MCMining LIMITED

Consolidated Annual Financial Statements for the year ended 30 June 2023

(Expressed in United States Dollars unless otherwise stated)

Index

Directors' Report

The directors of MC Mining Limited (MC Mining or the Company) submit herewith the annual report of the Company and the entities controlled by the Company (its subsidiaries), collectively referred to as the “Group”, for the financial year ended 30 June 2023. All balances are denominated in United States dollars unless otherwise stated. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

1. Information about the directors and key management personnel

The names and particulars of the directors of the Company during or since the end of the financial year are set out below. Unless otherwise stated, the directors held office during the whole of the financial year:

Nhlanhla Musa Nene	Independent Non-Executive Chairman	Mr Nene holds a B Comm. (Hons) University of the Western Cape, Certificate in Economics (UNISA) and a Certificate in Macro and Microeconomics (University of London). He is a former Minister of Finance, in the Republic of South Africa. Previously, he served as Deputy Minister of Finance and Chairman of the Public Investment Corporation, the largest institutional investor in South Africa. During his years in public office he represented South Africa at a number of Multilateral Institutions (IMF, World Bank, G20, BRICS, Commonwealth and the AfDB). Prior to this he held senior positions in financial services at Metropolitan Life. He served as Chairman of the Supervisory Board of Arise BV (Dutch based investment company with a focus on Africa), Non-executive Chairman of Thebe Investment Corporation and is a former director of Access Bank. He also served as Interim Director and Head of Wits Business School as well as Honorary Adjunct Professor: Wits Business School and is the Chairman of the Old Mutual Super Fund.
Godfrey Gomwe	Managing Director and Chief Executive Officer	Mr Gomwe holds the qualifications of Chartered Accountant(Zimbabwe) B Acc(UZ) MBL(UNISA). He is a businessman with over 35 years’ experience in metals and mining industries. He is the former Chief Executive Officer (CEO) of Anglo American Plc's global Thermal Coal business, whose responsibilities included oversight over Anglo's Manganese interests in the joint venture with BHP. He served as Executive Director of Anglo American South Africa until August 2012. His career included roles as Head of Group Business Development Africa, Finance Director and Chief Operating Officer of Anglo American South Africa. Previously, Godfrey was Executive Chairman and Chief Executive of Anglo American Zimbabwe Limited. He also served on a number of Anglo American operating Boards and Executive Committees including Kumba Iron Ore, Anglo American Platinum, Highveld Steel & Vanadium and Mondi South Africa, the latter two in the capacity of Chairman. Prior to joining Anglo American in 1999, Godfrey held many leadership positions and directorships in listed and unlisted companies.
Andrew David Mifflin	Independent Non-Executive Director	Mr Mifflin obtained his BSc. (Hons) Mining Engineering from Staffordshire University and has a Master’s Degree in Business Administration. Andrew has over 30 years’ experience specifically in the coal mining arena. His experience spans across various organisations such as British Coal Corporation, Xstrata and more recently GVK Resources. He has gained in depth knowledge in coal operations, both thermal and hard coking coal as well as in project development.

Directors' Report

1. Information about the directors and key management personnel (continued)

Zhen (Brian) He	Non-Executive Director	Mr He holds a Bachelor's degree in Business Administration from Sichuan University and is currently Marketing and Public Relations Executive for Pan African Mining Pvt. Ltd. Between 2012 and 2015, Brian worked as Managing Director of Real Gain Investment Pvt. Ltd and was responsible for infrastructure and construction market development, as well as overseas market investments. He has previously served as Construction Manager for CRI – Eagle Investments (Pty) Ltd and Eagle Canyon Investments (Pty) Ltd.
Khomotso Brian Mosehla	Independent Non-Executive Director	Mr Mosehla is a Chartered Accountant (South Africa) and completed his articles with KPMG. Khomotso worked at African Merchant Bank Limited for five years where he gained a broad range of experience, including management buy-out, leveraged buy-out and capital restructuring/raising transactions. In 2003, he established Mvelaphanda Corporate Finance for the development of Mvelaphanda's mining and non-mining interests. Mr Mosehla served as a director on the boards of several companies, including Mvelaphanda Resources Limited and was the CFO of The Housing Development Agency until March 2021. Mr Mosehla served as a Chairman of Northam Platinum Limited as well as Zambezi Platinum Limited until June 2021.
An Chee Sin	Non-Executive Director	Mr Chee Sin is an Accredited Tax Practitioner with the Singapore Institute of Accredited Tax Professionals and is also a Chartered Accountant with the Institute of Singapore Chartered Accountants. He has more than 17 years of extensive experience in international and local corporate taxation and co-founded Pinnacle Tax Services Pty Ltd (Pinnacle Tax) in 2004. Prior to joining Pinnacle Tax, he held the position of Director of Corporate Tax with KPMG and has coordinated various advisory projects, including cross-border fund structures, corporate restructurings, treasury and mergers and acquisitions.
Ontiretse Mathews Senosi	Non-Executive Director	Mr Senosi is a qualified mining engineer (University of the Witwatersrand) with over 25 years' experience in mining and project execution. He gained experience at Anglo Coal before successfully pursuing personal business interests in mining, engineering and consulting as well as civil and construction projects, and was a key contributor in the successful execution of numerous coal mining projects. Mr Senosi has extensive experience in opencast and underground coal mining and is the CEO of the Overlooked Mining Group which produces over 7.5 million tonnes per annum of thermal coal for the export and domestic markets. He represents the Senosi Group Investment Holdings (Pty) Ltd, MC Mining's single largest shareholder.

Directors' Report

1. Information about the directors and key management personnel (continued)

Junchao Liu	Non-Executive Director	Resigned: 10 March 2023	Mr Junchao Liu has a Bachelor of Arts and postgraduate training in international finance and trade from Beijing Foreign Studies University. He served as the Deputy Director of Business Development of Beijing Haohua Energy Resource Co. Ltd (BHE) and Deputy General Manager of Haohua Energy International (Hong Kong) Co. Ltd (HEI). HEI is MC Mining's six largest shareholder and Mr Liu was their representative on the board.
Yi (Christine) He	Non-Executive Director	Appointed: 10 March 2023	Ms He has a bachelor's degree in English Literature from Sichuan University and over 20 years' experience at senior management level. Her broad commercial experience includes, amongst others, the financing, development and execution of large construction and mining projects.
Julian Hoskin	Independent Non-Executive Director	Appointed: 10 March 2023	Mr Hoskin is a qualified Mining Engineer and holds a Master of Applied Science (Mining Geomechanics) as well as a master's degree in Business Administration. During his 38 years working as a professional engineer, Mr Hoskin has been exposed to resource evaluation and project delivery and has managed mining operations as well as the construction of metallurgical and thermal coal mines and ports. Mr Hoskin has developed numerous mining projects in Australia, driving them up the value-curve from exploration to feasibility stage and ultimately, construction of the coal mine. He has extensive mine management experience and has also optimised established mines, ensuring improved returns for stakeholders.

2. Directorships of other listed companies

Directorships of other listed companies held by the directors in the three years immediately before the end of the financial year are as follows:

Director	Company	Period of directorship
Nhlanhla Nene	None	
Godfrey Gomwe	AECI Limited	2015 - 2023
	Econet Wireless Zimbabwe Limited	2013 - Present
	Orion Minerals Limited	2019 - Present
An Chee Sin	None	
Andrew Mifflin	None	
Zhen Brian He	None	
Khomotso Mosehla	Northam Platinum Limited	2015 – 2021
	Zambezi Platinum Limited	2015 – 2021
Junchao Liu	None	
Mathews Senosi	None	
Christine He	None	
Julian Hoskin	None	

Directors' Report

3. Directors' shareholdings

The following table sets out each director's relevant interest in shares or options in shares or debentures of the Company as at the date of this report.

Director	Ordinary shares	Performance rights	Unlisted options
N Nene	-	-	-
G Gomwe*	-	1,474,787	12,000,000
A Chee Sin	-	-	-
A Mifflin	-	-	-
Z He	264,845	-	-
J Hoskin	-	-	-
Y He	36,930,267	-	-
K Mosehla	-	-	-
M Senosi	95,357,455	-	-
	132,552,567	**1,474,787**	**12,000,000**

*4 million options have vested during the year/at year end. The remaining 8 million is subject to the satisfaction of the vesting criteria. The rights were granted in August 2023 as part settlement for a performance bonus.

4. Remuneration of directors and key management personnel

Information about the remuneration of directors is set out in the remuneration report of this directors' report, on pages 14 to 22.

5. Share options granted to directors and senior management

During and since the end of the financial year, share options and performance rights were granted to Directors of the Company and of its controlled entities as part of their remuneration. Details of options and performance rights granted to Directors and senior management are set out on page 14.

6. Company secretary

Mr Tony Bevan, a Chartered Accountant with over 25 years' experience, is the Company Secretary and works with Endeavour Corporate Pty Ltd, the company engaged to provide contract secretarial, accounting and administration services to MC Mining.

7. Principal activities

The Company is a limited company incorporated in Australia. Its common shares are listed on the ASX, the AIM of the LSE and the JSE in South Africa. The principal activities of the Company and its subsidiaries are the acquisition, exploration, development and operation of steelmaking (coking) coal and thermal coal projects in South Africa.

The Group's principal assets and projects include:

• Uitkomst Colliery, an operating metallurgical and thermal coal mine with a circa 15-year life of mine (LOM);

• Makhado steelmaking hard coking coal project (Makhado Project or Makhado);

• Vele Aluwani Colliery, a semi-soft coking and thermal coal mine, which was recommissioned in late December 2022; and

• Three exploration and development stage coking and thermal coal projects, namely Chapudi, Generaal and Mopane in the Soutpansberg Coalfield (collectively the Greater Soutpansberg Projects (GSP)).

8. Review of operations - salient features

• No fatalities (FY2022: nil) and six LTIs (FY2022: six);

• The Uitkomst Colliery produced 444,984 tonnes (t) (FY2022: 470,597t) of run of mine (ROM) coal during the 12 months to 30 June 2023;

• Uitkomst sold 241,366t of coal in FY2023 (FY2022: 225,096t) comprising 230,181t (FY2022: 199,065t) of premium duff and sized peas and 11,185t (FY2022: 26,031t) of high ash, coarse discard coal - generating sales revenue of $34.2 million (FY2022: $23.5 million);

• Uitkomst was impacted by adverse geologiocal conditions and frequent incidents of electricity loadshedding implemented by Eskom, the state power utility, resulting in increased diesel generator usage. Production at the colliery requires extended travel time to the underground mining areas and a revised shift system to increase mining time was implemented during June 2023;

• Thermal coal prices decreased during FY2023 from $342/t in July 2022 to $103/t at the end of the financial year;

• Conclusion of a Coal Sales & Marketing Agreement (Marketing Agreement) with Overlooked (Proprietary) Limited (Overlooked), a related party, for FY2023, facilitating the export of Uitkomst coal, taking advantage of elevated international coal prices during H1 FY2023;

• The decline in benchmark API4 thermal coal prices in H2 FY2023 combined with high trucking and port logistics costs resulted in Uitkomst selling its coal on the domestic market in H2 FY2023;

• The Company continued the Makhado Project composite funding initiatives during the year and anticipates that the funding will be concluded in H2 CY2023. The various initiatives underway include amongst others, build, own, operate, transfer (BOOT) funding arrangements, additional senior debt as well as debt/equity instruments, coal prepayments and construction-based financing.

• Updated LOM plan and Coal Reserve estimate for the fully-licensed and shovelready Makhado Project, significantly increasing the LOM and improving the project’s economics;

• Commencement of managed tender processes to select the outsourced mining contractor, plant and laboratory operators, which are expected to be completed during Q4 CY2023;

• Commencement of critical early works activities including the construction of a bridge across the Mutamba river;

• The mining and processing operations at the opencast Vele Colliery were outsourced to Hlalethembeni Outsourcing Services (Pty) Ltd (HOS) and recommissioned in late December 2022. HOS produced 96,673t of thermal coal since the recommissioning of the Vele Colliery; and

• Limited activities at the Company’s GSP during FY2023.

9. Corporate salient features

• Completion of fully underwritten renounceable 1.012 for 1 renounceable rights issue (Rights Issue) through the issue of 200,026,719 new ordinary shares to investors in South Africa, Australia and New Zealand, raising A$40 million (US$26.6 million) (before costs);

• The ZAR60 million (US$3.2 million) owing to Dendocept (Pty) Ltd in terms of the Standby Loan Facility, was settled as part of the Rights Issue;

• Repayment of the remaining ZAR20 million (US$1.0 million) loan owing to the Senosi Group Investment Holdings (Proprietary) Limited; and

• Buy-back of a 14% interest in Uitkomst held by a minority black economic empowerment partner, increasing MC Mining’s interest in the colliery to 84% and ensuring the colliery satisfies the ‘once empowered, always empowered’ principle.

10. Subsequent events

• The Industrial Development Corporation of South Africa Limited (IDC) agreed to extend the repayment date for the R160 million ($8.5 million) loan plus accrued interest, to 30 September 2023;
• The IDC withdrew the conditional, undrawn R245 million (US$13.0 million) loan facility, which has been available since July 2019; and
• The MC Mining Directors approved the grant of 3,119,632 performance rights to staff in terms of the Company's shareholder approved Performance Rights plan. These performance rights are in lieu of a deferred cash bonus and will vest in June 2026 if the recipient remains an employee of MC Mining.

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

11. Financial review

• The elevated international thermal coal prices in the first half of the financial year led to the Company assessing alternative coal marketing strategies for Uitkomst and the conclusion of a Marketing Agreement in July 2022. The Marketing Agreement allowed Uitkomst to sell the majority of its coal at prices linked to international coal indexes rather than at floating and fixed price domestic prices. Following the decline in international coal prices at the end of CY2022, the Company sold the majority of its coal on the domestic market and the marketing agreement expired at the end of June 2023.

• Operating cash flows of $5.8 million (FY2022: $3.6 million) generated by the Uitkomst Colliery and the Vele Colliery;
• The R/$ exchange rate continues to be volatile and gains/losses from these elements are unpredictable;
• Contributing to the net loss after tax of $4.4 million (2022: $20.8 million) were non-cash charges of $3.7 million (FY2022: $19.1 million) which includes the following:
• Depreciation and amortisation of $2 million (FY2022: $2.6 million)
• Share based payment expense of $0.9 million (FY2022: $0.8 million)
• Total unrestricted cash balances at year-end of $7.5 million (FY2022: $3.0 million).

12. Going concern

Attention is drawn to the disclosure in the annual financial statements on the going concern assumption (refer note 1), noting that there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors are satisfied however, at the date of signing the annual financial report, that there are reasonable grounds to believe that the Group will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis. The directors have based this on a number of assumptions which are set out in detail in note 1 to the annual financial report. In order to meet its working capital requirements, the Group is exploring and progressing several alternative strategies to raise additional funding including, but not limited to:

• The issue of new equity for cash in the Company or its subsidiary that owns the Makhado project;
• Convertible MC Mining equity funding;
• Further debt funding including composite debt/equity instruments;
• Production based funding and inventory prepayment funding facilities;
• Cash generated from the Company's collieries; and
• Further contractor BOOT funding or construction-based funding arrangements.
The Group also has the capacity if necessary to reduce its operating cost structure in order to minimise its working capital requirements and defer the timing of any future capital raising.

The conclusion of the debt and equity raise is by its nature an involved process and is subject to successful negotiations with the external funders and shareholders. Any equity raise is likely to be subject to a due diligence process. The Group has a history of successful capital raisings to meet the Group's funding requirements and completed an A$40 million fully underwritten rights offer during the reporting period. The Company has historically successfully negotiated extensions to the repayment of outstanding debt facilities. The directors believe that at the date of signing the annual financial statements there are reasonable grounds to believe that they will be successful in achieving the matters set out above and that the Group will therefore have sufficient funds to meet their obligations as and when they fall due.

13. Future developments

MC Mining's flagship Makhado steelmaking Hard Coking Coal (HCC) project has secured the regulatory approvals and surface rights over the mining and processing areas. MC Mining is heavily invested in the Makhado Project as the complex regulatory environment in South Africa demanded significant capital and time investment to achieve its current 'shovel ready' status. The development of the Makhado Project is expected to deliver positive returns for shareholders and position MC Mining as South Africa's pre-eminent steelmaking HCC producer.

Makhado is expected to produce steelmaking HCC and would be the only significant steelmaking HCC producer in South Africa, resulting in obvious advantages for domestic steel producers. Development of Makhado is also expected to have a positive impact on employment and the general Limpopo province economy resulting in the creation of approximately 650 direct jobs.

The Makhado coal handling and processing plant (CHPP) optimisation study was completed by independent experts, resulting in the annual capacity. The Company subsequently appointed Erudite (Pty) Ltd (Erudite) to complete the detailed designs for a full process design for the CHPP.

Implementation Plan

The Company also completed a five-year Makhado Project Implementation Plan in April 2023 with the goal of improving the accuracy of Makhado pre-feasibility studies from ±30% accuracy to an estimated accuracy of ±10%. The Implementation Plan for the first five years of production, also included a detailed execution plan for the construction of the East Pit, Makhado and related infrastructure and a detailed mine plan for the first five years of operations.

Updated LOM Plan and Coal Reserve

Subsequent to the Implementation Plan, MC Mining prepared an updated LOM plan and Coal Reserve estimate for Makhado. This was completed in June 2023. The LOM plan builds on the five-year Implementation Plan and incorporates the exploitation of all portions of the East, Central and West Pit coal deposits that are mineable by surface mining methods. The updated Coal Reserve estimate was derived from the updated LOM plan using updated costs, macro-economic and coal price assumptions.

The updated LOM plan extended the Makhado LOM from 22 years to 28 years (27% increase), despite the 25% higher annual ROM coal production rate and improved production metrics, including:

- 25% increase in the targeted mining rate from 3.2 to 4.0Mtpa of ROM coal;
- 100% increase in CHPP capacity, from 2.0 to 4.0 Mtpa;
- 60% increase of total saleable coal products from 26 to 41 million tonnes over the mine life;
- time to first production increasing from 12 to 18 months due to the construction of the new, larger CHPP whilst keeping the payback period materially unchanged at 3.5 years from the start of construction; and
- 11% increase in the estimated project peak funding requirements to US$100 million (ZAR1.8 billion).

