



ANNOUNCEMENT

31 January 2022

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**ACTIVITIES REPORT FOR THE QUARTER ENDED 31 DECEMBER 2021**  
**FOR**  
**MC MINING LIMITED ("MC Mining" or the "Company") AND ITS SUBSIDIARY COMPANIES**

**HIGHLIGHTS**

- Health and safety remains a priority and one lost-time injury (**LTI**) was recorded during the quarter (FY2022 Q1: two LTIs);
- Measures previously implemented to restrict the spread of the COVID-19 virus at the various group workplaces remain in place. During the quarter, three employees (FY2022 Q1: 14) contracted the virus;
- A COVID-19 vaccination programme was implemented at the high grade Uitkomst metallurgical and thermal coal mine (**Uitkomst Colliery** or **Uitkomst**) has resulted in 82% of Uitkomst's employees being fully vaccinated or having had at least one vaccine dose;
- Run-of-mine (**ROM**) coal production at Uitkomst was marginally lower than the December 2020 quarter (107,188 tonnes (**t**) vs. FY2021 Q2: 108,945t);
- 49,063t of coal sales during the quarter (FY2021 Q2: 81,486t) comprising 43,280t (FY2021 Q2: 72,656t) of high grade metallurgical and thermal coal and 5,783t (FY2021 Q2: 8,830t) of lower grade middlings coal;
- Revenue per tonne increased to \$111/t (FY2021 Q2: \$66/t) due to the much higher API4 coal prices recorded during the quarter;
- Limited activities were undertaken at the Company's Makhado hard coking coal project (**Makhado Project** or **Makhado**), Vele semi-soft coking and thermal coal colliery (**Vele Colliery** or **Vele**) and Greater Soutpansberg Projects (**GSP**) during the quarter;
- Subsequent to the end of the quarter, the Industrial Development Corporation of South Africa Limited (**IDC**) extended the repayment date for the R160 million (\$10.3 million) loan plus accrued interest from 31 January 2022 to 30 November 2022;

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**Chairman** Bernard R. Pryor **CEO/Director** Sebastiano (Sam) Randazzo

**Non-executive directors** Andrew D. Miffilin, Khomotso B. Moshela, Junchao Liu, An Chee Sin, Brian H Zhen

- The terminal drawdown date of the additional R245 million (\$15.8 million) IDC term loan for the development of Phase 1 of Makhado was extended from 31 January 2022 to 30 November 2022, with the drawdown remaining subject to the IDC re-affirming its due diligence;
- Makhado Project composite debt/equity funding initiatives, including detailed due diligence processes by potential funders, continued during the quarter;
- Appointment of shareholder representative Non-Executive Director Mr Junchao Liu, following the retirement of Mr Shangren Ding; and
- Available cash and facilities at quarter-end was \$3.2 million (\$3.5 million at 30 September 2021) and restricted cash was \$0.03 million.

### **COMMENTARY**

A number of parties are continuing their due diligence review for providing the balance of the funding required by the Company to develop Makhado. MC Mining remains confident that the parties taking part in the process will commit the necessary funds to complete the funding package, anticipated to be finalised during H1 CY2022. The Company is progressing several alternative strategies to raise additional funding including, but not limited to, the issue of new equity for cash in MC Mining or subsidiary companies, or further debt funding

### **COVID-19**

The health and safety of the MC Mining group's employees and its contractors is a priority and measures previously implemented to restrict the spread of COVID-19 remain in place. During the quarter, two Uitkomst employees tested positive for the virus (FY2022 Q1: 14 positive tests). One positive COVID-19 case was reported at the Makhado Project and no cases were recorded at the Vele or GSP projects.

### **Uitkomst Colliery – Utrecht Coalfields (70% owned)**

One LTI recorded during the quarter (FY2022 Q1: two LTIs).

The Uitkomst Colliery generated 107,188t of ROM coal during the quarter, 2% lower than the comparative Q2 FY2021 (108,945t). The marginal decline is attributable to the suspension of mining for three shifts following production constraints at Uitkomst’s explosives supplier, resulting in three lost underground mining shifts reducing ROM coal production of approximately 3,000t.

