SUPPLEMENTARY TARGET'S STATEMENT

Important information

This document is a supplementary target's statement issued by MC Mining Limited ACN 008 905 388 (the **Target**) under section 644 of the *Corporations Act 2001* (Cth) (**Corporations Act**) and is dated 18 March 2024 (**Supplementary Target's Statement**).

This Supplementary Target's Statement supplements the Target's Statement issued by the Target dated 4 March 2024 and lodged with ASIC under Part 6.5 Division 3 of the Corporations Act on 4 March 2024 (**Original Target's Statement**). The Original Target's Statement and this Supplementary Target's Statement are in response to the all-cash off-market takeover bid made by Goldway Capital Investment Limited CR No. 3294426 (the **Bidder**) for all of the Target Shares which the Bidder and Consortium Members do not currently own (**Offer**). The Offer is as set out in the Bidder's Statement issued by the Bidder on Friday, 2 February 2024 and which was served on the Target on the same date (**Bidder's Statement**) and which Bidder's Statement was supplemented by the First Supplementary Bidder's Statement issued by the Bidder and dated 15 February 2024 and further supplemented by the Second Supplementary Bidder's Statement issued by the Bidder and dated 14 March 2024 (collectively, the **Bidder's Statements**).

This Supplementary Target's Statement does not provide a response to the Second Supplementary Bidder's Statement. The Independent Board Committee is currently reviewing the Second Supplementary Bidder's Statement and will provide a response in due course.

Independent Expert's Report accompanies this Supplementary Target's Statement

This Supplementary Target's Statement provides additional information for Target Shareholders to assist their consideration of the Offer, in particular, the opinion of the Independent Expert contained in the Independent Expert's Report.

The Independent Expert's Report was prepared by BDO Corporate Finance (WA) Pty Ltd ACN 124 031 045 (**BDO** or **Independent Expert**) with the assistance of SRK Consulting (Australasia) Pty Ltd ACN 074 271 720 (**SRK**) who prepared the independent specialist report (**Independent Specialist Report**) for the Independent Expert, BDO. SRK's Independent Specialist Report is contained as Appendix 4 to the Independent Expert's Report.

BDO, the Independent Expert, has concluded that the Offer is NEITHER FAIR NOR REASONABLE to Shareholders. The basis for, and the assumptions underpinning, the Independent Expert's opinion in relation to the Offer are set out in the Independent Expert's Report. A copy of the Independent Expert's Report accompanies this Supplementary Target's Statement at Annexure 1.

The Independent Expert's Report has been prepared by the Independent Expert for the purposes of this Supplementary Target's Statement and the Independent Expert takes full

responsibility for that report. Neither the Target, nor any of its officers, employees or advisers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report.

Half Yearly Report

The Target's reviewed accounts for the half year ended 31 December 2023 have been lodged and released by the Target on the ASX on 15 March 2024. Target Shareholders are advised to refer to and read the financial report and notes to the half year report in their entirety.

The financial report for the half year has been lodged with ASIC and is available on the ASX at www.asx.com.au and the Target's website at www.mcmining.co.za. The Target Shareholders may also obtain a copy upon request by contacting the Target's Company Secretary by email at tonyb@westozcorporate.com.au.

Other Information

This Supplementary Target's Statement supplements, and is to be read together with, the Original Target's Statement. This Supplementary Target's Statement will prevail to the extent of any inconsistency with the Original Target's Statement.

A copy of this Supplementary Target's Statement was lodged with ASIC on 18 March 2024 pursuant to subsection 647(3) of the Corporations Act. Neither ASIC, ASX, JSE nor AIM nor any of their respective officers take any responsibility for the contents of this Supplementary Target's Statement.

Unless the context requires otherwise, words and phrases capitalised in this Supplementary Target's Statement that are not otherwise defined have the same meaning as in the Original Target's Statement.

You should read this Supplementary Target's Statement (including the Independent Expert's Report set out in Annexure 1) in full. Please consult your legal, financial or other professional advisor if you do not fully understand the contents of this Supplementary Target's Statement.

A copy of this Supplementary Target's Statement and the Original Target's Statement can be obtained from the Target's website at www.mcmining.co.za.

Target Shareholder Information Line

If you have any queries in relation to the Offer or the Supplementary Target's Statement or Original Target's Statement, please call the Target Shareholder Line on +61 461 444 038 between 9.00am and 7.00pm (Sydney time) on Business Days (if calling from within Australia) and prior to 1pm (Johannesburg time) and 11am (London time).

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1. Independent Board Committee continues to recommend not accepting the Offer

1.1 Independent Directors maintain recommendation to NOT ACCEPT

The Independent Directors who are members of the Independent Board Committee are Mr Khomotso Brian Mosehla, Mr Nhlanhla Nene, Mr Andrew Mifflin and Mr Julian Hoskin.

For the reasons set out in the Original Target's Statement, the Non-Independent Directors, being Mr Ontiretse Mathews Senosi, Ms Yi (Christine) He, Mr Zhen (Brian) He and Mr An Chee Sin are not providing a recommendation to the Target Shareholders in connection with the Offer.

The Independent Board Committee has considered the Independent Expert's Report and the opinion of the Independent Expert.

BDO, the Independent Expert, has concluded that the Offer is neither fair nor reasonable to Shareholders.

The Independent Board Committee continues to unanimously recommend that you **DO NOT ACCEPT** the Offer for the reasons set out in Sections 3.3 to 3.7 of the Original Target's Statement and the additional reasons provided in Section 2 of this Supplementary Target's Statement.

In considering whether to accept the Offer, the Independent Directors encourage you to:

(a) read the Supplementary Target's Statement, Original Target's Statement and the Bidder's Statements in their entirety;

(b) have regard to the consequences of remaining Target Shareholders after the Offer closes as set out in Section 4.6 of the Original Target's Statement;

(c) have regard to your individual risk profile, tax position, portfolio strategy and financial circumstances; and

(d) if necessary, obtain independent professional advice in relation to the Offer.

The Target Shareholders should be aware of the risk factors associated with either accepting or not accepting the Offer as set out in section 9 of the Original Target's Statement.

To **NOT ACCEPT** the Offer, Target Shareholders do not need to do anything.

1.2 Intention of the Managing Director and CEO

As disclosed in the Original Target's Statement, Mr Godfrey Gomwe, Managing Director and Chief Executive Officer of the Target, is an IBC Observer. As an IBC Observer he is not providing a recommendation to Target Shareholders in this Supplementary Target's Statement.

As at the date of this Supplementary Target's Statement, Mr Gomwe intends to not accept the Offer in relation to the 4,000,000 Target Shares that he holds.

2. Additional reasons for recommendation to NOT ACCEPT

The Independent Board Committee sets out the following supplementary reasons for its recommendation that you **DO NOT ACCEPT** the Offer in addition to the reasons provided in Section 3 of the Original Target's Statement.

2.1 The Independent Expert has determined that the Offer is neither fair nor reasonable to Shareholders

The Independent Board Committee engaged and appointed BDO as Independent Expert to assess the merits of the Offer.

The Independent Expert has concluded that the Offer is neither fair nor reasonable to Shareholders.

(a) Independent Expert's conclusion as to whether the Offer is fair

The Independent Expert compared the value of a Target Share prior to the Offer (on a controlling interest basis), to the value of the Offer Consideration, being A$0.16 per Target Share.

The Independent Expert has assessed the value of a Target Share prior to the Offer (on a controlling interest basis) to be in the **range of A$0.214 to A$0.356**, with a **preferred value of A$0.285 per Target Share**.

Value of a Target Share prior to the Offer	Low Value (A$)	Preferred (A$)	High Value (A$)
Value of a Target Share prior to the Offer (controlling interest basis)	0.214	0.285	0.356
Value of the Offer Consideration	0.160	0.160	0.160

The Independent Expert has concluded that the Offer is **not fair** for Target Shareholders because the value of the Offer Consideration is less than the Independent Expert's assessed low, preferred and high value of a Target Share.

Based on the range of values and in the absence of any other relevant information, the Independent Expert has concluded that the Offer Price of A$0.16 per Target Share is **not fair** to Target Shareholders.

Refer to sections 2.3, 2.4, 10, 11 and 12 of the Independent Expert's Report.

(b) Independent Expert's conclusion as to whether the Offer is reasonable

The Independent Expert has formed the opinion that the advantages of accepting the Offer do not sufficiently outweigh the value differential between the value of a Target share and the value of the Offer Consideration.

Accordingly, in the absence of any other relevant information, **the Independent Expert concluded that the Offer is not reasonable for Shareholders.** Shareholders are advised to review the reasons provided by the Independent Expert in sections 2.5 and 13 of the Independent Expert's Report.

In summary, the advantages of the Offer considered by the Independent Expert were:

(i) the Offer Consideration provides certainty of value to the Target Shareholders; and

(ii) the Offer provides the opportunity to exit the coal industry.

In summary, the disadvantages of the Offer considered by the Independent Expert in concluding that the Offer is neither fair nor reasonable were:

(i) Target Shareholders will forego the opportunity to participate in any potential upside of the Target's mineral assets; and

(ii) Target Shareholders will lose exposure to coal.

The Independent Expert also considered other key factors which Shareholders might give consideration to, prior to accepting the Offer, being:

(i) an alternative proposal;

(ii) consequences of not accepting the Offer, such as:

(A) the potential decline in Target's share price;

(B) the potential delisting of Target Shares; and

(C) the Target Shareholders' investment in the Target may be compulsory acquired; and

(iii) other considerations, such as:

(A) the Offer is conditional on the Bidder receiving acceptances for at least 50.1% of the Target Shares that they currently do not own;

(B) if a higher rival bid emerges, and the Bidder does not match it, the Bidder Parties will be required to accept the higher rival bid for their entire joint holding; and

(C) the taxation implications of the Offer for Target Shareholders.

A copy of the Independent Expert's Report can be found at Annexure 1 of this Supplementary Target's Statement. The Independent Board Committee encourages Target Shareholders to read the Independent Expert's Report in its entirety before making a decision as to whether or not to accept the Offer.

2.2 The Offer Price does not represent an appropriate premium for control

Based on the Independent Expert's control premium analysis, the Independent Expert considers an appropriate premium for control to be between 25% and 35% for the Target Shares. Refer to Appendix 3 of the Independent Expert's Report for further information regarding the Independent Expert's control premium analysis.

In the view of the Independent Directors and for the reasons previously stated in section 3.3 of the Original Target's Statement, the control premium represented by the Offer Price is below the Independent Expert's lowest assessed value. In the view

of the Independent Directors, the Offer Price does not constitute a sufficient premium for control of the Target.

2.3 The Offer Price is opportunistically timed to deprive Target Shareholders of future potential value

The Independent Directors have considered the respective advantages and disadvantages and other factors considered by the Independent Expert in the Independent Expert's Report.

Having regard to the Independent Expert's Report, as well as the reasons set out in section 3.4 of the Original Target's Statement, the Independent Directors continue to believe that by accepting the Offer, Shareholders will not be able to benefit from the value created by the development of the Makhado Project.

The development of the Makhado Project is subject to and assumes that equity and debt funding initiatives are progressed and successfully implemented following close of the Offer.

The Independent Directors refer Shareholders to the various risks associated with not accepting the Offer and continuing as a Target Shareholder as outlined in section 9.3 of the Original Target's Statement. These risks include uncertainty as to funding and operational risks.

2.4 The Offer Price does not fairly value the Target's exploration assets and development projects

The Independent Expert concluded that the Offer Price was not fair.

In estimating the fair market value of the Target Shares, the Independent Expert used a Sum-of-Parts valuation methodology and considered the fair market values of the Target's underlying assets and liabilities.

Refer to section 9.1 and 10 of the Independent Expert's Report for further information regarding the valuation of the Target Shares and the valuation of the Target's interests in the Makhado Project, Uitkomst, Vele colliery and GSP and the valuation methodologies used. Refer to the Independent Specialist's Report included in the Independent Expert's Report for the valuations performed by SRK in valuing the Makhado Project and Uitkomst and the various valuation approaches used.

Having regard to the above and the reasons set out in section 3.5 of the Original Target's Statement, the Independent Directors continue to believe that the Makhado Project, Uitkomst and GSP Project remain strategic assets for the Target and do not believe that the value of these assets have been adequately reflected in the Offer Price.

Having consideration to the Independent Expert's calculation of the fair market value of a Target Share, the Independent Directors maintain and reiterate that the Offer Price undervalues the Target Shares and its underlying assets.

2.5 The reasons given by the Bidder to accept the Offer are not compelling

The Independent Directors refer to the reasons set out in section 3.6 of the Original Target's Statement and maintain in their view that the various reasons given by the Bidder to accept the Offer are not compelling.

The Independent Directors are of the view that the reason provided by the Bidder that accepting the Offer provides an opportunity to exit their investment in the coal industry with certainty of receiving the Offer Consideration is not compelling. By accepting the Offer Shareholders will not be able to participate in any potential upside of the Target's mineral assets and any returns generated by the Makhado Project, Uitkomst, the Vele colliery or the GSP.

The Independent Directors continue to believe that once the Offer process has completed, activities to secure funding for the Makhado Project and the Target's other assets can be commenced.

As stated in the Original Target's Statement, where capital is raised by the issue of new Shares in the Target, a Target Shareholder's shareholding will be diluted if the capital raising is not conducted as a rights issue or where a rights issue is conducted, the Target Shareholder does not participate for their pro rata entitlement.

3. Additional reasons why you may decide to accept the Offer

The Independent Board Committee sets out the following supplementary reasons for potentially accepting the Offer in addition to the reasons provided in Section 4 of the Original Target's Statement.

3.1 You may consider the Offer Consideration provides certainty of value

You may believe that the Offer Price of A$0.16 per Target Share is sufficient (or higher than the price at which you acquired Target Shares) and that acceptance of the Offer provides certainty of value to exit an investment in the Target because you do not wish to participate in any potential upside of the Target's mineral assets.

3.2 You may disagree with the conclusions of the Independent Expert

You may hold a different view as to the value of Target Shares to the view held by the Independent Expert that the Offer Price is **below t**he estimated range.

3.3 You may consider that the Target Share price may decline

You may not receive another formal opportunity to sell your Target Shares other than on-market if the Offer lapses and at the time you wish to sell the trading price is lower than the trading price as at close of trading on the ASX on 15 March 2024. You may hold a view that the Target Share price may decline in the short term if the Minimum Acceptance Condition of the Offer is not reached and the Offer lapses.

4. Additional Information

4.1 Half Yearly Accounts

The Target's reviewed accounts for the half year ended 31 December 2023 have been lodged and released by the Target on the ASX on 15 March 2024. Target Shareholders are advised to refer to and read the financial report and notes to the half year report in their entirety.

The financial report for the half year has been lodged with ASIC and is available on the ASX at www.asx.com.au and Target's website at www.mcmining.co.za. The Target Shareholders may also obtain a copy upon request by contacting the Target's Company Secretary by email at tonyb@westozcorporate.com.au.

4.2 Financial position and future funding requirements of the Target

The interim financial statements for the half year ended 31 December 2023 have been prepared on a going concern basis.

The Target's interim statements note that the ability to continue as a going concern is dependent on securing future debt and equity funding at a level satisfactory to enable ongoing operations and future developments to be completed.

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

(a) The issue of new equity for cash in the Target or its subsidiary that owns the Makhado Project;

(b) Further debt funding including inventory prepayments and composite debt/equity instruments;

(c) Cash generated from the Target's collieries; and

(d) Further contractor BOOT funding arrangements.

As referred to in the Original Target's Statement, the Target will be required to progress these initiatives and secure either a combination of equity or debt or other financing once the Offer closes and beyond May 2024.

Target Shareholders should refer to the risk factors associated with continuing as a Shareholder in the Target as set out in section 9.3 of the Original Target's Statement.

The Company has also been in discussions with the Consortium Members regarding the provision of interim funding. As at the date of this Supplementary Target's Statement no agreement has been reached with the Consortium Members regarding any provision of interim funding.

5. Consents

5.1 Consents

As permitted by *ASIC Corporations (Consents to Statements) Instrument 2016/72* (**Instrument**), this Target's Statement may include or be accompanied by certain statements that:

(a) fairly represent what purports to be a statement by an official person;

(b) are a correct and fair copy of, or extract from, what purports to be a public official document; or

(c) are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.

Pursuant to this Instrument, the consent of such persons to whom statements are attributed is not required for the inclusion of those statements in this Target's Statement.

As permitted by *ASIC Corporations (Takeover Bids) Instrument 2023/683*, this document also contains statements that are made, or based on statements made, in other documents lodged with ASIC or ASX (in compliance with the ASX Listing Rules). Consent is not required for the inclusion of those statements in this document.

5.2 Consents to be named and inclusion of statements

(a) BDO Corporate Finance (WA) Pty Ltd ACN 124 031 045 has given and has not withdrawn its consent to being named in this Supplementary Target's Statement as the Independent Expert, for references to its conclusion in relation to the Offer being included in this Supplementary Target's Statement and for its Independent Expert's Report being included in the Supplementary Target's Statement, each in the form and context in which it appears. Except as specified in this paragraph (a), the Independent Expert does not make, nor purport to make, any statement included in this Supplementary Target's Statement or the Original Target's Statement. To the maximum extent permitted by law, the Independent Expert expressly disclaims and takes no responsibility for any part of this Supplementary Target's Statement or the Original Target's Statement, other than a reference to its name, the conclusion of the Independent Expert in relation to the Offer as that conclusion is set out in the Independent Expert's Report and the Independent Expert's Report.

(b) SRK Consulting (Australasia) Pty Ltd ACN 074 271 720 (**SRK**) has given and has not withdrawn its consent to being named in this Supplementary Target's Statement as the independent specialist engaged by the Independent Expert and for inclusion of its Independent Specialist Report in the Independent Expert's Report in this Supplementary Target's Statement in the form and context in which it appears. Except as specified in this paragraph (b), SRK does not make, nor purport to make, any statement included in this Supplementary Target's Statement or the Original Target's Statement. To the maximum extent permitted by law, SRK expressly disclaims and takes no responsibility for any part of this Supplementary Target's Statement or the Original Target's Statement other than a reference to its name and the Independent Specialist Report as set out in Independent Expert's Report.

5.3 Competent Person Consent

The information in the Independent Specialist Report that relates to the technical assessment and valuation of the mineral assets is based on and fairly reflects information compiled and conclusions derived by Mr Shaun Barry, who is a member of the Australasian Institute of Mining and Metallurgy.

Mr Barry is employed by SRK, an independent mining consultancy. Mr Barry has sufficient experience that is relevant to the technical assessment and valuation of the mineral assets under consideration, the style of mineralisation and the types of deposit under consideration and to the activity being undertaken to qualify as a Practitioner as defined in the 2015 edition of the *Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets*, and as a 'Competent Person' as defined in the 2012 Edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves*. Mr Barry consents to the inclusion in the Independent Specialist Report (as contained in the Independent Expert's Report) of the matters based on their information in the form and context in which it appears.

6. Glossary

Set out below are the definitions of capitalised terms used in this Supplementary Target's Statement which are not contained in section 12.1 of the Original Target's Statement.

Unless the context requires otherwise, words and phrases capitalised in this Supplementary Target's Statement that are not otherwise defined below have the same meaning as in the Original Target's Statement.

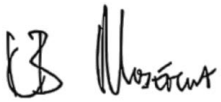
GSP	means the Greater Soutpansberg Project
Independent Expert's Report	means the independent expert's report prepared by BDO and contained as Annexure 1 to this Supplementary Target's Statement
Independent Specialist Report	means the valuation report of the mineral assets of the Target prepared by SRK and contained as Appendix 4 to the Independent Expert's Report
Makhado Project	means Makhado hard coking coal project
Sum-of-Parts	means a combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
Uitkomst	means the Uitkomst Colliery
Vele	means the Vele Colliery

7. Authorisation

This Supplementary Target's Statement is dated 18 March 2024, which is also the date it was lodged with ASIC and provided to ASX.

This Supplementary Target's Statement was approved by a unanimous resolution of the Independent Directors comprising the Independent Board Committee.

Signed for and on behalf of the Target



Mr Khomotso Mosehla
Chair of the Independent Board Committee and Non-Executive Director
MC Mining Limited

Annexure 1 - Independent Expert's Report

IDEAS | PEOPLE | TRUST

MC Mining Limited

Independent Expert's Report

15 March 2024

Financial Services Guide

15 March 2024

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (**'we'** or **'us'** or **'ours'** as appropriate) has been engaged by MC Mining Limited (**'MC Mining'** or **'the Company'**) to provide an independent expert's report on Goldway Capital Investment Limited's conditional off-market takeover bid to acquire the remaining fully paid ordinary shares on issue in MC Mining which are not currently held by a consortium of MC Mining shareholders. The consortium of MC Mining shareholders held as at 2 February 2024 approximately 64.30% of the issued capital of the Company in aggregate.

You are being provided with a copy of our report because you are a shareholder of MC Mining and this Financial Services Guide ('**FSG**') is included in the event you are also classified under the Corporations Act 2001 (**'the Act'**) as a retail client.

Our report and this FSG accompanies the Supplementary Target's Statement required to be provided to you by MC Mining to assist you in deciding on whether or not to accept the takeover offer.

Financial Services Guide

This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us

We are a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide professional services primarily in the areas of audit, tax, consulting, mergers and acquisition, and financial advisory services.

We and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

When we provide this financial service we are engaged to provide an expert report in connection with the financial product of another person. Our reports explain who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. If you have any questions, or don't fully understand our report you should seek professional financial advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $100,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report and our directors do not hold any shares in MC Mining.

Other Assignments

In May 2022, BDO Corporate Finance (WA) Pty Ltd was engaged to prepare an independent expert's report for the proposed issue of up to 71,697,242 new shares in MC Mining to Senosi Group Investment Holdings Pty Ltd, which if approved, would have increased SGIH's voting interest in MC Mining to 31.04%. The fee received for our work was approximately $70,000 (excluding GST).

BDO Corporate Finance (WA) Pty Ltd has also provided share-based payment valuation services to MC Mining over the past two years for total fees of $9,500 (excluding GST).

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from MC Mining for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. We are also committed to meeting your needs and maintaining a high level of client satisfaction. If you are unsatisfied with a service we have provided you, we have avenues available to you for the investigation and resolution of any complaint you may have.

To make a formal complaint, please use the Complaints Form. For more on this, including the Complaints Form and contact details, see the BDO Complaints Policy available on our website.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint in writing within 1 business day or, if the timeline cannot be met, then as soon as practicable and investigate the issues raised. As soon as practical, and not more than 30 days after receiving the complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

We are a member of the Australian Financial Complaints Authority (AFCA) which is an External Dispute Resolution Scheme. Our AFCA Membership Number is 12561. Where you are unsatisfied with the resolution reached through our Internal Dispute Resolution process, you may escalate this complaint to AFCA using the below contact details:

Mail:	GPO Box 3, Melbourne, VIC 3001
Free call:	1800 931 678
Website:	www.afca.org.au
Email:	info@afca.org.au
Interpreter Service:	131 450

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5 Spring Street

Perth, WA 6000

15 March 2024

The Independent Directors
MC Mining Limited
Suite 8, 7 The Esplanade
Mt Pleasant, WA, 6153

Dear Independent Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 5 February 2024, MC Mining Limited (**'MC Mining'** or **'the Company'**) announced that it had received a Bidder's Statement, dated 2 February 2024, from Goldway Capital Investment Ltd (**'Goldway'**) (**'Bidder's Statement'**). The Bidder's Statement related to a conditional off-market takeover offer to acquire the remaining fully paid ordinary shares on issue in MC Mining which are not currently held by a consortium of MC Mining shareholders (**'Consortium'**) (**'Offer'** or **'Takeover'**). The events leading up to the announcement of the Offer are discussed in further detail in Section 4 of this report.

Per the Bidder's Statement, the shareholders of MC Mining not associated with the Consortium (**'Shareholders'**), will receive cash consideration of $0.16 for every MC Mining share accepted into the Offer (**'Offer Consideration'**).

Goldway is a Hong Kong incorporated company which was established by the Consortium for the purposes of acquiring MC Mining shares under the Offer. As at the date of the Bidder's Statement, the Consortium held 64.3% of the issued capital of the Company in aggregate. Goldway and the Consortium are collectively referred to as the **'Bidder Parties'**.

The Offer is to be open from 16 February 2024 to 5 April 2024 (unless extended or withdrawn) (**'Offer Period'**) and is conditional on Goldway receiving acceptances for at least 50.1% of MC Mining shares that the Consortium did not have a relevant interest in at the commencement of the Offer Period. The Consortium's relevant interest in the Company at the commencement of the Offer Period was 262,290,952 shares (64.30% of MC Mining shares). Therefore, a minimum of 72,945,496 acceptances are required to satisfy this condition, resulting in a minimum holding following completion of the Offer of 82.19%.

The independent directors of MC Mining have requested that BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) prepare an independent expert's report (**'our Report'**) to express an opinion as to whether the Offer is fair and reasonable to Shareholders.

Currencies in this report are quoted in Australian dollars (**'A$'** or **'$'**), United States Dollars (**'US$'** or **'USD'**) and South African Rand (**'ZAR'**), unless otherwise stated.

2. Summary and opinion

2.1 Requirement for the report

The independent directors of MC Mining have requested that we prepare our Report to express an opinion as to whether the Offer is fair and reasonable to Shareholders.

Our Report is prepared pursuant to section 640 of the Corporations Act 2001 Cth (**'Corporations Act'** or **'the Act'**) and relevant Corporations Regulations, and is to be included in the Supplementary Target's Statement for MC Mining in order to assist Shareholders in their decision on whether to accept the Offer.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission (**'ASIC'**) Regulatory Guide 111 'Content of expert reports' (**'RG 111'**), Regulatory Guide 112 'Independence of experts' (**'RG 112'**), Regulatory Guide 170 'Prospective financial information' (**'RG 170'**) and Information Sheet 214: Mining and resources: Forward-looking statements (**'IS 214'**).

In arriving at our opinion, we have assessed the terms of the Offer as outlined in the body of this report. We have considered:

- how the value of an MC Mining share prior to the Offer (on a controlling interest basis), compares to the value of the Offer Consideration;
- the likelihood of an alternative offer being made to MC Mining;
- other factors which we consider to be relevant to Shareholders in their assessment of the Offer; and
- the position of Shareholders should the Offer not proceed.