The key Makhado Project production metrics over the LOM are detailed in the table below.

Production Metrics	Unit of Measure	LOM Plan
Mining Production Rate - (Average)	Mtpa	3.9
Total ROM Mined (over the mine life)	Mt	106
Total Waste Mined (over the mine life)	BCM (million)	260
Stripping Ratio (Waste: ROM)	BCM:tonnes	2.5
Steelmaking HCC yield	%	21.2
Thermal coal yield	%	17.6
Total Coal Sales - all products	Mt	41.2
Coal Sales 5,500 kcal thermal coal - Export	Mt	18.7
Coal Sales - Steelmaking HCC (Domestic and Export)	Mt	22.5
Steelmaking HCC - Domestic	Mt	11.2
Steelmaking HCC - Export	Mt	11.3

13. Future developments (continued)

The Makhado Project economics are detailed in the table below:

Parameter		**Unit of measure**	**LOM plan**
Construction period		Months	18
Long term ZAR:US$ exchange rate used		ZAR:US$	18.8
Benchmark Prices (real, long term)	Premium HCC price	US$/t	215
	API4 (6,000 kcal) thermal coal price	US$/t	108
Realised Prices (real)	64 Mid Vol HCC (export)	US$/t	193
	64 Mid Vol HCC (domestic)	US$/t	175
	Thermal coal 5,500 kcal	US$/t	29
Fully-allocated Unit Costs (C3)		US$/saleable t	83
Construction Capital		ZAR 'Bn	1.7
Financial Evaluation Outcomes			
Peak Funding Requirements		ZAR 'Bn	1.8
Free cashflow (post tax)		ZAR 'Bn	17.6
Post-tax IRR		%	37
Post-tax NPV(6%)		ZAR ‘Bn	6.8
Post-tax NPV(10%)		ZAR 'Bn	4
Average payback period (years)		Years	3.5

The Makhado NPV is most sensitive to variances in the USD:ZAR exchange rate, steelmaking HCC price and HCC yields. The NPV increases by 45%, 35% and 25%, respectively, when the USD:ZAR Forex rate, HCC price and HCC yields are each increased by 10%. Conversely, the NPV is less sensitive to changes in mining operating costs and product trucking costs. The NPV decreases by 12% and 9% when mining costs and product trucking costs are increased by 10% respectively.

Engineering and operational tenders

Erudite is in the process of completing the detailed designs for the Makhado mine infrastructure and CHPP during FY2023 and also commenced obtaining detailed execution quotes for the construction of the CHPP. This process is expected to be finished in H2 CY2023 and will also cater for the enlarged mining and processing footprint. The Makhado Project will be contractor-operated and the Company has commenced with managed tender processes to select a mining contractor, CHPP operating contractor and the analytical laboratory operator. These processes are expected to be completed in Q4 CY2023. First coal production is expected 18 months from commencement of construction, which is expected during H1 CY2024.

Early works

The Company’s directors approved the commencement of early works of ZAR71.3 million ($3.9 million), ZAR45.0 million ($2.4 million) for long lead items and a further ZAR55 million ($3.0 million) for electricity supply infrastructure.

The various work streams that commenced during the period include, amongst others:

• detailed design, procurement and construction of the power supply overhead transmission line, with construction team mobilised onsite - a critical path activity;
• refurbishment of onsite accommodation to house project construction crews;
• placement of orders for key long-lead time items, including the payment of a deposit of ZAR19.0 million (US$1.0 million);
• mobilisation of contractors for the construction of the main access road, main bridge and civil works for bulk water reticulation; and
• progress with erection of fencing to secure the project site.

13. Future developments (continued)

Vele Aluwani Colliery

The Vele Coal Resource comprises both steelmaking semi-soft coking coal (SSCC) and export quality thermal coal. However, the Vele's CHPP does not have the requisite fines circuits that would allow for the simultaneous production of SSCC and thermal coal. The Company has previously reported that due to the global economic downturn and lower coal prices, the colliery was placed on care and maintenance from August 2013.

The construction of a CHPP at Makhado and improved market conditions created optionality for the potential recommencement of operations at Vele as previous Makhado development strategies incorporated the processing of Makhado crushed and screened ROM coal at Vele. This resulted in the conclusion of a mining and processing outsourcing agreement with Hlalethembeni Outsource Services Proprietary Limited (HOS) and the recommissioning of Vele in December 2022. The recommissioning of the Vele Colliery adds a further cash generating unit to MC Mining's portfolio with limited financial or human capital contributions and by the end of June 2023, had created 333 permanent jobs.

HOS is responsible for all mining and processing costs and the Company remains responsible for the colliery's regulatory compliance, rehabilitation guarantees, relationships with authorities and communities as well as the supply of electricity and water. The construction of the overhead electricity line was completed in April 2023 and the Vele CHPP was connected to the national power grid in May 2023. As a result, the generator at the Vele CHPP will be used as a back-up source of power, with Eskom being the primary source of electricity at the colliery. This satisfies the Company's commitment with regards to electricity infrastructure.

HOS completed the de-watering of the Vele Colliery open cast pit and produced 96,673t (FY2022: nil t) of thermal coal during H2 FY2023. Ramp-up to full production is expected to occur in H2 CY2023 with HOS targeting monthly production of 60,000t of saleable thermal coal from Vele.

Greater Soutpansberg Projects

The exploration and development of MC Mining's three Soutpansberg coalfield projects namely the Chapudi, Mopane and Generaal project areas, is the catalyst for the long-term growth of the Company. The South African Department of Mineral Resources & Energy (DMRE) has granted mining rights for the three project areas comprising the GSP, which collectively contain over 7.0 billion gross tonnes in situ of inferred steelmaking HCC, SSCC and thermal coal resources. The exploration and development of the GSP positions the Company to be a potential long-term domestic and export steelmaking coal supplier. The Company anticipates commencing with the various studies required for the outstanding water and environmental regulatory approvals following the construction of the Makhado Project.

14. Environmental regulations

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation and there has consequently been no breach. The Group is subject to numerous environmental regulations in South Africa, including:

• National Environmental Management Act, 1998 (No. 107 of 1998): Amendment to the Environmental Impact Assessment Regulations 2014;
• National Water Act, 1998 (No.36 of 1998);
• National Heritage Resources Act, 1999 (Act 25 of 1999); and
• National Environmental Management Air Quality Act, 2004 (No. 39 of 2004).

Quarterly meetings are held at the Company's most sensitive site, the Vele Colliery, through the Environmental Management Committee, an independently chaired body to provide oversight and monitor compliance at the Colliery. The membership of the EMC comprises various regulatory authorities and affected stakeholders.

The Board believes that there are adequate systems in place for the management of its environmental impacts but from time to time statutory non-compliances may occur. The Board takes these seriously and continues to monitor compliance.

15. Corporate Governance

The Group recognises the need for the highest standards of corporate behaviour and accountability. The Directors have accordingly followed, where possible, the recommendations set by the ASX Corporate Governance Council. For further information on corporate governance policies adopted by MC Mining, refer to the Company's website.

16. Dividends

No dividend has been paid or proposed for the financial year ended 30 June 2023 (FY2022: nil).

17. Shares under option or issued on exercise of options or performance rights

There are 12,000,000 unissued shares under option as at the date of this report. These Options were issued to the Managing Director and CEO as part of his terms of engagement. 4,000,000 of the Options vested on 30 June 2023 and are convertible to ordinary MC Mining shares at no cost and expire five years after issue.

Details of unissued performance rights granted as at the date of this report are:

	Number of shares under performance rights	Class of shares	Exercise price	Expiry period
Performance rights	2,328,480	Ordinary	Nil	Nov-23
Performance rights	9,183,906	Ordinary	Nil	Jun-25
Total performance rights (as at 30 Jun 2023)	**11,512,386**			
Performance rights (granted in August 2023)*	3,119,632	Ordinary	Nil	Jun-26
Total performance rights (as at the date of this report)	**14,632,018**			

No other shares or interests were issued during or since the end of the financial year as a result of the exercising of options or meeting of performance rights criteria.

*The MC Mining Directors approved the grant of 3,119,632 performance rights during August 2023. These performance rights were granted to conserve cash and are in lieu of a deferred cash bonus. The performance rights will vest in June 2026 if the recipient is an employee of MC Mining. The grant of the performance rights included:

• 1,474,787 to Godfrey Gomwe, Managing Director and CEO, being 50% of his performance bonus and is payable in shares as per Mr Gomwe's employment contract

• 929,628 to key management personnel, to conserve cash, being 30% of the performance bonus:
- 477,831 to Florence Duval (General Manager: Sustainability)
- 451,797 to Stephen Rowse (General Manger: Finance & Administration)

18. Indemnification of officers and auditors

During the financial year, the Company paid a premium of $0.2 million (FY2022: $0.2 million) in respect of a contract insuring the directors of the Company, the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

To the extent permitted by law, the company has agreed to indemnify its auditors, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify the auditor during or since the financial year.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred by such an officer or auditor.

19. Proceedings on behalf of the Company

No persons applied for leave to bring or intervene in proceedings on behalf of the Company during or since the end of the financial year.

20. Non-audit services

No non-audit services were provided during the current financial year. Details of amounts paid or payable to the auditor are outlined in note 24 to the consolidated financial statements.

21. Auditor's independence declaration

The auditor's independence declaration is included on page 29 of these consolidated financial statements.

Directors' Report

22. Directors’ meetings

The following table sets out the number of Directors’ meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, a total of four scheduled and fifteen unscheduled board meetings were held as well as three Nomination and Remuneration Committee, three Safety and Health Committee meetings and three Audit and Risk Committee meetings were held.

	Board Meetings		Audit and Risk Committee Meetings		Nomination and Remuneration Committee Meetings		Safety, Health and Environment Technical Committee Meetings		Social & Ethics Committee Meetings	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
N Nene	8	8	-	-	3	3	-	-	-	-
G Gomwe	8	8	-	-	-	-	-	-	1	1
A Mifflin	8	7	-	-	-	-	5	5	1	1
An Chee Sin	8	6	3	3	-	-	-	-	-	-
J Hoskin[1]	1	1	-	-	-	-	-	-	-	-
J Liu[2]	8	6	-	-	3	3	-	-	1	-
KB Mosehla	8	8	3	3	3	3	-	-	-	-
M Senosi	8	8	-	-	-	-	5	5	1	1
Y He[3]	1	1	-	-	-	-	-	-	-	-
Z He	8	6	-	-	-	-	5	4	1	-

[1] Appointed Independent Non-Executive Director on 10 March 2023.
[2] Resigned as Non-Executive Director on 10 March 2023.
[3] Appointed as Non-Executive Director on 10 March 2023.

23. Remuneration report (audited)

This remuneration report, which forms part of the Directors report, sets out information about the remuneration of MC Mining's Directors and its senior management for the financial year ended 30 June 2023. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director details;
- Remuneration policy;
- Relationship between the remuneration policy and company performance;
- Remuneration of Directors and senior management; and
- Key terms of employment contracts.

The Board is responsible for establishing remuneration packages applicable to the Board members of the Company. The policy adopted by the Board is to ensure that remuneration properly reflects an individual's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest calibre.

Directors' remuneration packages are also assessed in the light of the condition of markets within which the Company operates, the Company's financial condition and the individual's contribution to the achievement of corporate objectives. Executive Directors are remunerated by way of a salary commensurate with their required level of service.

Total remuneration for all Non-Executive Directors, excluding share-based payments, as approved by shareholders, at the December 2010 General Meeting, is not to exceed AUD1,000,000 per annum (USD667,192).

The Board has a Nomination and Remuneration Committee which was made up as follows: Ms He (Chairman), Mr Nene and Mr Mosehla. The Company does not have any scheme relating to retirement benefits for Non-Executive Directors.

24. Director and key management personnel details

The following persons acted as directors of the Company during or since the end of the financial year:

• N Nene	Independent Chairman
• G Gomwe	Managing Director and CEO
• A Chee Sin	Independent Non-Executive Director
• A Mifflin	Independent Non-Executive Director
• K Mosehla	Independent Non-Executive Director
• M Senosi	Non-Executive Director
• Y He[1]	Non-Executive Director
• J Hoskin[2]	Independent Non-Executive Director
• Z He	Non-Executive Director
• J Liu[3]	Non-Executive Director

• FM Duval	General Manager: Sustainability
• SR Rowse	General Manager: Finance and Administration

[1] Appointed Non-Executive Director on 10 March 2023.
[2] Appointed Independent Non-Executive Director on 10 March 2023.
[3] Resigned as Non-Executive Director on 10 March 2023.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Executive Director, FM Duval as General Manager: Sustainability and S Rowse as General Manager: Finance and Administration satisfied the definition of 'key management personnel' during the FY2023 and are separately disclosed in the remuneration report. No further "key management personnel" have been identified which should be disclosed separately.

25. Remuneration policy

The remuneration policy of MC Mining has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group’s financial results. The Board of MC Mining believes the remuneration policy to be appropriate and effective in its ability to attract and retain management personnel to run and manage the Group, as well as create goal congruence between Directors, management and shareholders.

The Board’s policy for determining the nature and amount of remuneration for management personnel of the Group is as follows:

• The remuneration structure is developed by the Nomination and Remuneration Committee and approved by the Board after professional advice is periodically sought from independent external consultants.

• Management personnel receive a base salary (based on factors such as length of service and experience), performance rights and performance incentives.

• Incentives paid in the form of cash and performance rights are intended to align the interests of the Directors, management and the Company with those of the shareholders.

The Nomination and Remuneration Committee reviews senior management personnel packages annually by reference to the Group’s performance, executive performance and comparable information from industry sectors.

The performance of senior management personnel is measured against criteria agreed annually with each executive and bonuses and incentives are linked to predetermined performance criteria. The performance criteria vary and are determined in line with each individual’s performance contract. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, options or performance rights, and can recommend changes to the Nomination and Remuneration Committee’s recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

All remuneration paid to management personnel is valued at the cost to the Company and expensed.

The Board’s policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Board amended the policy with regards to remuneration of shareholder nominee Non-Executive Directors who will receive remuneration in line with Non-Executive Directors. This is effective from March 2023 and the remuneration for the March to June 2023 period was accrued at year-end. The Nomination and Remuneration Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees, excluding share-based payments that can be paid to Non-Executive Directors is AUD1,000,000 (USD667,192).

To assist Directors with independent judgement, it is the Board’s policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chairman for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Options granted do not carry dividend or voting rights. Options are valued using a hybrid single barrier option pricing model. The model incorporates a Monte Carlo simulation, which simulates the Company’s share price at the performance measurement date.

The Company has a shareholder approved performance rights plan (the Plan) to assist in the reward, retention and motivation of eligible employees and to align the interest of eligible employee with the shareholders of the Company. Prior to a performance right being exercised, the performance grants do not carry any dividend or voting rights. Performance rights are granted for no consideration and no exercise price is payable upon exercise of the performance rights.

25. Remuneration policy (continued)

Apart from the special incentive performance rights, the performance rights proposed to be granted are subject to the following vesting conditions:

• The base price of the performance rights will be the 30 day volume weighted average price (VWAP) subject to a hurdle rate based on the South African Consumer Price Index (Hurdle Rate).

• The vesting of performance rights will be assessed annually to determine whether one third of the performance grants are cancelled or earned.

• The vesting of performance rights will be assessed using the volume weighted average price (VWAP) of shares over the 30 days prior to the specific vesting date.

The special incentive performance rights were granted to certain employees of the company in the form of MC Mining shares. The incentive shares vest in full on the hot commissioning of the Vele Colliery plant. If the hot commissioning did not take place before 31 December 2022, the incentive shares would lapse. The hot commissioning of the Vele Plant occured in December 2022, and the vesting conditions were met and 1,602,393 MC Mining ordinary shares were issued on 28 April 2023.

26. Performance-based remuneration

The key performance indicators (KPIs) are set annually, which includes consultation with management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential to position the Group for future expansion and profit, covering financial and non-financial as well as short and long-term goals. Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved.

27. Hedging of Management Remuneration

No member of executive management entered into an arrangement during or since the end of the financial year to limit the risk relating to any element of that person's remuneration.

28. Relationship between remuneration policy and Company performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2023.

	Year ended 30 June 2023 $'000	Year ended 30 June 2022 $'000	Year ended 30 June 2021 $'000	Year ended 30 June 2020 $'000	Year ended 30 June 2019 $'000
Revenue	44,799	23,511	20,702	17,155	26,403
Net loss before tax	4,008	20,719*	12,107	12,850	33,522**
Net loss after tax	4,398	20,835	11,837	12,190	33,726
Share price at start of year	A$0.10	A$0.10	A$0.13	A$0.67	A$0.36
Share price at end of year	A$0.13	A$0.10	A$0.10	A$0.13	A$0.67
Basic and diluted loss per share ($ cents) from continuing operations	1.46	11.41	7.76	8.55	23.72

*includes net impairment expense of $14.9 million
**includes net impairment expense of $23.3 million

29. Remuneration of directors and key management personnel

Details of the nature and amount of each major element of the remuneration of each director are:

	Short term employee benefits			Post-employment benefits		Share-based payments	Total	Share based % of Total
2023	**Salary and fees**	**Bonus**	**Non - monetary benefits**	**Super-annuation**	**Termination benefits**	**Performance rights**		
	$	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Non-Executive Directors								
A Mifflin	42,294	-	-	-	-	140,775	183,069	77%
An Chee Sin	42,558	-	-	-	-	140,775	183,333	77%
KB Mosehla	42,558	-	-	-	-	140,775	183,333	77%
N Nene	66,877	-	-	-	-	140,775	207,652	68%
M Senosi	-	-	-	-	-	140,775	140,775	100%
Y He	-	-	-	-	-	-	-	-
J Hoskin	-	-	-	-	-	-	-	-
Z He	-	-	-	-	-	140,775	140,775	100%
J Liu	-	-	-	-	-	140,775	140,775	100%
Executive Directors								
G Gomwe	250,016	-	-	-	-	662,913	912,930	73%
	444,305	**-**	**-**	**-**	**-**	**1,648,338**	**2,092,643**	**79%**
Key management personnel								
FM Duval	236,264	51,310	-	-	-	57,728	345,302	17%
SR Rowse	240,980	28,155	-	-	-	48,907	318,042	15%
	477,244	**79,465**	**-**	**-**	**-**	**106,635**	**663,344**	16%
	921,549	**79,465**	**-**	**-**	**-**	**1,754,973**	**2,755,987**	**64%**

No director appointed during the period received a payment as part of their consideration for agreeing to hold the position.

