

Goldway Capital Investment Limited
(Incorporated in Hong Kong)
CR No. 3294426

14 March 2024

The Manager
Markets Announcements Office
Australian Securities Exchange
Level 50, South Tower, Rialto
525 Collins Street
Melbourne VIC 3000

Dear Manager

Goldway Capital Investment Limited - Second Supplementary Bidder's Statement

Goldway Capital Investment Limited (company registration number 3294426) (**Goldway**) refers to its bidder's statement dated 2 February 2024 and first supplementary bidder's statement dated 15 February 2024 in relation to its off-market takeover offer for all of the ordinary shares in MC Mining Limited ACN 008 905 388 (ASX: MCM) (**MCM**).

In accordance with section 647(3)(a)(ii) of the *Corporations Act 2001* (Cth), a copy of Goldway's second supplementary bidder's statement dated 14 March 2024 (**Second Supplementary Bidder's Statement**) is enclosed.

A copy of the Second Supplementary Bidder's Statement has today been lodged with the Australian Securities and Investments Commission and served on MCM.

Yours faithfully



Jun Liu
Sole Director
Goldway Capital Investment Limited
(company registration number 3294426)

Second Supplementary Bidder's Statement

ACCEPT

Offer by

Goldway Capital Investment Limited

CR No. 3294426

to acquire all of your ordinary shares in

MC Mining Limited ACN 008 905 388

for

A\$0.16 cash per MCM Share

TO ACCEPT THE OFFER YOU MUST

Complete and sign the Acceptance Form accompanying the Bidder's Statement and return it to the address set out on the form before the Offer closes.

This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your legal, financial, tax or other professional advisor immediately.

Second Supplementary Bidder's Statement

1. Introduction

This document is the second supplementary bidder's statement (**Second Supplementary Bidder's Statement**) to the bidder's statement dated and lodged with ASIC on 2 February 2024 (**Original Bidder's Statement**) and to the first supplementary bidder's statement dated and lodged with ASIC on 15 February 2024 (**First Supplementary Bidder's Statement**), issued by Goldway Capital Investment Limited (company registration number 3294426) (**Goldway**) in relation to its off-market takeover bid for all of the ordinary shares in MC Mining Limited ACN 008 905 388 (**MCM**).

This Second Supplementary Bidder's Statement is given pursuant to Division 4 of Part 6.5 of the *Corporations Act 2001* (Cth) (**Corporations Act**) in compliance with the requirements of section 643 of the Corporations Act.

This Second Supplementary Bidder's Statement supplements and should be read together with the Original Bidder's Statement and the First Supplementary Bidder's Statement. Unless the context otherwise requires, terms defined in this Second Supplementary Bidder's Statement have the same meaning as in the Original Bidder's Statement.

This Second Supplementary Bidder's Statement is dated 14 March 2024 and was lodged with ASIC and given to ASX on that date. Neither ASIC, nor the ASX, nor any of their respective officers takes any responsibility for the content of this Second Supplementary Bidder's Statement.

This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your legal, financial, tax or other professional advisor immediately.

2. Observations on the Target's Statement

On 4 March 2024, MCM published its target's statement in response to Goldway's bid for MCM (**Target's Statement**). Goldway would like to make some observations about the Target's Statement. Goldway expresses our overall disappointment that the MCM Independent Board Committee (**IBC**) has decided not to recommend that MCM Shareholders accept Goldway's Offer. Goldway believes that the Offer represents an attractive, certain exit price, which MCM Shareholders should consider against several key points that call into question the Target's Statement view on the value of MCM.

The IBC has made statements that "IBC believes that the Bidder values the Target at substantially more than the current A\$0.16 Offer Price". The IBC is incorrect.

Breach of Corporations Act

As an initial key observation, Goldway wishes to highlight that the Target's Statement did not include the independent expert report (IER). Whilst the IBC has made a recommendation of DO NOT ACCEPT the Offer, MCM Shareholders currently do not have the benefit of an independent assessment of the Offer. Given that Goldway's voting power in MCM is more than 30%, the *Corporations Act 2001 (Cth) (Act)* mandates that an independent expert report must accompany the Target's Statement. MCM has breached the Act by failing to include the IER within the statutory timeframe. As this is a strict liability provision, MCM may be liable for a penalty. Further details are set out below in section 5.

Goldway is of the view that the delay in the IER, in breach of the Corporations Act, materially prejudices the Offer and the ability of MCM Shareholders (who have not yet accepted the Offer) to assess the Offer with the benefit of an IER.