2.3 Opinion

We have considered the terms of the Offer as outlined in the body of this report and have concluded that the Offer is neither fair nor reasonable to Shareholders. We consider the Offer to be not fair because the value of the Offer Consideration is less than our assessed low, preferred and high value of an MC Mining Share.

We consider the Offer to be not reasonable for Shareholders because the advantages of accepting the Offer do not sufficiently outweigh the value differential between the value of an MC Mining share and the value of the Offer Consideration.

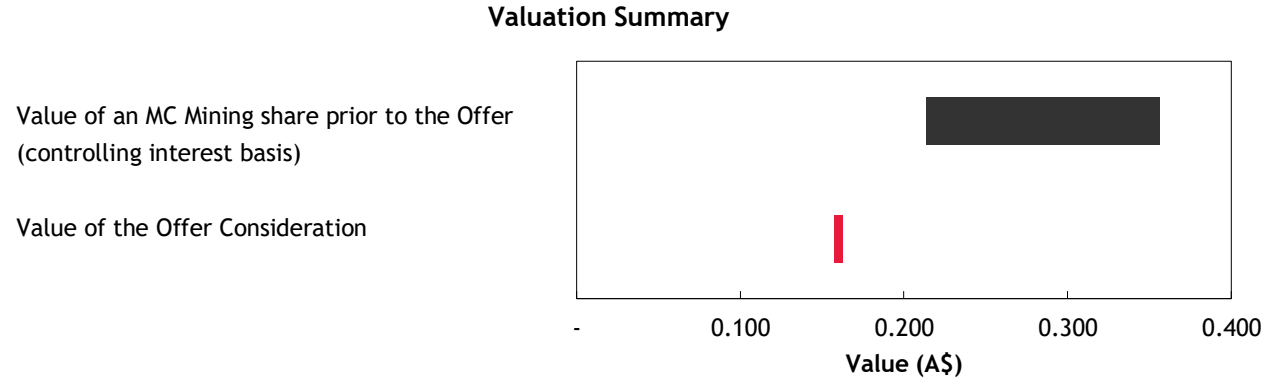
2.4 Fairness

In Section 12 of our Report, we compared the value of an MC Mining share prior to the Offer (on a controlling interest basis), to the value of the Offer Consideration, as detailed below.

Fairness assessment	Ref	Low $	Preferred $	High $
Value of an MC Mining share prior to the Offer (controlling interest basis)	10	0.214	0.285	0.356
Value of the Offer Consideration	11	0.160	0.160	0.160

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, the Offer is not fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in Section 13 of this report, in terms of both:

- the advantages and disadvantages of accepting the Offer; and
- other considerations, including the position of Shareholders if the Offer is not accepted and the consequences of not accepting the Offer.

In our opinion, the position of Shareholders if the Offer is accepted is less advantageous than the position if the Offer is not accepted. Accordingly, in the absence of any other relevant information, we believe that the Offer is not reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1.1	The Offer Consideration provides certainty of value to Shareholders	13.2.1	Shareholders will forego the opportunity to participate in any potential upside of MC Mining's mineral assets
13.1.2	The Offer provides the opportunity to exit the coal industry	13.2.2	Shareholders will lose exposure to coal

Other key matters we have considered include:

Section	Description
13.3	Alternative proposal
13.4	Consequences of not accepting the Offer
13.5	Other considerations

3. Scope of the Report

3.1 Purpose of the Report

Goldway has prepared a Bidder's Statement in accordance with section 636 of the Corporations Act, which was released on the Australian Securities Exchange (**'ASX'**) on 2 February 2024. Together with a supplementary bidder's statement dated 15 February 2024 this was despatched to Shareholders on 17 February 2024. Under item 10 of section 633 of the Corporations Act, MC Mining is required to prepare a Target's Statement in response to the Bidder's Statement.

Section 640 of the Act requires the Target's Statement to include an expert's report to shareholders if:

- the bidder's voting power in the target is 30% or more; or
- the bidder and the target have a common director or directors.

Further, the Corporations Act requires the expert to be someone other than an associate of the Bidder or Target.

Goldway's voting power in MC Mining is above the 30% threshold, through the Consortium members' aggregate holdings in MC Mining. Therefore, an expert's report is required for inclusion in the Target's Statement. The independent directors of MC Mining have engaged BDO as an independent expert to satisfy this requirement.

3.2 Regulatory guidance

Neither the ASX Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Offer is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism used to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Offer is a control transaction as defined by RG 111 and we have therefore assessed the Offer as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest as such the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- a comparison between the value of an MC Mining share prior to the Offer (on a controlling interest basis), and the value of the Offer Consideration, being $0.16 cash (fairness – see Section 12 'Is the Offer fair?'); and
- an investigation into other significant factors to which Shareholders might give consideration, prior to accepting the Offer, after reference to the value derived above (reasonableness – see Section 13 'Is the Offer reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('**APES 225**').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Offer

The Offer was preceded by a takeover proposal from the Consortium in November 2023. The events leading up to the Offer are summarised below.

On 3 November 2023, the Company announced that it had received a letter from the Consortium outlining its proposal and intention to make an off-market cash takeover for all the shares in the Company which were not currently held by the Consortium (**'Proposal Letter'**). The Proposal Letter referred to the Consortium's earlier confidential and incomplete, non-binding, conditional and indicative offer dated 5 September 2023 from Senosi Group Investment Holdings Pty Ltd (**'Senosi'**) and Dendocept Pty Ltd (**'Dendocept'**) (**'Initial NBIO'**), which set out indicative but incomplete details of a proposed takeover by Senosi and Dendocept including an indicative cash consideration offer range of $0.20 to $0.23 per MC Mining share. The Initial NBIO was not made publicly available due to restrictions in the NBIO as presented.

On 18 December 2023, the Bidder Parties entered into a Joint Bid Deed. Under the Joint Bid Deed, the Bidder Parties agreed the structure and terms of the Offer and the method which they will cooperate to complete the Offer. On the same day, the Company released a revised NBIO (**'Revised NBIO'**) from the Consortium, which included a revised cash consideration of $0.16 per MC Mining share.

On 5 February 2024, the Company announced that it had received a Bidder's Statement, dated 2 February 2024, from Goldway. The Bidder's Statement related to a conditional off-market takeover offer to acquire the remaining fully paid ordinary shares on issue in MC Mining which were not currently held by the Consortium. As set out in the Bidder's Statement, Shareholders will receive $0.16 cash for each MC Mining share accepted into the Offer.

Goldway is a Hong Kong incorporated company which was established by the Consortium for the purposes of acquiring MC Mining shares under the Offer. As at the date of the Bidder's Statement, the Consortium held 64.3% of the issued capital of the Company. The Consortium represents all of the shareholders in Goldway.

The Offer is to be open from 16 February 2024 to 5 April 2024 (unless extended or withdrawn) and is conditional on Goldway receiving acceptances for at least 50.1% of MC Mining shares that the Consortium did not have a relevant interest in at the commencement of the Offer Period. The Consortium's relevant interest in the Company at the commencement of the Offer Period was 262,290,952 shares (64.30% of MC Mining shares). Therefore, a minimum of 72,945,496 acceptances are required to satisfy this condition, resulting in a minimum holding following completion of the Offer of 82.19%.

On 4 January 2024, ASIC granted the Bidder Parties relief in respect of the conditions surrounding joint bids (**'ASIC Joint Bid Relief Exception'**). Under the ASIC Joint Bid Relief Exception, if a rival takeover bid is made to buy all the shares in the Company not currently held by the Consortium and the following conditions are satisfied in respect of the rival bid:

- the consideration offered under the rival bid is more than 105% of the value of the Offer Consideration;
- the rival bid is or has become unconditional except for prescribed occurrence conditions (being events or circumstances referred to in subsection 652(c)(1) or (2) of the Act; and
- the offer period for the rival bid commences before the end of the Offer Period,

then within seven days of the above conditions to the rival bid being satisfied, the Bidder Parties must ensure that the value of the Offer Consideration is equal to, or higher than, the consideration offered under the rival bid. If the joint bidder parties do not make a matching or higher offer within the

required seven-day period, the Consortium Members are required to accept the rival bid in respect of all the target shares. For more information, please see Section 6.3 of the Target's Statement and Section 12.1 of the Bidder's Statement.

This is consistent with the requirements of ASIC Regulatory Guide 9 'Takeover bids' (**'RG 9'**) which states that joint bidders are required to accept or match a higher rival bid to address the risk that the increased stake held by the joint bidders may deter a rival bidder from launching a higher bid. A higher rival bid is defined as a bid offering more than 105% of the value of the consideration offered by the joint bidders. Under RG 9, the joint bidders are required to accept a higher rival bid for their entire joint holding unless the joint bidders increase their bid to match the rival bid within seven days after the start of the offer period of the rival bid.

Therefore, in the case of the Offer, if a higher rival bid emerges during the Offer Period, and the Bidder Parties do not increase the Offer Consideration to be equal to, or greater than the consideration offered under the higher rival bid within the required seven day period, the Bidder Parties are required to accept the higher rival bid in respect of all the MC Mining shares held by the Bidder Parties at that time. The Consortium consists of independent institutional shareholders, family offices and individuals. Details of the Consortium are set out below.

Consortium member	No. shares held in MCM	Shareholding % in MCM
Senosi Group Investment Holdings Pty Ltd	95,357,455	23.38%
Shining Capital GP Ltd	35,000,000	8.58%
Dendocept Pty Ltd	28,265,593	6.93%
Jun Liu & Huan Qu as trustees for the Golden Eagle Trust	26,499,345	6.50%
Pacific Goal Investment Ltd	24,927,757	6.11%
Ying He Yuan Investment (S) Pte Ltd	21,413,462	5.25%
Longelephant International Trade Ltd	15,162,581	3.72%
Yi He	8,664,674	2.12%
Jun Liu	6,735,240	1.65%
Golden Archer Investment Pty Ltd	264,845	0.06%
Eagle Canyon International Group Holding Limited	nil	nil
Total	**262,290,952**	**64.30%**

Source: Bidder's Statement

Further information on the Offer is contained in the Bidder's Statement and the Target's Statement.

The Company announced on 11 March 2024 on the ASX, and 8 March 2024 on the AIM and JSE, that it had received a letter from Vulcan Resources, a private Indian company and subsidiary of Vulcan International, outlining its proposal to make an off-market cash takeover offer for all the shares in the Company at an indicative price between $0.17 and $0.20 per MC Mining share (**'Vulcan Proposal'**). The Vulcan Proposal contained several customary conditions, including completion of a due diligence process and is not a binding offer currently capable of acceptance by shareholders of the Company.

Subsequently, on 12 March 2024, Vulcan Resources withdrew the Vulcan Proposal, advising that it had concluded that it would not be proceeding with a formal offer.

5. Profile of MC Mining

5.1 History

MC Mining is a coal exploration, development and mining company, with metallurgical and thermal coal assets located primarily in the Limpopo province of South Africa. The Company's flagship asset is its 67.3% owned Makhado Project, located approximately 36 kilometres ('**kms**') north of Louis Trichardt, and 80 km southeast of the Company's 100% owned Vele Colliery. The Company also holds an 84% interest in the Uitkomst Colliery Project ('**Uitkomst**'), and a 74% interest in the Greater Soutpansberg Project ('**GSP**').

The current directors of MC Mining are:

- Nhlanhla Nene – Independent Non-Executive Chairman;
- Godfrey Gomwe – Managing Director and Chief Executive Officer;
- An Chee Sin – Independent Non-Executive Director;
- Zhen (Brian) He – Non-Executive Director;
- Yi (Christine) He – Non-Executive Director;
- Julian Hoskin – Independent Non-Executive Director;
- Andrew Mifflin – Independent Non-Executive Director;
- Khomotso Brian Mosehla – Independent Non-Executive Director; and
- Ontiretse Mathews Senosi – Non-Executive Director.

The Company's primary listing is on the ASX, with secondary listings on London Stock Exchange's Alternative Investment Market ('**AIM**') and the Johannesburg Stock Exchange ('**JSE**'). The Company was formerly known as Coal of Africa Limited and changed its name to MC Mining Limited in November 2017. The Company's head office is located in Mount Pleasant, Western Australia ('**WA**').

Yi (Christine) He, Ontiretse Mathews Senosi, An Chee Sin and Zhen (Brian) He are representatives and associates of the Consortium. Following the receipt of the Initial NBIO, MC Mining established an Independent Board Committee on behalf of shareholders not associated with the Consortium, comprising Khomotso Mosehla (Independent Board Committee Chairman), Nhlanhla Nene, Andrew Mifflin and Julian Hoskin. The Independent Board Committee has appointed us to prepare this IER and has prepared the Target's Statement and Supplementary Target's Statement.

5.2 Projects

Makhado Project (67.3% interest)

The Makhado Project is an undeveloped hard coking and thermal coal project located in the Soutpansberg coalfield in the Limpopo province of South Africa. Makhado spans an area of over 60 square kilometres ('**km^2**') across five farms, with MC Mining owning the relevant four properties that comprise the planned mining area.

MC Mining initially acquired Makhado in August 2006, following the execution of a binding heads of agreement to merge the coal interests of MC Mining and Motjoli Resources Pty Ltd, resulting in the Company acquiring a 50% interest in Makhado. The remaining 50% was acquired in December 2006 through the acquisition of Baobab Mining and Exploration Pty Ltd ('**Baobab**'), for consideration of £2.5 million in cash.

In June 2013, MC Mining completed a definitive feasibility study ('**DFS**'), which defined a 16 year life-of-mine ('**LOM**') on the production of 12.6 million tonnes per annum ('**Mtpa**') of run-of-mine ('**ROM**') coal, which was estimated to produce 2.3 Mtpa of hard coking coal and 3.2 Mtpa of thermal coal. The resource was to be mined on an opencast basis with the potential for further expansion underground.

The Company's initial development plan was separated in two phases, with phase 1 entailing opencast mining in the West Pit, with processing at the existing Vele Colliery. Dependent on future funding and favourable market conditions, phase 2 would entail the development of the East and Central pits, and the construction of a new processing plant and associated infrastructure.

In 2015, MC Mining agreed to sell 20% of the Makhado Project to the Makhado Colliery Community Development Trust, for the purposes of ensuring that project operations would benefit local and surrounding communities. Further, the Company agreed to sell a 6.0% interest to a black industrialist, whilst a 6.7% interest was acquired by the Industrial Development Corporation of South Africa Ltd ('**IDC**') as part of the terms of MC Mining's existing loan facility. As a result, the Company retains a 67.3% interest in Makhado.

In November 2018, MC Mining announced that it had secured the surface rights over the Lukin and Salaita properties at Makhado for consideration of ZAR 70 million, completing the suite of surface rights for the fully permitted Makhado Project. In addition, in April 2019, MC Mining executed an offtake agreement with ArcelorMittal South Africa Ltd ('**AMSA**'), resulting in the purchase of up to 0.45 Mtpa of hard coking coal from Makhado, with prices to be linked to a published, international index.

In April 2022, MC Mining completed a bankable feasibility study ('**BFS**'), which highlighted 25.6 Mt of saleable coal to be produced over a 22 year LOM at Makhado under the proposed open pit mining and coal processing methods. In August 2022, the Company updated the Makhado BFS to include the pre-feasibility study for two alternative development scenarios. This update led to a reassessment of the Makhado Project development strategy, resulting in a decision to no longer develop the colliery in two phases. Rather than trucking crushed and screened coal to Vele Colliery for processing, the new development strategy included the construction of a bespoke coal handling and processing plant ('**CHPP**') at Makhado.

During the December quarter of 2022, the Company completed an optimisation study on the Makhado CHPP, which resulted in the increase of the annual ROM feed capacity from 3.2 Mtpa to 4.0 Mtpa. Subsequently, the Company appointed Erudite (Pty) Ltd ('**Erudite**') to complete the detailed designs for a full process design for the Makhado CHPP, which was completed during the first quarter of 2023. The detailed execution plan incorporated the revised Makhado mine plan, and Erudite utilised the results of the CHPP optimisation study in their CHPP and infrastructure design work.

In the first quarter of 2023, the Company commenced early works and placement of orders for long lead items and electricity supply infrastructure. The early works included construction of the main access road and the preparatory earthworks for a bridge across the Mutamba river, initial bulk earthworks, site security and communication and infrastructure.

In April 2023, the Company completed the five-year Makhado implementation plan ('**Implementation Plan**'). The Implementation Plan improved the confidence levels for the first five years of the Makhado BFS and previous feasibility studies, increasing the estimated accuracy from +70% to approximately +90%. The Implementation Plan included a detailed execution plan for the construction of the East Pit and related infrastructure, along with a detailed mine plan for the first five years of operations.

Following this, in June 2023, the Company announced the results of an updated LOM plan and Coal Reserve estimate for Makhado. Building upon the Implementation Plan, the updated LOM plan incorporated the exploitation of all mineable portions of the East, Central and West Pits' coal deposits

using surface mining methods. The improved Makhado production metrics included a 27% increase in the LOM from 22 to 28 years, a 25% increase in the targeted rate of mining from 3.2 Mtpa to 4.0 Mtpa, a 100% increase in CHPP capacity from 2.0 Mtpa to 4.0 Mtpa, and a 60% increase of total saleable coal products from 26 Mt to 41 Mt over the LOM.

Based on discussions with management of MC Mining, capital expenditure for the development of the Makhado Project is expected to commence from 1 July 2024, which coincides with management's anticipated completion date for the funding. Further, management has advised that the time from construction to first production is expected to be 18 months due to the construction of the new CHPP.

Management has advised that the funding for the development of the Makhado Project is expected to be sourced from a combination of debt and equity. Management anticipates that 70% of the funding will be sourced from debt, and 30% from equity.

Uitkomst Colliery (84% interest)

Uitkomst is an underground thermal coal mine located in the Utrecht coalfields in the KwaZulu-Natal province of South Africa. Uitkomst comprises established infrastructure, including a processing plant, and has pending applications for the renewal of its water license, which is currently being processed by the relevant regulatory authority.

MC Mining acquired Uitkomst in April 2017 through the execution of a sale of shares and claims agreement with Pan African Resources Plc, to acquire 100% of the shares in and claims against Pan African Resources Coal Holdings Pty Ltd, which held a 91% interest in Uitkomst, for a purchase price of ZAR 275 million.

Uitkomst produces various products, including small zero-to-40 millimetre coal products, which are predominantly sold to the domestic market for use as pulverised coal, whilst larger sized coal products are supplied to local energy generation facilities. Additionally, MC Mining also sells a high ash, coarse discard produced from Uitkomst.

In the September quarter of 2018, the Company completed the sale of a 21% interest in Uitkomst on a vendor financed basis to Black Economic Empowerment ('**BEE**') shareholders in order to meet the requirements of the draft South African Mining Charter 3, reducing its ownership interest to 70%.

In July 2022, the Company entered a Coal Sales & Marketing Agreement ('**Marketing Agreement**') with Overlooked Pty Ltd ('**Overlooked**'), facilitating the export of at least 20,000 t of API4 (6,000 k/cal) coal produced by Uitkomst on a monthly basis, providing access to higher-priced internal thermal coal markets. In December 2022, MC Mining announced a six-month extension of the Marketing Agreement, which was originally due to expire on 31 December 2022.

In the December quarter of 2022, MC Mining acquired a 14% interest in Uitkomst, increasing its interest to an 84% interest, with the remaining stake held by two broad-based BEE trusts, comprising host communities and employees, respectively.

During the year ended 30 June 2023, Uitkomst received approval from the Department of Mineral Resources & Energy ('**DMRE**') for mining rights over the balance of its LOM, which were subsequently legally executed in January 2024. In June 2023, MC Mining implemented a turnaround strategy titled "Operation Phenduka", which allows for increased time spent underground per shift, leading to an increase in ROM coal production and reduction in unit costs.

MC Mining currently only mines the south adit of Uitkomst. The extension to the north adit is expected to commence in 2024, subject to the receipt of regulatory approvals.

Historical coal production at Uitkomst is outlined below:

Production tonnages	FY23	FY22	FY21	FY20	FY19	FY18
Uitkomst ROM (t)	444,984	470,597	490,100	431,354	472,647	505,130

Source: MC Mining's Annual Reports for the years ended 30 June 2023, 30 June 2021 and 30 June 2019

Vele Colliery (100% interest)

The Vele Colliery ('**Vele**') is situated in the Tuli coalfield, in the Limpopo province of South Africa. Historically, Vele produced thermal coal, however, it was placed in care and maintenance in August 2013 following a review of Vele's cost structures and processing plant capabilities.

However, in December 2022, the Vele Colliery coal processing plant ('**CPP**') was recommissioned following the execution of an exclusive, five-year contract mining agreement ('**HOS Mining Agreement**') with Hlalethembeni Outsourcing Services (Pty) Ltd ('**HOS**'). HOS was tasked with recommissioning, upgrading and operating the CPP, as well as outsourcing mining and processing operations. Under the HOS Mining Agreement, HOS is responsible for all mining and processing costs, while the Company remains responsible for regulatory compliance, rehabilitation guarantees, relationships with authorities and communities, as well as the supply of electricity and water for the colliery.

This arrangement resulted in the production of 96,673t thermal coal in the second half of the financial year ended 30 June 2023. However, due to operating challenges at Vele, HOS temporarily downscaled operations in December 2023, under the terms of the HOS Mining Agreement, as it progressed the development of a production optimisation strategy at the colliery.

Greater Soutpansberg Project (GSP) (74% interest)

Contiguous to the Makhado Project, the GSP is situated to the north of the Soutpansberg mountains. The GSP comprises three early-stage hard coking, semi-soft coking and thermal coal exploration projects, being the Mopane, Generaal and Chapudi projects, all expected to be mined on an opencast basis.

The GSP is jointly owned, with MC Mining holding a 74% interest, and its BEE partner, Rothe Investments (Pty) Ltd, holding the remaining 26% stake.

In 2013, the Company applied for mining rights for the GSP locations, with the Chapudi mining rights being granted in December 2018, the Generaal mining rights being granted in November 2019, and the Mopane mining rights being granted in February 2021. However, the granting of the mining rights was subsequently appealed. During the December quarter of 2023, the Company executed the mining rights for the Mopane and Generaal project areas, whilst the Chapudi mining rights are expected to be completed in early 2024. The Company intends to commence the studies required for the environmental and water use licenses in the second half of 2024.

Further information on Makhado, Uitkomst, Vele and the GSP can be found in the independent specialist report prepared by SRK Consulting (Australasia) Pty Ltd ('**SRK**') ('**Independent Specialist Report**') in Appendix 4 of our Report.

5.3 Recent corporate events

IDC Loan

In March 2017, MC Mining secured a loan facility for up to ZAR 240 million from the IDC, to be used to fund the development of Makhado. Under the terms of the facility, Baobab was required to issue new ordinary shares to the IDC equivalent to 5% of the entire issued share capital of Baobab if the drawdown was ZAR

120 million. The Company subsequently drew down ZAR 160 million 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. As a result of the drawdown, the IDC became a 6.7% shareholder in Baobab. The undrawn balance of the loan was cancelled.

In July 2019, MC Mining secured an additional term loan facility for ZAR 245 million from the IDC to fund the construction of Phase 1 of the Makhado Project. The loan facility remained subject to the IDC confirming its due diligence and credit approval.

In December 2022, the Company announced that the IDC had extended the rate for repayment of the ZAR 160 million loan, plus accrued interest, to 30 June 2023. The repayment of the ZAR 160 million loan was originally due for repayment by 30 November 2022. Subsequently in July 2023, the Company announced that the IDC had further extended the date for repayment to 30 September 2023. Further, in January 2024, the Company announced that the IDC had further extended the date for repayment to 30 September 2024.

In July 2023, the Company announced that the repayment date of the undrawn ZAR 245 million loan facility had not been extended past 30 June 2023. The loan facility was made redundant as a result of the increased scale of the Makhado Project since the facility was first entered into.

Rights Issue

On 7 November 2022, the Company announced the conclusion of its fully underwritten renounceable rights issue (**'Rights Issue'**). The Rights Issue involved the issue of 200,026,728 new fully paid ordinary shares at an issue price of $0.20 per share raising gross proceeds of $40 million. The new shares were issued to investors in South Africa, Australia, and New Zealand.

The net proceeds from the Rights Issue were used by the Company to settle debt, provide funding to progress the development of the Makhado Project, contribute the necessary capital for the recommissioning of the Vele Colliery and for general working capital purposes.

5.4 Historical Consolidated Statement of Financial Position

Consolidated Statement of Financial Position	Reviewed as at 31-Dec-23 US$'000	Audited as at 30-Jun-23 US$'000	Audited as at 30-Jun-22 US$'000
CURRENT ASSETS			
Inventories	1,593	4,088	4,445
Trade and other receivables	5,767	4,458	1,093
Cash and cash equivalents	3,383	7,499	2,993
TOTAL CURRENT ASSETS	**10,743**	**16,045**	**8,531**
NON-CURRENT ASSETS			
Property, plant and equipment	35,443	34,621	23,475
Right-of-use assets	2,093	2,322	3,132
Development, exploration and evaluation assets	70,361	65,682	85,578
Intangible assets	391	503	-
Other financial assets	5,729	5,239	4,599
Restricted cash	23	23	100
TOTAL NON-CURRENT ASSETS	**114,040**	**108,390**	**116,884**
TOTAL ASSETS	**124,783**	**124,435**	**125,415**
CURRENT LIABILITIES			
Provisions	737	395	203
Trade and other payables	8,398	7,881	9,307
Current tax liabilities	557	276	362
Lease liabilities	481	573	885
Borrowings	16,937	16,296	21,656
Bank overdraft	1,362	-	1,529
TOTAL CURRENT LIABILITIES	**28,472**	**25,421**	**33,942**
NON-CURRENT LIABILITIES			
Provisions	6,951	6,035	8,048
Deferred tax liability	3,655	3,648	4,232
Lease liabilities	1,890	1,932	2,057
Borrowings	44	48	-
TOTAL NON-CURRENT LIABILITIES	**12,540**	**11,663**	**14,337**
TOTAL LIABILITIES	**41,012**	**37,084**	**48,279**
NET ASSETS	**83,771**	**87,351**	**77,136**
EQUITY			
Issued capital	1,070,856	1,069,871	1,045,395
Accumulated losses	(936,477)	(930,676)	(926,245)
Reserves	(49,521)	(50,937)	(41,190)
Non-controlling interests	(1,087)	(907)	(824)
TOTAL EQUITY	**83,771**	**87,351**	**77,136**

Source: MC Mining's audited financial statements for the years ended 30 June 2023 and 30 June 2022 and reviewed financial statements for the half-year ended 31 December 2023

We note that the Company's auditor highlighted a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, in its audit reports for the years ended 30 June 2022 and 30 June 2023 and its review report for the half-year ended 31 December 2023. The Company's auditor outlined that the ability to continue as a going concern is dependent on securing future debt and equity funding at a level satisfactory to enable ongoing operations and future developments to be completed.