Operational challenges at Uitkomst’s largest customer from early November 2021 led to sales of high grade duff and peas being 40% lower than the FY2021 comparative period (43,280t vs. 72,656t), with prior year volumes augmented by the disposal of coal stockpiles. Uitkomst had 10,909t of high grade duff and peas on hand at the end of the quarter compared to 1,727t at the beginning of the quarter and the colliery also sold 5,783t of high ash middlings coal during the quarter (FY2021 Q2: 8,830t).

Uitkomst’s high quality coal remains in demand and the colliery secured a customer for 10,000t of the closing stock. The customer paid a deposit of R6.6 million (\$0.4 million) in December 2021 and commenced uplifting the coal in January 2022. Uitkomst presold 16,500t of coal during the previous quarter, realising R29.7 million (\$1.9 million). During the quarter Uitkomst delivered a further 5,500t of coal against this contract with the remaining 8,250t to be delivered between January and March 2022.

Demand for commodities continued during the three months with continued improvement in the API4 export coal prices. Average API4 prices for the three months were 123% higher than the comparative period (\$163/t vs \$73/t) and Uitkomst’s average revenue per tonne increased by 68% to \$111/t (FY2021 Q2: \$66/t) with the sales mix also including lower value, fixed price arrangements. The significant reduction in sales volumes in the quarter accounted for approximately 75% of the increase in production costs per saleable tonne during the quarter (FY2022 Q2: \$98/t vs. FY2021 Q2: \$48/t) with higher labour, mining, processing and engineering costs also contributing and cost optimization initiatives are being investigated.

	<b>Quarter to end-Dec 2021</b>	<b>Quarter to end-Dec 2020</b>	<b>%▲</b>
<b><i>Production tonnages</i></b>			
Uitkomst ROM (t)	107,188	108,945	(2%)

	Quarter to end-Dec 2021	Quarter to end-Dec 2020	%▲
<b>Sales tonnages</b>			
High quality duff and peas (t)	43,280	72,656	(40%)
Middlings sales (t)	5,783	8,830	(35%)
	<b>49,063</b>	<b>81,486</b>	<b>(40%)</b>
<b>Quarter financial metrics</b>			
Revenue/t (\$)	111	66	68%
Revenue/t (ZAR)	1,720	1,029	67%
Production cost/saleable tonnes (\$) ^	98	48	104%

*^ costs are all South African Rand based*

#### **Makhado Hard Coking Coal Project – Soutpansberg Coalfield (67% owned post Black Economic Empowerment transaction)**

The fully permitted Makhado Project recorded no LTIs (FY2022 Q1: nil) during the quarter.

MC Mining’s flagship Makhado Project has favourable economics and its development is expected to deliver positive returns for shareholders and will position the Company as South Africa’s pre-eminent hard coking coal (**HCC**) producer. The IDC which holds a 6.7% equity interest in Baobab Mining & Exploration (Pty) Ltd (**Baobab**), the owner of Makhado, remains committed to the Company’s growth. Subsequent to the end of the quarter, the IDC agreed to extend the date for repayment of the existing R160 million (\$10.3 million) loan plus interest as well as to extend the terminal draw down date in respect of the conditional R245 million (\$15.8 million) term loan facility for the development of the Makhado Project, to 30 November 2022. In the unlikely event that the Company does not repay the existing loan by the repayment date, the financing documentation allows for the debt to be converted into equity.

During January 2019, Baobab completed the acquisition of the Lukin and Salaita properties, being the key surface rights for the Makhado Project. The balance of the purchase price of R35 million (\$2.2 million) (plus interest) (the **Deferred Payment**) was payable by Baobab on 10 January 2022. The Company paid an instalment of R6 million (\$0.4 million) on 12 January 2022 which will be deducted from the Deferred Payment, and the vendor agreed to extend the due date for payment of the

balance, to 28 February 2022. MC Mining is currently resolving the funding required for the Deferred Payment and interest on the unpaid Deferred Payment will accrue at the effective annual rate of 15.2% from 10 January 2022.