Responses to specific statements in the Target's Statement

To assist MCM Shareholders in deciding whether to accept the Offer, Goldway wishes to outline the further points set out below in deciding whether to accept the Offer.

Reasons given by the Independent Board Committee (IBC) to not accept the Offer	Goldway response and additional reasons why you should <u>ACCEPT</u> the Offer
<p><i>The Offer Price does not take cognisance of the significant value attributable to the Target's assets ... the recently recommissioned Vele Aluwani Colliery has semi-soft coking and thermal Coal Reserves of over 324 million tonnes (in situ)</i></p>	<p>Due to its underperformance, the Vele Aluwani Colliery (Vele) has been under care and maintenance since January 2024. It came to Goldway's attention that the Target's Statement only referred to Vele downscaling operations while it progresses a production optimisation strategy which is inconsistent with the current status of Vele. Downscaling refers to reduced operations, which is wholly inconsistent and misleading in the context of zero production operations when a mine is under care and maintenance. There has been no disclosure of the closure and on-going care and maintenance costs of Vele being under care and maintenance and this represents material misinformation or materially</p>

Reasons given by the Independent Board Committee (IBC) to not accept the Offer	Goldway response and additional reasons why you should ACCEPT the Offer
	<p>incomplete information in the market which is compromising proper price discovery.</p> <p>Vele has operated for only 16 months after the first opencast coal was realised in September 2022. As highlighted by MCM's Target Statement, the API4 coal price was around US\$350/t at the time it was recommissioned and has failed to remain viable.</p>
<p><i>The Offer Price does not take cognisance of the significant value attributable to the Target's assets ... the cash generative Uitkomst Colliery has a 15-year LOM and the recently completed Operation Phenduka optimisation initiative increased monthly ROM coal production from an average of 42,000t to approximately 47,000t as well as significantly improving the colliery's cost profile</i></p>	<p>The Uitkomst Colliery (Uitkomst) has been unable to consistently produce positive cashflow for MCM. When cashflow positive, the cash generated from Uitkomst is immaterial and insufficient to cover the administrative and corporate costs of MCM.</p> <p>MCM Shareholders should be aware that despite the optimistic outlook of the IBC, an investment in MCM remains subject to significant risks.</p> <p>By ACCEPTING the Offer, MCM Shareholders can realise certain cash value and avoid inherent risks and uncertainties in holding shares in a listed company, as well as company specific risks.</p> <p>Unfortunately, MCM has breached the Act by failing to include the IER within the statutory timeframe.</p>
<p><i>The Offer Price is opportunistically timed to deprive Target Shareholders of future potential value - The Offer takes advantage of the completion of the updated Life of Mine plan for Makhado</i></p>	<p>The Makhado Project has been at Definitive Feasibility Study (DFS) status and "shovel ready" for over a decade and has never produced any coal. As highlighted in the Bidder's Statement, MCM has raised approximately US\$500m in debt and equity since 2010 and has failed to advance this asset past DFS stage. In comparison to the DFS announced in June 2013, the net present value (NPV) and production rate of Makhado has decreased significantly. The 2013 feasibility had a 12.6Mtpa Run of Mine (ROM) and the latest iteration is 4Mtpa. The NPV in 2013 was R6.79billion (US\$697m), applying a discount rate of 8%. In comparison, the most recent DFS states a NPV of R6.8bn (US\$361m) at a 6% discount rate and R4.0bn (US\$212m) at a 10% discount rate.¹ Applying</p>

¹ Source: Public announcements made by MCM on 19 June 2013 (<https://www.mcmmining.co.za/investors-and-media/announcements/2013>) and 30 June 2023 (<https://www.mcmmining.co.za/investors-and-media/announcements/2023>).