Commentary on Historical Statement of Financial Position

- The increase in cash and cash equivalents from 30 June 2022 to 30 June 2023 was primarily the result of receipts from customers from coal sales of US$48.16 million, as well as net proceeds of US$21.10 million from the Rights Issue. This was partially offset by payments to suppliers and employees of US$51.49 million and investment in exploration assets of US$6.16 million. The decrease in cash and cash equivalents from 30 June 2023 to 31 December 2023 was primarily the result of early works at the Makhado Project.
- Property, plant and equipment of US$35.45 million as at 31 December 2023 primarily comprised mining property, plant and equipment, mining rights and land and buildings. Mining property, plant and equipment increased from US$4.72 million as at 30 June 2022 to US$17.70 million as at 30 June 2023 following the recommissioning of the Vele Colliery in December 2022, where US$16.98 million was transferred to mining property, plant and equipment. Mining rights of US$10.05 million as at 30 June 2023 comprise the mining rights for Uitkomst.
- Other financial assets of US$5.73 million as at 31 December 2023 comprised rehabilitation guarantees of US$5.66 million and deposits of US$0.07 million. The rehabilitation guarantees are invested in funds for the purposes of meeting its rehabilitation obligations, Eskom guarantees and infrastructure guarantees. Eskom is the electricity provider at the Vele and Uitkomst Collieries.
- Borrowings of US$16.98 million as at 31 December 2023 comprised the remaining portion of the IDC loan facility and an ABSA instalment sale agreement.
- Non-current provisions of US$6.95 million as at 31 December 2023 related to a rehabilitation provision of US$4.82 million and a biodiversity offset provision of US$2.14 million. 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 US$3.4 million over a 25 year period. During the year ended 30 June 2023, the Company changed its assumptions regarding rehabilitation provisions, and as a result, decreased the present value of the environmental obligation for the Vele Colliery, the Makhado Project and Uitkomst.

5.5 Historical Consolidated Statement of Profit or Loss and Other Comprehensive Income

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Reviewed for the half-year ended 31-Dec-23 US$'000	Audited for the year ended 30-Jun-23 US$'000	Audited for the year ended 30-Jun-22 US$'000
Continuing operations			
Revenue	25,221	44,799	23,511
Cost of sales	(24,145)	(41,209)	(20,999)
Gross profit	**1,076**	**3,590**	**2,512**
Other operating income	3,330	1,568	293
Reversal/(expected) credit losses	(4)	284	(331)
Administrative expenses	(9,697)	(8,918)	(6,840)
Impairment expense	-	-	(14,851)
Other operating gains/(losses)	78	752	63
Operating (loss)	**(5,217)**	**(2,724)**	**(19,154)**
Finance income	161	393	147
Finance costs	(755)	(1,677)	(1,712)
(Loss) before income tax	**(5,811)**	**(4,008)**	**(20,719)**
Income tax expense	(170)	(390)	(116)
(Loss) for the year from continuing operations	**(5,981)**	**(4,398)**	**(20,835)**
Gains/(losses) on exchange differences on translation	1,861	(10,476)	(12,346)
Total comprehensive (loss) for the period, net of tax	**(4,120)**	**(14,874)**	**(33,181)**

Source: MC Mining's audited financial statements for the years ended 30 June 2023 and 30 June 2022 and reviewed financial statements for the half-year ended 31 December 2023

We note that the Company's auditor highlighted a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, in its audit reports for the years ended 30 June 2022 and 30 June 2023, and its review report for the half-year ended 31 December 2023. The Company's auditor outlined that the ability to continue as a going concern is dependent on securing future debt and equity funding at a level satisfactory to enable ongoing operations and future developments to be completed.

Commentary on Historical Statement of Profit or Loss and Other Comprehensive Income

- Revenue increased from US$23.51 million for the year ended 30 June 2022 to US$44.80 million for the year ended 30 June 2023, as a result of the coal sales generated from Uitkomst and the recommissioning of the Vele Colliery. All sales of coal from Uitkomst and Vele were made to customers in South Africa, operating primarily in the steel industry.
- Reversal credit losses relate to a reversal of the provisional credit loss allowance in relation to trade receivables. This allowance is calculated based on historical credit loss experience, as well as consideration of debtor-specific risk factors and general economic conditions.
- During the year ended 30 June 2022, the Company recorded an impairment expense of US$14.9 million. The impairment related to identified areas of the Vele Colliery and the GSP as a result of the uncertainty surrounding their development in the foreseeable future.

5.6 Capital structure

The share structure of MC Mining as at 29 February 2024 is outlined below:

	Number
Total ordinary shares on issue	407,890,744
Top 20 shareholders	**334,955,487**
Top 20 shareholders - % of shares on issue	82.12%

Source: MC Mining Shareholder Registry

The ordinary shares held by the most significant shareholders as at 29 February 2024 are detailed below:

Name	No. of ordinary shares	Percentage of issued shares (%)
Senosi Group Investment Holdings Pty Ltd	95,357,455	23.38%
Shining Capital GP Ltd	35,000,000	8.58%
Dendocept Pty Ltd	28,265,593	6.93%
Jun Liu & Huan Qu as trustees for the Golden Eagle Trust	26,499,345	6.50%
Pacific Goal Investment Ltd	24,927,757	6.11%
Haohua Energy International (Hong Kong) Resource Co., Ltd.	23,120,879	5.67%
Ying He Yuan Investment (S) Pte Ltd	21,413,462	5.25%
Subtotal	**254,584,491**	**62.41%**
Others	153,306,253	37.59%
Total ordinary shares on Issue	**407,890,744**	**100.00%**

Source: MC Mining Shareholder Registry

The options and performance rights on issue in MC Mining as at 29 February 2024 are outlined below:

Description	No. of options/rights	Exercise price ($)	Expiry date
Managing Director & CEO Options	4,000,000	Nil	Jun-24
Management Performance Rights	3,061,302	Nil	Jun-24
Managing Director & CEO Options	4,000,000	Nil	Jun-25
Management Performance Rights	3,061,302	Nil	Jun-25
Total number of options and performance rights	**14,122,604**		

Source: MC Mining Shareholder Registry

6. Profile of the Bidder Parties

6.1 Overview

Goldway is a Hong Kong investment vehicle which was incorporated on 1 July 2023 by the Consortium, for the purposes of acquiring MC Mining shares under the Offer. The Consortium consists of independent institutional shareholders, family offices and individuals. The Consortium represents all of the shareholders in Goldway. As at the date of the Bidder's Statement, the Consortium held 64.3% of the issued capital of the Company in aggregate. Jun Liu is the sole director of Goldway.

Details of the Bidder Parties' intentions following the Offer are detailed in Section 13 of our Report and the Bidder's Statement.

6.2 Capital structure

The shareholders of Goldway are detailed below. We note that the Consortium represents all of the shareholders in Goldway.

Consortium member	Shareholding % in Goldway
Senosi Group Investment Holdings Pty Ltd	41.23%
Eagle Canyon International Group Holding Limited	17.85%
Shining Capital GP Ltd	8.58%
Dendocept Pty Ltd	6.93%
Jun Liu & Huan Qu as trustees for the Golden Eagle Trust	6.50%
Pacific Goal Investment Ltd	6.11%
Ying He Yuan Investment (S) Pte Ltd	5.25%
Longelephant International Trade Ltd	3.72%
Yi He	2.12%
Jun Liu	1.65%
Golden Archer Investment Pty Ltd	0.06%
Total	**100.00%**

Source: Bidder's Statement

The shareholding of each Consortium member in MC Mining is set out below:

Consortium member	No. shares held in MCM	Shareholding % in MCM
Senosi Group Investment Holdings Pty Ltd	95,357,455	23.38%
Shining Capital GP Ltd	35,000,000	8.58%
Dendocept Pty Ltd	28,265,593	6.93%
Jun Liu & Huan Qu as trustees for the Golden Eagle Trust	26,499,345	6.50%
Pacific Goal Investment Ltd	24,927,757	6.11%
Ying He Yuan Investment (S) Pte Ltd	21,413,462	5.25%
Longelephant International Trade Ltd	15,162,581	3.72%
Yi He	8,664,674	2.12%
Jun Liu	6,735,240	1.65%
Golden Archer Investment Pty Ltd	264,845	0.06%
Total	**262,290,952**	**64.30%**

Source: Bidder's Statement

7. Economic analysis

MC Mining is primarily exposed to the risks and opportunities of the South African market through its coal operations at the Makhado Project, Uitkomst, the Vele Colliery and the GSP. Accordingly, we have presented an economic analysis on South Africa.

7.1 South Africa

Overview

In a statement released on 25 January 2024, the SARB's Monetary Policy Committee (**'MPC'**) outlined that the South African economy is forecast to grow 1.2% and 1.3% over 2024 and 2025, respectively. This represents an increase on the 0.6% growth seen over 2023 and is largely due to an expected decline in load shedding and easing household consumption and investment spending, but was offset by logistical issues surrounding South Africa's port and freight-rail sector, creating an inability to export goods and an increase in costs, and persistent blackouts. The MPC noted that any material reduction in load shedding and improvements in logistics would significantly increase economic growth. Load shedding is set to decrease by an estimated 47% in 2024, and a further 33% in 2025.

Following slowing global growth in recent months, South Africa's commodity export index is forecast to decline by 27.3% in 2023, a further 11.9% in 2024 and an additional 4.9% in 2025. As a result, South Africa's external financing requirements will increase as the current account deficit expands. The SARB expects a deficit of 1.4% of Gross Domestic Product (**'GDP')** in 2023, rising to 2.8% of GDP in 2024, and 3.6% of GDP in 2025.

Economic Indicators

South Africa has the highest unemployment rate in the world. South Africa's unemployment rate eased to 31.9% in the September 2023 quarter, down from 32.6% in the June 2023 quarter. The nation's high unemployment rate is a result of several constraints including strict labour laws, stagnant productivity, bureaucratic hurdles and high levels of unskilled unemployment. Unemployment is expected to remain elevated as labour intensive sectors, such as construction and tourism, remain constrained and domestic growth moderates.

Compared to other emerging and advanced economies, the rise in South Africa's headline inflation rate over 2023 was more gradual and peaked lower. However, the return to the MPC's target range of 3% to 6% has been slow. Continued load shedding has caused electricity prices to rise higher, in hand with increasing domestic food prices which adversely increased the cost of living and business expenditure. Headline inflation was 6.0% in 2023, which was driven by large inflationary pressures during the period from January to May 2023, where headline inflation was consistently above the MPC's inflation target range. The highest reading in 2023 was 7.1%, recorded in March. The lowest was 4.7%, recorded in July.

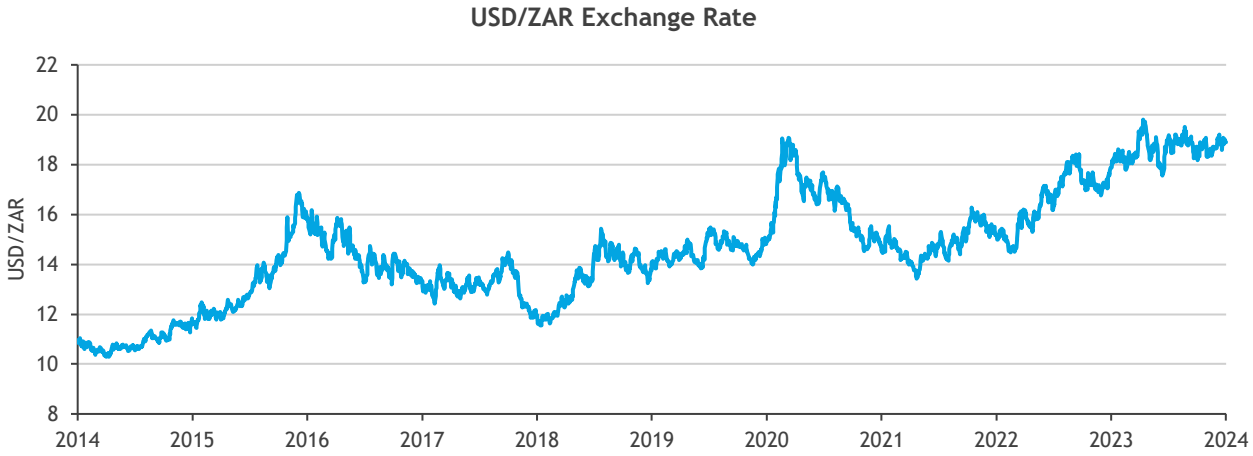
In its January 2024 Statement of the Monetary Policy, the MPC decided to keep the repurchase rate (**'Repo Rate**') at its current level of 8.25%. The MPC stated that the current Repo Rate level was consistent with the inflation outlook and was necessary to address rising inflation expectations and guide inflation towards the mid-point of the target range.

Currency movements

As a result of uncertainties around the global economic environment, and the South Africa-specific factors outlined above, including slow growth and falling commodity export prices, the ZAR depreciated by approximately 11% against the US dollar over 2023, making the ZAR one of the worst performing emerging market currencies. The MPC anticipates further currency weakness due to factors such as inflation risks

and larger external financing needs. South African Bank, Nedbank, forecasts the ZAR to weaken from USD/ZAR 18.47 in 2023 to USD/ZAR 18.88 in 2024, before strengthening to USD/ZAR 18.25 in 2025.

The chart below outlines the fluctuations in the USD/ZAR exchange rate over the past 10 years.



Source: Bloomberg

The Company's current operations at Uitkomst and future operations at the Makhado Project are highly sensitive to changes in the strength of the ZAR relative to the US Dollar, and the relative coal prices.

Source: *Statement of the Monetary Policy Committee* 25 January 2024, *South African Government Quarterly Labour Force Survey* 14 November 2023, *Nedbank Forecasts Annual* February 2024 and Bloomberg.

8. Industry analysis

MC Mining is a coal exploration and development company with operations in South Africa. As such, we have presented an overview of the global coal industry and an analysis of the coal industry in South Africa.

8.1 Coal

Overview

Coal is a combustible sedimentary rock found below the earth's surface and comprises mostly carbon (50%-98%), hydrogen (3%-13%), oxygen and small amounts of other elements, including nitrogen and sulphur. When burnt, coal releases energy as heat, which can be utilised in a variety of processes, including energy generation. The quality of a coal deposit is determined by the temperature and pressure at which the deposit is formed, in addition to the length of time in formation, commonly known as its 'organic maturity'. There are two methods generally used to mine coal, being opencast mining and underground mining, with the choice of extraction method largely determined by the geology of the coal deposit.

The rank of coal refers to the physical and chemical properties that coals of different maturities possess. Lower rank brown coals such as Lignite generally possess a much lower organic maturity, have a soft texture, a dull earthly appearance and are characterised by high moisture levels and low energy (carbon) content. Higher ranked black coals such as Anthracite, which is the highest quality and scarcest type of coal, are harder, stronger, contain less moisture, and produce more energy. Black coal can be categorised into two main types, metallurgical (coking) coal and thermal (steaming) coal.

Due to its high carbon content and coking ability, metallurgical coal is used in the production of both iron and steel, and to a lesser extent, for the smelting and casting of base metals. Of the different types of metallurgical coal, hard coal is the most valuable as it has the lowest ash and moisture content and produces the highest quality coke and most energy. Semi soft coking coal and pulverised coal injection are used more in blending with hard coking coal to be used as an auxiliary fuel source to increase the effectiveness of blast furnaces.

Thermal coal generally contains less carbon than metallurgical coal and consequently cannot be used in the production of steel. Its primary use is therefore as an energy source for coal-fired power plants where it is pulverised and burnt to heat steam generating boilers. Globally, the major producers of thermal coal are China, United States of America ('**US**') and India, with the largest importers being China, India, Japan and South Korea.

South African Coal Industry

Black coal deposits are found all over the world, with South Africa being one of the top 10 largest coal producers globally. South Africa's coal-mining industry has evolved due to its ability to exploit deposits at favourable costs. South Africa is the fourth largest exporter of coal globally, with 32.5% of total domestic coal production in 2021 being exported, primarily through the Richards Bay Coal Terminal. South Africa is also highly reliant on coal. In 2021, 85.7% of its total electricity generation was derived from coal, compared to the global average of 27%. International recognition of South Africa's high carbonisation has led to the country securing US$8.4 billion in funding from a deal announced in November 2021 to assist in reducing the country's coal usage.

South Africa's coal deposits are primarily located in the northeast of the country, with a relatively even proportion of South African coal mines being underground or opencast. The coal resources are generally found in shallow, un-faulted and lightly inclined areas, making extraction suitable for opencast mines.

Coking Coal

Coking coal is used primarily in the production of steel. Coking coal has different quality grades, including hard coking coal, semi-hard coking-coal, semi-soft coking coal and pulverised coal for injection, which are all used in steel production. Coking coal typically contains more carbon, less ash and less moisture than thermal coal. It takes approximately 770 kg of coal to make one tonne of steel. The challenge in steel production is producing steel to generate growth whilst simultaneously reducing emissions in the process. The coking coal market has approximately a third of the volume of the global thermal coal market, as such, South Africa produces no high-quality coking coal in comparison, and therefore primarily imports the commodity.

Coking coal prices plummeted prior to 2016, in line with weaker steel production activity in major export destinations such as China. However, coking coal prices rebounded in 2016 and 2017, largely due to industrial policy changes in China. In April 2016, the Chinese Government announced it would restrict the number of production days per year at Chinese coal mines from 330 to 276. In July 2016, torrential rain in the major coal-producing province of Shanxi in northern China also caused a coking coal supply disruption. This disruption benefited South African and international producers, as the loss of Chinese supply significantly increased global prices of coking coal.

The outbreak of COVID-19 led to a significant reduction in economic activity, ultimately leading to lower demand for energy and steel, which are products derived from coal. Prices for coking coal declined over the course of 2020, but increased in 2021, with strong steel demand from China contributing to the price rises. Coking coal prices experienced limited volatility following the Russia-Ukraine conflict in 2021, in which coking coal prices remained relatively stable amid substantial price spikes amongst other commodities.

Demand for coking coal during the first half of 2023 increased by 18% in comparison to 2022, leading to an increase in coking coal prices.

Thermal Coal

Thermal coal, or steaming coal, is used to generate electricity in much of the world, but due to its high carbon and sulphur content, it is a major emissions contributor. For over five decades, thermal coal has been the dominant fuel source used in power generation, representing almost 40% of the global market. Owing to its low cost and availability, coal's role as a major fuel source for power generation is expected to persist into the future, although its share is expected to decline due to the rise of renewables.

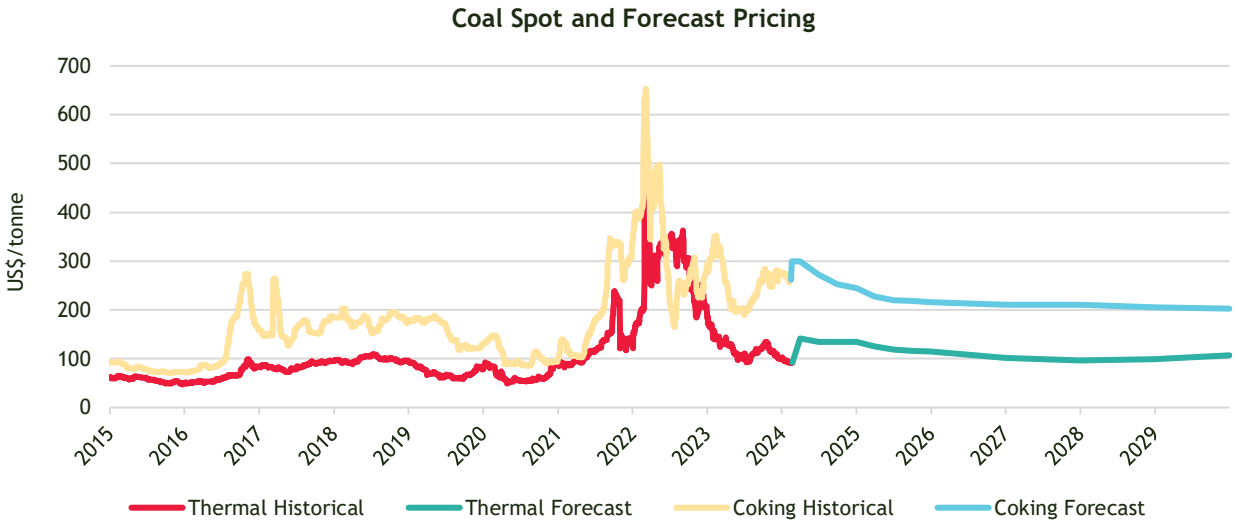
While South Africa demands a significantly higher portion of thermal coal compared to the rest of the world, this quantity will decline over time as renewable energy sources increasingly contribute to South Africa's total electricity generation. As a result of decarbonisation trends, many of the large coal mining companies in South Africa have indicated they plan to exit the industry to focus on more sustainable energy practices. However, it is unlikely this will affect the quantity of coal produced, as these companies intend to sell off assets to smaller industry players rather than shutting them down completely.

In July 2023, annual growth in global coal trade was projected at 7%, which would surpass the record levels obtained during 2019. However, thermal coal exports are expected to decline by approximately 12% by 2026. This decline is attributed to the rise in domestic production in coal-intensive economies such as China and India, as well as coal phase-out initiatives in regions such as Europe.

Despite experts citing a mass global substitution for alternative energy sources, coal is forecast to generate 31% of global power generation through to 2030, compared to 35% in 2020.

Coal Prices

The price of thermal coal (RB Coal Terminal in South Africa) and coking coal (TSI Hard Coking Coal Australia Export FOB East Coast) over the previous nine years, together with coking and thermal coal forecasts from Consensus Economics, are depicted in the graph below.



Source: Bloomberg, S&P Capital IQ Pro, Consensus Economics and BDO analysis

Coking coal prices increased sharply over 2016 and 2017, driven by supply side disruptions in China resulting from restrictions to coal production and torrential rain in a major coal-producing province. In 2019, coal prices began to trend downward but stabilised at the beginning of 2020. However, prices then resumed a downwards trajectory due to subdued global energy demand and steelmaking activity as a result of the COVID-19 pandemic.

The price of coal has been volatile over the past few years, with subdued global energy demand due to the COVID-19 pandemic weighing on prices in 2020. In 2021, thermal and coking coal prices increased from approximately US$83/t and US$107/t in February, to US$220/t and US$335/t in October, respectively. This was driven by demand pressure from China and other emerging Asian markets, who account for over 70% of global coal demand, as well as coal shortages in China. China's coal shortages stemmed from its inability to fully replace the volumes normally imported from Australia following an unofficial ban of Australian coal in December 2020.

Prior to 2022, it was expected that prices would fall due to no long-term supply issues, as the main producing countries had not curtailed their production or export capacities. However, the conflict between Russia and Ukraine, as well as the switch to coal-fired generation amidst high gas prices, sent the prices of thermal coal skyrocketing. Russia's war against Ukraine and the subsequent international sanctions against it led to a reshuffling of coal supply chains and a further shift of exports from land-based to seaborne transport. This resulted in thermal coal prices more than doubling to US$460/t in early March 2022, before falling back to approximately US$300/t in May 2022, which is still an elevated position compared to recent pricing.

In the latter half of 2022, coal prices experienced downward pressure, with limited trade forcing domestic production and causing an increase in the global supply of raw materials. This led to coking coal prices falling to US$169.70/t in late July 2022, and thermal coal prices falling to US$183.85/t in early November 2022.

In 2023, as gas prices weakened and global supply of coal increased, the coal market recovered. In October 2023, thermal coal fell to US$124.60/t, although coking coal reached US$276/t. However, both commodities returned to the pricing levels upheld prior to the Russia's invasion of-Ukraine.

By mid-February 2024, both thermal and coking coal prices declined to approximately US$91/t and US$260/t, respectively. This decrease can be attributed to reduced demand, particularly from Chinese steelmakers, and increasing competition from alternative energy sources. Despite the focus on decarbonisation, which is expected to cause global coal demand to decline, forecasts predict limited volatility and prices consistent with current trends through to 2029.

Consensus Economics forecasts thermal coal prices to increase to US$135/t by the end of 2024, then to gradually decrease to US$97/t by 2027, with a long-term forecast (from 2029 to 2033) of US$108/t. Further, Consensus Economics forecasts coking coal prices to exhibit a declining trend over the period to 2027, from which point they are expected to stabilise over the longer term. According to Consensus Economics, the medium-term forecast coking coal price from 2026 to 2028 is expected to range between US$206/t to US$211/t, with the long-term forecast (from 2029 to 2033) of approximately US$203/t.

Community concerns over fossil fuels

Global carbon emissions have increased significantly over the past 150 years, with the largest driver being the rise in global energy consumption. Fossil fuels, which have been the major source of carbon emissions, have also been the largest contributor to global energy supply.

In a global effort to reduce carbon emissions, governments have set emissions targets to reduce the impacts of global warming. The impact of net-zero emissions targets on global fossil fuel exports is uncertain as the policies to achieve them have not been fully articulated. Despite coal being a key global export, growing pressures from shareholders and climate activists have influenced global banks, insurers, and other industries to reduce their support for coal mining projects. This movement has had a noticeable impact on coal companies' ability to obtain insurance and secure adequate access to finance. As support for fossil fuels slows, future demand will be shaped by the speed of transition towards renewable energy sources, technological advancement, and economic growth. However, South Africa, along with a few other governments, is expected to miss its binding 2030 carbon emissions targets under the 2015 Paris Climate Agreement, as it plans to operate coal-fired power plants for longer than initially anticipated.

