,977)**	**(500)**	**70**	**(2,407)**
Interest income	8	-	6	14
Finance costs	(1,176)	(190)	(202)	(1,568)
Loss before tax	**(3,145)**	**(690)**	**(126)**	**(3,961)**

The following is an analysis of the Group's assets by reportable operating segment:

	31 Dec 2020	**30 June 2020**
	$'000	**$'000**
Exploration	97,996	83,423
Development	25,794	21,811
Mining	29,912	23,852
Total segment assets	153,702	129,086

3. SEGMENT INFORMATION (continued)

Reconciliation of segment information to the consolidated financial statements:

	31 Dec 2020 $'000	31 Dec 2019 $'000
Total loss for reportable segments	(1,664)	(3,961)
Other operating gains/(losses)	417	68
Administrative expenses	(1,727)	(4,128)
Other operating income	15	32
Impairment reversal	-	529
Interest income	55	145
Finance costs	(1)	-
Loss before tax	(2,905)	(7,315)

	31 Dec 2020 $'000	30 June 2020 $'000
Total segment assets	153,702	129,086
Unallocated property, plant and equipment	243	225
Other financial assets	4,348	3,233
Unallocated current assets	1,010	2,439
Total assets	159,303	134,983

The reconciling items relate to corporate assets.

4. REVENUE

Revenue consists of the sale of coal by the Uitkomst Colliery. All coal sales during the period were made to customers in South Africa, mainly in the steel industry.

5. COST OF SALES

Cost of sales consists of:

	31 Dec 2020 $'000	31 Dec 2019 $'000
Salaries and wages	(3,574)	(4,238)
Underground mining	(1,487)	(1,493)
Depreciation and amortisation	(1,205)	(1,266)
Logistics	(189)	(345)
Other direct mining costs	(2,733)	(3,461)
Inventory adjustment	35	(187)
Other	(66)	(87)
	(9,219)	(11,077)

6. OTHER OPERATING INCOME

Other operating income includes:

	31 Dec 2020 $'000	31 Dec 2019 $'000
Rental income	3	35
Other	113	110
	116	145

7. OTHER OPERATING GAINS OR (LOSSES)

Other operating gains or losses include:

	31 Dec 2020 $'000	31 Dec 2019 $'000
Foreign exchange (loss)/profit		
Unrealised	133	8
Realised	(58)	11
Foreign currency translation reserve realised on liquidation of Freewheel	-	(199)
Loss on sale of assets	-	(124)
De-recognition of Freewheel non-controlling interest	-	575
Other	217	48
	292	319

8. IMPAIRMENT

Management identified the discount between the market capitalisation and the net asset value at 31 December 2020 as an indicator that the assets may be impaired. Accordingly, management have performed an impairment assessment at 31 December 2020. No impairment was deemed necessary.

The key financial assumptions used in the current period's impairment calculations were similar to the assumptions used in the impairment calculation for the 30 June 2020 financial year. The hard coking coal ("HCC") price and thermal coal price improved slightly, a slightly lower exchange rate was used and the discount rates were the same.

Sensitivity analysis for DCF calculations

Sensitivity	Change	Effect on estimated recoverable amount US$ million			
		Uitkomst Colliery	Vele Colliery	Makhado Project	
Long-term HCC prices	+10%	N/A	12	53	
	-10%	N/A	-12	-56	(i)
Long-term thermal prices	+7.5%	7	2	21	(ii)
	-7.5%	-7	-2	-22	
Long-term exchange rate	+6%	4	15	51	
	-3%	-2	-8	-27	(iii)
Discount rate	+1%	-1	-5	-17	(iv)
	-1%	1	6	19	

8. IMPAIRMENT (continued)

(i) Keeping all other inputs constant, this sensitivity scenario would not result in an impairment at either the Vele Colliery or the Makhado Project.

(ii) Keeping all other inputs constant, this sensitivity scenario would result in an impairment charge of $1.5 million for the Uitkomst Colliery with no impairment charges for the Vele Colliery or the Makhado Project.