FM Duval as General Manager: Sustainability and SR Rowse as General Manager: Finance and Administration were deemed as key management personnel during the 2023 financial year.
Performance rights granted to the Directors following shareholder approval in November 2022, expired in June 2023 and were cancelled on 30 June 2023.

29. Remuneration of directors and key management personnel (continued)

2022	Short term employee benefits: Salary and fees	Short term employee benefits: Bonus	Short term employee benefits: Non - monetary benefits	Post-employment benefits: Super-annuation	Termination benefits	Share-based payments: Performance rights	Total	Share based % of Total
	$	$	$	$	$	$	$	%
Non-Executive Directors								
N Nene[1]	14,060	-	-	-	-	-	14,060	-
A Chee Sin[2] [3]	18,958	-	-	-	-	83,211	102,169	81
A Mifflin[2] [3]	46,405	-	-	-	-	83,211	129,616	64
H Zhen[2]	-	-	-	-	-	83,211	83,211	100
J Liu[2]	-	-	-	-	-	83,211	83,211	100
K Mosehla[2] [3]	49,979	-	-	-	-	83,211	133,190	62
M Senosi	-	-	-	-	-	-	-	-
S Ding	-	-	-	-	-	-	-	-
B Pryor[4]	51,933	-	-	-	-	83,211	135,144	62
Executive Directors								
G Gomwe[5]	67,415	-	-	-	-	-	67,415	-
S Randazzo[6]	407,173	-	-	-	-	405,353	812,526	50
	655,923	**-**	**-**	**-**	**-**	**904,619**	**1,560,542**	**58**

[1] Mr Nene was appointed Non-Executive Director on 11 April 2022 and Chairman on 28 April 2022 and all of Mr Nene's salary and fees were accrued at 30 June 2022.
[2] Performance rights approved by shareholders in December 2021, expired in June 2022 and were cancelled.
[3] All of Mr Chee Sin and Mr Mosehla's salary and fees were accrued at year-end and $10,949 of Mr Mifflin's salary and fees were accrued at 30 June 2022.
[4] Mr Pryor resigned as Chairman on 11 March 2022 and the 1,000,000 Performance rights granted were forfeited.
[5] Mr Gomwe was appointed Non-Executive Director on 11 April 2022 and Managing Director and CEO on 28 April 2022.
[6] Mr Randazzo resigned as Executive Director on 8 April 2022 and Interim CEO on 27 April 2022, was deemed a 'good leaver' and all Performance Rights vested.

No director appointed during the period received a payment as part of his consideration for agreeing to hold the position.

Directors' Report

30. Share-based payments granted as compensation

The following grants of share-based payment compensation to directors and key management personnel relate to the current financial year:

		During the financial year					
Name	Option series	Number granted	Number vested	% of grant vested	Number forfeited	% of grant forfeited	% of compensation for the year consisting of options
Non-Executive Directors							
N Nene	Performance grant	1,000,000	-	-	(1,000,000)	100%	68%
A Chee Sin	Performance grant	1,000,000	-	-	(1,000,000)	100%	77%
A Mifflin	Performance grant	1,000,000	-	-	(1,000,000)	100%	77%
K Mosehla	Performance grant	1,000,000	-	-	(1,000,000)	100%	77%
J Liu	Performance grant	1,000,000	-	-	(1,000,000)	100%	100%
M Senosi	Performance grant	1,000,000	-	-	(1,000,000)	100%	100%
Y He	Performance grant	-	-	-	-	-	-
Z He	Performance grant	1,000,000	-	-	(1,000,000)	100%	100%
J Hoskin	Performance grant	-	-	-	-	-	-
Executive Director							
G Gomwe[1]	Option grant	12,000,000	4,000,000	33%	-	-	73%
		19,000,000	**4,000,000**	**21%**	**(7,000,000)**	**-**	**79%**
Key management personnel							
FM Duval	Performance grant	1,839,905	613,302	33%	-	-	17%
SR Rowse	Performance grant	1,794,304	598,101	33%	-	-	16%
		3,634,209	**1,211,403**	**33%**	**-**	**-**	**16%**
		22,634,209	**5,211,403**	**23%**	**(7,000,000)**	**-**	**64%**

[1] The Board approved the vesting of Mr Gomwe's Options on 30 June 2023. The vesting of the remaining Options remain subject to the satisfaction of the applicable vesting criteria.

30. Share-based payments granted as compensation (continued)

The following grants of share-based payment compensation to directors relate to the previous financial year:

		During the financial year					
Name	**Option series**	**Number granted**	**Number vested**	**% of grant vested**	**Number forfeited**	**% of grant forfeited**	**% of compensation for the year consisting of options**
Non-Executive Directors							
A Chee Sin	Performance grant	1,000,000	-	-	(1,000,000)	100%	0%
A Mifflin	Performance grant	1,000,000	-	-	(1,000,000)	100%	0%
H Zhen	Performance grant	1,000,000	-	-	(1,000,000)	100%	0%
J Liu	Performance grant	1,000,000	-	-	(1,000,000)	100%	0%
K Mosehla	Performance grant	1,000,000	-	-	(1,000,000)	100%	0%
B Pryor	Performance grant	1,000,000	-	-	(1,000,000)	100%	0%
Executive Director							
S Randazzo[1]	Performance grant	4,871,406	4,871,406	100%	-	-	63%
		10,871,406	**4,871,406**	**-**	**(6,000,000)**	**-**	**(241,845)**

[1] The Board approved the vesting of Mr Randazzo’s Performance Rights payments following his resignation on 8 April 2022.

No share-based payment arrangements existed during the prior financial period.

31. Key terms of employment contracts

The Company has entered into formal contractual employment agreements with the CEO who is the Managing Director of the Company. There are no formal contractual employment agreements with any other member of the Board. The employment conditions of the Managing Director and Chief Executive Officer are:

Mr Gomwe was appointed as Non-Executive Director on 11 April 2022 and Managing Director and CEO on 28 April 2022. Mr Gomwe's annual remuneration of ZAR4.9 million ($0.3 million) and has a six-month notice period. Mr Gomwe is also entitled to receive a short-term incentive or bonus of up to 200% of annual salary, subject to meeting performance objectives determined by the Board, with 50% paid in cash and the balance in shares. As a long-term incentive, Mr Gomwe is entitled to receive Performance Rights. The Performance Rights are intended to align the interests of shareholders and management and to conserve cash resources.

During the year Mr Gomwe received 12 million options. The 12 million options vest in three equal tranches on 30 June 2023, 30 June 2024 and 30 June 2025 if the target benchmark share price for that specific tranche is obtained. The target benchmark share prices for the respective dates are ZAR1.89, ZAR3.22 and ZAR4.55 based on the 30-day volume weighted average price on the JSE at the vesting date. The first tranche of 4,000,000 options vested on 30 June 2023.

The employment conditions of the following specified executives have been formalised in employment contracts:

Ms Duval is the General Manager: Sustainability and receives annual remuneration of ZAR5.1 million ($0.3 million). Ms Duval is also entitled to receive a short-term incentive or bonus of up to 150% of annual salary, subject to meeting performance objectives determined by the Board, with 70% paid in cash and the balance in shares. As a long-term incentive, Ms Duval is entitled to receive Performance Rights. The Performance Rights are intended to align the interests of shareholders and management and to conserve cash resources.

During the year Ms Duval received 1.8 million performance rights. The performance rights vest in three equal tranches on 30 June 2023, 30 June 2024 and 30 June 2025 if the target benchmark share price for that specific tranche is obtained. The target benchmark share price for the respective dates is ZAR1.52 based on the 30-day volume weighted average price on the JSE at the vesting date. The first tranche of 613,302 shares vested on 30 June 2023.

Mr Rowse is the General Manager: Finance and Administration and receives annual remuneration of ZAR4.7 million ($0.3 million). Mr Rowse is also entitled to receive a short-term incentive or bonus of up to 150% of annual salary, subject to meeting performance objectives determined by the Board, with 70% paid in cash and the balance in shares. As a long-term incentive, Mr Rowse is entitled to receive Performance Rights. The Performance Rights are intended to align the interests of shareholders and management and to conserve cash resources.

During the year Mr Rowse received 1.8 million performance rights. The performance rights vest in three equal tranches on 30 June 2023, 30 June 2024 and 30 June 2025 if the target benchmark share price for that specific tranche is obtained. The target benchmark share price for the respective dates is ZAR1.52 based on the 30-day volume weighted average price on the JSE at the vesting date. The first tranche of 598,101 shares vested on 30 June 2023.

32. Loans from Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2023.

33. Other Transactions

No other transactions were entered into with any member of Key Management Personnel other than those detailed in this Remuneration Report.

34. Director and key management personnel equity holdings

Option holdings

12,000,000 share options exist as at 30 June 2023. 4,000,000 of these options vested on 30 June 2023 and were granted to the Managing Director and CEO as part of his engagement terms.

	Held at 1 July 2022	Granted as remuneration	Exercised	Expired/Other changes	Held at 30 June 2023
Executive Director					
G Gomwe	-	12,000,000	-	-	12,000,000
	-	**12,000,000**	**-**	**-**	**12,000,000**

The movement during the reporting period in the number of performance grants over ordinary shares potentially vesting before 30 June 2023 subject to performance criteria, held directly, indirectly or beneficially by each director including their personally-related entities, is as follows:

	Held at 1 July 2022	Granted as remuneration	Exercised	Expired/Other changes	Held at 30 June 2023
Non-Executive Directors					
A Mifflin	-	1,000,000	-	(1,000,000)	-
An Chee Sin	-	1,000,000	-	(1,000,000)	-
KB Mosehla	-	1,000,000	-	(1,000,000)	-
N Nene	-	1,000,000	-	(1,000,000)	-
M Senosi	-	1,000,000	-	(1,000,000)	-
Y He	-	-	-	-	-
J Hoskin	-	-	-	-	-
Z He	-	1,000,000	-	(1,000,000)	-
J Liu	-	1,000,000	-	(1,000,000)	-
	-	**7,000,000**	**-**	**(7,000,000)**	**-**
Key management personnel					
FM Duval	1,067,889	1,839,905	(557,688)	-	2,350,106
SR Rowse	531,964	1,794,304	(288,847)	-	2,037,421
	1,599,853	**3,634,209**	**(846,535)**	**-**	**4,387,527**
	1,599,853	**10,634,209**	**(846,535)**	**(7,000,000)**	**4,387,527**

34. Director and key management personnel equity holdings (continued)

The movement during the reporting period in the number of ordinary shares held, directly, indirectly or beneficially by each director including their personally-related entities, is as follows:

	Held at 1 July 2022	Granted as remuneration	On exercise of options	Other changes	Held at 30 June 2023
Non-Executive Directors					
N Nene	-	-	-	-	-
A Chee Sin	-	-	-	-	-
A Mifflin	-	-	-	-	-
Z He	-	-	-	264,845	264,845
J Hoskin	-	-	-	-	-
J Liu	-	-	-	-	-
K Mosehla	-	-	-	-	-
M Senosi	38,363,909	-	-	56,993,546	95,357,455
Y He	10,495,871	-	-	26,434,396	36,930,267
Executive Director					
G Gomwe	-	-	-	-	-
	48,859,780	**-**	**-**	**83,692,787**	**132,552,567**

This marks the end of the remuneration report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s298(2) of the Corporations Act 2001.

Nhlanhla Nene
Chairman
21 September 2023

Godfrey Gomwe
Managing Director and Chief Executive Officer
21 September 2023

Directors' declaration

The directors declare that:

a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

b) in the directors' opinion, the attached consolidated financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1.1 to the consolidated financial statements;

c) in the directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity; and

d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Nhlanhla Nene	**Godfrey Gomwe**
Chairman	Managing Director and Chief Executive Officer
20 September 2023	20 September 2023

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Independent Auditor’s Report to the Members of MC Mining Limited

Report on the audit of the financial report

We have audited the accompanying financial report of MC Mining Limited (“Company”), and its subsidiaries (“Group”), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of MC Mining Limited is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group’s financial position as at 30 June 2023 and of its financial performance for the year then ended; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the 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 and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which describes several matters concerning the Group’s ability to continue as a going concern. The Group’s ability to continue as a going concern is dependent on future debt and equity funding at a level satisfactory to enable ongoing operations and future developments to be completed These circumstances indicate that a material inherent uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the to the matter described in the *Material uncertainty related to going concern* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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Key audit matter	How we addressed the key audit matter
***Impairment of assets** (Notes 3, 5, 6, and 7)*	
At 30 June 2023, the Group's consolidated statement of financial position included $108.3 million in non-current assets, comprising primarily of property, plant and equipment, development assets, and exploration and evaluation assets. At the end of each reporting period, the Group exercises judgement in determining whether there is any indication of impairment of its cash-generating units (CGUs) as disclosed in Note 3 to the financial statements. If any such indicators exist, the Group estimates the recoverable amount of the non-current assets in the relevant CGU. During the 2023 financial year and as at 30 June 2023, the Group assessed there were no impairments required for any CGU. The nature of impairment assessments involves the use of estimates and judgements and the uncertainty associated with these estimates and judgements means that there is a significant chance of a material adjustment to the reported value of the related items in the next financial year and therefore the related items may be realised at amounts that differ from the estimates recorded at 30 June 2023. As a result, we considered the impairment testing and the related disclosures to be a key audit matter.	Our procedures included, but were not limited to: a) Assessed whether the Group's determination of CGUs was in accordance with Australian Accounting Standards. b) Considered the Group's process for identifying and considering external and internal information which may be an indicator of impairment and evaluated the completeness of the factors identified. c) Compared the Group's market capitalisation relative to its net assets. d) Performing analytical procedures and obtaining explanations from management. e) For the each CGU: • Assessed whether the valuation methodology applied by the Group to measure the recoverable amount of the CGU met the requirements of Australian Accounting Standards. • Tested the mathematical accuracy of the impairment model. • Involved our valuation experts to assess the key cashflow forecast assumptions such as commodity price, discount rates, and foreign exchange rates with reference to external observable market data. • Compared future production forecasts in the impairment models to published reserves and resources estimates, and understood the Group's reserve estimation processes, including assessing the qualifications, competence, and objectivity of the Group's internal experts and the scope and appropriateness of their work. • Assessed the operating and capital expenditure included in the impairment model with reference to approved budgets and forecasts and results of the current and previous periods. • Performed sensitivity analysis to evaluate the effect on the CGU's recoverable amount of reasonably possible changes in key forecast assumptions. • Recalculated the carrying amounts of each CGU and compared the carrying amount to the recoverable amount to determine whether any impairment expense was required. • Assessed the adequacy of the disclosures in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the entity to express an opinion on the group financial report. The auditor is responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

mazars

Report on the remuneration report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of MC Mining Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Mazars

MAZARS ASSURANCE PTY LTD
AUTHORISED AUDIT COMPANY: 338599

M. J. Green
Director

Brisbane, 21 September 2023

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Brisbane Qld 4000

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Australia

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Auditor's independence declaration to the Directors of MC Mining Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Mazars Assurance Pty Limited
Authorised Audit Company: 338599

M. J. Green
Director

Brisbane, 21 September 2023

MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2023

Consolidated Statement of Financial Position

Figures in US$ `000	Notes	Group 2023	Group 2022
Assets			
Non-current assets			
Property, plant and equipment	5	34,621	23,475
Right-of-use assets	18	2,322	3,132
Development assets	6	-	17,739
Exploration and evaluation assets	7	65,682	67,839
Intangible assets	8	503	-
Other financial assets	12	5,239	4,599
Restricted cash	13	23	100
Total non-current assets		**108,390**	**116,884**
Current assets			
Inventories	9	4,088	4,445
Trade and other receivables	10	4,458	1,093
Cash and cash equivalents	13	7,499	2,993
Total current assets		**16,045**	**8,531**
Total assets		**124,435**	**125,415**
Equity and liabilities			
Equity			
Issued capital	14	1,069,871	1,045,395
Accumulated loss		(930,676)	(926,245)
Reserves	15	(50,937)	(41,190)
Total equity attributable to owners of the parent		88,258	77,960
Non-controlling interests		(907)	(824)
Total equity		**87,351**	**77,136**
Liabilities			
Non-current liabilities			
Provisions	16	6,035	8,048
Deferred tax liabilities	11	3,648	4,232
Lease liabilities	18	1,932	2,057
Borrowings	19	48	-
Total non-current liabilities		**11,663**	**14,337**
Current liabilities			
Provisions	16	395	203
Trade and other payables	17	7,881	9,307
Current tax liabilities		276	362
Lease liabilities	18	573	885
Borrowings	19	16,296	21,656
Bank overdraft	13	-	1,529
Total current liabilities		**25,421**	**33,942**
Total liabilities		**37,084**	**48,279**
Total equity and liabilities		**124,435**	**125,415**

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Figures in US$ `000	Notes	Group 2023	Group 2022
Revenue	20	44,799	23,511
Cost of sales	21	(41,209)	(20,999)
Gross profit		**3,590**	**2,512**
Other operating income	22	1,568	293
Reversal/(Expected) credit losses	23	284	(331)
Administrative expenses	24	(8,918)	(6,840)
Impairment expense	25	-	(14,851)
Other gains	26	752	63
Loss from operating activities		**(2,724)**	**(19,154)**
Finance income	27	393	147
Finance costs	28	(1,677)	(1,712)
Loss before tax		**(4,008)**	**(20,719)**
Income tax expense	29	(390)	(116)
Loss for the year		**(4,398)**	**(20,835)**
Loss for the year attributable to:			
Owners of Parent		(4,315)	(20,732)
Non-controlling interest		(83)	(103)
		(4,398)	**(20,835)**
Other comprehensive income net of tax			
Components of other comprehensive income that may be reclassified to profit or loss			
Losses on exchange differences on translation		(10,476)	(12,346)
Total Exchange differences on translation		**(10,476)**	**(12,346)**
Comprehensive income attributable to:			
Comprehensive income, attributable to owners of parent		(14,791)	(33,078)
Comprehensive income, attributable to non-controlling interests		(83)	(103)
Total comprehensive income for the year		**(14,874)**	**(33,181)**
Earnings per share attributable to owners of the parent during the year			
Basic earnings per share			
Basic loss per share	31	(1.46)	(11.41)
Total basic loss per share (cents)		**(1.46)**	**(11.41)**
Diluted earnings per share			
Diluted loss per share	31	(1.46)	(11.41)
Total diluted loss per share (cents)		**(1.46)**	**(11.41)**