Sources: IBIS World, IEA, Bloomberg Intelligence, Capital IQ Pro, Mining, Mining Technology Africa, Worldometer and Consensus Economics.

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('**FME**');
- Discounted cash flow ('**DCF**');
- Quoted market price basis ('**QMP**');
- Net asset value ('**NAV**'); and
- Market-based assessment, such as a Resource Multiple.

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

It is possible for a combination of different methodologies to be used together to determine an overall value where separate assets and liabilities are valued using different methodologies. When such a combination of methodologies is used, it is referred to as a 'sum-of-parts' ('**Sum-of-Parts**') valuation.

The approach using the Sum-of-Parts involves separately valuing each asset and liability of the company. The value of each asset may be determined using different methods as described above. The component parts are then valued using the NAV methodology, which involves aggregating the estimated fair market value of each individual company's assets and liabilities.

9.1 Valuation of an MC Mining share prior to the Offer

In our assessment of the value of an MC Mining share prior to the Offer, we have chosen to employ the following methodologies:

- Sum-of-Parts as our primary methodology, which estimates the fair market value of a company by assessing the realisable value of its identifiable assets and liabilities. The value of each asset and liability may be determined using different methods and the component parts are then aggregated using the NAV methodology. The value derived from this methodology reflects a control value; and
- QMP as our secondary methodology, as this represents the value that a Shareholder may receive for a share if it were sold on market prior to the announcement of the Offer. The value derived from this methodology reflects a minority interest value.

We considered the use of a DCF valuation to value the Makhado Project and Uitkomst, based on the forecast cash flow models provided to us by the Company ('**Models**'). We reviewed the Models and applied BDO's assessed economic inputs to them. In addition, we adjusted the Models to reflect changes to the technical inputs as provided by SRK, an independent technical specialist. BDO and SRK reviewed the Models and assessed the reasonableness of the economic and technical assumptions underpinning the Models. We made the following adjustments to the Models:

- adjusted the coal pricing to reflect BDO's assessed forecast coal pricing, based on consensus forecasts from Consensus Economics and forecast USD/ZAR exchange rates, based on consensus forecasts from Consensus Economics and Bloomberg;
- converted the cash flows from a real basis to a nominal basis using BDO's assessed forecast inflation rates over the respective life of mines, based on consensus forecasts from Bloomberg and BDO analysis;
- adjusted the discount rate; and

- adjusted the technical assumptions underpinning the Models to reflect SRK's recommendations.

After making the aforementioned adjustments to the Models, we arrived at an adjusted model for each of the Makhado Project and Uitkomst (**'Adjusted Models'**).

Based on our analysis, and current assumptions, the Adjusted Models indicate that operating the projects does not represent the highest and best use of the assets. This was largely driven by the following:

- SRK's recommendations relating to the technical assumptions in the Models, which included increases to mining costs, capital expenditure and rehabilitation costs at both the Makhado Project and Uitkomst; and
- applying our assessed economic inputs to the Models including current consensus forecast coal prices and our assessed discount rate over the respective life of mines.

In addition, the net present value of the cash flows derived from the Adjusted Models was substantially lower than the values ascribed by SRK to the Makhado Project and Uitkomst (comprising the Mineral Resources), which was performed using alternative valuation methodologies, as contained in the Independent Specialist Report in Appendix 4. Therefore, the highest and best use values of both the Makhado Project and Uitkomst are derived from employing a market-based valuation, which represents a value that could be obtained in the market by selling the projects as a resource with associated infrastructure.

It is not uncommon for a market-based approach, such as comparable transaction multiples, to result in a valuation higher than the present value of cash flows derived under a DCF approach. This is largely because a DCF valuation represents forecast cash flows using forecast inputs as at the valuation date. In the context of an IER, the expert must have reasonable grounds in accordance with RG 170 and IS 214 for the assumptions underpinning a DCF valuation.

Therefore, whilst we have considered the DCF approach, we have not relied on it to inform our view of the value of the Makhado Project and Uitkomst. Our preferred approach is to rely on the valuations performed by SRK in valuing the Makhado Project and Uitkomst, with the various valuation approaches detailed in the Independent Specialist Report in Appendix 4.

Consequently, we have employed the Sum-of-Parts methodology in estimating the fair market value of an MC Mining share prior to the Offer, by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the following:

- the value of MC Mining's 67.3% interest in the Makhado Project, having reliance on the valuation performed by SRK;
- the value of MC Mining's 84% interest in Uitkomst, having reliance on the valuation performed by SRK;
- the value of the Vele Colliery, having reliance on the valuation performed by SRK;
- the value of MC Mining's 74% interest in the GSP, having reliance on the valuation performed by SRK; and
- the value of MC Mining's other assets and liabilities, applying the cost approach under the NAV methodology.

We have chosen this approach for the following reasons:

- The core value of MC Mining lies in the future cash flows to be generated from its interest in the Makhado Project, Uitkomst, the Vele Colliery and the GSP. As discussed above, we considered the DCF valuation approach to value the Makhado Project and Uitkomst, however, based on the Adjusted Models, the highest and best use values of both the Makhado Project and Uitkomst are derived from a resource based valuation, which was performed by SRK using various valuation approaches detailed in the Independent Specialist Report in Appendix 4. Based on discussions with SRK, and in accordance with RG 170 and IS 214, we do not consider there to be sufficient reasonable grounds to estimate the future cash flows to be generated from the Vele Colliery and the GSP. The reasons for SRK's advice to not using an income approach for Vele Colliery is set out in their report. Based on the SRK advice and application of RG 170 and IS 214, we do not consider the application of the DCF approach to be appropriate for the valuation of these mineral assets. However, there are other assets and liabilities of MC Mining that are not suited to the valuation approach used to value MC Mining's mineral assets. Where different approaches are used to value different assets or components of a business, a Sum-of-Parts approach is the most appropriate valuation methodology to employ;
- We have adopted QMP as our secondary approach. The QMP basis is a relevant methodology to consider because the shares of MC Mining are listed on the ASX, therefore reflecting the value that a Shareholder will receive for a share sold on the market. This means there is a regulated and observable market where the shares of MC Mining can be traded. However, for the QMP methodology to be considered appropriate, the listed shares should be liquid, and the market should be fully informed of the Company's activities. We note that the shares of MC Mining are also listed on the AIM and the JSE. As such, we have analysed the QMP value of an MC Mining share traded on the JSE and the AIM for comparative purposes. However, given that the Company's primary listing is on the ASX, our assessment of the QMP value of an MC Mining share is based on the pricing and trading of MC Mining shares on the ASX; and
- The FME methodology is most commonly applicable to profitable businesses with steady growth histories and forecasts. Further, the FME methodology is not considered appropriate for valuing finite life assets, such as mining assets. Therefore, we do not consider the application of the FME approach to be appropriate.

Therefore, we consider the Sum-of-Parts approach to be an appropriate methodology to use in assessing the value of an MC Mining share prior to the Offer.

Technical Expert

In performing our valuation of MC Mining's mineral assets, have relied on the Independent Specialist Report prepared by SRK, which includes an assessment of the market value of MC Mining's projects, including the Makhado Project, Uitkomst, the Vele Colliery and the GSP.

SRK's Independent Specialist Report has been prepared in accordance with the Australasian Code for Public Reporting of Technical Assessments and Valuation of Mineral Assets (2015 Edition) (**'VALMIN Code'**) and the JORC Code. We are satisfied with the valuation methodologies adopted by SRK, which we believe are in accordance with industry practices and are compliant with the requirements of the VALMIN Code.

The specific valuation methodologies used by SRK are referred to in the respective sections of our Report and in further detail in the Independent Specialist Report contained in Appendix 4.

9.2 Valuation of the Offer Consideration

Shareholders will receive cash consideration of $0.16 for every MC Mining share accepted under the Offer. Therefore, the value of the Offer Consideration is $0.16 per MC Mining share and no valuation methodology is required.

10. Valuation of an MC Mining share prior to the Offer

10.1 Sum-of-Parts valuation

We have employed the Sum-of-Parts methodology in estimating the fair market value of an MC Mining share prior to the Offer (on a controlling interest basis), by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the following:

- the value of MC Mining's 67.3% interest in the Makhado Project;
- the value of MC Mining's 84% interest in Uitkomst;
- the value of the Vele Colliery;
- the value of MC Mining's 74% interest in the GSP; and
- the value of MC Mining's other assets and liabilities not included in the other components of the Sum-of-Parts valuation.

Our Sum-of-Parts valuation of MC Mining prior to the Offer is set out in the table below:

Valuation of MC Mining prior to the Offer	Ref	Low ZAR m	Preferred ZAR m	High ZAR m
Value of MC Mining's interest in the Makhado Project	10.1.1	535.14	668.92	802.71
Value of MC Mining's interest in Uitkomst	10.1.2	39.39	49.23	59.08
Value of the Vele Colliery	10.1.3	467.83	584.79	701.75
Value of MC Mining's interest in the GSP	10.1.4	300.95	401.50	502.05
Value of MC Mining's other assets and liabilities	10.1.5	(259.92)	(259.92)	(259.92)
Total value of MC Mining prior to the Offer (control) (ZAR m)		**1,083.39**	**1,444.52**	**1,805.67**
Number of MC Mining shares on issue prior to the Offer	10.1.6	407,890,744	407,890,744	407,890,744
Value per MC Mining share prior to the Offer (control) (ZAR/share)		**2.656**	**3.541**	**4.427**
AUD/ZAR exchange rate assumed*		12.42	12.42	12.42
Value per MC Mining share prior to the Offer (control) (A$/share)		**0.214**	**0.285**	**0.356**

*Based on the 30-day average of the AUD/ZAR exchange rate to 7 March 2024
Source: BDO analysis

We have assumed the following exchange rates for all currency conversions throughout our valuation, based on a 30-day historical average to 7 March 2024:

- AUD/ZAR exchange rate of 12.42; and
- USD/ZAR exchange rate of 19.02.

Based on the above, we have assessed the value of an MC Mining share prior to the Offer (on a controlling interest basis) to be in the range of $0.214 to $0.356, with a preferred value of $0.285.

10.1.1. Valuation of MC Mining's 67.3% interest the Makhado Project

In performing our valuation of MC Mining's interest in the Makhado Project, we have relied on the Independent Specialist Report prepared by SRK. We instructed SRK to provide an independent market valuation of the Makhado Project, which includes the Mineral Resource and the exploration potential of the Makhado Project. SRK considered various valuation methodologies when valuing the Makhado Project, including the comparable market transactions approach as the primary valuation methodology and the yardstick approach as the secondary valuation methodology. As discussed in the Independent Specialist Report, SRK has elected to adopt the assessed values implied by the comparable transactions analysis to form its valuation range.

SRK determined the fair market value of MC Mining's interest in the Makhado Project to be within the range of ZAR 535.14 million to ZAR 802.71 million, with a preferred value of ZAR 668.92 million. We note that SRK's valuation was conducted on an attributable basis, and as such, the values reflect MC Mining's ownership interest in the Makhado Project.

For further information on SRK's approach and conclusions, refer to the Independent Specialist Report, which is included as Appendix 4 of our Report.

10.1.2. Valuation of MC Mining's 84% interest Uitkomst

In performing our valuation of MC Mining's interest in Uitkomst, we have relied on the Independent Specialist Report prepared by SRK. We instructed SRK to provide an independent market valuation of Uitkomst, which includes the Mineral Resource and the exploration potential of Uitkomst. SRK considered various valuation methodologies when valuing Uitkomst, including the comparable market transactions approach as the primary valuation methodology and the yardstick approach as the secondary valuation methodology. As discussed in the Independent Specialist Report, SRK has elected to adopt the assessed values implied by the comparable transactions analysis to form its valuation range.

SRK determined the fair market value of MC Mining's interest in Uitkomst to be within the range of ZAR 39.39 million to ZAR 59.08 million, with a preferred value of ZAR 49.23 million. We note that SRK's valuation was conducted on an attributable basis, and as such, the values reflect MC Mining's ownership interest in Uitkomst.

10.1.3. Valuation of the Vele Colliery

In performing our valuation of the Vele Colliery, we have relied on the Independent Specialist Report prepared by SRK. Based on advice from SRK in relation to the uncertainties surrounding the future operating parameters of Vele Colliery, it was concluded that the DCF approach is not appropriate and as such, we instructed SRK to provide an independent valuation of MC Mining's interest in the Vele Colliery.

SRK considered various valuation methodologies when valuing the Vele Colliery, including the comparable market transactions approach as the primary valuation methodology and the yardstick approach as the secondary valuation methodology. As discussed in the Independent Specialist Report, SRK has elected to adopt the assessed values implied by the comparable transactions analysis to form its valuation range.

SRK determined the fair market value of MC Mining's interest in the Vele Colliery to be within the range of ZAR 467.83 million to ZAR 701.75 million, with a preferred value of ZAR 584.79 million.

10.1.4. Valuation of MC Mining's 74% interest in GSP

In performing our valuation of MC Mining's interest in the GSP, we have relied on the Independent Specialist Report prepared by SRK. We instructed SRK to provide an independent market valuation of the GSP, which comprises the Mopane, Generaal and Chapudi projects. SRK considered various valuation methodologies when valuing the GSP, including the comparable market transactions approach as the primary valuation methodology and the yardstick approach as the secondary valuation methodology. As discussed in the Independent Specialist Report, SRK has elected to adopt the assessed values implied by the comparable transactions analysis to form its valuation range.

SRK determined the fair market value of MC Mining's interest the GSP to be within the range of ZAR 300.95 million to ZAR 502.05 million, with a preferred value of ZAR 401.50 million. We note that SRK's valuation was conducted on an attributable basis, and as such, the values reflect MC Mining's ownership interest in the GSP.

The range of values for MC Mining's interest in the projects comprising the GSP as determined by SRK is set out below:

Value of MC Mining's interest in the GSP	Low ZAR m	Preferred ZAR m	High ZAR m
Mopane	159.92	200.04	240.15
Generaal	8.44	12.05	15.67
Chapudi	132.59	189.41	246.23
Total value of the GSP (ZAR m)	**300.95**	**401.50**	**502.05**

Source: Independent Specialist Report prepared by SRK

10.1.5. Valuation of MC Mining's other assets and liabilities

The other assets and liabilities of MC Mining represent the assets and liabilities that have not been specifically addressed elsewhere in our Sum-of-Parts valuation. From our discussions with management of MC Mining and our analysis of the other assets and liabilities outlined in the table below, we do not consider there to be a material difference between book value and fair value, unless and adjustment has been noted below.

The table below represents a summary of the assets and liabilities identified:

	Notes	Reviewed as at 31-Dec-23 US$'000	Adjusted US$'000
CURRENT ASSETS			
Inventories		1,593	1,593
Trade and other receivables	a)	5,767	5,757
Cash and cash equivalents	a)	3,383	3,331
TOTAL CURRENT ASSETS		**10,743**	**10,681**
NON-CURRENT ASSETS			
Development, exploration and evaluation assets	b)	70,361	-
Property, plant and equipment	c)	35,443	-
Intangible asset		391	391
Right-of-use assets		2,093	2,093
Other financial assets	a)	5,729	5,710
Restricted cash		23	23

	Notes	Reviewed as at 31-Dec-23 US$'000	Adjusted US$'000
TOTAL NON-CURRENT ASSETS		**114,040**	**8,217**
TOTAL ASSETS		**124,783**	**18,898**
CURRENT LIABILITIES			
Borrowings	a)	16,937	15,837
Trade and other payables	a)	8,398	8,088
Bank overdraft		1,362	1,362
Provisions	a)	737	734
Tax liabilities	a)	557	473
Lease liabilities		481	481
TOTAL CURRENT LIABILITIES		**28,472**	**26,975**
NON-CURRENT LIABILITIES			
Provisions	d)	6,951	-
Deferred tax liability	a)	3,655	3,655
Lease liabilities		1,890	1,890
Borrowings		44	44
TOTAL NON-CURRENT LIABILITIES		**12,540**	**5,589**
TOTAL LIABILITIES		**41,012**	**32,564**
NET ASSETS (US$'000)		**83,771**	**(13,666)**
USD/ZAR exchange rate assumed	e)	***19.02***	***19.02***
NET ASSETS (ZAR'000)		**1,593,324**	**(259,922)**

Source: MCM's reviewed financial statements for the half-year ended 31 December 2023, management accounts as at 31 January 2024 and BDO analysis

We have not undertaken a review of MC Mining's unaudited management accounts in accordance with Australian Auditing and Assurance Standards Board's Standard 2405 *Review of Historical Financial Information Other than a Financial Report*, and do not express an opinion on this financial information. However, nothing has come to our attention as a result our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

We have been advised that there have not been any significant changes to the net assets of MC Mining since 31 December 2023 and that the above assets and liabilities represent their fair market values apart from the adjustments detailed below. Where the above balances differ materially from the reviewed position at 31 December 2023, we have obtained supporting documentation to validate the adjusted values used.

We note the following in relation to the above valuation of MC Mining's other assets and liabilities:

Note a) Non-controlling interest

We note that MC Mining has non-controlling interests of US$1.09 million as at 31 December 2023, which relates to non-controlling interests in various subsidiaries that MC Mining does not wholly own. As such, the reviewed position of MC Mining's net assets at 31 December 2023 reflects a 100% interest in the controlled entities. Therefore, we have adjusted the Company's relevant assets and liabilities balances to reflect the amounts owned by MC Mining.

Note b) Development, exploration and evaluation assets

We have adjusted the book value of development, exploration and evaluation assets of US$70.36 million as at 31 December 2023 to nil, as it is reflected in SRK's valuations of MC Mining's interests in the Makhado Project, Uitkomst, the Vele Colliery and the GSP, which have been valued separately in Sections 10.1.1, 10.1.2, 10.1.3 and 10.1.4 of our Report, respectively.

Note c) Property, plant and equipment

The book value of property, plant and equipment (**'PP&E'**) of US$35.44 million as at 31 December 2023 predominantly comprised PP&E used for mining-related activities, which is accounted for separately in SRK's valuations of MC Mining's interests in the Makhado Project and Uitkomst, which have been valued separately in Sections 10.1.1 and 10.1.2 of our Report, respectively. Therefore, we have adjusted the book value of PP&E as at 31 December 2023 to nil.

Note d) Non-current provisions

The book value of non-current provisions of US$6.95 million as at 31 December 2023 comprised rehabilitation and biodiversity offset provisions, which are accounted for separately in SRK's valuations of MC Mining's interests in the Makhado Project and Uitkomst, which have been valued separately in Sections 10.1.1 and 10.1.2 of our Report, respectively. Therefore, we have adjusted the book value of non-current provisions as at 31 December 2023 to nil.

Note e) USD/ZAR exchange rate assumed

We have converted MC Mining's adjusted net liabilities balance as at 31 December 2023 using the 30-day average of the USD/ZAR exchange rate to 7 March 2024 sourced from Bloomberg, being 19.02.

10.1.6. Number of MC Mining shares on issue prior to the Offer

As detailed in Section 5.6 of our Report, the number of MC Mining shares on issue as at the date of our Report is 407,890,744, which we have used in our Sum-of-Parts valuation.

Furthermore, as detailed in Section 5.6 of our Report, MC Mining has 6,122,604 performance rights and 8,000,000 nil exercise price options on issue as at 29 February 2024. These performance rights and options have various vesting conditions and we consider there to be insufficient reasonable grounds for us to determine the timing and likelihood of these conditions being achieved. Therefore, we have not reflected the resulting dilution in our valuation.

10.2 QMP valuation

To provide a comparison to the valuation of MC Mining in Section 10.1, we have also assessed the quoted market price for an MC Mining share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.43 suggests that when considering the value of a company's shares for the purposes of a control transaction, the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;

- control over dividend policies; and
- access to potential tax losses.

Under the Offer, Goldway seeks to obtain 100% of the shares of MC Mining and therefore should pay a premium for control.

Therefore, our calculation of the quoted market price of a MC Mining share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

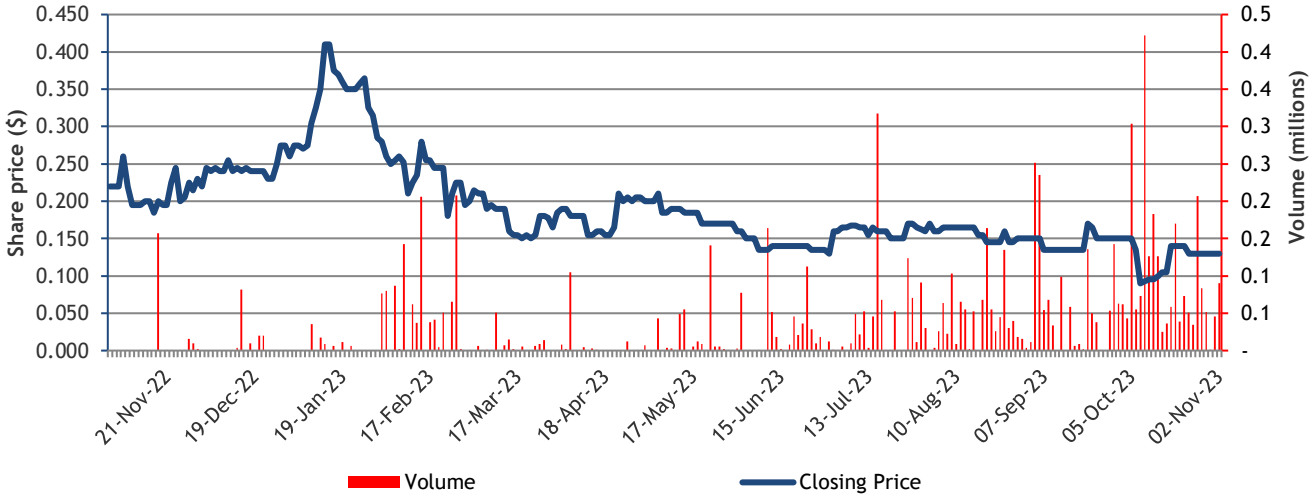
Minority interest value

Our analysis of the quoted market price of an MC Mining share prior to the Offer is based on the pricing prior to the announcement made by the Company on 3 November 2023, relating to the Proposal Letter and the Initial NBIO.

This is because the value of an MC Mining share after that announcement may include the effects of any change in value as a result of a potential takeover offer being announced. We have also presented a chart comparing the movements in a coal index, the coal price and the price of a MC share to show the potential impact on the QMP value of an MC Mining share after the first announcement on 3 November 2023. However, we have considered the value of an MC Mining share following that announcement when we have considered reasonableness in Section 13 of our Report.

Information on the Proposal Letter and the Initial NBIO was announced to the market on 3 November 2023. Therefore, the following chart provides a summary of the share price movement on the ASX over the 12 months to 2 November 2023, which was the last trading day prior to the announcement.

MC Mining share price and trading volume history



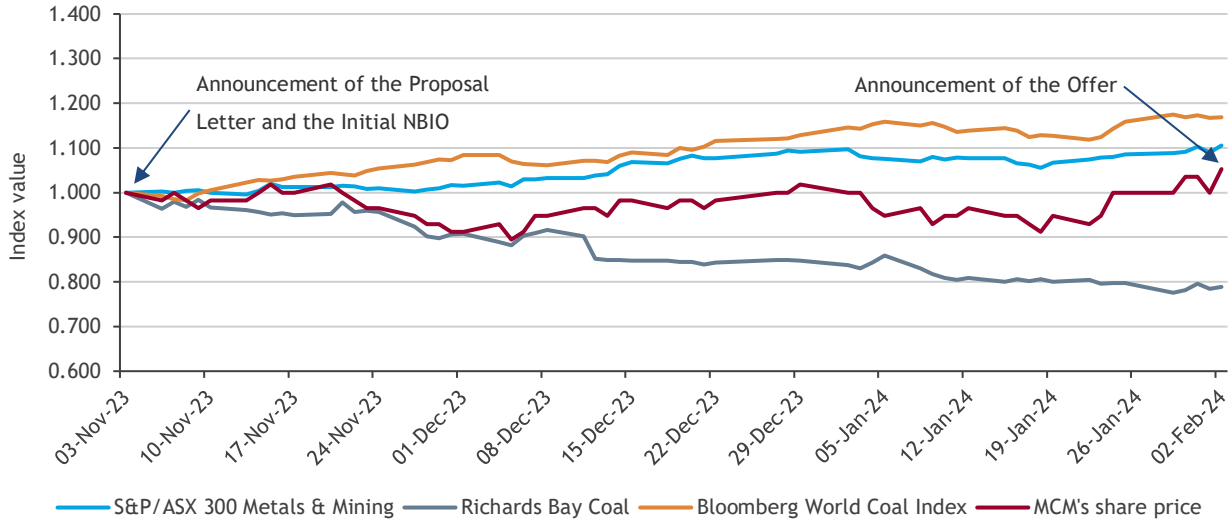
Source: Bloomberg

The daily price of MC Mining shares from 2 November 2022 to 2 November 2023 ranged from a low of $0.090 on 9 October 2023, to a high of $0.410 on 16 January 2023. The single highest trading day over the assessed period was 25 November 2022, when 421,927 shares were traded.

Given the passage of time from the date the Proposal Letter and the Initial NBIO were announced (3 November 2023), to the date the Offer was announced (5 February 2024), we have presented an analysis of movements in the MC Mining share price against movements in market and industry indices. Based on the below analysis, we note that an assessment of the quoted market price of an MC Mining share based

on trading up to 2 November 2023 may not be an accurate representation of the value of an MC Mining share immediately prior to the Offer on 5 February 2024. This is because there may have been company specific or industry factors other than the potential takeover offer that could have impacted the underlying value of an MC Mining share. These factors could include movements in coal prices, or the broader market over this period that were unrelated to the potential takeover.

Movements in broader market, coal price, share prices of global coal companies and MC Mining's share price



Source: Bloomberg and BDO analysis

As displayed in the above chart, there have been movements in the broader market, the coal price, share prices of global coal companies and MC Mining's share price over the period from 3 November 2023 to the date prior to the announcement of the Offer. Therefore, we note that the QMP of an MC Mining share as at 2 November 2023 is unlikely to reflect the value of an MC Mining share immediately prior to the Offer.