(iii) Keeping all other inputs constant, this sensitivity scenario would not result in an impairment charge for the Uitkomst Colliery, the Vele Colliery and the Makhado Project.

(iv) Keeping all other inputs constant, this sensitivity scenario would not result in an impairment charge for the Uitkomst Colliery, the Vele Colliery and the Makhado Project

The impairment reversal/(charge) consists of the following:

	31 Dec 2020 $'000	31 Dec 2019 $'000
Impairment of Freewheel at acquisition asset recognised[1]	-	(1,804)
Harrisia Investment Holdings (Pty) Ltd properties sold[2]	163	529
Vele plant sale[2]	-	38
	163	(1,237)

[1] - Impairment arose on liquidation of Freewheel Trade and Invest 37 (Pty) Ltd.

[2] – Impairment reversals for assets previously impaired.

9. ADMINISTRATIVE EXPENSES

	31 Dec 2020 $'000	31 Dec 2019 $'000
Employee costs	(1,044)	(2,998)
Depreciation and amortisation	(44)	(238)
Other	(1,321)	(2,179)
	(2,409)	(5,415)

10. INCOME TAX CHARGE

The tax charge relates to the following

	31 Dec 2020 $'000	31 Dec 2019 $'000
Current income tax expense	-	-
Deferred tax current year	248	256
	248	256

11. DIVIDENDS

No dividend has been paid by MC Mining Limited or is proposed in respect of the half-year ended 31 December 2020 (FY 2020 H1: Nil).

12. LOSS PER SHARE

12.1 Basic loss per share

	31 Dec 2020	31 Dec 2019
	Cents per share	Cents per share
Basic loss per share		
From continuing operations	(1.80)	(4.95)
	$'000	**$'000**
Loss for the period attributable to owners of the parent	(2,628)	(6,980)
	31 Dec 2020	**31 Dec 2019**
	'000 shares	**'000 shares**
Weighted number of ordinary shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	146,019	140,880

12.2 Diluted loss per share

Diluted loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of dilutive ordinary share that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

As the Company is in a loss position, the diluted potential ordinary shares impact is anti-dilutive.

12.3 Headline loss per share (in line with JSE listing requirements)

The calculation of headline loss per share at 31 December 2020 was based on the headline loss attributable to ordinary equity holders of the Company of $2,627,885 (FY 2020 H1: $6,979,654) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2020 of 146,018,926 (FY 2020 H1: 140,879,585).

The adjustments made to arrive at the headline loss are as follows:

	31 Dec 2019 $'000	31 Dec 2019 $'000
Loss after tax for the period attributable to ordinary shareholders	(2,628)	(6,980)
Adjust for:		
Impairment	(163)	1,804
Asset held for sale impairment reversal	-	(567)
Profit on sale of assets	-	125
De-recognition of Freewheel non-controlling interest	-	(575)
Foreign currency translation reserve realised on liquidation of Freewheel	-	199
Headline loss	(2,791)	(5,994)
Headline loss per share (cents per share)	**(1.91)**	**(4.25)**

13. DEVELOPMENT, EXPLORATION AND EVALUATION ASSETS

A reconciliation of development, exploration and evaluation assets is presented below:

Exploration and evaluation assets

	31 Dec 2020 $'000	30 June 2020 $'000
Balance at beginning of period	78,714	94,871
Additions	33	1,266
Movement in rehabilitation asset	24	(28)
Transfer from other financial assets	360	-
Impairment	-	(1,804)
Foreign exchange differences	13,626	(15,591)
Balance at end of period	92,757	78,714

Development assets

	31 Dec 2020 $'000	30 June 2020 $'000
Balance at beginning of period	20,720	26,919
Additions	2	5
Disposals	-	(502)
Movement in rehabilitation asset	320	(530)
Reversal of impairment	-	48
Transfer to assets classified as held for sale	-	(274)
Foreign exchange differences	3,779	(4,946)
Balance at end of period	24,821	20,720

The reversal of impairment in the in the prior period relates to the sale of land that had previously been impaired.