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

Consolidated Statement of Changes in Equity

Figures in US$ `000	Issued capital	Capital profit reserve	Foreign currency translation reserve	Warrant reserve	Share based payment reserve	Accumulated loss	Attributable to owners of the parent	Non-controlling interests	Total
Balance at 1 July 2021	1,041,884	91	(30,198)	1,177	1,493	(907,202)	107,245	(721)	106,524
Changes in equity									
Loss for the year	-	-	-	-	-	(20,732)	(20,732)	(103)	(20,835)
Other comprehensive income	-	-	(12,346)	-	-	-	(12,346)	-	(12,346)
Total comprehensive income for the year	-	-	(12,346)	-	-	(20,732)	(33,078)	(103)	(33,181)
Issue of equity	3,523	-	-	-	-	-	3,523	-	3,523
Warrants expired	-	-	-	(1,177)	-	1,177	-	-	-
Share issue costs	(12)	-		-	-	-	(12)	-	(12)
Performance grants issued	-	-	-	-	1,186	-	1,186	-	1,186
Performance rights forfeited	-	-	-	-	(7)	-	(7)	-	(7)
Performance rights expired[1]	-	-	-	-	(1,016)	512	(504)	-	(504)
Performance rights vested	-	-	-	-	(393)	-	(393)	-	(393)
Balance at 30 June 2022	**1,045,395**	**91**	**(42,544)**	**-**	**1,263**	**(926,245)**	**77,960**	**(824)**	**77,136**
Balance at 1 July 2022	1,045,395	91	(42,544)	-	1,263	(926,245)	77,960	(824)	77,136
Changes in equity									
Loss for the year	-	-	-	-	-	(4,315)	(4,315)	(83)	(4,398)
Other comprehensive income	-	-	(10,476)	-	-	-	(10,476)	-	(10,476)
Total comprehensive income for the year	-	-	(10,476)	-	-	(4,315)	(14,791)	(83)	(14,874)
Issue of equity	26,173	-	-	-	-	-	26,173	-	26,173
Dividends paid to minority interest in the group	-	-	-	-	-	(116)	(116)	-	(116)
Share issue costs	(1,697)	-	-	-	-	-	(1,697)	-	(1,697)
Performance grants issued	-	-	-	-	1,928	-	1,928	-	1,928
Performance rights vested	-	-	-	-	(217)	-	(217)	-	(217)
Performance rights expired[1]	-	-	-	-	(982)	-	(982)	-	(982)
Balance at 30 June 2023	**1,069,871**	**91**	**(53,020)**	**-**	**1,992**	**(930,676)**	**88,258**	**(907)**	**87,351**
Notes	**14**	**15**	**15**	**15**	**15**				

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

[1] This amount includes the performance incentive which expired in the same financial year in which it was issued, and has been derecognised through profit or loss.

Consolidated Statement of Cash Flows

Figures in US$ `000	Notes	Group 2023	Group 2022
Cash flows from operating activities			
Receipts from customers		48,164	21,174
Payments to suppliers and employees		(51,494)	(23,335)
Net cash flows used in operations	37	**(3,330)**	**(2,161)**
Dividends received		-	48
Interest paid		(145)	(254)
Interest received		389	9
Income taxes paid	38	(452)	-
Net cash used in operating activities		**(3,538)**	**(2,358)**
Cash flows used in investing activities			
Purchase of property, plant and equipment	5	(1,513)	(1,015)
Restricted cash movements		77	-
Investment in development assets	6	(252)	(5)
Investment in exploration assets	7	(6,164)	(134)
Proceeds from the disposal of other financial assets	12	5	4
Purchase of other financial assets	12	(863)	(378)
Cash flows used in investing activities		**(8,710)**	**(1,528)**
Cash flows from financing activities			
Repayment of deferred consideration paid for acquisition of properties		-	(2,670)
Proceeds from issuing shares		22,795	3,511
Share issue costs		(1,697)	-
Dividends paid to minority interest in the group		(116)	-
Proceeds received from borrowings		328	4,927
Repayments of borrowings	19	(1,678)	(644)
Repayments of leases	18	(698)	(864)
Cash flows from financing activities		**18,934**	**4,260**
Net increase in cash and cash equivalents before effect of exchange rate changes		**6,686**	**374**
Effect of exchange rate changes on cash and cash equivalents		(651)	67
Net increase in cash and cash equivalents		**6,035**	**441**
Cash and cash equivalents at beginning of the year		1,464	1,023
Cash and cash equivalents at end of the year	**13**	**7,499**	**1,464**

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

Accounting Policies

1. General information

MC Mining Limited (MC Mining or the Company) is a limited company incorporated in Australia. Its common shares are primary listed on the Australian Securities Exchange plc (ASX), the AIM market of the London Stock Exchange (AIM) and the Johannesburg Securities Exchange's (JSE) secondary market in South Africa. The addresses of its registered office and principal places of business is Suite 8, 7 The Esplanade, Mt Pleasant, Perth, Western Australia 6000.

The principal activities of the Company and its subsidiaries (the Group or the Consolidated Entity) are the acquisition, exploration, development and operation of metallurgical and thermal coal projects in South Africa.

The Group's principal assets and projects include:

- The operating mine, Uitkomst Colliery;
- The Makhado steelmaking HCC project that has been granted a mining right (MR), an integrated water use licence (IWUL) and an environmental authorisation;
- The Vele Aluwani Colliery, a semi soft coking and thermal coal mine; and
- Three exploration and development stage coking and thermal coal projects, namely Chapudi, Generaal and Mopane, all of which have been granted MR's and together form the Greater Soutpansberg Project.

Going Concern

The Group has incurred a net loss after tax for the 12 months ended 30 June 2023 of $4.4 million (30 June 2022: loss of $20.8 million). During the period ended 30 June 2023, net cash outflows from operating activities were $3.5 million (30 June 2022 net outflow: $2.3 million). As at 30 June 2023 the Group had a net current liability position of $9.4 million (30 June 2022: net current liability position of $25.4 million).

During July 2023, the termination/ settlement date of the $8.5 million (ZAR160.0 million) IDC loan facility, excluding accrued interest, was extended to 30 September 2023. The IDC cancelled the July 2019 $13.0 million (ZAR245.0 million) conditional term loan and based on the larger scale and peak funding requirement of the Makhado Project, the Group has subsequently applied for a larger senior debt facility from the IDC. The July 2017 facility was subject to the satisfaction of the outstanding conditions, including the IDC reaffirming its financial due diligence and credit approval.

The Directors have prepared a cash flow forecast for the eighteen-month period ended 31 December 2024, taking into account available facilities, additional debt funding that although not yet concluded is expected to be raised, and expected cash flows to be generated by Uitkomst and the Vele Colliery. On the basis of these equity and debt funding initiatives being successfully implemented, the forecast 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.

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

- Meeting commitments to creditors arising from continuing operations;
- Deferring the settlement of the existing IDC loan (plus accrued interest) to when Makhado is at steady state production as opposed to being payable in September 2023 (refer note 19) and/or converting this facility to equity;
- Continued favourable coal prices and utilisation of cash generated by the Group's collieries;
- Covertible equity funding of $25.0 million;
- Production based funding of $25.0 million and steelmaking HCC inventory prepayment of $15.9 million (ZAR300.0 million);
- Contractor funding including a BOOT arrangement of $8.2 million (ZAR155.0 million) and further construction-based funding; and
- In addition to the above mentioned potential funding sources including the convertible equity, production based funding, steelmaking HCC inventory prepayment facilities, BOOT arrangement and construction based funding referred to above, securing additional composite debt/equity funding required (Additional Funding) to finance the development of the Makhado Project, through either debt or equity.

1. General information (continued)

Going Concern (continued)

The Group is still in negotiations with the IDC on the further deferral of the existing loan repayment. The Company has signed a Memorandum of Agreement with the BOOT funder and has paid a deposit of $1.0 million for long lead-time items.

The Group is exploring and progressing several alternatives to raise the additional funding including, but not limited to:

- The issue of new equity for cash in the Company or its subsidiary that owns the Makhado project;
- Convertible MC Mining equity funding;
- Further debt funding including composite debt/equity instruments;
- Production based funding and inventory prepayment funding facilities;
- Cash generated from the Company's collieries; and
- Further contractor BOOT funding or construction-based funding arrangements.

The conclusion of the debt and equity raise funding initiatives as included in the cash flow forecast and for purposes of obtaining the Additional Funding as outlined above, and renegotiations with the IDC on an extention of the repayment of the current facility, is by its nature an involved process subject to successful negotiations with the external funders and shareholders. In addition, any equity or debt raised is likely to be subject to a due diligence process.

These conditions create a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors are of the opinion that the going concern basis remains appropriate as a result of the following considerations:

- The Group is already in discussions with the IDC on the further deferral of the settlement of the existing loan and the possibility of securing a new facility;
- The Group has a history of successful capital raisings to meet the Group's funding requirements; and
- 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.

Subject to raising the required funding noted above, the development of the Makhado Project is expected to subsequently commence within the twelve months following the signing of these annual financial statements.

Based on the above, the directors are satisfied at the date of signing the annual financial statements that there are reasonable grounds to believe that they will be successful in obtaining the required funding and that the Group will have sufficient funds to meet its obligations as and when they fall due and are of the opinion that the use of the going concern basis remains appropriate.

These consolidated annual financial statements do not give effect to adjustments that would be necessary to the carrying value and classification of assets and liabilities, should the Group be unable to continue as a going concern. Such adjustments could be material.

Accounting Policies

1. General information (continued)

Basis of presentation

1.1 Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Company. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Directors on 20 September 2023.

1.2 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

All amounts are presented in United States dollars, and rounded to nearest thousand unless otherwise noted.

1.3 Fair value measurement

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or fair value less costs to disposal in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

• Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

• Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

• Level 3 inputs are unobservable inputs for the asset or liability.

Accounting Policies

2. Accounting policies

2.1 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

A list of controlled entities is contained in note 40 to the consolidated financial statements.

All inter-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

2.2 Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency which is South African Rand and/or Australian Dollar). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United States dollars (‘$’), which is the presentation currency for the consolidated financial statements.

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange ruling at the reporting date. All differences are recognised in the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment in the foreign operation.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into United States dollars using the spot rate of exchange ruling at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity in the foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or loss of joint control over a jointly controlled entity that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

2.3 Exploration and evaluation expenditure

(i) Pre-licence costs

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

(ii) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

(i) Researching and analysing historical exploration data
(ii) Gathering exploration data through geophysical studies
(iii) Exploratory drilling and sampling
(iv) Determining and examining the volume and grade of the resource
(v) Surveying transportation and infrastructure requirements
(vi) Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group conclude that a future economic benefit is more likely than not to be realised.

Capitalised expenditure includes costs directly related to exploration and evaluation activities in the relevant area of interest, including materials and fuel used, surveying costs, drilling costs and payments made to contractors. General and administrative costs are allocated to an exploration or evaluation area of interest and capitalised as an asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest.

Exploration and evaluation assets acquired in a business combination are initially recognised at fair value, including resources and exploration potential that are valued beyond proven and probable reserves. Similarly, the costs associated with acquiring an exploration and evaluation asset (that does not represent a business) are also capitalised. They are subsequently measured at cost less accumulated impairment.

All capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied, and assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.9.

Exploration and evaluation expenditure that has been capitalised is reclassified to development assets when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Prior to such reclassification, exploration and evaluation expenditure capitalised is tested for impairment.

2.4 Development assets

Development expenditure incurred by the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure. No depreciation is recognised in respect of development assets.

Development assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.9.

A development asset is transferred as a 'mining property' at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management. Immediately prior to such transfer, development assets are tested for impairment.

2.5 Property, plant and equipment - Mining property, plant and equipment

Mining property includes expenditure that has been incurred through the exploration and development phases, and, in addition, further development expenditure that is incurred in respect of a mining property after the commencement of production, provided that, in all instances, it is probable that additional future economic benefits associated with the expenditure will flow to the Group. Otherwise such expenditure is classified as cost of sales.

Mining property includes plant and equipment associated with the mining property.

When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

Depreciation on plant and equipment included within mining property is computed on a straight-line basis over ten years. Depreciation on other components such as processing plants of mining property, is charged using the units-of-production method, with separate calculations being made for each area of interest. The units-of-production basis results in a depreciation charge proportional to the depletion of proved and probable and unclassified reserves.

Mining property is assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.9.

2.6 Property, plant and equipment – Mining Rights

Mining rights are classified as property, plant and equipment on commencement of commercial production. Depreciation is charged using the units-of-production method. The units-of-production basis results in a depreciation charge proportional to the depletion of proved and probable and unclassified reserves.

Mining rights are assessed for impairment if facts and circumstances indicate that an impairment may exist. Refer to note 2.9 - Impairment of tangible and intangible assets.

2.7 Property, plant and equipment (excluding development assets, mining property and mining rights)

Freehold land is stated at cost and is not depreciated.

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where items of property, plant and equipment contain components that have different useful lives to the main item of plant and equipment, these are capitalised separately to the plant and equipment to which the component can be logically assigned.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Depreciation is recognised so as to write off the cost of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.7 Property, plant and equipment (excluding development assets, mining property and mining rights) (continued)

The annual depreciation rates applicable to each category of property, plant and equipment are as follows:

Furniture, fittings and office equipment	13% - 50%
Buildings	5% - 20%
Plant and equipment	10% - 50%
Motor vehicles	20% – 33%
Other assets	17% - 33%
Leasehold improvements	Shorter of lease term and useful lives

2.8 Intangible assets

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the Group and the cost can be reliably measured. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised on a straight-line basis over their estimated useful lives based on the unit of production method. The amortisation method used and the estimated remaining useful lives are reviewed at least annually.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Intangible assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.9.

2.9 Impairment of tangible and intangible assets

The carrying amounts of the Group's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing fair value less costs of disposal, the estimated future cash flows were discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted due to a market price not being available.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.10 Leasing

At inception of a contract, the group assessed whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group uses the definition of a lease in AASB 16.

As a lessee

The group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Refer to note 2.9

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company’s incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group’s estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (below $5,000) and short-term leases.

The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Cost is determined by using the weighted-average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity.

Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.12 Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of AASB 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets

- Amortised cost
- Fair Value Through Profit or Loss

Financial liabilities

- Amortised cost

Financial assets at amortised cost

The following financial assets are classified as financial assets subsequently measured at amortised cost:

- Trade and other receivables
- Cash and cash equivalents
- Deposits included as part of other financial assets
- Restricted cash

Classification

Assets are classified in this category because the contractual terms give rise, on specific dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and it is the Group's business model to collect the contractual cash flows on these assets.

Measurement

Financial assets at amortised cost are recognised when the Group becomes a party to the contractual provisions of the asset. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at the transaction price. These financial assets are subsequently measured at amortised cost. All other financial assets are initially measured at fair value less transaction costs. The amortised cost is the amount recognised on the financial asset, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method, of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

2.12 Financial instruments (continued)

Effective interest rate

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or (where appropriate) a shorter period, to the amortised cost of a financial instrument.

Interest income is calculated using the effective interest method, and is included in profit or loss in finance income.

The application of the effective interest method to calculate interest income on a receivable is dependent on the credit risk of the receivable as follows:

• The effective interest rate is applied to the gross carrying amount of the financial asset, provided it is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.

• If a financial asset was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the financial asset in the determination of interest. If, in subsequent periods, the financial asset is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

When a financial asset is denominated in a foreign currency, the carrying amount of the financial asset is determined in the foreign currency. The carrying amount is then translated to using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other gains.

Impairment

The Group assesses on a forward-looking basis the Expected Credit Losses (ECLs) associated with its financial assets carried at amortised cost. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). Refer to note 9 for further details.

Expected credit loss allowances are measured on either of the following bases:

• the ECL on all other financial instruments (with the exception of trade receivables) is measured at the 12-month ECL, unless there has been a significant increase in credit risk; and

• lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group considers a financial asset to be in default when financial assets are past due 90 days or more. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Financial assets at Fair Value Through Profit or Loss

The following financial assets are classified at Fair Value Through Profit or Loss:

• Equity securities in investment funds included in other financial assets

2.12 Financial instruments (continued)

Classification

Investments held by the Group as equity securities in investment funds are classified as financial assets and subsequently measured at fair value through profit or loss. Assets are classified in this category because the Group does not hold these investments solely to collect payments of principal and interest on the principal outstanding, and the Group manages these investments based on their fair value.

Measurement

Financial assets at Fair Value Through Profit or Loss are recognised when the Group becomes a party to the contractual provisions of the investment. These financial assets are recognised initially at fair value. These financial assets are subsequently re-measured at fair value with all gains or losses recognised directly in profit or loss.

Financial liabilities at amortised cost

Classification

The following financial liabilities are classified as financial liabilities subsequently measured at amortised cost:
- Bank overdraft
- Borrowings
- Lease liabilities
- Trade and other payables

Measurement

Liabilities at amortised cost are recognised when the Group becomes a party to the contractual provisions of the liability. The liabilities are initially measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost using the effective interest method.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs.

When financial liabilities are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the presentation currency using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset/liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Trade receivables

The group makes use of a simplified approach as a practical expedient to the determination of expected credit losses on trade receivables. The group applies the AASB 9 simplified approach to measure expected credit losses, which uses a lifetime expected credit loss allowance, for trade receivables. Trade receivables that are more than 30 days past-due are assessed to have an increase in credit risk. The simplified approach is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

2.12 Financial instruments (continued)

Trade receivables (continued)

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade receivables through use of a loss allowance account. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due date. The movement in expected credit losses are disclosed separately on the consolidated statement of profit and loss and other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits. Cash and cash equivalents are accounted for at amortised cost.