The Company continues to work with Baobab and its advisers to complete the funding requirement for development of the Makhado Project. A further announcement will be made in due course, as and when applicable.

#### **Vele Semi-Soft Coking and Thermal Coal Colliery – Limpopo (Tuli) Coalfield (100% owned)**

The Vele Colliery remained on care and maintenance during the quarter and no LTIs were recorded during the period (FY2022 Q1: nil). The Vele processing plant is to be refurbished and recommissioned as part of Phase 1 development of the Makhado Project.

#### **Greater Soutpansberg Project (GSP)– Soutpansberg Coalfield (74% owned)**

GSP recorded no LTIs (FY2022 Q1: nil) during the quarter and no reportable activities occurred during the period.

#### **Markets**

The demand for coal continued during the quarter, leading to a rise in the price of quality South African export thermal coal with average API4 prices improving to \$163/t compared to \$73/t recorded in Q2 FY2021 (FY2022 Q1: \$139/t). Demand for hard coking coal also increased with average prices of \$368/t compared to \$111/t in Q2 FY2021.

#### **Directorate changes**

Appointment of Mr Junchao Liu as a Non-Executive Director of MC Mining following the retirement of long standing Non-Executive Director Mr Shangren Ding. Mr Liu is the Board representative of Haohua Energy International (Hong Kong) Co. Ltd (**HEI**), MC Mining's largest shareholder. Mr Liu is the Deputy Director of Business Development of Beijing Haohua Energy Resource Company and Deputy General Manager of HEI.

## Appendix 5B – Quarterly Cash Flow Report

The cash balance as at 31 December 2021 was \$1.9 million with a further \$1.3 million of available facilities. The aggregate amount of payments to related parties and their associates as disclosed at item 6.1 of the December quarter Appendix 5B was \$63k, comprising executive director remuneration.

In order to meet its working capital requirements, the Group is exploring and progressing on several alternative strategies to raise additional funding including, but not limited to:

- The issue of new equity for cash in the Company to current and new shareholders, of which the MC Mining 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;
- Further debt funding;
- Further contractor BOOT (build, own, operate, transfer) funding arrangements; and
- The sale of a minority stake in the subsidiary companies holding the Makhado Project.

The Group also has the capacity if necessary to reduce its operating cost structure in order to minimise its working capital requirements and defer the timing of any future capital raising. The conclusion of the debt and equity raise is by its nature an involved process and is subject to successful negotiations with the external funders and shareholders. Any equity raise is likely to be subject to a due diligence process. The Group has a history of successful capital raisings to meet the Group's funding requirements.

### Sam Randazzo Chief Executive Officer

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

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Investec Bank Limited is the nominated JSE Sponsor

#### **About MC Mining Limited:**

MC Mining is an AIM/ASX/JSE-listed coal exploration, development and mining company operating in South Africa. MC Mining's key projects include the Uitkomst Colliery (metallurgical 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).

All figures are denominated in United States dollars unless otherwise stated. Safety metrics are compared to the preceding quarter while financial and operational metrics are measured against the comparable period in the previous financial year. A copy of this report is available on the Company's website, [www.mcmining.co.za](http://www.mcmining.co.za).

#### **Forward-looking statements**

This Announcement, including information included or incorporated by reference in this Announcement, may contain "forward-looking statements" concerning MC Mining that are subject to risks and uncertainties. Generally, the words "will", "may", "should", "continue", "believes", "expects", "intends", "anticipates" or similar expressions identify forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond MC Mining's ability to control or estimate precisely, such as future market conditions, changes in regulatory environment and the behaviour of other market participants. MC Mining cannot give any assurance that such forward-looking statements will prove to have been correct. The reader is cautioned not to place undue reliance on these forward-looking statements. MC Mining assumes no obligation and does not undertake any obligation to update or revise publicly any of the forward-looking statements set out herein, whether as a result of new information, future events or otherwise, except to the extent legally required.