Over the twelve month period prior to 2 November 2023, several announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		$	(movement)		$	(movement)	
22/09/2023	MCM Full Year Statutory Accounts	0.165	▼	2.9%	0.150	▼	9.1%
25/07/2023	MCM IDC Loan Update	0.150	▶	0.0%	0.165	▲	10.0%
30/06/2023	MCM Makhado Project - Increase in Mine Life & Coal Reserves	0.130	▼	3.7%	0.165	▲	26.9%
15/03/2023	MCM Half Year Accounts	0.160	▼	15.8%	0.150	▼	6.3%
13/03/2023	MCM Director Appointments & Resignation	0.190	▶	0.0%	0.155	▼	18.4%
31/01/2023	MCM Quarterly Activities Report	0.315	▼	3.1%	0.260	▼	17.5%
31/01/2023	MCM Appendix 5B Quarterly Cash Flow Report	0.315	▼	3.1%	0.260	▼	17.5%
23/12/2022	MCM Outsourcing of the Vele Aluwani Colliery	0.230	▶	0.0%	0.275	▲	19.6%
01/12/2022	MCM IDC Loan Update	0.220	▼	4.3%	0.245	▲	11.4%
01/12/2022	MCM Results of Annual General Meeting	0.220	▼	4.3%	0.245	▲	11.4%

Date	Announcement	Closing Share Price Following Announcement $ (movement)			Closing Share Price Three Days After Announcement $ (movement)		
18/11/2022	MCM Ceasing to be a substantial holder - Summer Trees	0.195	▼	2.5%	0.245	▲	25.6%
18/11/2022	MCM Change in substantial holding - YHY	0.195	▼	2.5%	0.245	▲	25.6%
18/11/2022	MCM Becoming a substantial holder - Dendocept	0.195	▼	2.5%	0.245	▲	25.6%
07/11/2022	MCM Fully Underwritten Rights Issue Offer Closes	0.260	▲	18.2%	0.195	▼	25.0%

Source: Bloomberg and BDO analysis

On 30 June 2023, MC Mining announced the results of the updated LOM plan and Coal Reserve estimate for the Makhado Project. The announcement highlighted a 27% increase in the mine life, at a 25% higher annual mine production rate. In addition, Proved and Probable Coal Reserves estimates, reported in accordance with the JORC Code, increased by 53%. On the date of this announcement, the share price decreased by 3.7% to close at $0.130, before increasing by 26.9% over the subsequent three-day trading period to close at $0.165.

On 23 December 2022, MC Mining announced that it had signed a Contract Mining Agreement with Hlalethembeni Outsourcing Services Pty Ltd to recommission, upgrade and operate the Vele Colliery's coal processing plant and to undertake mining under an agreed mine plan. On the day of this announcement, the share price closed unchanged at $0.190, before increasing by 19.6% in the subsequent three-day trading period to close at $0.275.

On 1 December 2022, MC Mining released the results from the Annual General Meeting, where all resolutions were passed. On the same day, MC Mining announced that the Industrial Corporation of South African Limited had extended the date for repayment of the ZAR 160 million ($9.4 million) loan and the terminal draw down date of the additional ZAR 245 million ($14.4 million) loan facility for the development of the Makhado Project, to 30 June 2023. On the date of these announcements, the share price decreased by 4.3% to close at $0.220, before increasing by 11.4% in the subsequent three-day trading period, to close at $0.245.

On 7 November 2022, MC Mining announced the successful completion of its fully underwritten renounceable rights offer, raising $40 million through the issue of 200,026,719 new ordinary shares. On the date of this announcement, the share price increased by 18.2% to close at $0.260 before declining by 25% over the subsequent three-day trading period to close at $0.195.

To provide further analysis of the market prices for an MC Mining share, we have also considered the weighted average market price for 10-, 30-, 60- and 90-day periods to 2 November 2023.

Share price per unit	02-Nov-23	10 days	30 days	60 days	90 days
Closing price	$0.130				
Volume weighted average price (VWAP)		$0.136	$0.136	$0.145	$0.157

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Proposal Letter and the Initial NBIO, to avoid the influence of any increase in price of MC Mining shares that has occurred since the Proposal Letter and the Initial NBIO were announced.

For comparative purposes, we have analysed the weighted average market price for the same periods detailed above up to 2 February 2024, being the last trading day prior to the announcement of the Offer, as outlined in the table below:

Share Price per unit	02-Feb-24	10 Days	30 Days	60 Days	90 Days
Closing price	$0.140				
Volume weighted average price (VWAP)		$0.140	$0.141	$0.165	$0.166

Source: Bloomberg, BDO analysis

An analysis of the volume of trading in MC Mining shares for the twelve months to 2 November 2023 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of issued capital
1 day	$0.130	$0.130	-	-
10 days	$0.130	$0.140	25	0.00%
30 days	$0.082	$0.170	189,238	0.05%
60 days	$0.082	$0.170	407,776	0.10%
90 days	$0.082	$0.170	1,570,278	0.38%
180 days	$0.082	$0.245	3,339,125	0.82%
1 year	$0.082	$0.420	8,250,194	2.02%

Source: Bloomberg, BDO analysis

This table indicates that MC Mining's shares display a low level of liquidity, with 2.02% of the Company's current issued capital being traded in a twelve month period. RG 111.86 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of MC Mining, we consider the market for MC Mining's shares to be neither liquid, nor active, with less than 1% of the Company's issued capital being traded on a weekly basis over the assessed twelve month period. Furthermore, there were 72 trading days over the assessed period where there was no trading in MC Mining shares.

For comparative purposes, we have also conducted an analysis of the volume of trading in MC Mining shares for the twelve months to 3 February 2024 as outlined below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$0.140	$0.140	-	0.00%
10 Days	$0.130	$0.140	11,164	0.00%
30 Days	$0.130	$0.150	74,760	0.02%
60 Days	$0.130	$0.190	1,003,288	0.25%
90 Days	$0.082	$0.215	1,439,190	0.35%

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
180 Days	$0.082	$0.215	3,006,378	0.74%
1 Year	$0.082	$0.300	5,014,006	1.23%

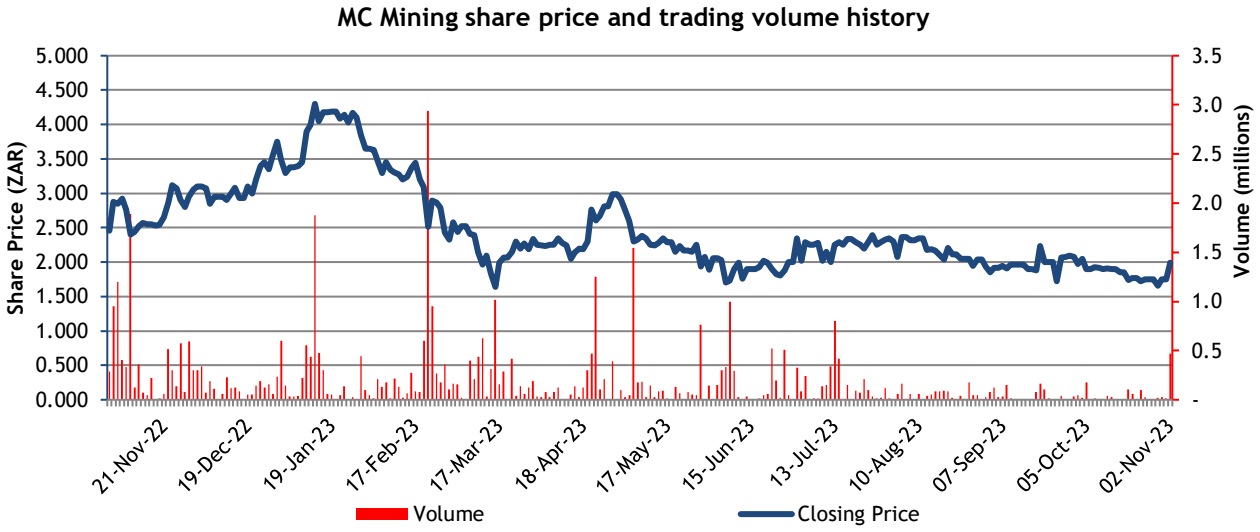
Source: Bloomberg, BDO analysis

The above table supports our conclusion that MC Mining shares display a low level of liquidity, with 1.23% of the Company's current issued capital being traded in a twelve-month period.

Notwithstanding the low levels of liquidity, our assessment is that a range of values for MC Mining shares based on market pricing, after disregarding post-announcement pricing, is between $0.130 and $0.160.

QMP of a MC Mining share on the JSE

Despite MC Mining's primary listing being on the ASX, we have also considered the QMP of MC Mining's shares traded on the JSE for comparative purposes. The following chart provides a summary of the share price movements on the JSE over the 12 months to 2 November 2023.



Source: Bloomberg

The daily price of MC Mining shares from 2 November 2022 to 2 November 2023 ranged from a low of ZAR1.640 on 16 March 2023, to a high of ZAR4.300 on 13 January 2023. The single highest trading day over the assessed period was 22 February 2023, when 2,939,889 shares were traded.

To provide further analysis of the market prices for an MC Mining share, we have also considered the weighted average market price for 10-, 30-, 60- and 90-day periods to 2 November 2023.

Share price per unit	02-Nov-23	10 days	30 days	60 days	90 days
Closing price	ZAR 1.990				
Volume weighted average price (VWAP)		ZAR 1.862	ZAR 1.850	ZAR 1.923	ZAR 2.047

Source: Bloomberg, BDO analysis

An analysis of the volume of trading in MC Mining shares for the twelve months to 2 November 2023 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of issued capital
1 Day	ZAR 1.700	ZAR 2.180	471,774	0.12%
10 Days	ZAR 1.530	ZAR 2.180	721,348	0.18%
30 Days	ZAR 1.530	ZAR 2.210	1,261,245	0.31%
60 Days	ZAR 1.530	ZAR 2.350	2,829,681	0.69%
90 Days	ZAR 1.530	ZAR 2.620	6,510,036	1.60%
180 Days	ZAR 1.400	ZAR 3.440	27,552,172	6.75%
1 Year	ZAR 1.400	ZAR 4.490	45,359,234	11.12%

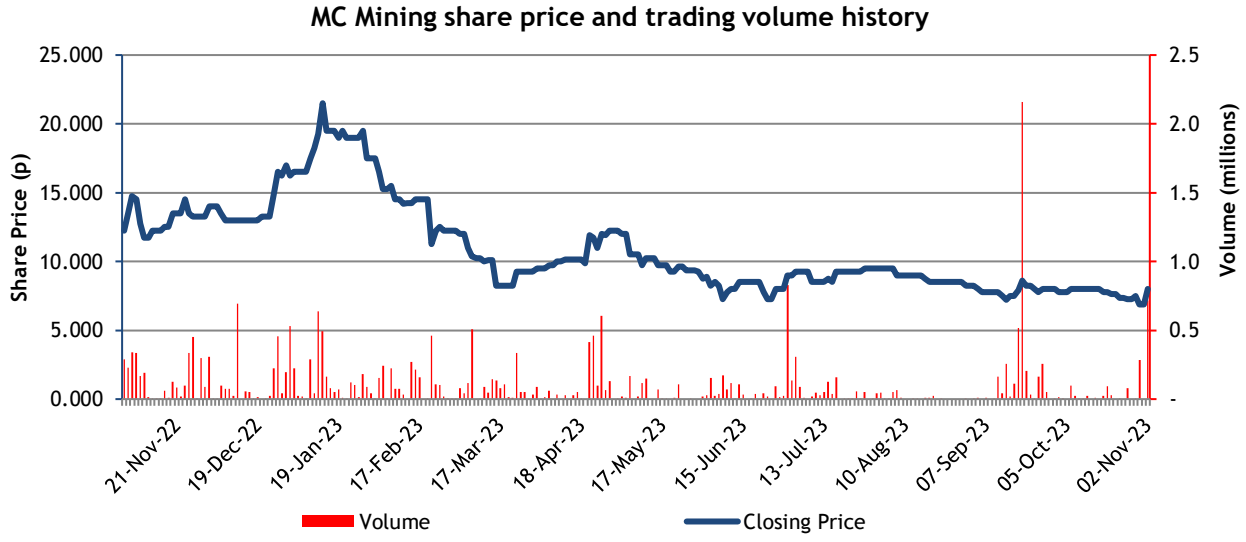
Source: Bloomberg, BDO analysis

This table indicates that MC Mining's shares display a low level of liquidity, with 11.12% of the Company's current issued capital being traded in a twelve month period. However, we note that there is an observable difference in the level of liquidity between MC Mining's shares traded on the ASX and the JSE.

Based on the above, we consider the market for MC Mining's shares on the JSE to be neither liquid, nor active, with less than 1% of the Company's issued capital being traded on a weekly basis over the assessed twelve month period. Furthermore, there were 25 trading days over the assessed period where there was no trading in MC Mining shares.

QMP of a MC Mining share on the AIM

We have also considered the QMP of MC Mining's shares traded on AIM for comparative purposes. The following chart provides a summary of the share price movements on AIM over the 12 months to 2 November 2023, which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of MC Mining shares from 2 November 2022 to 2 November 2023 ranged from a low of 8.000p on 2 March 2023, to a high of 19.500p on 16 January 2023. The single highest trading day over the assessed period was 20 September 2023, when 2,157,954 shares were traded.

We have also analysed the market prices for an MC Mining share further by considering the weighted average market price for 10-, 30-, 60- and 90-day periods to 2 November 2023.

Share price per unit	02-Nov-23	10 days	30 days	60 days	90 days
Closing price	8.000p				
Volume weighted average price (VWAP)		8.089p	7.945p	8.188p	8.415p

Source: Bloomberg, BDO analysis

An analysis of the volume of trading in MC Mining shares for the twelve months to 2 November 2023 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of issued capital
1 Day	6.875p	10.000p	717,901	0.18%
10 Days	6.875p	10.000p	1,109,876	0.27%
30 Days	6.875p	10.000p	1,918,680	0.47%
60 Days	6.875p	10.000p	5,456,645	1.34%
90 Days	6.875p	10.000p	7,627,445	1.87%
180 Days	6.875p	14.500p	13,926,160	3.41%
1 Year	6.875p	21.500p	23,767,171	5.83%

Source: Bloomberg, BDO analysis

This table indicates that MC Mining's shares display a low level of liquidity, with 5.83% of the Company's current issued capital being traded over a twelve month period. The shares of MC Mining traded on AIM exhibit lower liquidity compared to those traded on the JSE, however, they are more liquid than those on the ASX, the Company's primary listing.

We consider the market for MC Mining's shares on AIM to be neither liquid, nor active, with less than 1% of the Company's issued capital being traded on a weekly basis over the assessed twelve month period. Furthermore, there were 44 trading days over the assessed period where there was no trading in MC Mining shares.

Given the lack of liquidity on ASX, AIM and LSE, we have assessed the value range based on trading on ASX, which is the Company's primary exchange.

QMP including control premium

Based on our control premium analysis set out in Appendix 3, we consider an appropriate premium for control to be between 25% and 35%. Applying a control premium to MC Mining's quoted market share price results in the following QMP value including a premium for control:

QMP valuation of a MC Mining share	Low $	High $
QMP	0.130	0.160
Control premium	25%	35%
QMP valuation including a premium for control (rounded)	**$0.163**	**$0.216**

Source: BDO analysis

Therefore, our valuation of an MC Mining share based on the QMP method and including a premium for control is between $0.163 and $0.216, with a rounded midpoint value of $0.189.

However, based on the low assessed level of liquidity discussed above and the company specific and market factors that are likely to have impacted value since the Proposal Letter and Initial NBIO were announced on 3 November 2023, we have not considered the QMP of MC Mining shares in determining the value of an MC Mining share prior to the Offer.

10.3 Assessment of the value of an MC Mining share prior to the Offer

The results of the valuations performed are summarised in the table below:

Value of an MC Mining share prior to the Offer	Ref	Low	Preferred	High
		$	$	$
Sum-of-Parts (controlling interest basis)	10.1	0.214	0.285	0.356
QMP (controlling interest basis)	10.2	0.163	0.189	0.216

Source: BDO analysis

We consider the Sum-of-Parts approach to be the most appropriate valuation methodology to value MC Mining, as the core value of the Company lies in its interest in the Makhado Project, Uitkomst, Vele and the GSP, which have all been independently valued by SRK, an independent technical specialist, in accordance with the VALMIN Code and ASIC's Regulatory Guides. Further, the QMP approach is only appropriate where there is a liquid and active market for the company's shares. Given that our liquidity analysis in Section 10.2 indicates that MC Mining's shares display a low level of liquidity, we do not consider it appropriate to consider the QMP of MC Mining shares in our assessment of the value of an MC Mining share prior to the Offer. We also note the changes in industry and market indices over the period from 2 November 2023 to the announcement date of the Offer, which means that the QMP analysis at 2 November 2023 is unlikely to reflect the underlying value of an MC Mining share immediately prior to the Offer. By assessing the QMP as at 2 February 2024, the market price would be influenced by the announcement of the Proposal Letter and Initial NBIO. Therefore, we do not consider it appropriate to assess the value of an MC Mining share using the QMP as at 2 February 2024.

The difference in the valuation results under our two valuation approaches are explained by:

- as determined by our liquidity analysis in Section 10.2, MC Mining's shares display a low level of liquidity. Therefore, the market price of MC Mining's shares may not reflect the underlying value of the Company;
- the assumptions made by SRK in assessing the value of MC Mining's mineral assets may be more optimistic than those made by the market; and
- the market price may be influenced by negative sentiment surrounding coal companies, whereas the SRK valuation is based on comparable asset transactions at the project level, which may not reflect equivalent levels of negative sentiment.

Based on the above, we consider the value of an MC Mining share prior to the Offer (on a controlling interest basis) to be in the range of $0.214 to $0.356, with a preferred value of $0.285.

11. Valuation of the Offer Consideration

Shareholders will receive cash consideration of $0.16 for every MC Mining share accepted under the Offer. Therefore, the value of the Offer Consideration is $0.16 per MC Mining share.

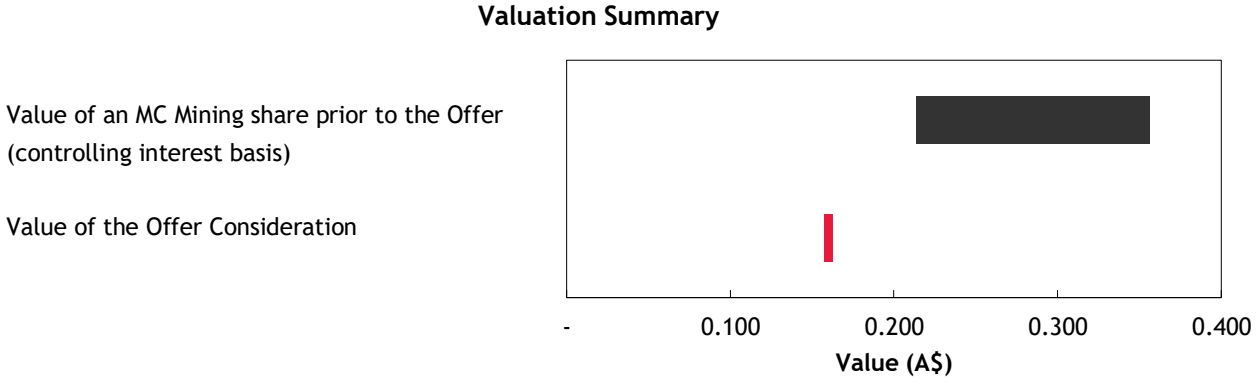
12. Is the Offer fair?

The value of an MC Mining share prior to the Offer (on a controlling interest basis) and the value of the Offer Consideration, are compared below.

Fairness assessment	Ref	Low $	Preferred $	High $
Value of an MC Mining share prior to the Offer (controlling interest basis)	10	0.214	0.285	0.356
Value of the Offer Consideration	11	0.160	0.160	0.160

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that the Offer is not fair for Shareholders. We consider the Offer to be not fair because the value of the Offer Consideration is lower than the low, preferred and high values of an MC Mining share.

13. Is the Offer reasonable?

13.1 Advantages of accepting the Offer

We have considered the following advantages when assessing whether the Offer is reasonable.

13.1.1. The Offer Consideration provides certainty of value to Shareholders

The Offer Consideration comprises $0.16 for each MC Mining share accepted into the Offer.

Therefore, Shareholders will receive cash for exiting their investment in MC Mining which offers certainty in their returns and provides Shareholders with the opportunity to utilise the cash received for other purposes, such as alternative investments. However, we note that this may not be considered an advantage by those Shareholders who acquired their MC Mining shares at a price higher than $0.16, or those Shareholders who do not wish to access alternative investments.

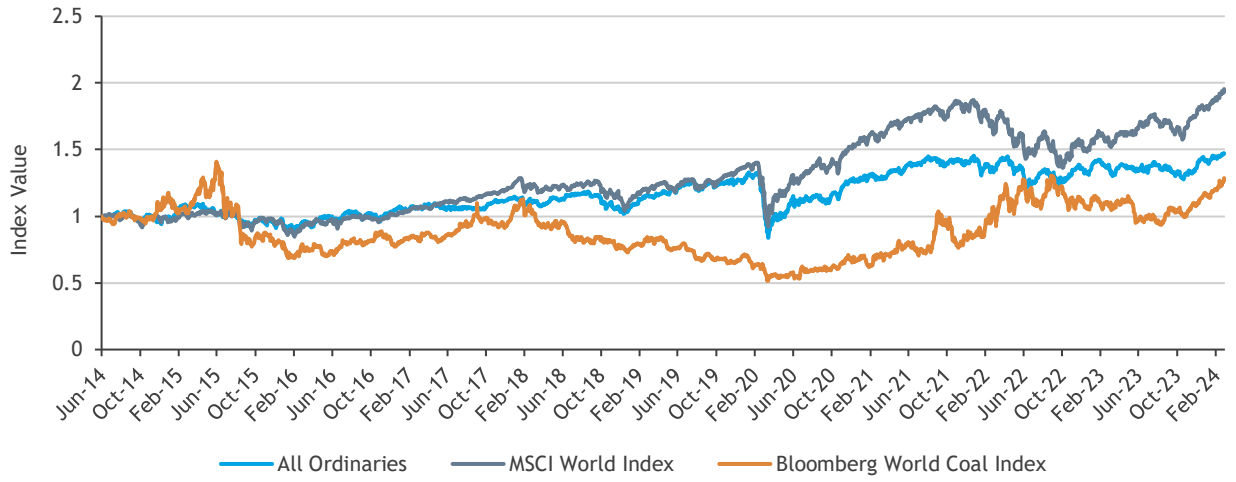
13.1.2. The Offer provides the opportunity to exit the coal industry

Superannuation funds, managed investment schemes and individual investors continue to transition from traditional investing to sustainable investing strategies. Sustainable investing, or socially responsible

investing, is an investing strategy that considers environmental, social and corporate governance factors which has become more prevalent over recent years.

We have analysed the share price performance of listed coal companies relative to the performance of the broader market over a ten-year historical period. A graph of the returns of the All Ordinaries Index, the MSCI World Index and the Bloomberg World Coal Index from June 2014 to March 2024 is shown below. The Bloomberg World Coal Index is a capitalisation-weighted index of the largest listed coal companies in the world. The All Ordinaries Index and the MSCI World Index have been included to represent the broader market.

Share price performance of coal companies relative to the broader market



Source: Bloomberg and BDO analysis

The above chart shows that the share price performance of coal companies has underperformed the performance of the broader market over the historical ten year period. This is largely due to the gradual shift from traditional investing strategies to sustainable investing strategies as a means to combat climate change through socially responsible investing. Therefore, as the emphasis on socially responsible investing increases and investors prefer 'green investments', the share price performance of coal companies may continue to underperform the broader market in the future. Further, investors who currently hold shares in coal companies may divest their holdings which will place further downwards pressures on the share prices of coal mining companies.

In addition, as traditional financiers continue to take a negative stance towards unsustainable industries, such as the coal mining industry, the Company may face difficulty in securing funding in the future to advance its projects. This may result in the Company needing to raise equity at a significant discount to its share price, which dilutes existing shareholders' interests (if they do not participate) or to borrow debt on more unfavourable terms relative to companies in more sustainable industries.

Further, ASIC has commenced several civil penalty proceedings against superannuation funds with holdings in coal mining companies, alleging misleading conduct and misrepresentations to the market relating to claims it was an ethical and responsible superannuation fund. As a result, superannuation funds that claim to be ethical and responsible will be required to divest their holdings in coal mining companies (among other industries), which will place downwards pressures on the share prices of coal mining companies.

Therefore, the Offer provides Shareholders with the opportunity to exit their investment in the coal industry. Notwithstanding the above, we note that each individual investor has their own individual

preferences in terms of investment and commodity exposure and there are private investment vehicles that will fund coal projects.

13.2 Disadvantages of accepting the Offer

We have considered the following disadvantages when assessing whether the Offer is reasonable.

13.2.1. Shareholders will forego the opportunity to participate in any potential upside of MC Mining's mineral assets

By accepting the Offer, Shareholders are exiting their investment in MC Mining. As a result, Shareholders will forego the opportunity to participate in any potential upside of MC Mining's mineral assets and the value of the Company. Specifically, Shareholders will not be able to access any returns generated by the Company's assets, namely the Makhado Project, Uitkomst, the Vele Colliery or the GSP.

13.2.2. Shareholders will lose exposure to coal

Shareholders may be holding their shares in MC Mining to maintain exposure to the coal industry. By accepting the Offer, Shareholders will lose this exposure to the coal industry and with limited listed coal producers and low levels of liquidity for coal companies, Shareholders may not be able to replace this investment with exposure to a superior coal asset.