Restricted cash comprise cash balances which are encumbered and the Group does therefore not have unrestricted access to these funds.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The increase in provisions due to the passage of time is included in the finance cost line item in the consolidated statement of profit or loss and other comprehensive income.

Rehabilitation provision

A provision for rehabilitation is recognised when there is a present obligation as a result of exploration, development or production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably.

The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas.

The provision for future rehabilitation costs is the best estimate of the present value of the expenditure required to settle the rehabilitation obligation at the reporting date, based on current legal and other requirements and technology. Future rehabilitation costs are reviewed annually and any changes in the estimate are reflected in the present value of the rehabilitation provision at each reporting date.

2.13 Provisions (continued)

Rehabilitation provision (continued)

The initial estimate of the rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and depreciated or amortised on the same basis as the related asset. Changes in the estimate of the provision are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset in property, plant and equipment.

2.14 Taxation

The income tax expense or income for the period represents the sum of the tax currently payable or recoverable and deferred tax.

Current taxation

The tax currently payable or recoverable is based on taxable profit or loss for the year. Taxable profit or loss differs from profit or loss as reported in the consolidated statement of profit or loss and other comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date in countries where the Group operates and generates taxable income.

Deferred taxation

Deferred taxation is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit or loss. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if a taxable temporary difference arises from the initial recognition of goodwill or any temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax balances are calculated using the tax rates that are expected to apply to the reporting period or periods when the temporary difference reverse, based on tax rates and tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.15 Revenue from contracts with customers

Revenue is recognised at the transaction price the Group expects to be entitled to net of the amount of applicable sales tax.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over coal sold to a customer at a point in time, which is generally indicated as follows:

- The Group has a present right to payment for the coal sold
- The customer has legal title to the coal sold
- The Group has transferred physical possession of the coal sold
- The customer has the significant risks and rewards of ownership of the coal sold
- The customer has accepted the coal sold

No discounts are provided for coal sales.

The Group exports coal FOB (Free On Board) or FOT (Free On Truck) depending on the contractual terms. Delivery of the saleable coal to the contractor shall take place as saleable coal is deposited at an area designated by the Group as stockpiles.

There are no remaining performance obligations (unsatisfied or partially unsatisfied) based on the terms of the contracts requiring disclosure.

The Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised goods to the customer and when the customer pays for that goods will be one year or less.

2.16 Share-based payments

Equity-settled

Equity-settled share-based payments to employees are measured at the fair value or the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on the straight-line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest with a corresponding increase in equity. At the end of each reporting period, the group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate with a corresponding adjustment to the equity-settled share-based payment reserve.

Equity-settled share-based payment transactions with employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

2.17 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Short term employee benefits are expensed as the related service is provided.

2.18 Segment information

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's executive committee.

Management has determined the reportable segments of the Group based on the reports reviewed by the Company's executive committee that are used to make strategic decisions. The Group has two reportable segments in the current year: Exploration and Mining (2022: Exploration, Development and Mining) (see note 32).

3. Critical accounting estimates and key judgements

Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The primary areas in which estimates and judgements are applied are discussed below.

Asset carrying values and impairment charges

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using fair value less cost of disposal calculations, which incorporate various key assumptions. Key assumptions include future coal prices, future operating costs, discount rates, foreign exchange rates and coal reserves.

Exploration and evaluation assets

Determining the recoverability of exploration and evaluation expenditure capitalised requires judgement and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. The Group applies the principles of AASB 6 and recognises exploration and evaluation assets when the rights of tenure of the area of interest are current, and the exploration and evaluation expenditures incurred are expected to be recouped through successful development and exploitation of the area. If, after having capitalised the expenditure under the Group's accounting policy, a judgment is made that recovery of the carrying amount is unlikely, an impairment loss is recorded in profit or loss.

Development expenditure

Development activities commence after the commercial viability and technical feasibility of the project is established. Judgment is applied by management in determining when a project is commercially viable and technically feasible. Any judgements may change as new information becomes available. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the appropriate amount will be written off to profit or loss.

The Company considers the following items as pre-requisites prior to concluding on commercial viability:

- All requisite regulatory approvals from government departments in South Africa have been received and are not subject to realistic legal challenges;
- The Company has the necessary funding to engage in the construction and development of the project as well as general working capital until the project is cash generative;
- A Joint Ore Reserve Committee (JORC) compliant resource proving the quantity and quality of the project as well as a detailed Mine Plan reflecting that the colliery can be developed and will deliver the required return hurdle rates;
- The Company has secured off-take and/or logistics agreements for a significant portion of the product produced by the mine and the pricing has been agreed; and
- The Company has the appropriate skills and resources to develop and operate the project.

3. Critical accounting estimates and key judgements (continued)

Impairment assessment

Long-term mining assets forming part of board-approved projects are valued based on estimates of future discounted cash flows (DCFs) of the latest board-approved business forecasts regarding production volumes, costs of production, capital expenditure, coal prices and market forecasts for foreign exchange rates. The discount rate is a risk adjusted discount rate, taking into account specific risks relating to the Cash Generating Unit (CGU) where cash flows have not been adjusted for the risk. This methodology is typically applied to CGUs classified as Property, Plant and Equipment as well as Exploration and Evaluation assets (e.g. Uitkomst and Vele Colliery).

Coal resources outside approved mine plans are valued based on an in situ resource multiple based value. Comparable market transactions are used as a source of evidence. This methodology is typically applied to CGUs classified as Property, Plant and Equipment and Exploration and Evaluation assets (e.g. Greater Soutpansberg Project, Makhado Project). For Exploration and Evaluation projects that are at an advanced stage of evaluation and conditionally approved by the Board (e.g. Makhado Project), DCFs are also used and validated by in situ resource multiple based values.

The key financial assumptions used in the current year's impairment calculations are:

Hard coking coal (HCC) price (real US$ per ton)	$215	(i)
Thermal coal price (real US$ per ton)	$108	(ii)
Rand/US$ exchange rate	18.8	(iii)
Real discount rates	8.23% - 12.80%	(iv)
In situ resource multiple valuation range (Rand per tonne)	ZAR1 to ZAR5	(v)

(i) Estimated with reference to the short-term future quotes for hard coking coal free-on-board Australia. Management's models considered a HCC price range of between $210 per tonne and $248 per tonne, with a base case of $215 per tonne.

(ii) Estimated with reference to the forward curve for API4 thermal coal free-on-board Richards Bay. Management's models considered a real long-term thermal coal price range of between $123 per tonne and $126 per tonne, with a base case of $126 per tonne.

(iii) Estimated with reference to the prevailing exchange rates and consensus outlooks. Management's models considered a Rand vs US Dollar exchange rate range of between R18.54 and R20.47 with a base case of R18.54.

(iv) Pre-tax real discount rates that reflect management's assessments of market conditions and risks specific to the various projects. Management's models considered between 12.62% and 12.80% for established and producing projects and 8.23% for future projects.

(v) Based on historic thermal and premium coal transactions in South Africa a weighted range of between R3 and R6 per gross tonne in situ was determined reasonable for the Group's impairment assessment purposes. The carrying values of the Group's exploration and evaluation projects were comfortably supported within this range after adjusting for project risk factors.

3. Critical accounting estimates and key judgements (continued)

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	N/A	123	
	-5%	N/A	N/A	(61)	(i)
Long-term thermal prices	+7.5%	N/A	N/A	38	
	-7.5%	N/A	(18)	(38)	(ii)
Long-term exchange rate	+6%	N/A	N/A	96	
	-3%	N/A	N/A	(48)	(iii)
Discount rate	+1%	-	-	(3)	(iv)
	-1%	-	-	3	

(i) Keeping all other inputs constant, this sensitivity scenario would not result in an impairment charge for the Makhado Project. Should the long-term HCC price decrease by 23%, an impairment will be recognised for the Makhado Project.

(ii) Keeping all other inputs constant, this results in a $11.0 million impairment in the Vele Colliery with no impairment charge to the Makhado Project. Should the long-term thermal coal price decrease by 55%, an impairment will be recognised for the Makhado Project.

(iii) Keeping all other inputs constant, this sensitivity scenario would not result in an impairment charge for the Makhado Project. Should the long-term exchange rate decrease by 18%, an impairment will be recognised for the Makhado Project.

(iv) Keeping all other inputs constant, this sensitivity scenario would result in no impairment charges for the Uitkomst Colliery, Vele Colliery or the Makhado Project. An impairment will be recognised should the discount rate increase by 19% for Makhado, 7% for Uitkomst and 6% for Vele.

The key financial assumptions used in the prior year's impairment calculations were:

Hard coking coal (HCC) price (real US$ per ton)	$212	(i)
Thermal coal price (real US$ per ton)	$155	(ii)
Rand/US$ exchange rate	15.80	(iii)
Real discount rates	12.1% - 13.34%	(iv)
In situ resource multiple valuation range (SA Rand per ton)	ZAR4 - ZAR8	(v)

(i) Estimated with reference to the short-term future quotes for hard coking coal free-on-board Australia. Management's models considered a HCC price range of between $191 per tonne and $240 per tonne, with a base case of $220 per tonne.

(ii) Estimated with reference to the forward curve for API4 thermal coal free-on-board Richards Bay. Management's models considered a real long-term thermal coal price range of between $140 per tonne and $170 per tonne, with a base case of $155 per tonne.

(iii) Estimated with reference to the prevailing exchange rates and consensus outlooks. Management's models considered a Rand vs US Dollar exchange rate range of between R15.33 and R16.75 with a base case of R15.80.

(iv) Pre-tax real discount rates that reflect management's assessments of market conditions and risks specific to the various projects. Management's models considered between 16% and 17% for established and producing projects and between 17% and 19% for developing and future projects, with a base case of 12.1% for established and producing projects and between 13% and 14% for developing and future projects.

3. Critical accounting estimates and key judgements (continued)

(v) Based on historic thermal and premium coal transactions in South Africa a weighted range of between R3 and R8 per gross tonne in situ was determined reasonable for the Group's impairment assessment purposes. The carrying values of the Group's exploration and evaluation projects were comfortably supported within this range after adjusting for project risk factors.

Sensitivity analysis for DCF calculations (prior year)

Sensitivity	Change	Effect on estimated recoverable amount US$ million			
		Uitkomst Colliery	Vele Colliery	Makhado Project	
Long-term HCC prices	+10%	N/A	11	39	
	-5%	N/A	(5)	(19)	(i)
Long-term thermal prices	+7.5%	13	22	22	(ii)
	-7.5%	(13)	(22)	22	
Long-term exchange rate	+6%	9	24	40	
	-3%	(3)	(12)	(20)	(iii)
Discount rate	+1%	(1)	(6)	(12)	(iv)
	-1%	2	7	13	

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

(ii) Keeping all other inputs constant, this sensitivity scenario would result in an impairment charges of $10.4 million for the Uitkomst Colliery and no impairment charges for the Vele Colliery or the Makhado Project. However, Uitkomst will re-assess its marketing strategy if API4 prices reduced significantly.

(iii) Keeping all other inputs constant, this sensitivity scenario would result in an impairment charge of $0.6 million for the Uitkomst Colliery, with no impairment charges for the Vele Colliery or the Makhado Project.

(iv) Keeping all other inputs constant, this sensitivity scenario would result in no impairment charges for the Uitkomst Colliery, Vele Colliery or the Makhado Project.

Coal reserves

Economically recoverable coal reserves relate to the estimated quantity of coal in an area of interest that can be expected to be profitably extracted, processed and sold.

The Group determines and reports coal reserves under the Australasian Code of Reporting of Mineral Resources and Ore Reserves (the 'JORC Code'). This includes estimates and assumptions in relation to geological, technical and economic factors, including: quantities, grades, production techniques, recovery rates, production costs, transport costs, exchange rates and expected coal demand and prices.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations and mining operations conducted, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected due to changes in estimated future cash flows; and
- depreciation and amortisation charges may change where such charges are determined on the units of production basis, or where the useful economic lives of assets change.

3. Critical accounting estimates and key judgements (continued)

Rehabilitation and restoration provisions

Certain estimates and assumptions are required to be made in determining the cost of rehabilitation and restoration of the areas disturbed during mining activities and the cost of dismantling of mining infrastructure. The amount the Group is expected to incur to settle its future obligations includes estimates regarding:

- the future expected costs of rehabilitation, restoration and dismantling;
- the expected timing of the cash flows and the expected life of mine (which is based on coal reserves noted above);
- the application of relevant environmental legislation; and
- the appropriate rate at which to discount the liability.

Changes in the estimates and assumptions used could have a material impact on the carrying value of the rehabilitation provision and related asset. The provision is reviewed at each reporting date and updated based on the best available estimates and assumptions at that time. The carrying amount of the rehabilitation provision is set out in note 16.

Taxation

The group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the consolidated statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes and operating costs. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the consolidated statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to profit or loss.

Estimating the incremental borrowing rate

The group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR, therefore, reflects what the group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific judgements estimates.

3. Critical accounting estimates and key judgements (continued)

Residual value and useful life of property, plant and equipment

The group depreciates its assets over their estimated useful lives, as more fully described in the accounting policies for property, plant and equipment.

The estimation of useful lives of assets are based on historical performance as well as expectations about future use and therefore require a significant degree of judgement to be applied by management. Judgement is applied by management in determining the residual values for property, plant and equipment. When determining the residual value for property, plant and equipment, the following factors are taken into account:

- External residual value information (if available); and
- Internal technical assessments for specialised mining equipment.

4. New accounting standards and interpretations

Standards and interpretations adopted in the current year

The Group has adopted all new and revised standards issued by the International Accounting Standards Board that are relevant and effective for accounting periods beginning on or after 1 July 2022, as listed below:

Standard	Amendment	Title
AASB 2020-3 Amendments to AASB 116	Amendment	Property, Plant and Equipment: Proceeds before Intended Use
AASB 2020-3 Amendments to AASB 137	Amendment	Onerous Contracts – Cost of Fulfilling a Contract

AASB 2020-3 Amendments to AASB 116 – Property, Plant and Equipment: Proceeds before Intended Use

The amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

The Group has reviewed the amendment and the principles have already been applied before adoption. The amendment therefore does not have a significant impact on the Group.

AASB 2020-3 Amendments to AASB 137 – Onerous Contracts – Cost of Fulfilling a Contract

The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The Group has reviewed the amendment and concluded that it does not have a significant impact on the Group.

4. New accounting standards and interpretations (continued)

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that apply to the group's accounting period beginning on 1 July 2023 or later periods, but have not been early adopted by the group. The standards, amendments and interpretations that are relevant to the group is:

Standard(s) Amendment(s) Interpretation(s)	Nature of the change	Salient features of the changes	Effective date*
AASB 2021-2 Amendments to AASB 108 – Definition of Accounting Estimates	Amendment	The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged. The impact of the amendment has been determined to not be material as these principles are already applied.	1-Jul-23
AASB 2020-1 Amendments to AASs – Classification of Liabilities as Current or Non-current	Amendment	Amendment: Classification of Liabilities as Current or Non-current: • Classification to be based on whether the right to defer settlement by at least twelve months exists at the end of the reporting period; • Classification is unaffected by expectation of settlement; • Settlement refers to transfer of cash equity instruments, other assets or services; and • That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The impact of the amendment has been determined to not be material as these principles are already applied.	1-Jul-23
AASB 2022-6 Amendments to AASs – Non-current Liabilities with Covenants	Amendment	A consequence of the first amendment is that a liability would be classified as current if its repayment conditions failed their test at reporting date, despite those conditions only becoming effective in the 12 months after the end of the reporting period. In response to this possible outcome, the AASB has issued AASB 2022-6 Amendments to AASs - Non-current Liabilities with Covenants in December 2022: • Clarifying that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. • Adding presentation and disclosure requirements for non-current liabilities subject to compliance with future covenants within the next 12 months. • Clarifying specific situations in which an entity does not have a right to defer settlement for at least 12 months after the reporting date. The impact of the amendment has been determined to not be material as the Group doesn't have any covenants.	1-Jul-24

4. New accounting standards and interpretations (continued)

Standards, interpretations and amendments to published standards that are not yet effective

Standard(s) Amendment(s) Interpretation(s)	Nature of the change	Salient features of the changes	Effective date*
AASB 2021-5 Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Amendment	The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and opposite temporary differences – e.g. leases and provisions. For lease liabilities and provisions, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The amendments also apply to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognised as assets at the beginning of the earliest comparative period presented. The group accounts for deferred tax on leases and provisions applying the 'integrally linked' approach, resulting in a similar outcome to the amendments and as a result there will be no impact on the Group.	1-Jul-23

**Effective date refers to annual period beginning on or after the said date.*

Figures in US$ `000

5. Property, plant and equipment

	Land and buildings	Leasehold improvements	Mining property, plant and equipment	Motor vehicles	Mining rights	Other	Total
Reconciliation for the year ended 30 June 2023 - Group							
Balance at 1 July 2022							
At cost	8,020	77	7,386	1,058	16,194	1,330	**34,065**
Accumulated depreciation	(1,617)	(77)	(2,665)	(788)	(4,268)	(1,175)	**(10,590)**
Carrying amount	**6,403**	**-**	**4,721**	**270**	**11,926**	**155**	**23,475**
Movements for the year ended 30 June 2023							
Additions	110	7	696	458	-	242	**1,513**
Transfer from development assets (note 6)	651	-	16,325	-	-	-	**16,976**
Transfer from right-of-use assets (note 18)	-	-	571	-	-	-	**571**
- Cost	-	-	1,016	-	-	-	**1,016**
- Accumulated depreciation	-	-	(445)	-	-	-	**(445)**
Depreciation	(236)	-	(658)	(122)	(283)	(74)	**(1,373)**
Rehabilitation asset	-	-	(1,760)	-	-	-	**(1,760)**
Exchange differences relating to:	(908)	-	(2,194)	(53)	(1,592)	(28)	**(4,775)**
- Cost	(1,130)	(6)	(2,648)	(165)	(2,156)	(148)	**(6,253)**
- Accumulated depreciation	222	6	454	112	564	120	**1,478**
Disposals	(3)	-	-	-	-	(3)	**(6)**
- Cost	(99)	(66)	-	(12)	-	(766)	**(943)**
- Accumulated depreciation	96	66	-	12	-	763	**937**
Property, plant and equipment at the end of the year	**6,017**	**7**	**17,701**	**553**	**10,051**	**292**	**34,621**
Closing balance at 30 June 2023							
At cost	7,552	12	21,025	1,339	14,038	658	**44,624**
Accumulated depreciation	(1,535)	(5)	(3,324)	(786)	(3,987)	(366)	**(10,003)**
Carrying amount	**6,017**	**7**	**17,701**	**553**	**10,051**	**292**	**34,621**

Notes to the Consolidated Financial Statements

Figures in US$ `000

Reconciliation for the year ended 30 June 2022 - Group	Land and buildings	Leasehold improvements	Mining property, plant and equipment	Motor vehicles	Mining rights	Other	Total
Balance at 1 July 2021							
At cost	8,681	117	7,618	1,052	18,481	1,599	**37,548**
Accumulated depreciation	(1,585)	(117)	(2,259)	(801)	(3,842)	(1,574)	**(10,178)**
Carrying amount	**7,096**	**-**	**5,359**	**251**	**14,639**	**25**	**27,370**
Movements for the year ended 30 June 2022							
Additions	435	-	318	131	-	170	**1,054**
Depreciation	(237)		(674)	(75)	(968)	(29)	**(1,983)**
Rehabilitation asset	-	-	502	-	-	-	**502**
Exchange differences relating to:	(891)	-	(784)	(37)	(1,745)	(11)	**(3,468)**
- Cost	(1,096)	(40)	(1,053)	(126)	(2,287)	(440)	**(5,042)**
- Accumulated depreciation	205	40	269	89	542	429	**1,574**
Disposals	-	-	-	-	-	-	**-**
Property, plant and equipment at the end of the year	**6,403**	**-**	**4,721**	**270**	**11,926**	**155**	**23,475**
Closing balance at 30 June 2022							
At cost	8,020	77	7,386	1,058	16,194	1,330	**34,065**
Accumulated depreciation	(1,617)	(77)	(2,665)	(788)	(4,268)	(1,175)	**(10,590)**
Carrying amount	**6,403**	**-**	**4,721**	**270**	**11,926**	**155**	**23,475**

No impairment charge was required for property, plant and equipment during the 2023 and 2022 financial years.