#### **Statements of intention**

Statements of intention are statements of current intentions only, which may change as new information becomes available or circumstances change.

MC Mining has ensured that the mineral resources quoted are subject to good governance arrangements and internal control. The Company has engaged external independent consultants to update the mineral resource in accordance with the JORC Code 2012 and SAMREC 2016. The units of measure in this report are metric, with Tonnes (t) = 1,000kg. Technical information that requires subsequent calculations to derive subtotals, totals and weighted averages may involve a degree of rounding and consequently introduce an error. Where such errors occur MC Mining does not consider them to be material.

**Tenements held by MC Mining and its Controlled Entities**

<b>Project Name</b>	<b>Tenement Number</b>	<b>Location</b>	<b>Interest</b>	<b>Change during quarter</b>
Chapudi Project*	Albert 686 MS	Limpopo~	74%	
	Bergwater 712 MS		74%	
	Remaining Extent and Portion 2 of Bergwater 697 MS		74%	
	Blackstone Edge 705 MS		74%	
	Remaining Extent & Portion 1 of Bluebell 480 MS		74%	
	Remaining Extent & Portion 1 of Bushy Rise 702 MS		74%	
	Castle Koppies 652 MS		74%	
	Chapudi 752 MS		74%	
	Remaining Extent, Portions 1, 3 & 4 of Coniston 699 MS		74%	
	Driehoek 631 MS		74%	
	Remaining Extent of Dorps-rivier 696 MS		74%	
	Enfield 512 MS (consolidation of Remaining Extent of Enfield 474 MS, Brosdoorn 682 MS & Remaining Extent of Grootvlei 684 MS)		74%	
	Remaining Extent and Portion 1 of Grootboomen 476 MS		74%	
	Grootvlei 684 MS		74%	
	Kalkbult 709 MS		74%	
	Remaining Extent, Remaining Extent of Portion 2, Remaining Extent of Portion 3, Portions 1, 4, 5, 6, 7 & 8 of Kliprivier 692 MS		74%	
	Remaining Extent of Koodoobult 664 MS		74%	
	Koschade 657 MS (Was Mapani Kop 656 MS)		74%	
	Malapchani 659 MS		74%	
	Mapani Ridge 660 MS		74%	
	Melrose 469 MS		74%	
	Middelfontein 683 MS		74%	
	Mountain View 706 MS		74%	
	M'tamba Vlei 654 MS		74%	
	Remaining Extent & Portion 1 of Pienaar 635 MS		74%	
	Remaining Extent & Portion 1 of Prince's Hill 704 MS		74%	
	Qualipan 655 MS		74%	
	Queensdale 707 MS		74%	



Project Name	Tenement Number	Location	Interest	Change during quarter
	Remaining Extent & Portion 1 of Ridge End 662 MS		74%	
	Remaining Extent & Portion 1 of Rochdale 700 MS		74%	
	Sandilands 708 MS		74%	
	Portions 1 & 2 of Sandpan 687 MS		74%	
	Sandstone Edge 658 MS		74%	
	Remaining Extent of Portions 2 & 3 of Sterkstroom 689 MS		74%	
	Sutherland 693 MS		74%	
	Remaining Extent & Portion 1 of Varkfontein 671 MS		74%	
	Remaining Extent, Portion 2, Remaining Extent of Portion 1 of Vastval 477 MS		74%	
	Vleifontein 691 MS		74%	
	Ptn 3, 4, 5 & 6 of Waterpoort 695 MS		74%	
	Wildebeesthoek 661 MS		74%	
	Woodlands 701 MS		74%	
Kanowna West & Kalbara	M27/41	Coolgardie^	Royalty<>	
	M27/47		Royalty<>	
	M27/59		Royalty<>	
	M27/72,27/73		Royalty<>	
	M27/114		Royalty<>	
	M27/196		Royalty<>	
	M27/181		6.79%	
	M27/414,27/415		Royalty<>	
	P27/1826-1829		Royalty<>	
	P27/1830-1842		Royalty<>	
	P27/1887		Royalty<>	
Abbotshall Royalty	ML63/409,410	Norseman^	Royalty	
Kookynie Royalty	ML40/061	Leonora^	Royalty	
	ML40/135,136		Royalty	
Makhado Project	Fripp 645 MS	Limpopo~	69%#	
	Lukin 643 MS		69%#	
	Mutamba 668 MS		69%#	
	Salaita 188 MT		69%#	
	Tanga 849 MS		69%#	
	Daru 889 MS		69%#	
	Windhoek 900 MS		69%#	
Generaal Project*	Beck 568 MS	Limpopo~	74%	
	Bekaf 650 MS		74%	
	Remaining Extent & Portion 1 of Boas 642 MS-		74%	
	Chase 576 MS		74%	