Reasons given by the Independent Board Committee (IBC) to not accept the Offer	Goldway response and additional reasons why you should ACCEPT the Offer
	the same discount rate, the NPV of the Makhado Project has decreased significantly since June 2013.
<p><i>The Offer Price is opportunistically timed to deprive Target Shareholders of future potential value - The Offer takes advantage of the Target's short term financial performance, and resulting share price weakness</i></p>	<p>The coal industry is producing at strong margins and MCM's asset are not competitive from a cash cost perspective. Whilst the API4 thermal coal price has fallen from the peak of approximately US\$400/t, the current price of approximately US\$120/t is well above the long-term average. Similarly, the Australia premium coking coal price is trading at healthy levels above US\$300/t.² The Qld Premium Hard Coking Coal (PHCC) price has tripled from US\$103/t on 1 January 2021.</p> <p>The poor financial performance of MCM is the result of:</p> <ul style="list-style-type: none"> (a) the high cost and sub-scale nature of MCM's producing assets; (a) persistent operational challenges in relation to rail and logistics, as well as reliant access to power; (b) excessive administrative and corporate costs; and (c) on-going interest payments on increasing debt position. <p>The Offer is not opportunistic. Goldway believes it is in the best interests of MCM Shareholders to privatise MCM.</p> <p>Unfortunately, MCM has breached the Act by failing to include the IER within the statutory timeframe.</p>
<p><i>The Offer Price is opportunistically timed to deprive Target Shareholders of future potential value - The IBC believes that the Bidder values the Target at substantially more than the current A\$0.16 Offer Price</i></p>	<p>If successful with its Offer, Goldway will be required to inject considerable capital into MCM to remain solvent.</p> <p>In response to the statement regarding the Bidder's current view on the valuation of the Target, since the Initial NBIO Proposal dated 5 September 2023, the following events have occurred in the past months:</p> <ul style="list-style-type: none"> (a) MCM's net debt position has significantly increased from US\$1m to US\$6.7m by 31 December 2023;

² Source: S&P Global.

Reasons given by the Independent Board Committee (IBC) to not accept the Offer	Goldway response and additional reasons why you should ACCEPT the Offer
	<p>(b) MCM issued an additional 8.2 million shares to management; and</p> <p>(c) MCM has put Vele under care and maintenance in January 2024.</p> <p>These factors and costs have had a significant impact on the valuation of Target which is reflected in the \$0.16 Offer Price, which Goldway believes represents an attractive, certain exit price in cash.</p> <p>Unfortunately, MCM has breached the Act by failing to include the IER within the statutory timeframe.</p>
<p><i>The Offer Price does not fairly value the Target - The Offer appears to attribute little or no value to the Target's exploration and development projects</i></p>	<p>There is no guarantee that the growth initiatives will be successful or result in a cashflow positive position and profitability.</p> <p>Since acquiring the Greater Soutpansberg region (GSP) in 2012, the assets have remained dormant and subject to on-going impairments by MCM. Like the Makhado Project and Vele, the GSP is a considerable distance from the nearest port and its future viability is adversely impacted by persistent power and rail issues.</p> <p>MCM Shareholders should be aware that despite the optimistic outlook of the IBC, an investment in MCM remains subject to significant risks.</p> <p>Unfortunately, MCM has breached the Act by failing to include the IER within the statutory timeframe.</p>
<p><i>The IBC believes that the Target's market capitalisation does not reflect the significant value of its projects, particularly the Makhado steelmaking HCC project and the three GSP project areas. ... An equity raise in the form of a rights issue would only be dilutive to those shareholders who do not follow their rights. An equity placement outside of permissible ASX Listing Rules thresholds would require shareholder approval.</i></p>	<p>The IBC are all long-term directors of MCM and have never bought a share in YOUR company, despite their view that MCM is significantly undervalued. In contrast, the Bidder Parties have invested considerable capital in MCM. In September 2022, MCM announced a \$40m entitlement offer with approximately A\$30.3m contributed by the Bidder Parties. Since completion of the entitlement offer in the December 2023 quarter, administration and corporate costs have totalled approximately A\$15m (US\$9.8m).</p> <p>MCM's persistent cash burn and excessive spending continues to be funded by MCM Shareholders.</p>

Reasons given by the Independent Board Committee (IBC) to not accept the Offer	Goldway response and additional reasons why you should ACCEPT the Offer
<p><i>You may consider that there is potential for a superior proposal to emerge</i></p>	<p>Goldway notes the:</p> <ul style="list-style-type: none"> (a) non-binding indicative offer (NBIO) received by MCM from Vulcan Resources (Vulcan) as announced by MCM on 11 March 2024; and (b) the subsequent announcement from MCM on 12 March 2024 that Vulcan will not proceed with a formal offer. <p>The Vulcan NBIO lasted 1 day.</p> <p>Further details of Goldway's observations on the Vulcan NBIO are set out below in section 3.</p> <p>As at the date of this Second Supplementary Bidder's Statement, Goldway's Offer is the only offer capable of acceptance.</p> <p>The Offer provides certainty of value in the form of cash consideration for your MCM Shares.</p>