As of 31 December 2020, the net book value of the following project assets were included in Exploration and evaluation assets:

- Vele Colliery: $887,848
- Baobab: $33,651,956
- GSP: $57,882,086
- Uitkomst north adit: $335,001

As of 31 December 2020, the net book value of the following project assets were included in Development assets:

- Vele Colliery: $24,820,963

Management have identified the discount between the market capitalisation and the net asset value at 31 December 2020 as an indicator that the assets may be impaired. Accordingly, management have performed an impairment assessment at 31 December 2020. No impairment was necessary (refer to note 8 for details).

14. RIGHT-OF-USE ASSETS

The Group leases various assets including land, buildings, plant and machinery and vehicles. The movement in the right-of-use assets is as follows:

	31 Dec 2020 $'000	30 Jun 2020 $'000
Balance at beginning of the period	1,819	-
Impact of adopting AASB16 – 1 July 2019	-	1,893
Transfer from property plant and equipment	-	1,042
Additions	-	162
Depreciation	(313)	(737)
Transfer to property, plant and equipment	-	(60)
Revaluation	(86)	-
Foreign exchange differences	289	(481)
Balance at end of period	1,709	1,819

15. CASH AND CASH EQUIVALENTS

	31 Dec 2020 $'000	30 Jun 2020 $'000
Bank balances	1,964	2,678
Bank overdraft	(1,960)	(2,214)
	4	464
Restricted cash	91	57
	91	57

The overdraft facility is held with ABSA Bank and was initially for $1,364,200 (ZAR20,000,000). The facility is for short-term working capital requirements and potential expansion opportunities. The short-term working facility was increased by an additional $1,364,200 in May 2020. This additional facility is temporary and was payable over twelve months commencing 1 July 2020 to 1 June 2021.The repayment terms were amended to freeze the remaining payments from November 2020 until June 2021. It has a floating coupon at the South African Prime rate (currently 7.25% per annum) plus 1.0%, with the Uitkomst Colliery debtors ceded as security. The facility is subject to annual review.

16. LEASES

The movement in the lease liabilities is as follows:

	31 Dec 2020 $'000	30 Jun 2020 $'000
Balance at beginning of the period	1,835	1,001
Impact of adopting AASB16 – 1 July 2019	-	1,893
Additions	-	162
Interest	83	258
Repayments	(451)	(994)
Revaluation	(132)	-
Foreign exchange differences	283	(485)
Balance at end of period	1,618	1,835

16. LEASES (continued)

The maturity of the Group's undiscounted lease payments is as follows:

	31 Dec 2020 $'000	30 Jun 2020 $'000
Not later than one year	881	928
Later than one year and not later than five years	894	1,122
Later than five years	120	108
	1,895	2,158
Less future finance charges	(277)	(323)
Present value of minimum lease payments	1,618	1,835

17. DEFERRED CONSIDERATION

	31 Dec 2020 $'000	30 Jun 2020 $'000
Opening balance	2,321	4,071
Interest accrued	50	175
Repayments	(111)	(1,275)
Foreign exchange differences	417	(650)
	2,677	2,321
Current	-	101
Non-current	2,677	2,220
	2,677	2,321

Khethekile acquisition deferred consideration

During the current period, the deferred consideration for the acquisition of Khethekile was settled in full.

Lukin and Salaita deferred consideration

In the 2019 financial year, the Company's subsidiary, Baobab Mining and Exploration (Pty) Ltd ("Baobab"), completed the acquisition of the properties Lukin and Salaita, the key surface rights required for its Makhado hard coking and thermal coal project for an acquisition price of $4,774,700 (ZAR70,000,000). $2,387,350 (ZAR35,000,000) of the acquisition price has been deferred to the earlier of:

- the third anniversary of the transfer of the properties; or
- the first anniversary of production of coal underlying the properties; or
- completion of a potential land claims and expropriation process. In terms of current legislation, this will result in Baobab receiving market related compensation and will be followed by negotiations with the Minister of Land Affairs and the successful claimants, who are shareholders in Baobab, for long-term access to the properties.