<b>Project Name</b>	<b>Tenement Number</b>	<b>Location</b>	<b>Interest</b>	<b>Change during quarter</b>
	Coen Britz 646 MS		74%	
	Fanie 578 MS		74%	
	Portions 1, 2 and Remaining Extent of Generaal 587 MS		74%	
	Joffre 584 MS		74%	
	Juliana 647 MS		74%	
	Kleinenberg 636 MS		74%	
	Remaining Extent of Maseri Pan 520 MS		74%	
	Remaining Extent and Portion 2 of Mount Stuart 153 MT		100%	
	Nakab 184 MT		100%	
	Phantom 640 MS		74%	
	Riet 182 MT		100%	
	Rissik 637 MS		100%	
	Schuitdrift 179 MT		100%	
	Septimus 156 MT		100%	
	Solitude 111 MT		74%	
	Stayt 183 MT		100%	
	Remaining Extent & Portion 1 of Terblanche 155 MT		100%	
	Van Deventer 641 MS		74%	
	Wildgoose 577 MS		74%	
Mopane Project*	Ancaster 501 MS	Limpopo~	100%	
	Banff 502 MS		74%	
	Bierman 599 MS		74%	
	Cavan 508 MS		100%	
	Cohen 591 MS		100%	
	Remaining Extent, Portions 1 & 2 of Delft 499 MS		74%	
	Dreyer 526 MS		74%	
	Remaining Extent of Du Toit 563 MS		74%	
	Faure 562 MS		74%	
	Remaining Extent and Portion 1 of Goosen 530 MS		74%	
	Hermanus 533 MS		74%	
	Jutland 536 MS		100%	
	Krige 495 MS		74%	
	Mons 557 MS		100%	
	Remaining Extent of Otto 560 MS (Now Honeymoon)		74%	
	Remaining Extent & Portion 1 of Pretorius 531 MS		74%	
	Schalk 542 MS		74%	
	Stubbs 558 MS		100%	
	Ursa Minor 551 MS		74%	

<b>Project Name</b>	<b>Tenement Number</b>	<b>Location</b>	<b>Interest</b>	<b>Change during quarter</b>
	Van Heerden 519 MS		74%	
	Portions 1, 3, 4, 5, 6, 7, 8, 9, Remaining Extent of Portion 10, Portions 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 27, 29, 30, 35, 36, 37, 38, 39, 40, 41, 44, 45, 46, 48, 49, 50, 51, 52 & 54 of Vera 815 MS		74%	
	Remaining Extent of Verdun 535 MS		74%	
	Voorburg 503 MS		100%	
	Scheveningen 500 MS		74%	
Uitkomst Colliery and prospects	Portion 3 (of 2) of Kweekspruit No. 22	KwaZulu-Natal~	70%	
	Portion 8 (of 1) of Kweekspruit No. 22		70%	
	Remainder of Portion 1 of Uitkomst No. 95		70%	
	Portion 5 (of 2) of Uitkomst No. 95		70%	
	Remainder Portion1 of Vaalbank No. 103		70%	
	Portion 4 (of 1) of Vaalbank No. 103		70%	
	Portion 5 (of 1) of Vaalbank No. 103		70%	
	Remainder of Portion 1 of Rustverwacht No. 151		70%	
	Remainder of Portion 2 of Rustverwacht No. 151		70%	
	Remainder of Portion 3 (of 1) of Rustverwacht No. 151		70%	
	Portion 4 (of 1) Rustverwacht No.151		70%	
	Portion 5 (of 1) Rustverwacht No. 151		70%	
	Remainder of Portion 6 (of 1) of Rustverwacht No. 151		70%	
	Portion 7 (of 1) of Rustverwacht No. 151		70%	
	Portion 8 (of 2) of Rustverwacht No. 151		70%	
	Remainder of Portion 9 (of 2) of Rustverwacht No. 151		70%	
	Portion 11 (of 6) of Rustverwacht No. 151		70%	
	Portion 12 (of 9) of Rustverwacht No. 151		70%	
	Portion 13 (of 2) of Rustverwacht No. 151		70%	