3. Vulcan NBIO

Despite Vulcan advising that it will not proceed with a formal offer (as announced by MCM on 12 March 2024), Goldway wishes to make the following observations on the Vulcan NBIO:

- (a) the NBIO was not capable of acceptance by MCM Shareholders;
- (b) the NBIO was a non-binding proposal and there was no certainty that it would result in a binding offer (which has subsequently been the case as announced on 12 March 2024);
- (c) the NBIO stated that Vulcan's proposal was subject to a number of customary conditions, including completion of due diligence;
- (d) the NBIO contained few details on what conditions would apply to Vulcan's proposed offer so it would have been difficult for MCM Shareholders to assess the likelihood of such conditions being satisfied in order for the proposed offer to be successful (if it was made); and
- (e) even if the proposal from Vulcan did result in a binding offer, there would be no guarantee (i) of what the offer price would be, or (ii) that such offer would be implemented.

Goldway wishes to highlight that any future NBIOs, that may be received by MCM, will not be capable of acceptance until a formal offer has been made. In light of Vulcan not proceeding with a formal offer, Goldway considers the likelihood of a superior proposal emerging from a third party to be low.

Goldway's Offer is currently the only offer capable of acceptance.

The Offer provides certainty of value in the form of cash consideration for your MCM Shares. If Goldway's Offer closes or lapses and there is no formal offer from any other bidder, MCM Shareholders will risk losing the opportunity to obtain value for their MCM Shares.

4. Offer condition - No material adverse change

Goldway is investigating whether the no material adverse change condition (as set out in Section 13.9(c) of the Original Bidder's Statement) (**MAC Condition**) is capable of being satisfied in light of (i) Vele being under care and maintenance since January 2024 (which was not disclosed to the market at the relevant time), coupled with (ii) Goldway's concerns regarding the current cash position of MCM.

Goldway notes that MCM's cash position was disclosed to be approximately USD \$3,366,000 as at 31 December 2023 and that MCM has been historically cash negative each quarter at a rate of between USD \$2,000,000 - \$3,000,000. The fact that a key producing asset of MCM, Vele, is now under care and maintenance will result in both loss of revenue, incur shutdown costs and on-going care and maintenance costs.

In the event that the MAC Condition is breached or cannot be satisfied, Goldway does not intend to waive this condition.

5. Independent Expert Report

Given that the bidder's voting power in MCM is above the statutory threshold of 30% or more, section 640 of the Act requires the Target's Statement given to MCM Shareholders to include, or be accompanied by, an IER that states whether the Offer is fair and reasonable and gives the reasons for forming that opinion. Pursuant to the Joint Bid Deed and the Bidder's Statement, Goldway has a relevant interest of approximately 64.30% in MCM (262,290,952 MCM Shares).

The Target's Statement did not include an IER but instead advised that a supplementary target's statement with an IER will be sent to MCM Shareholders around 18 March 2024.

Accordingly, MCM has breached section 640 of the Corporations Act which:

- (a) is an offence of strict liability meaning that a party may be found guilty of an offence regardless of fault;
- (b) involves a possible penalty of 600 penalty units for a body corporate (equating to \$187,800); and
- (c) means that MCM Shareholders who are awaiting the IER before making a decision on the Offer (assuming that the IER is lodged / dispatched to MCM Shareholders on or around 18 March 2024) will have less than three (3) weeks to decide whether to accept the Offer before the Offer closes which is scheduled to occur at 7.00pm (Sydney time) / 10.00am (SA time) on Friday, 5 April 2024.

6. Consents and approval of the Second Supplementary Bidder's Statement

This Second Supplementary Bidder's Statement includes statements which are made in or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of *ASIC Corporations (Takeover Bids) Instrument 2023/683*, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Second Supplementary Bidder's Statement. If you would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements (free of charge), during the Offer Period, please call the relevant Goldway Offer Information Line. Goldway will provide these within 2 Business Days of the request.

A copy of this document was lodged with ASIC on 14 March 2024. This Second Supplementary Bidder's Statement prevails to the extent of any inconsistency with the Original Bidder's Statement or the First Supplementary Bidder's Statement. Neither ASIC nor any of its officers takes any responsibility for the contents of this Second Supplementary Bidder's Statement.

Authorisation

This Second Supplementary Bidder's Statement has been approved by a resolution passed by the sole director of Goldway.

Signed for on behalf of
Goldway Capital Investment Limited



Mr Jun Liu
Sole Director

Date: 14 March 2024