13.3 Alternative proposal

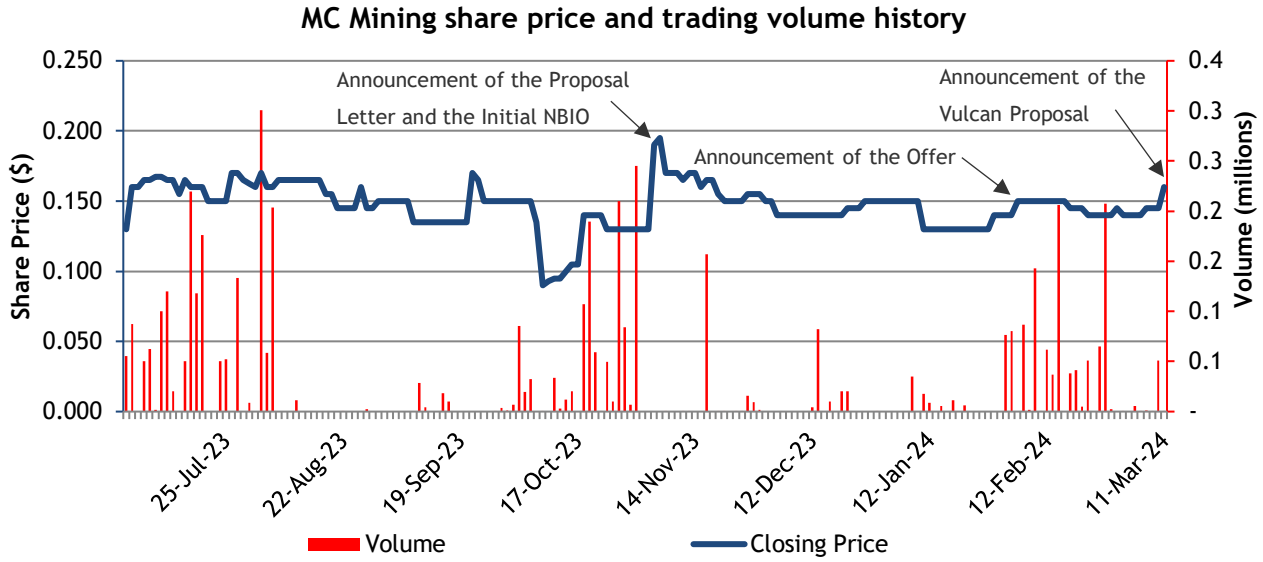
As detailed in Section 4 of this Report, on 11 March 2024, the Company announced that it had received a letter from Vulan Resources, a private Indian company and subsidiary of Vulcan International, outlining its proposal to make an off-market cash takeover offer for all the shares in the Company at an indicative price between $0.17 and $0.20 per MC Mining share. The Vulcan Proposal contained several customary conditions, including completion of a due diligence process and is not a binding offer currently capable of acceptance by shareholders of the Company. However, Vulcan Resources subsequently withdrew the Vulcan Proposal on 12 March 2024, advising that it has concluded that it would not be proceeding with a formal offer.

We are unaware of any other alternative proposal that might offer Shareholders a premium over the value resulting from the Offer.

13.4 Consequences of not accepting the Offer

Potential decline in MC Mining's share price

We have analysed movements in MC Mining's share price since the Offer was announced. A graph of MC Mining's share price and trading volume leading up to and following the announcement of the Offer is set out below.



Source: Bloomberg

From 30 June 2023 to 11 March 2024, the closing price of an MC Mining share ranged from a low of $0.090 on 9 October 2023 to a high of $0.190 on 3 November 2023.

MC Mining announced the Proposal Letter and the Initial NBIO on 3 November 2023. On the date of the announcement, MC Mining's share price increased approximately 46% to $0.190 from the previous day's closing share price of $0.130. On that day, 244,871 shares were traded, representing approximately 0.06% of MC Mining's current issued capital. Following the announcement of the Proposal Letter and the Initial NBIO, the Company's share price exhibited a declining trend until the announcement of the Offer on 5 February 2024.

On the date the Offer was announced, the share price closed at $0.150, up from $0.140 on the previous trading day. On that day, 203,624 shares were traded, representing 0.05% of MC Mining's current issued capital.

The Vulcan Proposal was announced on 11 March 2024, which saw the share price close at $0.160. Given the increase in the Company's share price on the day of the announcement of receipt of the Proposal Letter and the Initial NBIO and the subsequent decline in MC Mining's share price, as well as the withdrawal of the Vulcan Proposal on 12 March 2024, we consider it possible that there may be a decline in MC Mining's share price if the minimum subscription level of the Offer is not reached.

Potential delisting of MC Mining shares

Per the Bidder's Statement, in the event that the Bidder Parties hold a relevant interest in MC Mining of at least 75%, but have not met the conditions to proceed to compulsorily acquire the remaining shares in MC Mining under the Corporations Act, the Bidder Parties intend to delist MC Mining shares from the official lists of the ASX, JSE and AIM (subject to obtaining the necessary SARB approval in respect of the JSE listing).

Therefore, if the Bidder Parties holds a relevant interest in MC Mining of at least 75%, those Shareholders who do not accept the Offer face the risk of holding shares in an unlisted company which is controlled by the Bidder Parties. However, as detailed further below, if the Bidder Parties acquire a relevant interest in 90% or more of MC Mining shares, it has stated that it will proceed to compulsorily acquire any outstanding MC Mining shares it does not own.

Shares in unlisted companies are typically harder to divest than shares in listed companies, as there is no liquid and active market to trade the shares. This reduced liquidity may require Shareholders to realise their investment at a significant discount, if they choose to exit their investment in MC Mining subsequent to the Offer.

In addition, in order for the Bidder Parties to delist MC Mining shares from the ASX, JSE and AIM, the Bidder Parties will need to control at least 75% of the issued shares in MC Mining. As a result, the presence of a 75% substantial shareholder may make MC Mining shares appear less attractive, thereby making it more difficult for Shareholders to exit their investment. As detailed in Section 13.1.2 of our Report, we consider the Offer Consideration to provide certainty of value to Shareholders.

Shareholders' investment in MC Mining may be compulsorily acquired

In accordance with Part 6A.1 of the Corporations Act, if Goldway acquires a relevant interest in 90% or more of MC Mining shares, it will become entitled to proceed to compulsorily acquire any outstanding MC Mining shares it does not own.

Per the Bidder's Statement, Goldway's intentions upon acquisition of 90% or more of MC Mining shares are as follows:

- the Bidder Parties may proceed to compulsory acquire any outstanding MC Mining shares in accordance with Part 6A.1 of the Corporations Act;
- the Bidder Parties will apply for termination of the official quotation of the MC Mining shares on the ASX and arrange for MC Mining to be removed from the official list of the ASX, as well as from its secondary listing on the AIM and JSE;
- the Bidder Parties will replace the current members of the MC Mining Board with the nominees of Goldway. Replacement board members have not yet been identified; and
- Goldway intends to undertake a general review of MC Mining's operations, however it does not intend to make major changes to the core assets and operations of MC Mining other than to progress financing and development of its projects.

Further, it is possible that, even if Goldway is not entitled to proceed to compulsory acquisition under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6A.2 of the Corporations Act. If so, Goldway intends to exercise those rights.

Further details of Goldway's intentions upon acquisition of 90% or more of MC Mining shares are contained within Section 8.2 of the Bidder's Statement.

13.5 Other considerations

The Offer is conditional on Goldway receiving acceptances for at least 50.1% of MC Mining shares

As detailed in Section 4 of our Report, the Offer is conditional on Goldway receiving acceptances for at least 50.1% of MC Mining shares that the Consortium did not have a relevant interest in at the commencement of the Offer Period. Therefore, if Shareholders accept the Offer, it will not be binding unless the minimum acceptance condition is satisfied.

The Consortium's relevant interest in the Company at the commencement of the Offer Period was 262,290,952 shares (64.30% of MC Mining shares). Therefore, accepting Shareholders will only receive the Offer Consideration once Goldway receives a minimum of 72,945,496 acceptances within the Offer Period.

If a higher rival bid emerges, and the Joint Bidders do not match it, they will be required to accept the higher rival bid for their entire joint holding

As detailed in Section 4 of our Report, under RG 9, if a higher rival bid emerges during the Offer Period, and the Bidder Parties' do not increase the Offer Consideration to be equal to, or greater than the consideration offered under the higher rival bid within the required seven day period, the Bidder Parties' are required to accept the higher rival bid in respect of all the MC Mining shares held by the Bidder Parties at that time and will not be able to reject the higher rival bid.

Taxation implications

Shareholders are directed to sections 9, 10 and 11 of the Bidder's Statement for a detailed explanation of the taxation implications of the Offer for Shareholders. We emphasise that the taxation circumstances of each Shareholder can differ significantly and individual shareholders are advised to obtain their own specific taxation advice.

14. Conclusion

We have considered the terms of the Offer as outlined in the body of this report and have concluded that the Offer is neither fair nor reasonable to Shareholders. We consider the Offer to be not fair because the value of the Offer Consideration is less than our assessed low, preferred and high value of an MC Mining Share.

We consider the Offer to be not reasonable for Shareholders because the advantages of accepting the Offer do not sufficiently outweigh the value differential between the value of an MC Mining share and the value of the Offer Consideration.

15. Sources of information

This report has been based on the following information:

- Target's Statement dated 4 March 2024;
- Supplementary Target's Statement dated on or around the date of this Report;
- Bidder's Statement dated 2 February 2024;
- Audited financial statements of MC Mining for the years ended 30 June 2023, 2022 and 2021;
- Reviewed financial statements of MC Mining for the half-year ended 31 December 2023;
- Independent Specialist Report of MC Mining's mineral assets dated 13 March 2024 performed by SRK Consulting (Australasia) Pty Ltd;
- The Makhado Model provided by MC Mining;
- The Uitkomst Model provided by MC Mining;
- MC Mining's internal analysis of funding options for the Makhado Project, including indicative terms of funding;
- Share registry information;
- S&P Capital IQ:
- Bloomberg;
- Consensus Economics;
- Information in the public domain; and
- Discussions with the Independent Directors and Management of MC Mining.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of approximately $100,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by MC Mining in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the MC Mining, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to MC Mining, the Bidder Parties, and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of MC Mining, the Bidder Parties and their respective associates.

A draft of this report was provided to MC Mining and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investments Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 35 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 500 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Head of Natural Resources for BDO and a former Chairman of BDO in Western Australia.

Adam Myers is a Fellow of Chartered Accountants Australia & New Zealand and the Joint Ore Reserves Committee. Adam's career spans over 25 years in the audit and corporate finance areas. Adam is a CA BV

Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Ashton Lombardo is a member of the Australian Institute of Chartered Accountants, is a CA BV Specialist and is member of the committee established to develop and maintain the VALMIN Code. Ashton has over twelve years of experience in Corporate Finance and has facilitated the preparation of numerous independent expert's reports and valuations. Ashton has a Bachelor of Economics and a Bachelor of Commerce from the University of Western Australia and has completed a Graduate Diploma of Applied Corporate Governance with the Governance Institute of Australia.

18. Disclaimers and consents

This report has been prepared at the request of the Independent Directors of MC Mining for inclusion in the Supplementary Target's Statement which will be sent to all MC Mining shareholders. The Independent Directors of MC Mining engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider Goldway's off-market takeover bid to acquire the remaining fully paid ordinary shares on issue in MC Mining which the Consortium does not already own.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Supplementary Target's Statement. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Target's Statement or Supplementary Target's Statement, other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to the Bidder Parties. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate Finance (WA) Pty Ltd by MC Mining and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance (WA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actually be achieved.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Offer tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the shareholders of MC Mining, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by MC Mining. The valuer engaged for the mineral asset valuation, SRK Consulting (Australasia) Pty Ltd possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the closing of the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes
Director

Adam Myers
Director

Appendix 1 – Glossary of Terms

Reference	Definition
A$ or $	Australian Dollars
Adjusted Models	The Models for the Makhado Project and Uitkomst adjusted for BDO's assessed economic inputs and SRK's recommendations on the technical assumptions.
AFCA	Australian Financial Complaints Authority
AIM	Alternative Investment Market
AMSA	ArcelorMittal South Africa Ltd
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASIC Joint Bid Relief Exception	The relief granted by ASIC on 4 January 2024 in respect of the conditions surrounding joint bids
ASX	Australian Securities Exchange
Baobab	Baobab Mining and Exploration Pty Ltd
BDO	BDO Corporate Finance (WA) Pty Ltd
BEE	Black Economic Empowerment
BFS	Bankable Feasibility Study
Bidder Parties	Goldway Capital Investment Limited and the Consortium
Bidder's Statement	The Bidder's Statement announced on 2 February 2024 prepared by Goldway Capital Investment Limited
BOA	The Biodiversity Offset Agreement
CHPP	Coal Handling and Processing Plant
Consortium	A consortium of MC Mining shareholders whom comprise the shareholders of Goldway Capital Investment Limited
Corporations Act	The Corporations Act 2001 Cth
CPP	Coal Processing Plant
DCF	Discounted Future Cash Flows
DEA	Department of Environmental Affairs
Dendocept	Dendocept Pty Ltd
DFS	Definitive Feasibility Study
DMRE	Department of Mineral Resources & Energy
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Erudite	Erudite Pty Ltd
FME	Future Maintainable Earnings
FSG	Financial Services Guide
GDP	Gross Domestic Product

Reference	Definition
Goldway	Goldway Capital Investment Limited
GSP	Greater Soutpansberg Project
HOS	Hlalethembeni Outsourcing Services Pty Ltd
HOS Mining Agreement	A five-year contract mining agreement between MC Mining and HOS executed to facilitate the recommissioning of the Vele Colliery CPP
IDC	The Industrial Development Corporation of South Africa Ltd
Implementation Plan	The five-year Makhado implementation plan, which improved the confidence levels for the first five years of the Makhado BFS and previous feasibility studies, increasing the estimated accuracy from +70% to approximately +90%
Independent Specialist Report	Independent specialist report prepared by SRK
Initial NBIO	The Consortium's initial offer from Sensosi and Dendocept dated 5 September 2023 setting out indicative details of a proposed takeover which was referred to in the Proposal Letter
IS 214	Mining and resources: Forward-looking statements (March 2011)
JSE	Johannesburg Stock Exchange
Km^2	Square kilometres
Kms	Kilometres
LOM	Life-of-mine
Marketing Agreement	Coal Sales & Marketing Agreement between MC Mining and Overlooked Pty Ltd facilitating the export of at least 20,000 t of API4 (6,000 k/cal) coal produced by Uitkomst on a monthly basis, providing access to higher-priced internal thermal coal markets
MC Mining	MC Mining Limited
Models	Forecasted cash flow models provided to us by the Company
MPC	The SARB's Monetary Policy Committee
Mtpa	Million tonnes per annum
NAV	Net Asset Value
Offer	Goldway Capital Investment Limited's conditional off-market takeover offer to acquire the remaining fully paid ordinary shares on issue in MC Mining which are currently not held by a consortium of MC Mining shareholders
Offer Consideration	The shareholders of MC Mining not associated with the Consortium will receive $0.16 for every MC Mining share accepted into the Offer
Offer Period	The period from 16 February 2024 to 5 April 2024 where the Offer remains open, subject to any extensions or withdrawals
our Report	This Independent Expert’s Report prepared by BDO
Ours	BDO Corporate Finance (WA) Pty Ltd
Overlooked	Overlooked Pty Ltd
PP&E	Property, plant and equipment

Reference	Definition
Proposal Letter	The letter received by MC Mining from the Consortium outlining its proposal and intention to make an off-market cash takeover for all the shares in the Company which were currently not held by the Consortium
QMP	Quoted market price
Repo Rate	Repurchase rate
Revised NBIO	The revised NBIO dated 18 December 2023 from the Consortium, which included a revised cash consideration amount of $0.16 per MC Mining share
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
RG 170	Prospective financial information (March 2011)
RG 9	Takeover bids (March 2011)
Rights Issue	The Company's fully underwritten renounceable rights issue completed in November 2022 comprising the issue of 200,026,728 new fully paid ordinary shares at $0.20 per share, raising gross proceeds of $40 million
ROM	Run-of-mine
Senosi	Senosi Group Investment Holdings Pty Ltd
Shareholders	Shareholders of MC Mining not associated with the Consortium
SRK	SRK Consulting (Australasia) Pty Ltd
Sum-of-Parts	Sum-of-Parts valuation
Supplementary Target's Statement	The Supplementary Target's Statement to be issued by MC Mining Limited, which will include a copy of the Independent Expert's Report
Takeover	Goldway Capital Investment Limited's conditional off-market takeover offer to acquire the remaining fully paid ordinary shares on issue in MC Mining which are currently not held by a consortium of MC Mining shareholders
Target's Statement	The Target's Statement issued by MC Mining Limited dated 4 March 2024
The Act	The Corporations Act 2001 Cth
The Company	MC Mining Limited
Uitkomst	Uitkomst Colliery Project
Us	BDO Corporate Finance (WA) Pty Ltd
US	United States of America
US$, USD	United States Dollars
VALMIN Code	Australasian Code for Public Reporting of Technical Assessments and Valuation of Mineral Assets (2015)
Vele	The Vele Colliery
Vulcan Proposal	Vulcan Resources' proposal received by MC Mining for an off-market cash takeover offer for all the shares in MC Mining at an indicative price between $0.17 and $0.20 per MC Mining share
WA	Western Australia
We	BDO Corporate Finance (WA) Pty Ltd
ZAR	South African Rand

The Directors
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Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
Australia

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted market price basis*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('**EBIT**') or earnings before interest, tax, depreciation and amortisation ('**EBITDA**'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 *Market-based assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

The resource multiple is a market based approach which seeks to arrive at a value for a company by reference to its total reported resources and to the enterprise value per tonne/lb/oz of the reported resources of comparable listed companies. The resource multiple represents the value placed on the resources of comparable companies by a liquid market.

Appendix 3 – Premium for control

The concept of a premium for control reflects the additional value that is attached to a controlling interest. We have reviewed control premiums on completed transactions, paid by acquirers of coal mining companies, general energy companies and all ASX-listed companies.

In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e., less than a 0% premium). We have also excluded transactions with an assessed paid premium of over 100%, as we consider it likely that the acquirer in these transactions would have paid for special value and/or synergies in excess of the standard premium for control. Whereas the purpose of this analysis is to assess the premium that is likely to be paid for control, and not specific strategic value to the acquirer. We have summarised our findings below.

ASX-listed coal mining companies

Year	Number of transactions	Average deal value ($m)	Average control premium (%)
2024	-	-	-
2023	-	-	-
2022	-	-	-
2021	-	-	-
2020	2	85.36	29.39
2019	1	13.32	7.04
2018	1	226.41	73.41
2017	1	147.78	97.80
2016	1	0.21	37.34
2015	4	19.73	29.65
2014	1	15.19	38.34

Source: Bloomberg, BDO analysis

ASX-listed general energy companies

Year	Number of transactions	Average deal value ($m)	Average control premium (%)
2024	-	-	-
2023	4	225.42	11.61
2022	2	1,875.97	8.14
2021	1	12,692.96	9.84
2020	5	324.40	59.21
2019	2	13.32	18.64
2018	4	231.55	34.79
2017	3	53.33	99.28
2016	2	169.96	29.33
2015	8	65.56	22.12
2014	4	684.22	64.78

Source: Bloomberg, BDO analysis

All ASX-listed companies

Year	Number of transactions	Average deal value ($m)	Average control premium (%)
2024	1	69.12	42.66
2023	37	403.51	34.68
2022	41	3,039.47	29.07
2021	30	1,034.21	44.40
2020	18	329.16	56.17
2019	31	3,904.02	37.72
2018	31	1,343.84	44.87
2017	25	1,120.07	41.77
2016	31	449.99	52.94
2015	28	948.39	33.53
2014	33	523.20	36.15

Source: Bloomberg, BDO analysis

The mean and median of the entire data sets comprising control transactions from 2014 onwards for ASX-listed coal mining companies, ASX-listed general energy companies and all ASX-listed companies, are set out below:

Entire data set metrics	ASX-listed coal mining		ASX-listed general energy		All ASX-listed	
	Average deal value ($m)	Average control premium (%)	Average deal value ($m)	Average control premium (%)	Average deal value ($m)	Average control premium (%)
Mean	59.32	39.21	717.37	29.49	1,463.82	32.66
Median	15.19	37.34	54.79	21.32	129.39	28.48

Source: BDO Analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction; and
- Level of liquidity in the trade of the acquiree's securities.

When performing our control premium analysis, we considered completed transactions where the acquirer held a controlling interest, defined as 20% or above, pre-transaction or proceeded to hold a controlling interest post-transaction in the target company.

The table above indicates that the long-term average control premium paid by acquires of ASX-listed coal mining companies, ASX-listed general energy companies and all ASX-listed companies is approximately 39.21%, 29.49% and 32.66%, respectively. However, in assessing the transactions included in the table above, we noted that control premiums appear to be positively skewed.

In a population where the data is skewed, the median often represents a superior measure of central tendency compared to the mean. The median announced control premium over the assessed period was

approximately 37.34% for ASX-listed coal mining companies, 21.32% for ASX-listed general energy companies and 28.48% for all ASX listed companies.

Based on our analysis, we consider an appropriate premium for control to be between 25% and 35%. As detailed in Section 9 of our Report and in accordance with RG 111.11, our valuation of an MC Mining share prior to the Offer is on a controlling interest basis.

Appendix 4 – Independent Specialist Report

FINAL

Independent Specialist Report on the Mineral Assets of MC Mining Limited

Uitkomst Colliery, Kwazulu Natal, South Africa
Vele Colliery, Limpopo, South Africa
Makhado Project, Limpopo, South Africa
Greater Soutpansberg Project, Limpopo, South Africa

Prepared for BDO Corporate Finance (WA) Pty Ltd

SRK Consulting (Australasia) Pty Ltd ■ BDO031 ■ March 2024

srk consulting

FINAL

Independent Specialist Report on the Mineral Assets of MC Mining Limited

Kwazulu Natal and Limpopo Provinces, South Africa

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Useful definitions

This list contains definitions of symbols, units, abbreviations, and terminology that may be unfamiliar to the reader.

°C	degrees Celsius
%	per cent, percentage
A$	Australian dollar/s
A&C	A&C Mining Investments Pty Ltd
AD or ADB	Air dried basis
AIG	Australian Institute of Geoscientists
AMSL	above mean sea level
AMSA	ArcelorMittal South Africa Limited
ash	ash content
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
AusIMM	Australasian Institute of Mining and Metallurgy
BCM	bank cubic metres
BDO	BDO Corporate Finance (WA) Pty Ltd
BEE	Black Economic Empowerment
BFS	Bankable Feasibility Study
Blue Falcon	Blue Falcon 232 Trading (Pty) Ltd
Brandywine	Brandywine Valley Investments (Pty) Ltd
BTU/lb	International Steam Table British thermal unit per pound (BTU(IT)/lb)
CoAL	Coal of Africa Ltd
COPs	Codes of Practice
Cove	Cove Mining Pty Ltd
CPP	coal processing plant
CPR	Competent Persons Report
CV	calorific value
DAF	dry, ash free
DAFF	Department of Agriculture, Forestry and Fisheries
DCF	discounted cashflow
ddpm	dial divisions per minute measured by the Gieseler plastometer
DFFE	Department of Forestry, Fisheries and the Environment (previously known as DAFF)
DMC	dense medium cyclone
DMR	South African Department of Mineral Resources
DMRE	Department of Mineral Resources and Energy (formerly Department of Mineral Resources)
DMS	dense media separation
dmt	dry metric tonnes

DWS	Department of Water and Sanitation
EA	Environmental Authorisation
EIA	Environmental Impact Assessment
EMC	Environmental Management Committee
EMPR	Environmental Management Programme Report
EMS	Environmental Management System
ESG	Environmental, Social and Governance
Eskom	Eskom Holdings SOC Ltd (the state-owned electricity utility)
Exploration Result	Data and information generated by mineral exploration programs that might be of use to investors, but which do not form part of a declaration of Mineral Resources or Ore Reserves.
Exploration Target	A statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade (or quality), relates to mineralisation for which there has been insufficient exploration to estimate a Mineral Resource
FC	Fixed Carbon
FEL	front end loaders
FS	A Feasibility Study is a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-feasibility Study.
GAR	gross as received
gcm^3	grams per cubic centimetre
gross in situ	gross in situ Coal Resource before geological lose
GSP	Greater Soutpansberg Project
GTIS	Gross Tonnes In Situ
GVM	GVM Metals Limited
ha	hectare/s
IER	Independent Expert Report
Ikwezi	Ikwezi Mining Ltd
IM	Inherent Moisture
Indicated Resource	that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit.
Inferred Resource	that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

Iscor	The South African Iron and Steel Industrial Corporation
ISR or Report	Independent Specialist Report
IVSC	International Valuation Standards Committee
IWUL	Integrated Water Use Licence
IWWMP	Integrated Water and Waste Management Plan
JORC	2004 edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves*
JORC Code	2012 edition of the *Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves*
JSE	Johannesburg Securities Exchange
kcal/kg	kilocalorie per kilogram
kg	kilogram/s
km	kilometre/s
km^2	square kilometre/s
koz	thousand ounces
kW	kilowatt
Kt/m	kilotons per minute
kWh	kilowatt hour
l	litre/s
LEDET	Limpopo Department Economic Development Environment and Tourism
Limpopo Coal	Limpopo Coal Company (Pty) Ltd
LOM	life-of-mine
M	Million
m	metre/s
Makhado	Makhado Project
MCM	MC Mining Limited
Mbcm	Million bulk cubic metres
Measured Resource	that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit.
MEE	Multiples of Exploration Expenditure
Mineral Resource	a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
MJ	Megajoules
MJ/kg	Megajoules per kilogram

mm	millimetres
MPRDA	*Minerals and Petroleum Resources Development Act* (Act No. 28 of 2002)
Mt	Million tonnes
MTIS	Mineable Tonnes In Situ
Mt/a	Million tonnes per annum
NAR	Net as received
NEM:WA	*National Environmental Management: Waste Act (Act No. 59 of 2008)*
NEMA	*National Environmental Management Act* (Act No. 107 of 1998)
NSR	net smelter return
NST	Northern Star Limited
NWA	*National Water Act* (Act No. 36 of 1998)
Ore Reserve	the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.
PCI	Pulverised Coal Injection
PFS	A Preliminary Feasibility Study (Pre-feasibility Study) is a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre-feasibility Study is at a lower confidence level than a Feasibility Study.
PM_{10}	Particulate Matter (PM). PM_{10} describes inhalable particles, with diameters that are generally 10 micrometres and smaller
Probable Reserve	the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve.
Proved Reserve	the economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors.
RBCT	Richards Bay Coal Terminal
RC	reverse circulation
RG	Regulatory Guide
RICS	Royal Institution of Chartered Surveyors
ROM	run-of-mine
RPEEE	reasonable prospects for eventual economic extraction
SAHRA	South African Heritage Resources Authority
SAMREC Code	*South African Code for Reporting of Mineral Resources and Mineral Reserves* as prepared by the South African Resource Committee under the auspices of the South African Institute of Mining and Metallurgy
SLP	Social Labour Plan

SOP	Standard Operating Procedure
SRK	SRK Consulting (Australasia) Pty Ltd
TEPs	technical and economic parameters
t	tonnes
Terrecom	Terrecom Resources Ltd
t/h	tonnes per hour
TS	Total Sulfur content
Uitkomst	Uitkomst Colliery
UCPL	Uitkomst Colliery (Pty) Ltd
US$	United States dollar/s
VALMIN	The 2015 edition of the *Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets* (or the VALMIN Code)
Vele	Vele Aluwani Colliery
VM	volatile matter content
VRM	Valuation & Resource Management
WA	Western Australia
WML	Waste Management Licence
WUL	Water Use Licence
ZAR	South African Rand/s

Executive summary

Background

BDO Corporate Finance (WA) Pty Ltd (BDO) has been engaged by MC Mining Limited (MCM or the Company) to prepare an Independent Expert Report (IER) in relation to a potential transaction involving the coal assets of MCM located in Kwazulu Natal and Limpopo Provinces of South Africa.