Other assets consist of office, computer equipment, furniture and fittings.

Figures in US$ `000	Group 2023	Group 2022

6. Development assets

Balances at year end and movements for the year

Reconciliation for the year

Balance at the beginning of the year	17,739	19,055
Movements for the year		
Additions	252	5
Transfers to property, plant and equipment (note 5)	(16,976)	-
Transfers to intangible assets (note 8)	(594)	-
Movement in Rehabilitation asset	271	1,115
Foreign exchange differences	(692)	(2,436)
Development assets at the end of the year	**-**	**17,739**

The Vele Colliery was recommissioned in December 2022 and as a result, the Vele 'Development Asset' was reclassified as a 'Production Asset'.

7. Exploration and evaluation assets

7.1 Reconciliation of changes in exploration and evaluation assets

	Exploration and evaluation assets	Total
Reconciliation for the year ended 30 June 2023 - Group		
Balance at 1 July 2022		
At cost	82,689	**82,689**
Accumulated impairment losses	(14,850)	**(14,850)**
Carrying amount	**67,839**	**67,839**
Movements for the year ended 30 June 2023		
Additions	6,164	**6,164**
Decrease through net exchange differences	(8,228)	**(8,228)**
Movement in rehabilitation asset	(93)	**(93)**
Exploration and evaluation assets at the end of the year	**65,682**	**65,682**
Closing balance at 30 June 2023		
At cost	78,556	**78,556**
Accumulated impairment losses	(12,874)	**(12,874)**
Carrying amount	**65,682**	**65,682**

An assessment was performed for the 2023 financial year and no impairment was recognised for the year ended 30 June 2023.

Figures in US$ `000

7. Exploration and evaluation assets (continued)

7.1 Reconciliation of changes in exploration and evaluation assets

Reconciliation for the year ended 30 June 2022 - Group	Exploration and evaluation assets	Total
Balance at 1 July 2021		
At cost	93,467	**93,467**
Accumulated impairment losses	-	**-**
Carrying amount	**93,467**	**93,467**
Movements for the year ended 30 June 2022		
Additions	134	**134**
Decrease through net exchange differences	(10,999)	**(10,999)**
Movement in rehabilitation asset	88	**88**
Impairment loss recognised in profit or loss	(14,851)	**(14,851)**
Exploration and evaluation assets at the end of the year	**67,839**	**67,839**
Closing balance at 30 June 2022		
At cost	82,689	**82,689**
Accumulated impairment losses	(14,850)	**(14,850)**
Carrying amount	**67,839**	**67,839**

The Company impaired various exploration assets during FY2022 that it does not expect to develop in the foreseeable future. The charge for FY2022 included:

- $4.3 million relating to Exploration assets situated to the west of the Vele Colliery that have a low probability of being developed;
- The impairment of historical exploration costs of $0.2 million incurred on prospecting rights to the east of the Makhado Project that expired; and
- An impairment expense of $10.3 million for specific prospects that form part of the GSP that MC Mining with uncertainty over their development in the foreseeable future, but the MRs remain intact.

An assessment was performed for the 2023 financial year and no impairment was recognised for the year ended 30 June 2023.

Notes to the Consolidated Financial Statements

Figures in US$ `000	Group 2023	Group 2022

8. Intangible assets

Reconciliation of changes in intangible assets

	Biodiversity asset	Total
Reconciliation for the year ended 30 June 2023 - Group		
Balance at 1 July 2022		
At cost	-	**-**
Accumulated amortisation and impairment losses	-	**-**
Carrying amount	**-**	**-**
Movements for the year ended 30 June 2023		
Transfer of biodiversity asset from development assets (Note 6)	594	594
Decrease through net exchange differences	(57)	(57)
Amortisation	(34)	(34)
Biological assets at the end of the year	**503**	**503**
Closing balance at 30 June 2023		
At cost	536	**536**
Accumulated amortisation and impairment losses	(33)	**(33)**
Carrying amount	**503**	**503**

The biodiversity asset relates to the asset capitalised as part of the biodiversity offset provision as disclosed in note 16 to the financial statements. The biodiversity offset agreement provides the Group to right to mine as per the mining right.

9. Inventories

Inventories comprise:

	Group 2023	Group 2022
Consumable stores	512	580
Finished goods	3,595	3,910
Other	-	8
Provision for obsolete inventory	(19)	(53)
	4,088	**4,445**

The cost of inventories recognised as an expense during the year was $10 million (2022 expense: $3.8 million).

Figures in US$ `000	Group 2023	Group 2022

10. Trade and other receivables

Trade and other receivables comprise:

Trade receivables	3,888	941
Expected credit loss allowances	(311)	(616)
Trade receivables - net balance	3,577	325
Other receivables	675	768
Value added tax - Non-financial asset	206	-
	4,458	**1,093**

The carrying amount of trade and other receivables approximate their fair value due to their short-term maturity.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as disclosed above.

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due. In order to mitigate the risk of financial loss from defaults, the Group only deals with reputable customers with consistent payment histories. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Customer credit limits are in place and are reviewed on a regular basis. The exposure to credit risk and the creditworthiness of customers are continuously monitored.

A loss allowance is considered for all trade receivables, in accordance with AASB 9 Financial Instruments, and is monitored at the end of each reporting period. The Group measures the possible loss allowance for trade receivables by applying the simplified approach which is prescribed by AASB 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses (ECLs) on trade receivables. To measure the ECLs, trade receivables are grouped based on shared credit risk characteristics and the days past due to identify non-performing receivables. In addition, forward-looking macro-economic conditions and factors are considered when determining the ECLs for trade receivables, namely trading conditions in the regional coal user markets, as well as economic growth and inflationary outlook in the short-term. Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 30 days past due. Based on the year-end ECL assessment performed, a provision of $0.3 million (FY2022: $0.6 million) was required at the end of the financial year.

The majority of trade receivables at the end of the current and previous financial year are denominated in South African Rand.

11. Deferred tax

11.1 The analysis of deferred tax assets and deferred tax liabilities is as follows:

Deferred tax liability	(3,648)	(4,232)
Net deferred tax liabilities	**(3,648)**	**(4,232)**

The deferred tax balances at year-end are represented by:

Provision	536	893
Balance at end of year	**536**	**893**
Capital allowances on property plant and equipment	(4,184)	(5,082)
Prepayments	-	(43)
Balance at end of year	**(4,184)**	**(5,125)**

Notes to the Consolidated Financial Statements

Figures in US$ `000	Group 2023	Group 2022

11. Deferred tax (continued)

11.2 Reconciliation of deferred tax movements

Group	Deferred tax	Total
Opening balance at 1 July 2022	(4,232)	**(4,232)**
Provisions	(261)	**(261)**
Capital allowances	(1,299)	**(1,299)**
Prepayments	37	**37**
Right-of-use asset	155	**155**
Foreign Exchange	1,952	**1,952**
Closing balance at 30 June 2023	**(3,648)**	(3,648)
Opening balance at 1 July 2021	(4,669)	**(4,669)**
Provisions	388	**388**
Capital allowances	(2,219)	**(2,219)**
Prior year adjustment	(46)	**(46)**
Foreign Exchange	2,314	**2,314**
Closing balance at 30 June 2022	**(4,232)**	(4,232)

Deferred income tax assets are recognised for tax losses carried-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of $21.8 million (2022: $21.5 million) in respect of losses amounting to $4.2 million (2022: $4.5 million) and unredeemed capital expenditure of $54.1 million (2022: $21.5 million) that can be carried forward against future taxable income.

12. Other financial assets

12.1 Other financial assets incorporates the following balances:

Equity securities in investment funds*	5,191	4,580
Deposits**	48	19
	5,239	4,599

Fair value movements in other financial assets are recognised in other (losses)/gains in the consolidated statement of profit or loss. Refer to note 26.

* Included in this investments are unit trust investments where the underlying funds invest in equity instruments and money market instruments, both local and foreign.

** Deposits are classified as financial assets at amortised cost.

The equity securities in investment funds are for the rehabilitation provisions and Eskom payment and infrastructure guarantees.

Notes to the Consolidated Financial Statements

Figures in US$ `000	Group 2023	Group 2022

12. Other financial assets (continued)

12.2 Movements in other financial assets

	Group 2023	Group 2022
At the beginning of the year	4,599	4,708
Revaluations	467	71
Interest received	3	131
Disposal of investment	(5)	(4)
Acquisition of investments	863	378
Foreign exchange differences	(688)	(685)
At the end of the year	**5,239**	**4,599**

13. Cash and cash equivalents

Cash and cash equivalents consist of:

	Group 2023	Group 2022
Balances with banks	7,499	2,993
Bank overdrafts	-	(1,529)
	7,499	**1,464**
Restricted cash	23	100
	23	**100**

The bank overdraft relates to an ABSA facility that was secured during the 2020 financial year, from ABSA Bank for $1.3 million (ZAR 24.9 million). The facility is for short-term working capital requirements and potential expansion opportunities. It has a floating coupon at the South African Prime rate (currently 9.75% per annum) plus 3.0%, with the operating mine, Uitkomst Colliery, trade receivables and a notarial bond over immovable assets ceded as security. The facility is subject to annual review.

Credit risk

Cash at bank earns interest at a floating rate based on daily bank deposit rates. Cash is deposited at highly reputable financial institutions of a high quality credit standing within Australia and the Republic of South Africa.

The fair value of cash and cash equivalents approximates to the values as disclosed in this note.

Figures in US$ `000	Group 2023	Group 2022

14. Issued capital

14.1 Authorised and issued share capital

	Group 2023	Group 2022
Issued		
399,665,202 (2022: 197,654,870) fully paid ordinary shares	1,069,871	1,045,395
Share reconciliation		
Shares outstanding - beginning of the period	197,654,870	154,419,555
Issued during the year	202,010,332	43,235,315
Shares outstanding - closing	**399,665,202**	**197,654,870**

14.2 Additional disclosures

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings.

In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Share options granted

Share options granted under the Company's share option plan and performance rights granted in terms of the Company's performance right scheme plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are provided in note 30.

15. Reserves

15.1 Classification of reserves

	Group 2023	Group 2022
Capital profit reserves	91	91
Share based payment reserve	1,992	1,263
Foreign currency translation reverse	(53,020)	(42,544)
Total reserves	**(50,937)**	**(41,190)**

15.2 Detailed analysis of reserves

	Capital profit reserve	Foreign currency translation reserve	Share based payment reserve	Total
2023				
Opening balance	91	(42,544)	1,263	(41,190)
Performance grants issued	-	-	1,928	1,928
Performance rights exercised	-	-	(217)	(217)
Performance rights expired	-	-	(982)	(982)
Exchange differences on translating foreign operations	-	(10,476)	-	(10,476)
Total reserves for the year	91	(53,020)	1,992	(50,937)

Figures in US$ `000	Group 2023	Group 2022

15. Reserves (continued)

15.2 Detailed analysis of reserves (continued)

	Capital profit reserve	Foreign currency translation reserve	Share based payment reserve	Warrant reserve	Total
2022					
Opening balance	91	(30,198)	1,493	1,177	(27,437)
Performance grants issued	-	-	1,186	-	1,186
Performance rights forfeited	-	-	(7)	-	(7)
Shares vested	-	-	(393)	-	(393)
Exchange differences on translating foreign operations	-	(12,346)	-	-	(12,346)
Performance rights expired	-	-	(1,016)	-	(1,016)
Warrants expired	-	-	-	(1,177)	(1,177)
Total reserves for the year	91	(42,544)	1,263	-	(41,190)

15.3 Nature and purpose of reserves

Capital reserve

The capital profits reserve contains capital profits derived during previous financial years.

Share-based payment reserve

Share based payment reserve represent the value of unexercised share options and performance rights to directors and employees. It also includes a share based payment reserve in Uitkomst Colliery issued in terms of Black Economic Empowerment (Financial Reporting Pronouncement) charges which is a requirement in South Africa.

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of operations into presentation currency.

Warrants reserve

The warrants reserve relates to the warrants issued to the IDC in terms of the Loan Agreement to advance funding to Baobab. Refer note 19.

16. Provisions

16.1 Provisions comprise:

	Group 2023	Group 2022
Provisions for employee benefits	395	203
Other provisions	6,035	8,048
	6,430	**8,251**
Other provisions	6,035	8,048
Non-current portion	**6,035**	**8,048**
Provisions for employee benefits	395	203
Current portion	**395**	**203**
	6,430	**8,251**

Figures in US$ `000

16. Provisions (continued)

16.2 Other provisions

	Biodiversity offset provision	Rehabilitation provision	Total
Balance at 1 July 2022	**2,191**	**5,857**	**8,048**
Unwinding of discount (Refer to note 28)	123	575	698
Change in assumptions on rehabilitation provisions	-	(1,698)	(1,698)
Foreign Exchange	(299)	(714)	(1,013)
Balance at 30 June 2023	**2,015**	**4,020**	**6,035**
Balance at 1 July 2021	**2,357**	**4,332**	**6,689**
Unwinding of discount (Refer to note 28)	135	402	537
Change in assumptions on rehabilitation provisions*	-	1,257	1,257
Foreign Exchange	(301)	(688)	(989)
Additions	-	554	554
Balance at 30 June 2022	**2,191**	**5,857**	**8,048**

*The change in assumptions regarding rehabilitation provisions was allocated as follows: $1.7 million (2022: $0.5 million) to property, plant, and equipment (Note 5), $0.3 million (2022:$1.1 million) to Development assets (Note 6), $0.1 million (2022: $0.09 million) to Exploration and evaluation assets (Note 7), with the remaining portion recognised in profit or loss.

16.3 Details of other provisions

Biodiversity offset provision

The Biodiversity offset agreement (BOA) was signed by the Department of Environmental Affairs (DEA), South African National Parks Board and the Company to the value of $3,4 million (ZAR55 million) over a 25 year period. The BOA commits the Company to pay $3.4 million (ZAR55 million) to the South African National Parks Board over a period of 25 years. The following payment arrangement has been agreed:

Phase 1 – ZAR2 million paid in 2015
Phase 2 – ZAR15 million from year 2016 to 2021 (*ZAR2.5 million annually)
Phase 3 – ZAR13 million from year 2022 to 2028 (*ZAR1.8 million annually)
Phase 4 – ZAR13 million from 2029 to 2033 (*ZAR2.6 million annually)
Phase 5 – ZAR12 million from 2034 to 2038 (*ZAR2.4 million annually)

*For the purpose of the present value calculation, these payments per phase have been estimated as annual payments and discounted at a rate of 6%.

Rehabilitation provision

The rehabilitation provision represents the current cost of environmental liabilities as at the respective year end. An annual estimate of the quantum of closure costs is necessary in order to fulfil the requirements of the DMRE, as well as meeting specific closure objectives outlined in the mine's Environmental Management Programme (EMP).

Although the ultimate amount of the obligation is uncertain, the fair value of the obligation is based on information that is currently available. This estimate includes costs for the removal of all-current mine infrastructure and the rehabilitation of all disturbed areas to a condition as described in the EMP.

The period assumed in the calculation of the present value of the obligation is the shorter of the remaining period of the mining license and the aggregate of the construction period of the mine and the total estimated LOM.

Figures in US$ `000	Group 2023	Group 2022

16. Provisions (continued)

The current estimate available is inflated by the long-term South African inflation rate of 5.40% annually and the discount rates applied to establish the current obligations are the annual 10 year South Africa government bond rate at 30 June 2023 of 10.54% (2022: 10.50%) for the provision raised during the 2023 year.

Due to the changes in assumptions the Vele Colliery, the Makhado Project and Uitkomst Colliery had a decrease in the present value of the environmental obligation during 2023. The GSP is still in Exploration phase and no formal decision to mine is currently in place.

17. Trade and other payables

Trade and other payables comprise:

	Group 2023	Group 2022
Trade creditors	3,433	2,788
Accrued liabilities	2,616	4,233
Other payables	1,832	2,286
Total trade and other payables	**7,881**	**9,307**

The average credit period is 30 days.

18. Lease liabilities

The Group has leases for buildings, vehicles and underground mining equipment. The rolling five-year facility is subject to a floating coupon at the South African prime rate (currently 11.75% (2022:8.25%) per annum) plus 0.5% to 2.75% and is secured by the mining equipment purchased.