<b>Project Name</b>	<b>Tenement Number</b>	<b>Location</b>	<b>Interest</b>	<b>Change during quarter</b>
	Portion 14 (of 2) of Rustverwacht No. 151		70%	
	Portion 15 (of 3) of Rustverwacht No. 151		70%	
	Portion 16 (of 3) of Rustverwacht No. 151		70%	
	Portion 17 (of 2) of Rustverwacht No. 151		70%	
	Portion 18 (of 3) of Waterval No. 157		70%	
	Remainder of Portion 1 of Klipspruit No. 178		70%	
	Remainder of Portion 4 of Klipspruit No. 178		70%	
	Remainder of Portion 5 of Klipspruit No. 178		70%	
	Portion 6 of Klipspruit No. 178		70%	
	Portion 7 (of 1) of Klipspruit No. 178		70%	
	Portion 8 (of 1) of Klipspruit No. 178		70%	
	Portion 9 of Klipspruit No. 178		70%	
	Remainder of Portion 10 (of 5) of Klipspruit No. 178		70%	
	Portion 11 (of 5) of Klipspruit No. 178		70%	
	Portion 13 (of 4) of Klipspruit No. 178		70%	
	Remainder of Portion 14 of Klipspruit No. 178		70%	
	Portion 16 (of 14) of Klipspruit No. 178		70%	
	Portion 18 of Klipspruit No. 178		70%	
	Portion 23 of Klipspruit No. 178		70%	
	Remainder of Portion 1 of Jackalsdraai No. 299		70%	
	Remainder of Jericho B No. 400		70%	
	Portion 1 of Jericho B No. 400		70%	
	Portion 2 of Jericho B No. 400		70%	
	Portion 3 of Jericho B No. 400		70%	
	Remainder of Jericho C No. 413		70%	
	Portion 1 of Jericho C No. 413		70%	
	Remainder of Portion 1 of Jericho A No. 414		70%	
	Remainder of Portion 2 (of 1) of Jericho A No. 414		70%	
	Portion 3 (of 1) of Jericho A No. 414		70%	

<b>Project Name</b>	<b>Tenement Number</b>	<b>Location</b>	<b>Interest</b>	<b>Change during quarter</b>
	Portion 4 (of 1) of Jericho A No. 414		70%	
	Portion 5 (of 2) of Jericho A No. 414		70%	
	Portion 6 (of 1) of Jericho A No. 414		70%	
	Margin No. 420		70%	
Vele Colliery and prospects	Portions of Overvlakte 125 MS (Remaining Extent, 3, 4, 5, 6, 13, 14)	Limpopo~	100%	
	Bergen Op Zoom 124 MS		100%	
	Semple 155 MS		100%	
	Voorspoed 836 MS		100%	
	Alyth 837 MS		100%	
Tshikunda	Certain portions of Unsurveyed State Land known as Mutale	Limpopo~	60%	

\* Form part of the Greater Soutpansberg Projects

~ Tenement located in the Republic of South Africa

^ Tenement located in Australia

# MC Mining's interest will reduce to 67% on completion of the 26% Broad Based Black Economic Empowerment (BBBEE) transaction

<> net smelter royalty of 0.5%