BDO has subsequently engaged SRK Consulting (Australasia) Pty Ltd (SRK) to prepare an Independent Specialist Report (ISR or Report) in relation to matters on which BDO is not an expert. The scope of the work to be completed by SRK was determined by BDO. SRK's ISR will form part of BDO's IER, which is to be provided to MCM shareholders and comment on the 'fairness and reasonableness' of the proposed transaction. SRK's Report does not comment on the 'fairness and reasonableness' of any transaction between MCM and any other parties.

The key mineral assets to be considered in this Report are collectively known as the Mineral Assets and comprise:

- an 84% interest in the Uitkomst Colliery (metallurgical and thermal coal)
- a 100% interest in the Vele Colliery (semi-soft coking and thermal coal)
- a 67% interest in the Makhado Project (hard coking coal and thermal coal byproduct)
- a 74% effective interest in tenements comprising the Greater Soutpansberg Project (GSP) (coking and thermal coal).

This ISR presents the following key technical information as at the Effective Date (29 February 2024):

- Coal Resource and Reserve statements (for Uitkomst, Vele, Makhado and GSP) reported in accordance with the terms and definitions of the JORC Code (as defined below) and used as the basis for the economic analysis
- the associated life-of-mine (LOM) plans and associated technical and economic parameters (TEPs) included in the LOM plans
- a techno-economic assessment of the Uitkomst and Makhado mineral assets.

This Report presents a review of the geological setting and coal seams present in association with the Mineral Assets and comments on MCM's exploration and project growth plans.

Requirement and reporting standard

SRK's ISR has been prepared in accordance with the guidelines outlined in the *Australasian Code for the Public Reporting of Technical Assessment and Valuation of Mineral Assets* (VALMIN Code, 2015), which incorporates the *Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves* (JORC Code, 2012).

As defined in the VALMIN Code (2015), Mineral Assets comprise all property including (but not limited to) tangible property, intellectual property, mining and exploration tenure and other rights held or acquired in relation to the exploration, development of, and production from, those tenures.

This may include plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals relating to that tenure.

Techno-economic assumptions and valuation

As mandated in its scope of work, SRK has reviewed the technical assumptions and provided an assessment on the reasonableness of the techno-economic assumptions in the supplied Uitkomst, Vele and Makhado cashflow models (the Model/s). These Models consider the LOM plans as developed by MCM, including the Coal Resource and Coal Reserve Estimates, the mining physicals, the processing assumptions, the operating costs, the capital expenditure and the environmental and permitting provisions. SRK has considered the assumptions and advised BDO to not value the Coal Resource using an Income Approach.

SRK has excluded commentary related to the marketing, exchange rate, inflation rates and discount rate assumptions adopted in the Model/s, on the understanding that these are to be considered by BDO.

Value of Coal Resources

SRK has provided an opinion regarding the Market Value of the Coal Resources and the exploration potential at Uitkomst, Vele, Makhado and GSP.

In forming its overall opinion regarding the Market Value for each of MCM's coal assets, SRK has adopted the market valuation approach using comparable market transactions supported by peer analysis and yardstick methods as secondary guides.

Table ES-1 summarises SRK's opinion regarding the current Market Value of MCM's Coal Resources. Based on its technical review, SRK has not attributed any additional value to the exploration potential of the broader tenure as, in its view, this value is encapsulated within the value assigned to the Coal Resources, given the valuation approach and methodologies adopted.

Table ES-1: Valuation summary of attributable Coal Resources

	Attributable interest (%)	Low (ZAR M)	High (ZAR M)	Preferred (ZAR M)
Uitkomst	84	39.39	59.08	49.23
Makhado	67	535.14	802.71	668.92
Vele	100	467.83	701.75	584.79
GSP – Mopane	74	159.92	240.15	200.04
GSP – Generaal	74	8.44	15.67	12.05
GSP – Chapudi	74	132.59	246.23	189.41
Total		**1,343.30**	**2,065.59**	**1,704.45**

Source: SRK analysis

Notes: Table figures are subject to rounding. ZAR M values are attributable to MCM

On this basis, SRK considers the current market is likely to pay between ZAR1,343 M and ZAR2,066 M, with a preferred value of ZAR1,704 M for the attributable Coal Resources held by MCM.

1 Introduction

BDO has been engaged by MCM to prepare an IER in relation to a potential transaction involving the coal assets of MCM in South Africa.

BDO has subsequently instructed SRK to prepare an ISR incorporating a technical assessment and valuation of MCM's coal assets. The scope of the work to be completed by SRK was established by BDO. SRK's ISR will form part of the BDO Report and will be provided to MCM shareholders. SRK's Report does not comment on the 'fairness and reasonableness' of any transaction between MCM and any other parties.

The key mineral assets to be considered in this Report are collectively known as the Mineral Assets and comprise:

- an 84% interest in the Uitkomst Colliery (metallurgical and thermal coal)
- a 100% interest in the Vele Colliery (semi-soft coking and thermal coal), which is currently on care and maintenance
- a 67% interest in the Makhado Project (hard coking coal and thermal coal)
- a 74% effective interest in the tenements comprising the GSP (coking and thermal coal).

1.1 Terms of reference and purpose of the Report

SRK understands that this Report is to be used in relation to a potential transaction involving the coal assets of MCM. It is understood that this Report will be included in BDO's IER.

The quality of information, conclusions, and estimates contained herein is consistent with the level of effort involved in SRK's services, based on: i) information available at the time of preparation and ii) the assumptions, conditions, and qualifications set forth in this Report. This Report is intended for use by BDO and MCM subject to the terms and conditions of the agreed contract with SRK and relevant securities legislation in Australia.

Except for the purposes legislated under prevailing securities law, any other use of this Report by any third party is at that party's sole risk. The responsibility for this disclosure remains with MCM.

The purpose of the ISR is to compile the results of previous technical studies into a single document and to provide an independent overview and assessment of the technical merits that might reasonably be expected to be applied by the market when considering investment in the South African mineral assets currently held by MCM. Further, it provides an assessment of the reasonableness of the mineral resource at each of the Company's projects and the reasonableness of the technical inputs underpinning the Company's models. In particular, the ISR covers the pertinent aspects in detail appropriate to the strategic importance of the projects and provides commentary on the exploration and development potential of the Mineral Assets. However, based on the outcome of the DCF modelling, a market-based valuation approach has been adopted. Therefore, the technical inputs to the project models have not been presented in the ISR.

1.2 Reporting compliance, reporting standard and reliance

1.2.1 Scope of work

A site visit for SRK's designated representative to the Vele and Makhado site.

Prepare a report summarising the findings and valuation opinion of the Market Value of the Mineral Assets for the purpose of supporting BDO's IER. To comply with the JORC Code (2012) and VALMIN Code (2015) requirements, SRK's ISR includes discussion of the following (where relevant):

1. Input and advice on the appropriateness of the technical assumptions adopted for the Uitkomst, Vele and Makhado financial model/s:
    a. Coal Reserves and Coal Resources, in so doing consider and comment on geology, resources, reserves, mining engineering, geotechnical engineering, environmental, processing and infrastructure
    b. production profile, including mining and processing physicals (including tonnes of coal mined and yield)
    c. costs (including but not limited to mining, general site costs, transport, corporate office and royalties)
    d. non-operating and other costs (including but not limited to reclamation, mining, discretionary capital costs and deferred capital costs)
    e. capital expenditure (including but not limited to sustaining capital expenditure and rehabilitation)
    f. any other relevant technical assumptions not listed above.
2. The valuation of:
    a. all residual resources of Uitkomst, Vele,and Makhado not considered in the techno-economic models if applicable, otherwise all Coal Resources
    b. all the Coal Resources of GSP
    c. exploration potential of Uitkomst, Vele, Makhado and GSP.

SRK's services exclude any work in relation to:

- marketing, commodity price and exchange rate assumptions adopted in the financial models
- financial and/or corporate taxation analysis.

As part of its investigations, SRK has made enquires but not conducted any independent due diligence on the status of the associated mineral titles and issues relating to land access and environmental regulations. SRK is not qualified to make legal representations in this regard and therefore specifically disclaims responsibility for these aspects for the purpose of this review.

1.2.2 Reporting standard

The authors of this Report are Members or Fellows of the Australasian Institute of Mining and Metallurgy (AusIMM) and/or the Australian Institute of Geoscientists (AIG) and therefore are bound by both the VALMIN and JORC Codes. SRK's report is prepared in accordance with the *Australasian Code for the Public Reporting of Technical Assessment and Valuation of Mineral Assets* – VALMIN Code (2015), which incorporates the *Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves* – JORC Code (2012), in addition to other regulatory guidance (RG) (i.e. Australian Securities and Investment Commission (ASIC)
RGs 111 and 112).

As per the VALMIN Code (2015), a draft of the Report was supplied to BDO and MCM to check for material error, factual accuracy and omissions before the final version of the Report was issued.

1.2.3 Work program

This assignment commenced in February 2024. It relies on data and information supplied by MCM, as well as other publicly available data and other information sourced by SRK from literature, as well as subscription databases such as S&P Capital IQ Pro database services. MCM also provided SRK with access to an online data room.

To meet the requirements set out in Section 11.1 of the VALMIN Code (2015), a site inspection to the material Mineral Assets may be required. SRK conducted a site visit to MCM's Vele and Makhado projects, and has previously inspected the Uitkomst Colliery (for a previous assignment), but did not visit the exploration mineral asset portfolio given their early-stage exploration status.

SRK's representative Steven Muller, Associate Principal Consultant, completed a site inspection of the Vele and Makhado Projects from 13 to 15 February 2024.

SRK's designated project manager, Shaun Barry, coordinated the contributions from each team member to ensure consistency of approach and appropriate levels of reporting as befitting of an ISR for public reporting purposes.

SRK has satisfied itself and MCM has warranted that all material information in its possession has been fully disclosed to SRK.

1.2.4 Legal matters

SRK has not been engaged to comment on any legal matters. SRK notes that it is not qualified to make legal representations as to the ownership and legal standing of the mineral tenements that are the subject of this Report. In accordance with section 7.2 of the VALMIN Code (2015), SRK has satisfied itself regarding the legal status of the Company's projects as it was provided a legal opinion from White and Case Inc dated 15 March 2024 that outlines the status of the project tenures.

1.2.5 Effective Date

The Effective Date of this Report is 29 February 2024.

1.3 Project team

This Report has been prepared by a team of SRK's consultants and associates in South Africa and Australia. Details of the qualifications and experience of the consultants who have conducted the work in this Report, who have extensive experience in the mining industry and are members in good standing of appropriate professional institutions, are set out below in Table 1.1.

Table 1.1: Details of the qualifications and experience of the project team

Specialist	Position/Company	Responsibility	Length and type of experience	Site inspection	Professional designation
Shaun Barry	Principal Consultant/SRK	Project Manager Report and Valuation	30 years – 12 years in consulting specialising in valuation, financial modelling, sensitivity analyses, due diligence studies, IERs, optimisation studies, risk analysis, business and marketing strategy development; 9 years marketing; 7 years analyst; 2 years in operations.	No	BSc(Hons), MSc Eng, AusIMM (CP) MRICS
Ian de Klerk	Principal Consultant/SRK	Geology	>35 years; +20 years in exploration, evaluation and assessment of Mineral Resources, 15 years in geological modelling and resource consulting.	No	BSc (Hons), MSc (Expl. Geol), GDip Eng (Mining Engineering), MAusIMM
Jack Steenekamp	Associate Principal Consultant	Mining and Infrastructure/Services	+35 years – 20 years in consulting with experience in various technical and managerial capacities to include studies, reviews and due diligences, and balance of career in operational and management roles within corporate mining companies, specialising in coal mining operations and projects.	No	BEng (Mechanical), BEng (Hons) (Mining), MBA, GDip (Mine Ventilation), FAusIMM(CP), RPEQ
Ian de Bruyn	Principal Consultant/SRK	Geotechnical engineering		No	BSc (Honours), PrSciNat, MAusIMM
Richard Klecha	Associate Principal Consultant	Coal processing	>30 years in Coal processing including CHPP Manager and Study Manager roles with various Tier One Companies, as well as extensive consulting experience.	No	City and Guilds 040 and 051 Coal Preparation Technology, MAusIMM
Ludovic Rollin	Senior Consultant/SRK	Environmental and social	12 years – 6 years in consulting specialising in environmental, social and governance studies and reviews, 6 years in environmental, social and health and safety operational management	No	BSc, MSc Eng, EUR ING (CP), MAusIMM
Steven Muller	Associate Consultant	Site visit	+30 years – experience in operations include integrated planning process design and implementation mine development, project management and mine closure.	Yes	NHD, Dip (Project Mang), Dip (IT)

Specialist	Position/Company	Responsibility	Length and type of experience	Site inspection	Professional designation
Jeames McKibben	Principal Consultant/SRK	Peer review	+29 years – 19 years in consulting specialising in valuation and corporate advisory; 2 years as an analyst; 8 years in exploration and project management roles.	No	MBA, BSc (Hons) FAusIMM (CP), MAIG, MRICS

1.4 Limitations, reliance on information, declaration and consent

1.4.1 Limitations

SRK's opinion contained herein is based on information provided to SRK by MCM throughout the course of SRK's investigations as described in this Report, which in turn reflects various technical and economic conditions at the time of writing. Such technical information as provided by MCM was taken in good faith by SRK. SRK has not independently verified the stated Exploration Results, Mineral Resources and Ore Reserves by means of recalculation but instead has completed limited verification and review for the purposes of establishing whether they are reasonable in accordance with the purpose of this Report.

This Report includes technical information, which requires subsequent calculations to derive subtotals, totals, averages and weighted averages. Such calculations may involve a degree of rounding. Where such rounding occurs, SRK does not consider them to be material.

As far as SRK has been able to ascertain, the information provided by MCM was complete and not incorrect, misleading or irrelevant in any material aspect. MCM has confirmed in writing to SRK that full disclosure has been made of all material information and that to the best of their knowledge and understanding, the information provided by MCM was complete, accurate and true and not incorrect, misleading or irrelevant in any material aspect. SRK has no reason to believe that any material facts have been withheld.

1.4.2 Statement of SRK independence

Neither SRK, nor any of the authors of this Report, has any material present or contingent interest in the outcome of this Report, nor any pecuniary or other interest that could be reasonably regarded as capable of affecting their independence or that of SRK. SRK has no beneficial interest in the outcome of this Report capable of affecting its independence.

1.4.3 Indemnities

As recommended by the VALMIN Code (2015), MCM has provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- that results from SRK's reliance on information provided by MCM or MCM not providing material information, or
- that relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

1.4.4 Consent

SRK consents to this Report being included, in full, in BDO's IER documents in the form and context in which it is provided, and not for any other purpose. SRK provides this consent on the basis that the technical assessment and valuation expressed in the Executive summary and in the individual sections of this Report is considered with, and not independently of, the information set out in the complete Report.

1.4.5 Practitioner consent

The information in this Report that relates to Technical Assessment and Valuation of the Mineral Assets is based on and fairly reflects information compiled and conclusions derived a team of consultants supervised by Mr Shaun Barry, who is a Member of the AusIMM. Mr Barry is employed by SRK, an independent mining consultancy. Mr Barry has sufficient experience that is relevant to the Technical Assessment and Valuation of the Mineral Assets under consideration, the style of mineralisation and the types of deposit under consideration and to the activity being undertaken to qualify as a Practitioner as defined in the 2015 edition of the *Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets*, and as a Competent Person as defined in the 2012 Edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves*. Mr Barry consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

1.4.6 Consulting fees

SRK's estimated fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, SRK's knowledge of the assets and availability of data. The fee payable to SRK for this engagement is estimated at approximately A$110,000. The payment of this professional fee is not contingent upon the outcome of this Report.

1.4.7 Units of measure and currency

Throughout this report, measurements are in metric units and currency in South African rands (ZAR), United States dollars (US$) or Australian dollars (A$) unless otherwise stated.

2 Overview of MCM

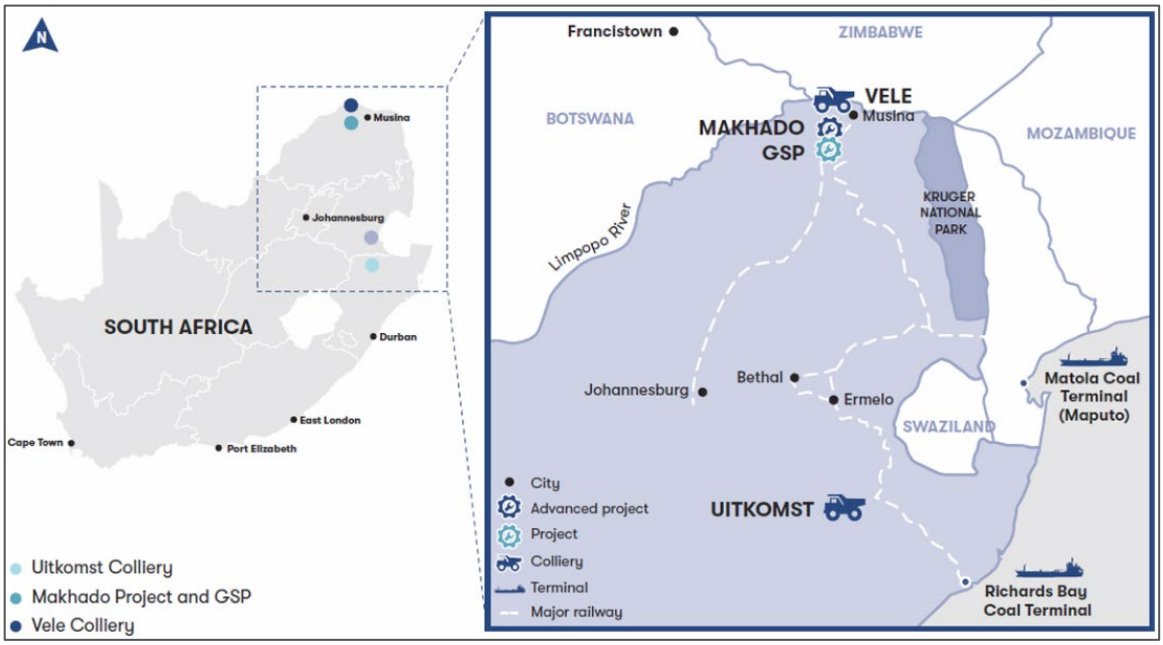
2.1 Company background

MCM is a mineral resources company listed on the AIM, ASX and JSE, which is primarily focused on its metallurgical coal assets in South Africa. Formerly known as Coal of Africa Limited (CoAL), the Company received shareholder approval for its name change to MC Mining Limited in November 2017.

Following the purchase of the Uitkomst Colliery in 2017, the Company's focus has shifted to a combination of project development and operations. The Company's key projects (Figure 2.1) include the Uitkomst Colliery (metallurgical coal), Makhado Project (hard coking and thermal coal), Vele Aluwani Colliery (semi-soft and thermal coal) and the GSP – MbeuYashu (coking and thermal coal).

MCM is an emerging developer of high-quality coking and thermal coal assets, located primarily in the Limpopo province of South Africa.

Figure 2.1: Location of operations and projects



Source: MCM

With good access to rail and port infrastructure, MCM can effectively service domestic and international coal markets, providing a much-needed resource for economic growth and development to the country and the provinces in which it operates.

3 Uitkomst Colliery

3.1 Overview

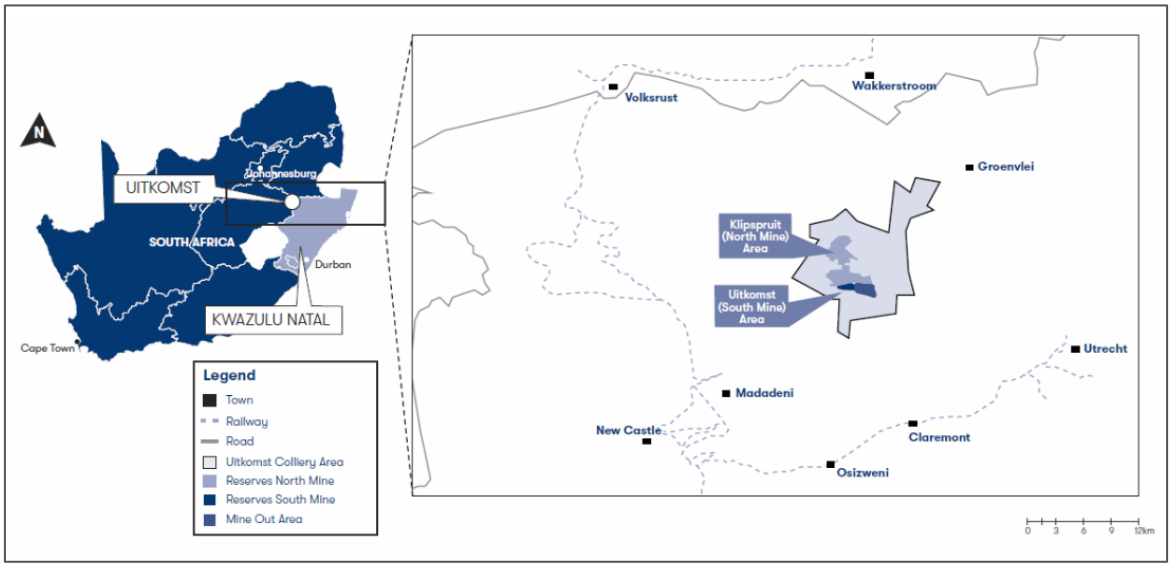
Uitkomst Colliery (Pty) Ltd (UCPL) is a producer of thermal and metallurgical coal from the Uitkomst Colliery (Uitkomst) which is situated 20 km northwest of Utrecht and 23 km northeast of Newcastle in the KwaZulu Natal province (Figure 3.1). The colliery lies approximately 315 km directly northwest of the Richards Bay Coal Terminal (RBCT) and 320 km southeast of Johannesburg.

Uitkomst is an underground bord and pillar (conventional drill and blast) colliery that extracts the Gus Coal Seam.

The operation is accessible via a well-maintained largely sealed road network and a rail line that runs to the west of the operations. The Wykom Rail Siding is located 5.7 km north of the town of Newcastle, and provides the main loading point for rail transported coals.

MCM owns an 84% interest in UCPL, which is the registered holder of a consolidated mineral right for coal issued by the South African Department of Mineral Resources (DMR) under reference KZN30/5/1/2/2/94 MR (94 MR).

Figure 3.1: Location of the Uitkomst Colliery



Source: MCM website, accessed 13 May 2022

The colliery is situated at the foothills of the Balele Mountains within an important sheep farming and major cattle and mixed farming region.

The surrounding region to the colliery experiences a temperate climate with mild summers (typically 15°C to 28°C) and cool winters (typically 3°C to 23°C). Rain typically falls during the summer months, mostly from October through to March. Mining can take place throughout the year.

3.2 History

Uitkomst Colliery currently consists of the operating section, the South Mine (the 'Uitkomst area') and the planned future expansion, the North Mine (the 'Klipspruit area').

The Klipspruit area represents the previously-mined underground Klipspruit Colliery, originally owned by Newcastle Coal Mines (Pty) Ltd. The colliery commenced production in 1987; before being sold in 1989 to Welgedacht Exploration Company (Pty) Ltd, a Rand Mines Limited subsidiary, and later acquired by Ingwe Coal Corporation. The colliery was then sold to Kangra Holdings in 1993. In 2014, the colliery was owned by Shanduka Resources, although it had ceased operations and rehabilitation was completed (Barker's Coalfield Maps of South Africa, 2014).

Operations were commenced in the adjacent Uitkomst area (the original Uitkomst Colliery) in 2007 by Brandywine Valley Investments (Pty) Ltd (Brandywine). In April 2015, Blue Falcon 232 Trading (Pty) Ltd (Blue Falcon) bought Brandywine and consolidated the Klipspruit and Uitkomst mineral rights through a Section 102 application, which was granted in March 2016. Blue Falcon was acquired by Pan African Resources PLC, effective 01 April 2016, which then ceded the mineral rights to its subsidiary, Uitkomst Colliery (Pty) Ltd. In June 2017, the company was acquired by MCM.

Uitkomst was then mined by an independent mining contractor, Khethekile Mining, until 01 August 2018, when MCM acquired all the contractor's mining equipment and employees. The mine has been owner-operated ever since.

Details of historical exploration are limited. Exploration was conducted from the 1950s through to 2013 by a variety of companies (Table 3.1), resulting in a total of 491 drill holes. However, analytical results are only available for 429 of these holes.

Twenty of the drill holes completed in 2023 delineated the old Klipspruit workings. These have been incorporated into the Coal Resources and Reserves reported as at 30 June 2023.