18.1 Lease liabilities comprise:

	Group 2023	Group 2022
Lease obligation	2,505	2,942
Non-current liabilities	1,932	2,057
Current liabilities	573	885
	2,505	**2,942**
The movement in the lease liabilities is as follows:		
Balance at beginning of the year	2,942	2,412
Modification*	332	1,339
Additions	678	119
Interest	295	281
Repayments	(698)	(864)
Terminations	(281)	-
Transfer to borrowings	(381)	-
Foreign exchange differences	(382)	(345)
Balance at end of year	**2,505**	**2,942**
The maturity of the Group's undiscounted lease payments is as follows:		
Not later than one year	644	885
Later than one year and not later than five years	2,141	2,707
Later than five years	1,052	332
	3,837	3,924
Less future finance charges	(1,332)	(982)
Present value of minimum lease payments	**2,505**	**2,942**

*Relates to a change in the interest rate and/or lease term.

Notes to the Consolidated Financial Statements

Figures in US$ `000	Group 2023	Group 2022

18. Lease liabilities (continued)

18.2 Amounts recognised in the consolidated statement of financial position

The Group leases various assets including land, buildings, plant and machinery and vehicles.

Right-of-use assets		
Land	462	89
Buildings	639	149
Machinery	299	1,144
Motor vehicles	922	1,750
	2,322	**3,132**

The movement in the right-of-use assets is as follows:		
Balance at beginning of the year	3,132	2,588
Additions	678	119
Transfers to property, plant and equipment (Note 5)	(571)	-
Depreciation	(618)	(637)
Modification	272	1,462
Disposal	(238)	-
Foreign exchange differences	(333)	(400)
Balance at end of the year	**2,322**	**3,132**

18.2 Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

Depreciation		
Buildings	135	11
Machinery	193	214
Motor vehicles	282	387
Other expenses and gains		
Interest expense	295	281
Short term lease expenses	71	167

19. Borrowings

19.1 Borrowings comprise:

Pan African Resources Management Services (Pty) Ltd	-	270
Industrial Development Corporation of South Africa Limited	16,190	16,796
Dendocept (Pty) Ltd	-	3,368
Senosi Group Investment Holdings (Pty) Ltd	-	1,222
ABSA Instalment sale agreements	154	-
	16,344	**21,656**

Balance at beginning of the year	21,656	19,482
Loans acquired during the year	328	7,953
Transfer to share capital	(3,378)	(3,024)
Repayments	(1,678)	(644)
Reallocation of interest previously disclosed as part of accruals	1,228	-
Interest accrued	539	537
Transferred from leases	381	-
Foreign exchange differences	(2,732)	(2,648)
Balance at end of year	**16,344**	**21,656**

Figures in US$ `000	Group 2023	Group 2022

19. Borrowings (continued)

Non-current portion of borrowings	48	-
Current portion of borrowings	16,296	21,656
	16,344	**21,656**

19.2 Additional disclosures

Senosi Group Investment Holdings (Pty) Ltd (SGIH)

The ZAR 20.0 million ($1.2 million) loan from SGIH and outstanding interest was repaid in two tranches during September 2022 (ZAR10.5 million) and December 2022 (ZAR10.2 million).

Industrial Development Corporation of South Africa Limited

The IDC has provided longstanding financial support for the development of the Makhado Project and in March 2017 granted MC Mining a facility of which ZAR160.0 million ($8.5 million) was drawn to progress Makhado to its fully-permitted status and to partially fund the acquisition of the surface rights over the project area and to further develop the project. The Company is required to repay the loan amount plus an amount equal to the after tax internal rate of return equal to 16% (Pre-tax rate of 22,22%) of the amount of each advance. This resulted in IDC becoming a 6.7% shareholder in MC Mining subsidiary, Baobab, the owner of the Makhado Project. The IDC has extended the date for repayment date for the ZAR160.0 million ($8.5 million) (plus accrued interest) to 30 September 2023. If the outstanding loan is not repaid, the IDC can convert the outstanding balance to equity in Baobab or MC Mining and will include the addition of a 10% premium to the outstanding loan balance. The conversion into MC Mining equity will be based on a 10% discount to the 30-day weighted average price. The conversion of the IDC loan would result in the IDC being a significant shareholder in either Baobab or MC Mining.

The additional facility of the conditional July 2019 R245 million ($13 million) for the development of the fully permitted Makhado steelmaking HCC project remained subject to the IDC confirming its due diligence and credit approval and in July 2023 the Company was informed that this facility had not been extended.

The warrants for the second draw down of ZAR40 million ($2.1 million) of the ZAR160 million ($8.5 million) facility, equate to 0.833% of the entire share capital of MC Mining as at 1 October 2020, and it is not known if or precisely when these warrants will be issued. Furthermore, upon each advance, Baobab is required to issue new ordinary shares in Baobab to the IDC equivalent to 5% of the entire issued share capital of Baobab if the drawdown was ZAR120.0 million ($6.4 million). Following the total drawdowns of ZAR160.0 million ($8.5 million) , the IDC is a 6.7% shareholder in Baobab.

Pan African Resources Management Services (Pty) Ltd

As part of the acquisition of the underground mining equipment and liabilities of Khethekile, the Group assumed a loan of $1.1 million (ZAR21.0 million) from Pan African Resources Management Services (Pty) Ltd (PARMS). The loan bears interest at the South African Prime rate plus two percent and is compounded monthly. It is repayable in 48 monthly instalments of approximately $0.1 million (ZAR1.0 million) per month. As at 30 June 2023 the loan was fully repaid.

Dendocept (Pty) Ltd

The ZAR60 million (US$3.4 million) owing to Dendocept (Pty) Ltd in terms of Standby Loan Facility, was settled as part of the Rights Issue that took place in November 2022, where shares in the Company were issued to Dendocept to settle the loan.

Figures in US$ `000	Group 2023	Group 2022

20. Revenue

Revenue consists of the sale of coal by the Uitkomst Colliery and Vele Colliery.

20.1 Revenue comprises:

Sale of coal	44,799	23,511
Total revenue	**44,799**	**23,511**

20.2 Disaggregation of revenue from contracts with customers

	Sale of coal	Total
Revenue per geographical region		
2023 - South Africa	44,799	**44,799**
Revenue per geographical region		
2022 - South Africa	23,511	**23,511**

21. Cost of sales

Cost of sales comprise:		
Employee costs	8,686	9,161
Security	283	311
Inventory	10,094	(3,820)
Underground mining	2,872	4,657
Human Resources	1,406	1,105
Training	26	204
Wash plant	331	337
Administration	1,486	1,974
Environmental	99	177
Logistics	6,939	858
Commission	1,156	-
Utilities	762	877
Engineering	4,419	2,186
Safety	327	308
Depreciation	1,919	2,511
Royalties	404	153
Total cost of sales	**41,209**	**20,999**

22. Other operating income

Other operating income comprises:

Rental income	363	-
Scrap sales	14	22
Sundry income	1,191	271
Total other operating income	**1,568**	**293**

23. (Reversal)/Expected credit losses

(Reversal)/Expected credit losses on trade receivables	(284)	331

The $0.3 million in the current year relates to a reversal of expected credit losses, and the expected credit loss amounting to $0.3 million relates to expected credit losses on trade receivables in the 2022 year. Refer to note 10 for further detail.

Figures in US$ `000	Group 2023	Group 2022

24. Administrative expenses

Administrative expenses comprise:

Employee expense	4,260	2,698
Professional fees	504	1,082
Legal expenses	110	256
Other overheads	3,926	2,718
Depreciation	118	86
Total administrative expenses	**8,918**	**6,840**

Included in administrative expenses is auditors' remuneration as follows:

Remuneration for audit and review of the financial report:

Mazars - South Africa	97	113
Mazars - Australia	49	43
	146	**156**

25. Impairment expense

The net impairment expense includes

Impairment of assets	-	14,851

The impairment of assets in the 2022 year arose mianly from the impairment of identified areas of the GSP and Vele prospecting rights amounting to $14.9 million. Refer to note 7 for further detail.

26. Other gains

Other gains comprise:

Foreign exchange (loss)/gain		
- Unrealised	(44)	(103)
- Realised	377	(26)
Revaluation of investments	368	71
Other	51	121
Total other gains and (losses)	**752**	**63**

27. Finance income

Finance income comprises:

Interest income	393	147

28. Finance costs

Finance costs included in profit or loss:

Interest on borrowings	539	638
Unwinding of discount from provisions	698	537
Interest on leases	296	281
Interest paid on bank and third parties	144	256
Total finance costs	**1,677**	**1,712**

Figures in US$ `000	Group 2023	Group 2022

29. Income tax expense

29.1 Income tax recognised in profit or loss:

Current tax		
Current year	412	-
Deferred tax		
Current year deferred tax	(22)	116
Total income tax expense	**390**	**116**

The Group's effective tax rate for the year was 9.7% (2022: 0.6%). The tax rate used for the 2023 and 2022 reconciliations below is the corporate tax rate of 30% for Australian companies.

29.2 The income tax for the year can be reconciled to the accounting loss as follows:

Loss before tax from operations	(4,008)	(20,719)
Income tax calculated at 30.0%	(1,202)	(6,216)
Tax effect of		
- Expenses that are not deductible for tax purposes	2,984	2,325
- Differences in tax rates	365	87
- Income not taxable	(424)	(660)
- Other temporary differences not recognised	(935)	4,531
- Other	-	(150)
- Prior year adjustments	(398)	199
Tax charge	**390**	**116**

Figures in US$ `000

30. Share-based payments

Employee share option plan

The Group maintains certain Employee Share Option Plans ('ESOP's') for executives and senior employees of the Group as per the rules approved by shareholders on 30 November 2009. In accordance with the terms of the schemes, eligible executives and senior employees may be granted options to purchase ordinary shares.

There were no share-based payments existing at 30 June 2023.

Performance Rights Plan

The Performance Rights factor in a hurdle rate based on the compound annual growth rate of total shareholder return across the period from the grant date. The Performance Rights were valued using a hybrid employee share option pricing model to simulate the total shareholder return of MC Mining at the expiry date using a Monte-Carlo model.

2019 Performance rights

On 22 November 2019, 1,143,660 performance rights were issued to senior management. The number of rights are split into three tranches. The market based vesting conditions are to be measured over the one-year period from 22 November 2019 to 21 November 2020 for Tranche 1, the two-year period from 22 November 2019 to 21 November 2021 for Tranche 2 and the three-year period from 22 November 2019 to 21 November 2022 for Tranche 3. Tranche 1 and Tranche 2 did not attain and the performance criteria were cancelled.

Inputs into the model were as follows:

	Tranche 1	**Tranche 2**	**Tranche 3**
Number of rights	381,220	381,220	381,220
22 November 2019 closing price	ZAR3.20	ZAR3.68	ZAR3.93
Exercise price	Nil	Nil	Nil
Vesting date	21-Nov-20	21-Nov-21	21-Nov-22
Performance period (years)	1	2	3
Risk free interest rate	7.42%	7.42%	7.42%

381,220 (Tranche 1) of Performance Rights issued on 22 November 2019 expired on 21 November 2020.
381,220 (Tranche 2) of Performance Rights issued on 22 November 2019 expired on 21 November 2021.
381,220 (Tranche 3) of Performance Rights issued on 22 November 2019 have vested and 381,220 MC Mining Limited ordinary shares were issued on 3 April 2023.

Figures in US$ `000

30. Share-based payments (continued)

2020 Performance rights

On 20 November 2020, 3,492,720 performance rights were issued to senior management. The number of rights are split between three tranches. The market based vesting conditions are to be measured over the one-year period from 20 November 2020 to 19 November 2021 for Tranche 1, the two-year period from 20 November 2020 to 19 November 2020 for Tranche 2 and the three-year period from 20 November 2020 to 19 November 2023 for Tranche 3. Tranche 1 performance rights did not vest and were cancelled.

Inputs into the model were as follows:

	Tranche 1	**Tranche 2**	**Tranche 3**
Number of rights	1,164,240	1,164,240	1,164,240
19 November 2020 closing price	ZAR2.20	ZAR2.20	ZAR2.20
Exercise price	Nil	Nil	Nil
Vesting date	19-Nov-21	19-Nov-22	19-Nov-23
Performance period (years)	1	2	3
Risk free interest rate	6.94%	6.94%	6.94%

1,164,240 (Tranche 1) of Performance Rights issued on 20 November 2020 expired on 19 November 2021.
1,164,240 (Tranche 2) of Performance Rights issued on 20 November 2020 vested on 19 November 2022.

Special incentive performance rights

On 24 September 2020, 1,602,393 Performance Rights were issued to senior management as a special incentive. These were 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 December 2022, the Incentive Shares would lapse. A directors' resolution was passed on 22 March 2022 to extend the expiry date of the special incentive to 31 December 2022. The hot commissioning of the Vele Plant has taken place in December 2022, and the vesting conditions were met. Following this, 1,602,393 MC Mining Limited ordinary shares were issued on 3 April 2023.

Inputs into the model were as follows:

	Performance rights
24 September 2020 closing price	ZAR1.47
Exercise price	Nil
Vesting date	31-Mar-22
Risk free interest rate	6.94%
Expiry date per directors resolution	31-Dec-22

2022 Performance rights

On 1 July 2022, 9,183,906 performance rights were issued to senior management. The number of rights are split between three equal tranches. The market based vesting conditions are to be measured over the one-year period from 1 July 2022 to 30 June 2023 for Tranche 1, the two-year period from 1 July 2022 to 30 June 2024 for Tranche 2 and the three-year period from 1 July 2022 to 30 June 2025 for Tranche 3.

Figures in US$ `000

30. Share-based payments (continued)

2022 Performance rights (continued)

Inputs into the model were as follows:

	Tranche 1	Tranche 2	Tranche 3
Number of rights	3,061,302	3,061,302	3,061,302
11 July 2022 closing price	ZAR1.10	ZAR1.10	ZAR1.10
Exercise price	Nil	Nil	Nil
Vesting date	30-Jun-23	30-Jun-24	30-Jun-25
Performance period (years)	1	2	3
Risk free interest rate	7.52%	7.52%	8.17%

3,061,302 (Tranche 1) of Performance Rights issued on 1 July 2022 vested on 30 June 2023 and the issue of the ordinary shares is subject to South African exchange control approval.

2022 Options (Executive Director)

On 24 October 2022, 12,000,000 options were issued to the Executive Director. The number of options are split between three tranches. The market based vesting conditions are to be measured over the period from 24 October 2022 to 30 June 2023 for Tranche 1, the two-year period from 24 October 2022 to 30 June 2024 for Tranche 2 and the three-year period from 24 October 2022 to 30 June 2025 for Tranche 3.

Inputs into the model were as follows:

	Tranche 1	Tranche 2	Tranche 3
Number of rights	4,000,000	4,000,000	4,000,000
24 October 2022 closing price	ZAR2.50	ZAR2.50	ZAR2.50
Exercise price	Nil	Nil	Nil
Vesting date	30-Jun-23	30-Jun-24	30-Jun-25
Performance period (years)	0.68	1.68	2.68
Risk free interest rate	9.41%	9.41%	9.41%

4,000,000 (Tranche 1) of Options issued on 24 October 2022 vested on 30 June 2023.

2022 Performance rights (Non-Executive Directors)

On 24 October 2022, 7,000,000 performance rights were issued to Non-Executive Directors conditional upon the Makhado Project being fully funded by 30 June 2023. The number of rights in one tranches. The vesting conditions were to be measured over the period from 24 October 2022 to 30 June 2023.

Inputs into the model were as follows:

	Tranche 1
Number of rights	7,000,000
24 October 2022 closing price	ZAR2.50
Exercise price	Nil
Vesting date	30-Jun-23
Performance period (years)	0.68
Risk free interest rate	9.41%

7,000,000 (Tranche 1) of Performance Rights issued on 24 October 2022 expired on 30 June 2023 as the vesting criteria were not satisfied.

The total share based payment expense recognised in relation to the Performance Rights in the current financial year is $0.95 million (FY2022: $0.1 million).

Notes to the Consolidated Financial Statements

Figures in US$ `000	Group 2023	Group 2022

30.1 Share-based payments (continued)

Movement in performance rights

Performance rights outstanding at beginning of the year	4,312,092	8,183,422
Performance rights expired	(7,000,000)	(6,545,459)
Performance rights forfeited	-	(3,325,871)
Performance rights granted	16,183,906	10,871,406
Performance rights shares issued	(1,983,612)	(4,871,406)
Outstanding at the end of the period	**11,512,386**	**4,312,092**

Movement in options

Options outstanding at beginning of the year	-	-
Options granted	12,000,000	-
Outstanding at the end of the period	**12,000,000**	**-**

31. Earnings per share

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Basic loss per share (cents)	1.46	11.41
Loss for the year attributable to owners of the company	(4,315)	(20,732)
Earnings used in the calculation of basic earnings per share	**(4,315)**	**(20,732)**
Weighted number of ordinary shares	**'000**	**'000**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	296,483	181,698

Diluted earnings per share

Diluted loss per share is calculated by dividing 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 diluted ordinary share that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Headline earnings per share (in line with JSE requirements)

The calculation of headline loss per share at 30 June 2023 was based on the headline loss attributable to ordinary equity holders of the Company of $4.3 million (2022: $5.9 million) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2023 of 296,483,154 (2022:181,697,943)

The earnings and weighted average number of ordinary shares used in the calculation of headline earnings per share are as follows:

Loss for the year attributable to owners of the company	(4,315)	(20,732)
Impairment expense (refer note 25)	-	14,851
Earnings used in the calculation of headline earnings per share	**(4,315)**	**(5,881)**
Total headline earnings per share (cents)	**(1.46)**	**(3.24)**

Figures in US$ `000

32. Segment information

32.1 General information

The accounting policies of the reportable segments are the same as those described in note 2, accounting policies.

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.

In order to reconcile the segment results with the consolidated statement of profit or loss and other comprehensive income, corporate results should be taken into account (as per the reconciliation noted).