The deferred consideration accrues interest at the South African prime interest rate (currently 7.25%) less 3.0%.

18. BORROWINGS

	31 Dec 2020 $'000	30 Jun 2020 $'000
Opening balance	13,595	14,299
Loan advanced		
- IDC	2,370	-
Loan cost capitalised		-
- Debt issuance costs	(27)	
- Warrants capitalised	(44)	
Interest accrued	278	2,566
Repayments		
- Enprotec	-	(140)
- PARMS*	(197)	(220)
Foreign exchange differences	2,833	(2,910)
	18,808	13,595

	31 Dec 2020 $'000	30 Jun 2020 $'000
Non-current	492	566
Current	18,316	13,029
	18,808	13,595

* - Pan African Resources Management Services (Pty) Ltd ("PARMS")

Industrial Development Corporation of South Africa Limited

In March 2017, the Company and Baobab Mining and Exploration Proprietary Limited ("Baobab"), a subsidiary of MC Mining and owner of the NOMR for the Makhado Project entered into a loan agreement with the Industrial Development Corporation of South Africa Limited ("IDC") which provided for a loan facility of $16,370,400 (ZAR240,000 000) (the "March loan facility"). The facility was provided to advance the development of the Makhado Project. A first tranche drawn down of $8,185,200 (ZAR120,000,000) was completed in May 2017.

The IDC loan facility of $16,370,400 (ZAR240,000,000) in March 2017 was restructured during the period. In addition to the initial $8,185,000 (ZAR120,000,000) draw down in May 2017, the IDC agreed that the Company's subsidiary, Baobab Mining & Exploration Proprietary Limited ("Baobab"), draw down $2,728,400 (ZAR40,000,000) representing the second tranche drawn on that loan facility . The remaining $5,456,800 (ZAR80,000,000) undrawn balance was then cancelled.

The $16,370,400 (ZAR240,000,000) loan facility restructure was conditional upon the Company raising $869,235 (ZAR15,000,000) in the form of new equity. That condition was satisfied in August 2020 at which time 13,331,433 new shares were issued raising $869,235 (ZAR15,000,000).

MC Mining is required to issue warrants, in respect of MC Mining shares, to the IDC on each draw down date. The warrants for the first draw down equated to 2.5% (equating to 2,408,752 shares) of the entire issued share capital of MC Mining as at 5 December 2016. The price at which the IDC shall be entitled to purchase the MC Mining shares is equal to a thirty percent premium to the 30 day volume weighted average price of the MC Mining shares as traded on the JSE as at 5 December 2016 (ZAR0.60 per share (ZAR12.00 after the premium and the 20:1 share consolidation in December 2017)). The IDC is entitled to exercise the warrants for a period of five years from the date of issue. The warrants for the second draw down equated to 0.833% (equating to 1,286,315 shares) of the entire share capital of MC Mining as at 1 October 2020.

Furthermore, upon each advance date, Baobab shall be required to issue new ordinary shares in Baobab to the IDC equivalent to 5% of the entire issued share capital of Baobab at such time. As a result of the first draw down, 5% of Baobab's equity was issued to the IDC. Baobab is required to issue new ordinary shares to the IDC equivalent to 1.7% of the entire share capital of Baobab for the $2,728,400 (ZAR40,000,000) draw down.

18. BORROWINGS (continued)

PARMS

As part of the acquisition of the underground mining equipment and liabilities of Khethekile, the Group assumed a loan of $1,400,989 (ZAR20,539,345) from PARMS. The loan bears interest at the South African Prime rate and is compounded monthly. It is repayable in 48 monthly instalments of approximately $37,038 (ZAR543,001) per month which commenced in January 2019.