32.2 Segments

	Exploration	Mining	Total
Year ended 30 June 2023			
Revenue	-	44,799	**44,799**
Cost of sales	(127)	(40,939)	**(41,066)**
Gross profit	**(127)**	**3,860**	**3,733**
Other income	-	690	**690**
Reversal of credit losses	-	284	**284**
Other operating (losses)/gains	3	60	**63**
Administrative expenses	(843)	(1,715)	**(2,558)**
Operating (loss)/profit	**(967)**	**3,179**	**2,212**
Interest income	264	63	**327**
Finance costs	(528)	(1,067)	**(1,595)**
Loss before tax	**(1,231)**	**2,175**	**944**
Income tax charge	-	(390)	**(390)**
Segment net (loss)/ profit after tax	**(1,231)**	**1,785**	**554**

The development segment is not applicable for the current year as the Vele Colliery, a SSCC and thermal coal mine, was recommissioned in late December 2022 and reclassified for segment reporting purposes under mining.

Segment assets	38,110	42,321	80,431
Items included in the Group's measure of segment assets			
- Addition to non-current assets	6,434	2,451	8,885
Segment liabilities	(20,055)	(15,417)	(35,472)

Figures in US$ `000	Group 2023	Group 2022

32. Segment information (continued)

32.2 Segments (continued)

Year ended 30 June 2022	Exploration	Development	Mining	Total
Revenue	-	-	23,511	**23,511**
Cost of sales	-	-	(20,996)	**(20,996)**
Gross profit	**-**	**-**	**2,515**	**2,515**
Other income	-	47	174	**221**
Expected credit losses	-	-	(331)	**(331)**
Other operating (losses)/gains	(6)	(2)	122	**114**
Net Impairment expense	(10,530)	-	-	**(10,530)**
Administrative expenses	(876)	(666)	(349)	**(1,891)**
Operating (loss)/profit	**(11,412)**	**(621)**	**2,131**	**(9,902)**
Interest income	22	3	26	**51**
Finance costs	(689)	(431)	(577)	**(1,697)**
Loss before tax	**(12,079)**	**(1,049)**	**1,580**	**(11,548)**
Income tax charge	-	-	(160)	**(160)**
Segment net (loss)/ profit after tax	**(12,079)**	**(1,049)**	**1,420**	**(11,708)**
Segment assets	67,917	18,065	30,017	115,999

Items included in the Group's measure of segment assets

Year ended 30 June 2022	Exploration	Development	Mining	Total
- Addition to non-current assets	158	229	1,297	1,684
Segment liabilities	(21,480)	(7,631)	(14,958)	(44,069)

32.3 Reconciliations

Reconciliations of the total segment amounts to respective items included in the consolidated financial statements are as follows:

32.3.1 Total loss for reportable segment

	Group 2023	Group 2022
Segment profit or loss as reported	554	(11,708)
Other operating income	879	70
Other operating gains/(losses)	691	(49)
Administrative expenses	(6,503)	(4,953)
Interest income	65	97
Finance costs	(84)	(16)
Net impairment expense	-	(4,320)
Taxation	-	44
Group loss after tax	**(4,398)**	**(20,835)**

Notes to the Consolidated Financial Statements

Figures in US$ `000	Group 2023	Group 2022

32. Segment information (continued)

32.3.2 Total segment assets

Segment total assets as reported	80,431	115,999
Unallocated property, plant and equipment	5,029	4,964
Other financial assets	3,918	4,037
Other receivables	-	100
Unallocated current assets	5,326	314
Unallocated exploration and evaluation assets	29,198	1
Unallocated right-of-use assets	533	-
Group total assets	**124,435**	**125,415**

32.3.3 Total liabilities

Segment total liabilities as reported	(35,472)	(44,069)
Unallocated liabilities	(1,618)	(4,210)
Group total liabilities	**(37,090)**	**(48,279)**

The Group operates in two principal geographical areas – Australia (country of domicile) and South Africa (country of operations).

32.3.4 Revenue by location of operations

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

South Africa	44,799	23,511
Group revenue by location of operations	**44,799**	**23,511**

32.3.5 Non-current assets by location of operations

South Africa	68,368	107,781
Total non-current assets	**68,368**	**107,781**

33. Related parties

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

Short-term employee benefits	444	655
Share-based payments	663	821
	1,107	**1,476**

The Group has not provided any of its key management personnel with loans.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Mathews Senosi is a non-executive director of MC Mining and owns 95.4 million ordinary shares (23.9%) in the Company. Mr Senosi acquired 38.4 million shares in April 2022 following his investment of R46.0 million ($2.8 million) in the Company. The investment was made following signature of the SGIH Agreement between MC Mining and SGIH. Mr Senosi's interest was increased by 57 million ordinary shares in November 2022 through the rights issue.

Figures in US$ `000	Group 2023	Group 2022

33. Related parties (continued)

In terms of the SGIH Agreement, SGIH also lent R20.0 million ($1.2 million) to Limpopo Coal Company (Pty) Ltd, a wholly owned subsidiary of MC Mining. The loan incurred interest at the South African prime interest rate (currently 11.75%) and the loan was repaid in two tranches during September 2022 (ZAR10.0 million) and December 2022 (ZAR10.2 million). Refer to note 19 for the loan with SGIH.

During FY2023, the Uitkomst Colliery sold 106,598t (FY2022: 23,772t) of coal to Overlooked Colliery (Pty) Ltd (Overlooked) at market related prices prior to Overlooked being a related party. The sales generated revenue of R217 million ($12.2 million) (FY2022: $2.1 million). Mr Senosi is Overlooked's CEO and controlling shareholder.

Christine (Yi) He is a non-executive director of MC Mining and owns 36.9 million ordinary shares (9.2%) in the Company. The company entered into a 5 year lease agreement in August 2022 to rent office space from CRI-Eagle Investment (Pty) Ltd. CRI-Eagle Investment (Pty) Ltd is owned by Christine He. The monthly rental per lease agreement is R250,000 ($14,078) per month, with a 6% escalation each year on the 1st of July. The total lease laibility at 30 June 2023 amounts to R11.2 million ($0.6 million).

34. Events after the reporting date

- The Industrial Development Corporation of South Africa Limited (IDC) agreed to extend the repayment date for the R160 million ($8.5 million) loan plus accrued interest, to 30 September 2023; and
- The IDC withdrew the conditional, undrawn R245 million (US$13.0 million) loan facility, which has been available since July 2019.

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

35. Financial instruments

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Corporate Treasury forms part of the Finance function and reports quarterly to the Group's audit and risk committee, that monitors risks and policies implemented to mitigate risk exposures.

35.1 Categories of financial instruments

The accounting policies for financial instruments have been applied to the line items below:

	Note	Group 2023	Group 2022
Financial assets			
Trade and other receivables[1]	10	4,252	1,093
Cash and cash equivalents[1]	13	7,499	2,993
Restricted cash[1]	13	23	100
Other financial assets[1] [2]	12	5,239	4,599
Total financial assets		**17,013**	**8,785**
Financial liabilities			
Borrowings[1]	19	16,344	21,656
Bank overdraft[1]	13	-	1,529
Trade and other payables[1]	17	7,881	9,307
Leases[1]	18	2,505	2,942
Total financial liabilities		**26,730**	**35,434**

[1] Financial instrument classified at amortised cost.
[2] Financial instrument classified at fair value through profit or loss

Figures in US$ `000

35. Financial instruments (continued)

35.2 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 (note 12).

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 third party utilised a market approach with level 2 inputs in determining the value. The inputs used to determine fair values of listed or quoted investments are based on the quoted market price at reporting period date. (note 12).

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 FVTPL (Fair Value Through Profit and Loss) during the year nor were any assets transferred between levels.

As at 30 June 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	-	5,191	-	5,191

As at 30 June 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	-	4,580	-	4,580

35.3 Market risk

35.3.1 Foreign exchange risk

Exposure

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar and the US dollar. Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency. Most of the Company's purchases are denominated in SA rand. However, certain items during the exploration, development and plant construction phase as well as long lead-capital items are denominated in US dollars, Euros or Australian dollars. These have to be acquired by the South African operating company due to the South African Reserve Bank's Foreign Exchange Control Rulings. This exposes the South African subsidiary companies to changes in the foreign exchange rates.

The Group's cash deposits are largely denominated in the US dollar, Australian dollar and the SA rand. A foreign exchange risk arises from the funds deposited in US dollars and Australian dollars which will have to be exchanged into the functional currency for working capital purposes.

Notes to the Consolidated Financial Statements

Figures in US$ `000	Group 2023	Group 2022

35. Financial instruments (continued)

35.3 Market risk (continued)

35.3.1 Foreign exchange risk (continued)

The Group generally does not enter into forward sales, derivatives or other hedging arrangements to manage this risk.

At financial year end, the financial instruments exposed to foreign currency risk movements are as follows:

30 June 2023	Held in GBP $'000	Held in AUD$'000	Held in USD $'000	Total
Financial assets				
- Cash and cash equivalents	-	4,636	1	4,637
- Trade and other receivables	-	5	-	5
Total financial assets	**-**	**4,641**	**1**	**4,642**
Financial liabilities				
- Trade and other payables	(21)	(172)	-	(193)
Total financial liabilities	**(21)**	**(172)**	**-**	**(193)**

30 June 2022	Held in GBP $'000	Held in AUD$'000	Held in USD $'000	Total
Financial assets				
- Cash and cash equivalents[1]	-	15	1	16
Total financial assets	**-**	**15**	**1**	**16**
Financial liabilities				
- Trade and other payables	(32)	(109)	-	(141)
Total financial liabilities	**(32)**	**(109)**	**-**	**(141)**

[1]Cash includes restricted cash

Sensitivity

The following table details the Group's sensitivity to a 10% increase and decrease in the US dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates.

	Impact on post tax profit	
Judgements on reasonable possible movements	**2023**	**2022**
USD increase by 10%	445	28
USD decrease by 10%	(445)	(28)

The assumed 10% movement used in the foreign exchange sensitivity analysis is based on the currently observable market environment, which indicates a deterioration in foreign currencies relative to the reporting currency.

Figures in US$ `000

35. Financial instruments (continued)

35.3 Market risk (continued)

35.3.2 Interest rate risk management

Exposure

The Group’s interest rate risk arises mainly from short-term borrowings, cash and bank balances and restricted cash. The Group has variable interest rate borrowings. Variable rate borrowings expose the Group to cash flow interest rate risk. The Group has not entered into any agreements, such as hedging, to manage this risk.

The Group's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates.

The following table summarises the sensitivity of the financial instruments held at the reporting date, following a movement in variable interest rates, with all other variables held constant. The sensitivities are based on reasonably possible changes over a financial period, using the observed range of actual historical rates.

Sensitivity

	Impact on post tax profit	
Judgements on reasonable possible movements	**2023**	**2022**
Increase of 2% (2022: 2%) in interest rate	(53)	(187)
Decrease of 2% (2022: 2%) in interest rate	53	187
Increase of 5.0% (2022: 5.0%) in interest rate	(133)	(467)
Decrease of 5.0% (2022: 5.0%) in interest rate	133	467

The impact is calculated on the net financial instruments exposed to variable interest rates as at the reporting date and does not take into account any repayments of short-term borrowings.

35.4 Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure.

Receivable balances are monitored on an ongoing basis with the result that the Group’s exposure to credit losses not being significant.

At year-end there is no significant concentration of credit risk represented in the cash and cash equivalents, restricted cash and trade accounts receivables balance. The Group manages its credit risk by predominantly dealing with counterparties with a positive credit rating.

The credit risk on liquid funds are limited because the counterparties are banks with high credit-ratings assigned of BB- by international credit-rating agencies.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Other financial assets	5,239	4,599
Restricted cash	23	100
Trade and other receivables	4,252	1,093
Cash and cash equivalents	7,499	2,993
	17,013	**8,785**

Figures in US$ `000	Group 2023	Group 2022

35. Financial instruments (continued)

35.4 Credit risk (continued)

Movement in the allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Balance at 1 July	616	351
Net remeasurement of loss allowance	(284)	331
Foreign exchange differences	(21)	66
Balance at 30 June	**311**	**616**

35.5 Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet financial commitments in a timely and cost effective manner. The Group's Executive continually reviews the liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

Maturities of financial liabilities

The contractual maturities of the Group's financial liabilities at the reporting date were as follows:

	Less than 12 months	Between 2 and 5 years	Over 5 years	Total
Year ended 30 June 2023				
Financial liabilities				
Trade and other payables (Note 17)	7,880	-	-	**7,880**
Lease liabilities (Note 18)	644	2,141	1,052	**3,837**
Borrowings	16,309	48	-	**16,357**
	24,833	**2,189**	**1,052**	**28,074**

	Less than 12 months	Between 2 and 5 years	Over 5 years	Total
Year ended 30 June 2022				
Financial liabilities				
Trade and other payables (Note 17)	9,307	-	-	**9,307**
Bank overdraft (Note 13)	1,529	-	-	**1,529**
Lease liabilities (Note 18)	885	2,707	332	**3,924**
Borrowings	18,288	3,368	-	**21,656**
	30,009	**6,075**	**332**	**36,416**

36. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (net of cash) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

Figures in US$ `000	Group 2023	Group 2022

36. Capital management (continued)

The Group is not subject to any externally imposed capital requirements.

The Group's Board reviews the capital structure of the Group on a quarterly basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Group maintained its target-gearing ratio, determined as the proportion of net debt to equity, at 20% (2022: 20%).

Balances of managed capital

	Group 2023	Group 2022
Net debt (1)	8,846	18,664
Equity (2)	87,351	77,136
Debt to equity ratio	10%	24%

1. Debt is defined as long-term and short-term borrowings as described in note 19 less unrestricted cash and cash equivalents.
2. Equity includes all capital and reserves of the Group that are managed as capital.

37. Reconciliation of loss before tax to net cash used in operations

	Group 2023	Group 2022
Loss before tax	**(4,008)**	**(20,719)**
Adjustments for:		
Finance income	(396)	(147)
Finance costs	1,678	1,714
Depreciation	2,026	2,620
Net impairment expense	-	14,850
Share-based payments	948	792
Movement in expected credit losses	(304)	331
Re-valuation of investments	(467)	(71)
Rehabilitation adjustment	(114)	142
Loss on disposal of property, plant and equipment	6	-
Movement in provisions	172	(1)
Foreign (gains)/losses	(333)	129
Change in operating assets and liabilities:		
Adjustments for decrease / (increase) in inventories	388	(3,724)
Adjustments for (increase) / decrease in trade accounts receivable	(3,061)	2,006
Adjustments for increase / (decrease) in trade payables	135	(83)
Net cash flows from operations	**(3,330)**	**(2,161)**

38. Income tax paid

Income tax paid

	Group 2023	Group 2022
Amounts receivable / (payable) at the beginning of the year	(362)	(409)
Amounts (receivable) / payable at the end of the year	276	362
Taxation expense (credit)	(412)	(116)
Foreign exchange movement	46	47
Less deferred tax included in taxation expense	-	116
	(452)	-

Figures in US$ `000

39. Contingencies and commitments

Contingent liabilities

The Group has no significant contingent liabilities at the reporting date.

Commitments

In addition to the commitments of the parent entity as disclosed under note 41, subsidiary companies have typical financial commitments associated with their MR's granted by the South African DMRE.

As at 30 June 2023, the group had a $0.2 million commitment which relate to its social and labour plan at Uitkomst Colliery. In addition to the amount provided for in the consolidated statement of financial position.

The board of directors has approved a capital expenditure of approximately $9.2 million in the near future, relating to the development of the Makhado Project.

40. Controlled entities

Particulars in relation to controlled entities

	Country of incorporation	30 June 2023 %	30 June 2022 %
Tshikunda Mining Proprietary Limited	South Africa	60	60
Bakstaan Boerdery Proprietary Limited *	South Africa	100	100
Baobab Mining & Exploration Proprietary Limited**	South Africa	93	93
Chapudi Coal Proprietary Limited ***	South Africa	100	100
Coal of Africa & ArcelorMittal Analytical Laboratories Proprietary Limited****	South Africa	50	50
Cove Mining NL	Australia	100	100
Fumaria Property Holdings Proprietary Limited	South Africa	100	100
Golden Valley Services Proprietary Limited	Australia	100	100
GVM Metals Administration (South Africa) Proprietary Limited	South Africa	100	100
Harrisia Investments Holdings Proprietary Limited	South Africa	100	100
Kwezi Mining Exploration Proprietary Limited ***	South Africa	100	100
Limpopo Coal Company Proprietary Limited	South Africa	100	100
Makhado Centre of Learning NPC**	South Africa	100	100
MbeuYashu Proprietary Limited	South Africa	74	74
Nyambose Mining Proprietary Limited	South Africa	100	100
Pan African Resources Coal Holdings Proprietary Limited	South Africa	100	100
Regulus Investment Holdings Proprietary Limited	South Africa	100	100
Silkwood Trading 14 Proprietary Limited	South Africa	100	100
Uitkomst Colliery Proprietary Limited*****	South Africa	100	100
MC Mining South Africa Proprietary Limited	South Africa	100	100

* Subsidiary company of Fumaria Property Holdings Proprietary Limited
** 67% on completion of the Makhado Project BBBEE transactions
*** Subsidiary companies of MbeuYashu Proprietary Limited
**** The group have rights to the asset, liabilities, revenue and expenses of Coal of Africa & ArcelorMittal Analytical Laboratories (Pty) Ltd, its direct share is jointly held and accounted for as a joint operation. The company is currently dormant.
*****PARCH is considered a 100% shareholder of Uitkomst through 84% shareholding and 100% voting rights. The other 16% shareholding is held by minority shareholders which don't have voting rights.

Figures in US$ `000

41. Parent entity financial information

Summary financial information	2023	2022
Non-current assets	261,368	280,871
Current assets	4,811	146
Total assets	266,179	281,017
Non-current liabilities	-	-
Current liabilities	3,043	3,381
Total liabilities	3,043	3,381
Net assets	263,136	277,636
Shareholders' Equity		
Issued capital	1,069,847	1,045,396
Accumulated deficit and reserves	(805,206)	(765,564)
	264,641	279,832
Loss for the year	(1,505)	(2,283)
Total comprehensive loss	(1,505)	(2,283)

Contingencies and commitments

- MC Mining has subordinated all loans to subsidiary companies
- MC Mining has provided surety for the IDC borrowing facility entered into by Baobab (refer note 19)