Environmental and Process Technologies (Pty) Ltd ("Enprotec")

In the prior period, Uitkomst Colliery entered into an agreement with Enprotec for the supply and installation of an upgrade to modify its plant for the purchase price of $597,131 (ZAR8,717,264). This was to facilitate the production of an additional high ash, coarse discard product. The purchase price was payable over 12 instalments of $49,550 (ZAR726,439), which commenced in September 2018. This was settled in full during the period.

19. ISSUED CAPITAL

During the reporting period the Company issued, 13,331,433 fully paid ordinary shares at $0.07 per share.

	31 Dec 2020 $'000	30 June 2020 $'000
154,419,555 (FY 2020: 141,088,122) fully paid ordinary shares	1,041,884	1,041,080

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Options

There were no options outstanding at 31 December 2020.

Performance Rights

On 20 November 2020, 6,571,702 performance rights were issued to senior management. On 23 November 2020 745,998 performance rights expired.

Incentive shares

During the period, a special incentive was granted to certain employees of the company in the form of MC Mining Limited shares. The Incentive Shares will vest in full on the hot commissioning of the Vele Colliery plant. If the hot commissioning does not take place before 31 March 2022, the Incentive Shares will lapse.

20. CONTINGENCIES AND COMMITMENTS

Contingent liabilities

The Group has no significant contingent liabilities at reporting date.

Commitments

In addition to the commitments of the parent entity, subsidiary companies have typical financial commitments associated with their NOMRs granted by the South African Department of Mineral Resources.

21. EVENTS SUBSEQUENT TO REPORTING DATE

On 4 February 2021, the South African Department of Mineral Resources & Energy granted the mining right for exploitation of the Mopane coking and thermal coal project.

On 29 January 2021, the IDC extended the repayment date of the $10,913,600 (ZAR160,000,000) drawn down from the March 2017 loan to 31 July 2021.

22. KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

23. FINANCIAL INSTRUMENTS

Fair value of financial assets and liabilities

The fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties in an arm's length transaction. The fair values of the Group's financial assets and liabilities approximate their carrying values, as a result of their short maturity or because they carry floating rates of interest.

All financial assets and liabilities recorded in the consolidated financial statements approximate their respective fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3, based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities. The balances classed here are financial assets comprising deposits and listed securities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The financial assets classed as Level 2 comprise of investments with investment firms. These investments serve as collateral for rehabilitation guarantees. The fair value has been determined by the investment firms' fund statement .

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

There were no assets reclassified into / out of fair value through profit and loss ("FVTPL") during the year nor were any assets transferred between levels.

As at 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	-	4,549	-	**4,549**

As at 30 June 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	-	3,407	-	**3,407**

DIRECTORS' DECLARATION

The Directors declare that in the directors' opinion,

1. The condensed financial statements and notes of the consolidated entity are in accordance with the following:

    a. complying with accounting standards and the *Corporations Act 2001*; and

    b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors, made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors

Bernard Robert Pryor	**Sebastiano (Sam) Randazzo**
Chairman	Interim Chief Executive Officer
15 March 2021	15 March 2021

Dated at Johannesburg, South Africa, this 15th day of March 2021.

Auditor's Independence Declaration

As lead auditor for the review of MC Mining Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of MC Mining Limited and the entities it controlled during the period.

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
15 March 2021

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Independent auditor's review report to the members of MC Mining Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of MC Mining Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the Condensed consolidated statement of financial position as at 31 December 2020, the Condensed consolidated statement of changes in equity, Condensed consolidated statement of cash flows and Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of MC Mining Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of US$2,657,000 during the half year ended 31 December 2020 and a net cash outflow from operating activities of US$3,061,000 and, as of that date, the Group had net current liabilities of US$22,658,000.

Note 2 indicates that the Group is dependent on the deferral and the settlement of debt tranches relating to the existing IDC term facility. The note further states that additional financing or raising additional capital is also required to enable the Group to continue its normal business activities, including the commencement of the development of Phase 1 of the Makhado project.

These conditions, along with other matters set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig | Perth
Partner | 15 March 2021