Table 3.1: Historical exploration for the Uitkomst Colliery

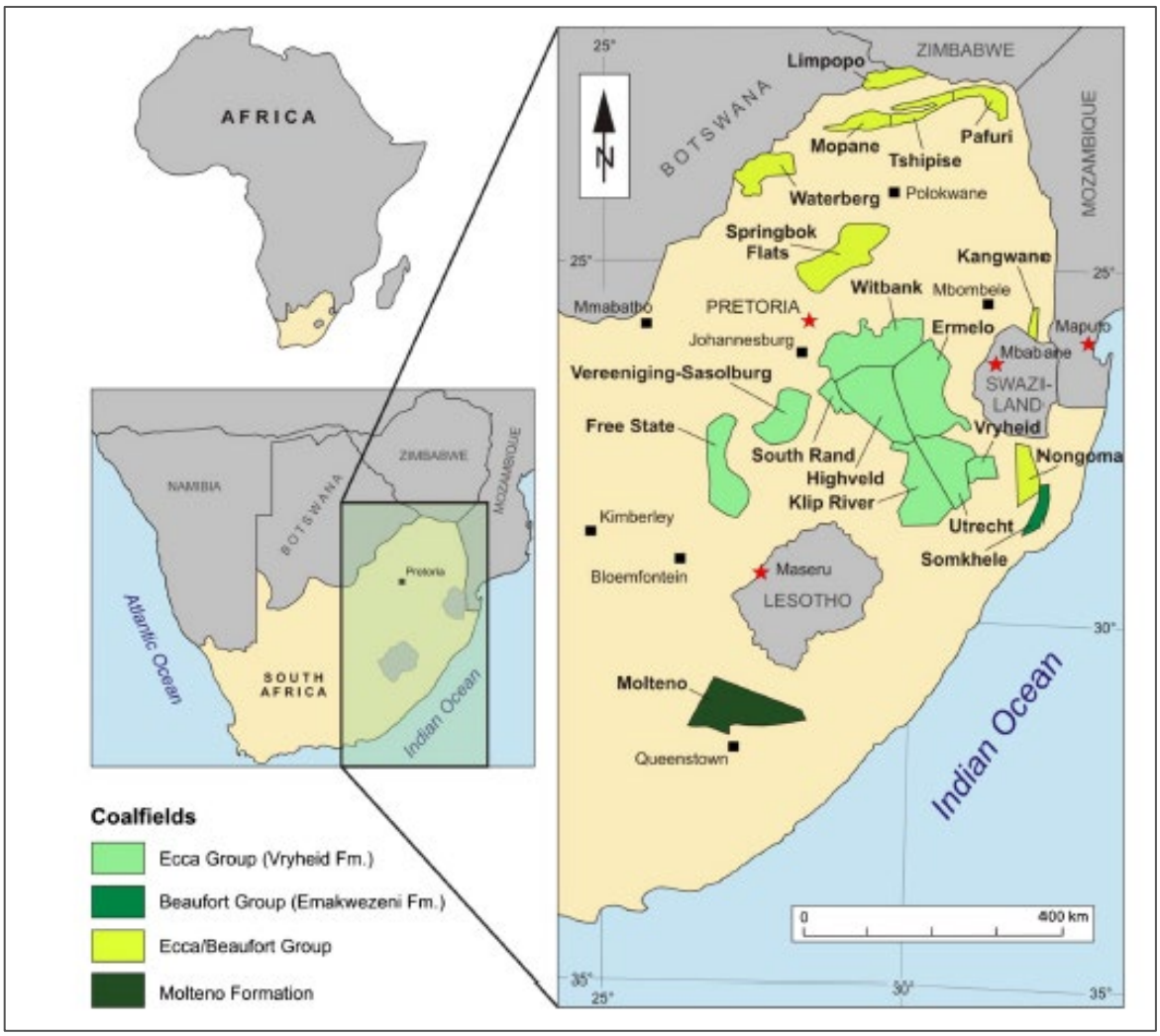
Year	Number of Drill Holes	Company
1971, 1978–1979	41	Iscor Ltd[1]
1983	16	St George Mining
1980–1988	268	Grinaker Desert Spar/Grinaker Mining[2]
1987–1988	19	Newcastle Coal Mines (Pty) Ltd[2]
1988–1989	16	Rand Mines Ltd/Ingwe Ltd
2001	24	Welgedacht
2007–2009	27	Brandywine
2013	13	Uitkomst Colliery
2017	20	Uitkomst Colliery
2019	6	Uitkomst Colliery
2023	41	Uitkomst Colliery
Total	**491**	

Source: Uitkomst CPR (2017)
Notes:
[1] Previously, the state-owned South African Iron and Steel Industrial Corporation Limited.
[2] Subsidiary of Anglovaal Ltd.

3.3 Local geology

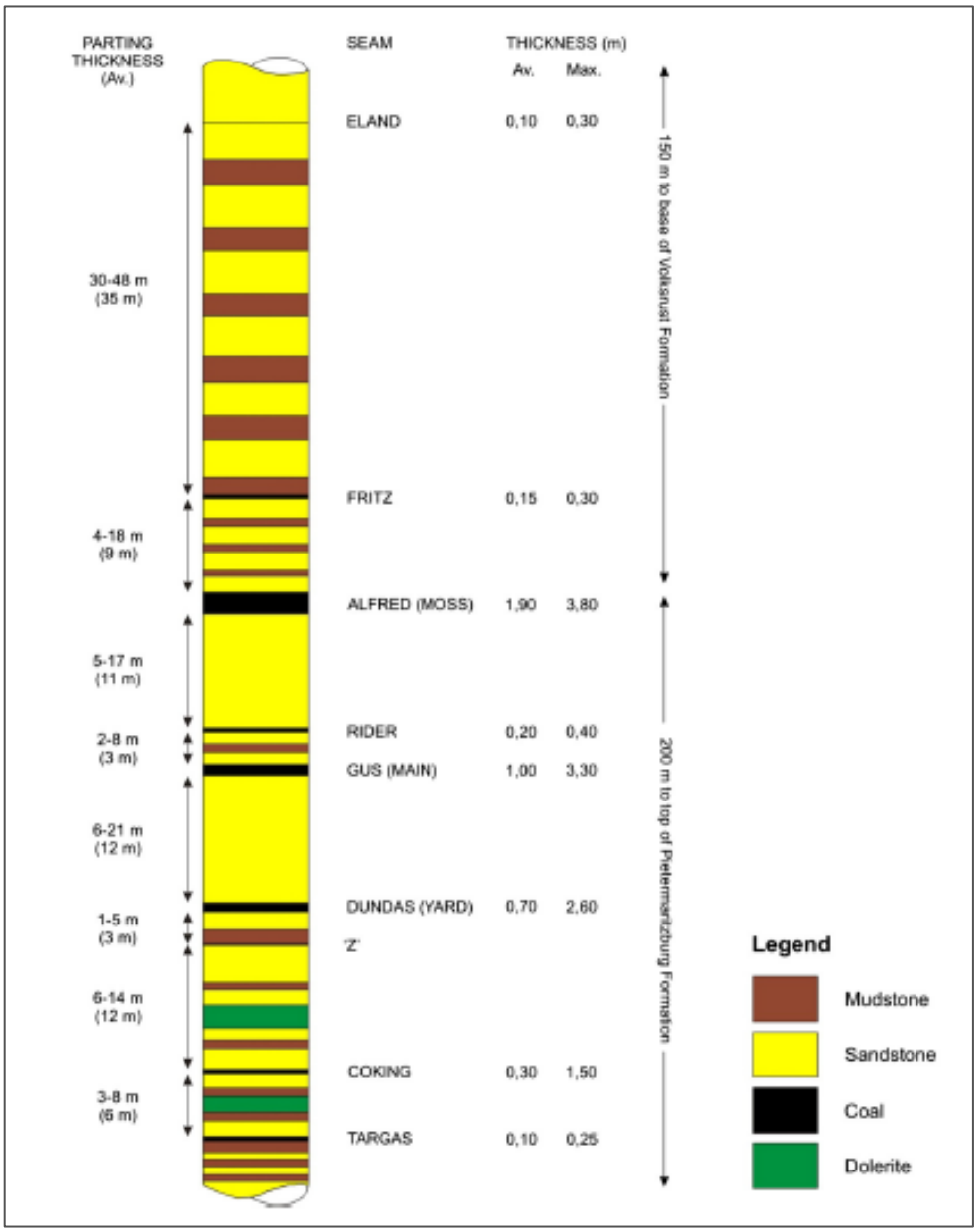
Uitkomst Colliery is located in the Utrecht Coalfield (Figure 3.2); the coal seams are developed in the Vryheid Formation of the Ecca Group, which is of Permian age. Seven main seams and two smaller seams are recorded (Figure 3.3), although not all seams are developed in all areas. Four seams are demonstrated to have economic value – the Coking, Dundas, Gus and Alfred Seams. Dolerite intrusions ranging from thin dykes to very thick sills are extremely common in this coalfield, often causing major displacement of the seams (in the order of 150 m) and affecting the quality and rank of the seams. Anthracite is the main coal product derived from this coalfield, with some thermal coal as a secondary product.

Figure 3.2: Coalfields of South Africa



Source: Hancox & Götz, 2014

Figure 3.3: General stratigraphy of the Coal Zone in the Utrecht Coalfield



Source: Hancox & Götz, 2014

At Uitkomst, only two of seams are intersected; namely, the Alfred and Gus Seams. As the Alfred Seam is poorly developed, only the Gus Seam is currently extracted.

The Gus Seam occurs in a north–south trending zone in the central portion of the mining lease and outcrops to the south in the Dorpspruit and Kweekspruit valleys. To the north, the seam extends beneath the escarpment at a depth from surface of around 300 m; due to the extreme topography of the escarpment, the depths increase rapidly to over 800 m. The seam ranges in thickness from 0.8 m to 1.9 m and consists of banded bright, dull and lustrous coal with the coal quality decreasing towards the top of the seam. This upper portion also contains a number of fine-grained sandstone partings, which may attain thicknesses of 20 cm.

3.4 Exploration potential

Drilling north of the presently defined LOM area suggests there may be potential for additional resources to be defined through ongoing exploration, although this is considered to be limited. Future drilling campaigns will target these areas.

3.5 Coal Resources and Reserves

3.5.1 Coal Resources

The critical variable considered for the Uitkomst coal product is the ash content; the main products are both domestic products, namely a 12% ash product from the -10 mm fraction, usually sold to ArcelorMittal South Africa Limited (AMSA), and a 12–14% ash product from sized and unsized coal sold into the local domestic market.

In addition, the following cut-off values were imposed to estimate the mineable Resource:

- Mineral Rights boundaries
- Seam subcrop
- Mined out areas have been excluded.
- Raw dry, ash-free (DAF) volatile matter (VM) >27% to exclude devolatilised areas
- Minimum depth of 25 m for Mineable Tonnes In Situ (MTIS); any coal less than 25 m below surface is difficult to access from underground and due to the abrupt topography, does not have open cast potential.
- Maximum seam depth of 300 m
- A minimum seam thickness of 0.5 m for Gross Tonnes In Situ (GTIS) and 1.2 m for MTIS.

The Coal Resource Estimates were also discounted for unknown geological structures, based on the confidence in the Coal Resource classification; namely:

- Measured 10%
- Indicated 15%
- Inferred 20%.

SRK has reviewed the geological model and is satisfied that the data are represented sufficiently accurately in the grids, that the modelling principles employed and the estimation methods used are fit-for-purpose and that the geological model and the resource estimates can be relied upon.

The Coal Resources were estimated by Mr John Sparrow in accordance with the 2004 Edition of the South African National Standard 10320 (SANS10320). Mr Sparrow is a Competent Persons as defined by the *South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves* (SAMREC Code, 2020).

All Coal Resources and coal qualities have been estimated on an air-dry basis and are inclusive of the Coal Reserves.

The Coal Resources as reported in the 2023 Annual Report are shown in Table 3.2.

Table 3.2: Uitkomst Coal Resources (as declared at 30 June 2023)

Resource Category	GTIS (Mt)	MTIS (Mt)	MCM Attributable Interest (%)	MCM Attributable Resource (Mt)
Measured	15.941	14.347	84	12.051
Indicated	3.964	3.369	84	2.830
Subtotal Measured & Indicated	*19.905*	17.716	84	*14.881*
Inferred	5.678	4.543	84	3.816
Total	25.583	22.259	84	18.697

Source: MCM 2023 Annual Report

3.5.2 Coal Reserves

The stated Coal Reserves are quoted from the 2023 Annual Report (Table 3.3). It is noted that a reported 308,455 ROM tonnes have been mined at Uitkomst Colliery since the preparation of the Coal Reserves as stated in Table 3-3, i.e. from July 2023 to the end of January 2024. In the Company's recent LOM plan, additional sales from reprocessing of the coarse discard material are included, but these cannot be classed as Coal Reserves until more analysis has been completed.

The Coal Reserves were estimated and reported by Mr Craig Archer. Mr Archer is a Competent Persons as defined by the *South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves* (SAMREC Code, 2020).

Table 3.3: Uitkomst Coal Reserves as at 30 June 2023 (in 100% terms)

Coal Reserves Category	ROM Mt	Sales Mt
Proved	6.044	3.917
Probable	1.021	0.696
Total	7.065	4.613

Source: MC Mining Limited Annual Report 2023

Notes:

[1] Includes all contamination and roof brushing.

[2] There are 0.762 Mt of ROM that are unclassified that are included in the LOM.

3.6 Mining

The mine defined Coal Resources predominantly target the Gus Seam and outcrop in the valley portions in the southern and northern parts of the mining right. This seam ranges between 0.8 and 1.9 m in thickness.

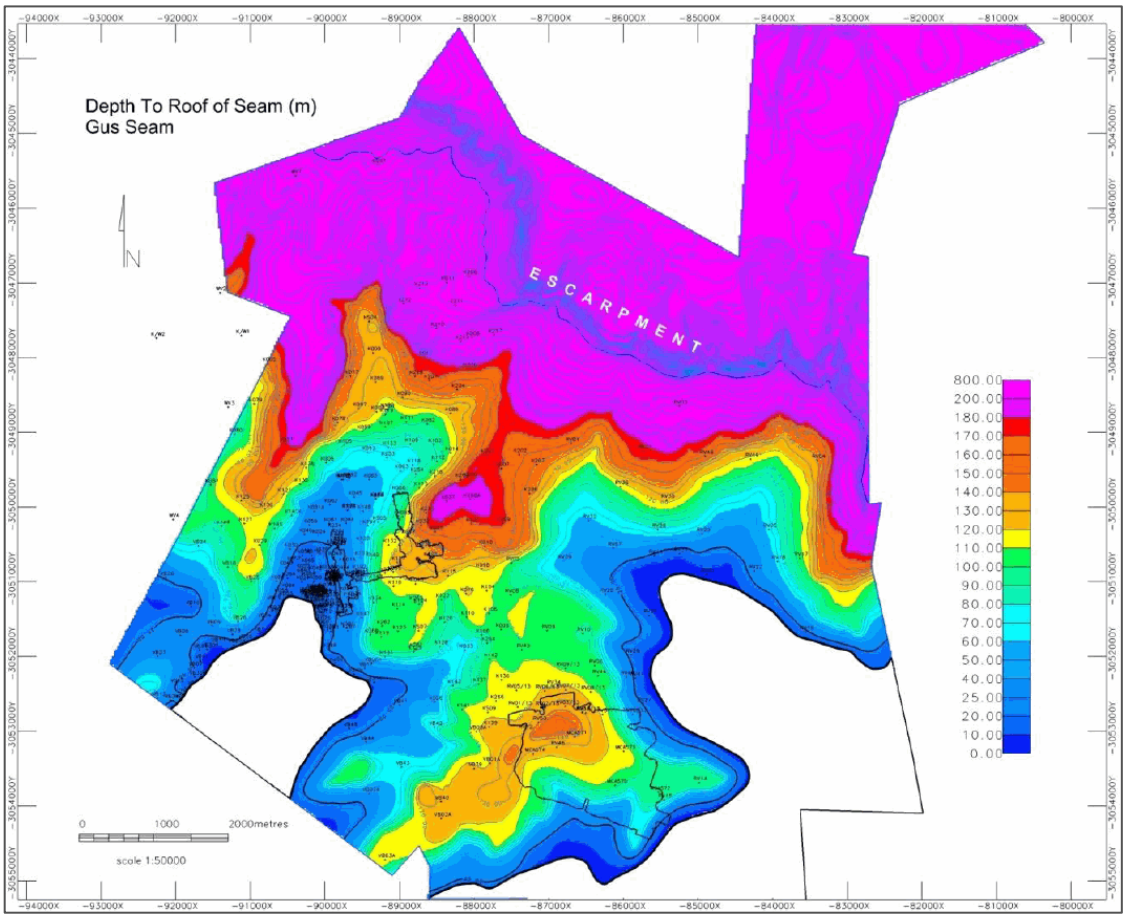
The key constraint to the mine layout is the escarpment topography, which rises to over 800 m and with cover, which impacts on potential coal recovery. The outcrop areas are accessed from a boxcut to approximately 30 m depth to allow an adit-type access into the coal seam.

The coal seam is considered to be horizontal (i.e. a zero dip) but does have some floor rolls that affect the potential mining height. The mining panels have been laid out from the development drive in Adit 1 to the extent of the mining thickness, as defined by a minimum seam thickness of 1.2 m and

a minimum overburden cover of 30 m. The maximum panel cover is set at 150 m overburden thickness where the coal recovery beyond this becomes uneconomic (refer Figure 3.4). The original old Klipspruit workings in the vicinity of Adit 2 were mined on a similar basis before discontinuing the operations.

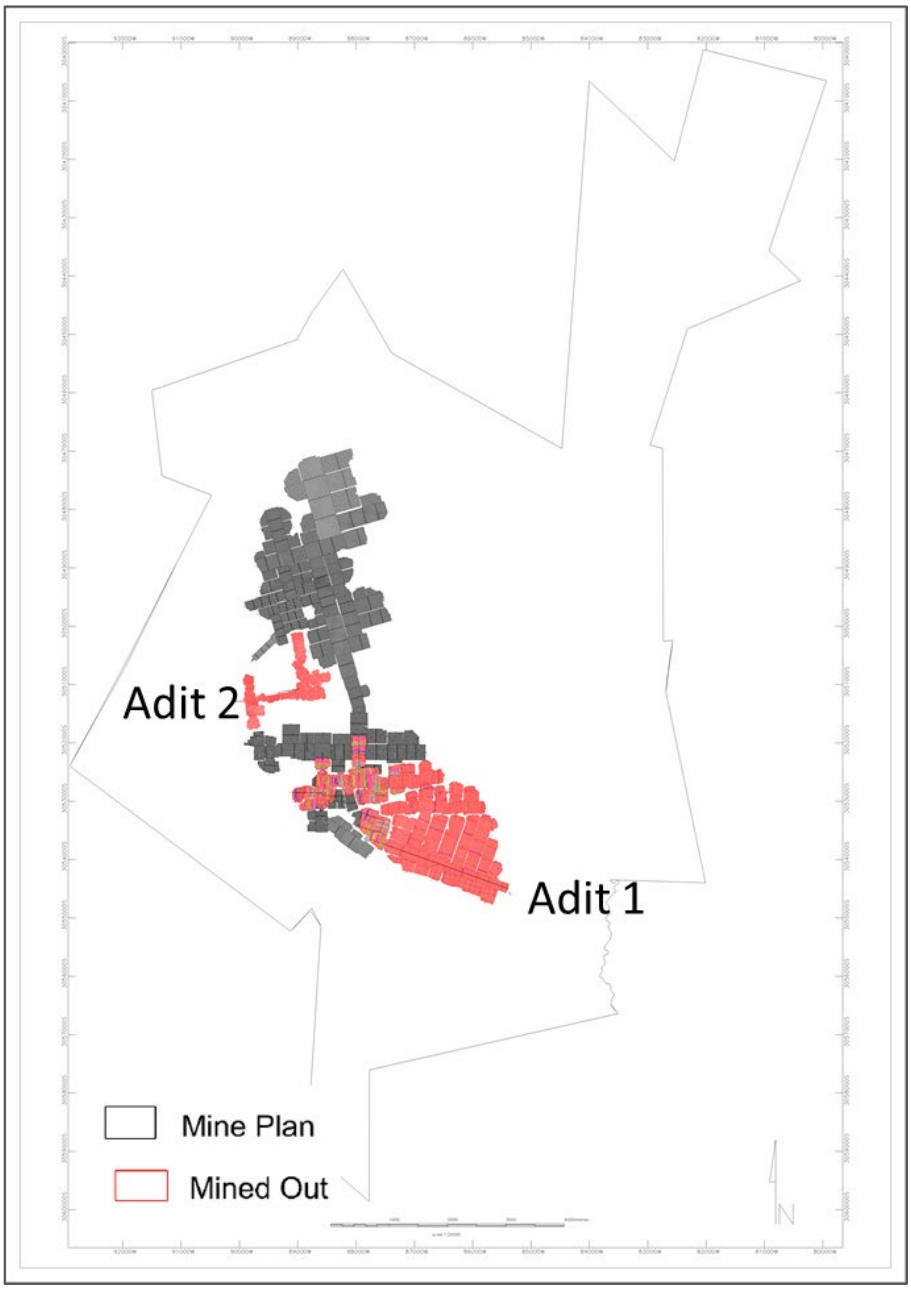
The plan in Figure 3.5 shows the mined-out areas and the remaining panels to be mined in the LOM plan provided by MCM, dated 2022. The mine essentially splits into a South mine exploited from Adit 1 and a North mine, accessed from Adit 2, which is adjacent to the old Klipspruit workings to reduce travel time and aid in ventilation. The two blocks are planned to be joined by a main development, but the panels between the two areas are of thinner seam and hence will need to have the main road's roof brushed to provide sufficient mining height. The area is intersected by several dykes, but the panels are able to mine through and exploit the coal beyond these intrusive bodies (Figure 3.5).

Figure 3.4: Uitkomst Colliery overburden depth to the Gus Seam



Source: Minxcom, Uitkomst Technical Review 2017

Figure 3.5: Uitkomst Colliery mining panel layout



Source: MCM, 2022

The mining method is bord and pillar, drill and blast mining in the thin seam using coal cutters for the undercut, and with electric hand drills for blast holes. The mine panels are designed as 13 or 15 road panels at a bord width of 6.0 m, and the pillars designed in a squat pillar design to a safety factor of 1.6. In the main development panels, this is increased to 2.0. This means that there is no potential pillar recovery planned.

The clearance of the coal is achieved using battery powered scoops prior to loading onto a low-profile feeder breaker and conveyor system to exit the mine.

The mine is ventilated by two main surface fans supplying 125 m^3/s of fresh air into the workings through a ventilation shaft that was commissioned in March 2022. The roof support is done using low profile roof bolters. The mine has sufficient equipment to operate three sections, and occasionally when required combines the sections into a single panel for faster linear advance. Within the panels, the travelling ways are roof brushed to 2.0 m, and the conveyor transfer points are brushed to 2.6 m. The mine attempts to extract the full coal horizon, hence dilution from the roof and floor is included in the ROM tonnages stated in the Coal Reserves.

All mine planning information is uploaded to an XPAC software database for scheduling purposes, together with the coal qualities and sales product information. The latest Coal Reserves Statement generated for the mine was completed by Mr C. Archer in June 2023, who is reportedly a qualified mining engineer and registered member of good standing with the SAIMM (706388).

It is understood that the sections are scheduled at approximately 20,000 tonnes per month on a two-shift basis, with slight variation for the mining height. SRK notes that in developing a scheduled mining rate for thin seam mines, the schedule is highly dependent upon roof conditions and floor tramming conditions, which can be extremely disruptive to production activities and rates. Also, the use of coal cutters is an older mining technology, and is very dependent upon reliability of refurbished machinery, as these are not manufactured as new anymore. SRK does not expect that the design of future panels will vary significantly from historical panels, hence is also not expecting that the scheduled rates will deviate largely in the future life of the mine.

3.7 Geotechnical

The underground mining activities at Uitkomst are relatively mature, with well-established geotechnical practices and standards with regards to pillar and bord widths, ground support requirements and ground hazard plans. Examples of minutes from monthly Mine Planning meetings indicate that bord width and ground support spacing for developing areas is assessed on an ongoing basis – with checking and identification of non-conformance and the development of problem issues, and update of ground hazard plans. Directions and recommendations are then made to mitigate issues and ensure that required standards are maintained. Ongoing vigilance and assessment of varying conditions will ensure that risks are kept to a minimum.

3.8 Processing

The Uitkomst wash plant is located adjacent to the South Mine Adit 1. The plant was constructed in 2007 and primarily treats run-of-mine (ROM) coal from the South Mine. The wash plant is owner-operated and employs conventional well-tested coal washing technology with a total design capacity of 70 kt/m.

The plant consists of a dual stage roller crushing circuit followed by coarse (10 to 40 mm), coal (1 to 10 mm) dense medium cyclone (DMC) washing circuits with the fines (-1 mm) material upgraded in a fines spirals circuit. Equipment is generally in good condition with the plant being structurally sound. The plant is operated using mainly grid power, with make-up water sourced from nearby farm dams and potable water from boreholes.

The plant is currently underutilised treating only 40 kt/m of coal on average due to the current ROM schedule, and this is consistent with future ROM predictions in the financial model.

Uitkomst produces and sells 'Export' (0 to 40 mm) and 'Peas' (10 to 25 mm) sized coal products. The plant produces a 28 MJ/kg (6,690 kcal/kg) coal with an ash and sulfur content of 12% and 1% respectively. The plant achieved average yields of 60% to 64% on the South mine and SRK expects that practical plant yields on Uitkomst material will be maintained at current levels for the LOM.

Plant coarse and slimes discards are disposed of on a co-disposal facility. The slimes are pumped to the centre and stored in three paddocks (as shown below) which operate in sequence. Once dry and depending on qualities, the slimes are removed and sold separately from normal Uitkomst products. The costs in producing these additional sales tonnes still form part of the overall plant costs used in the supplied financial model, as they are not accounted for separately.

Dry slimes are blended with a thermal middlings product produced from the 3-product DMS cyclone module to produce a net as received (NAR) 5,000 kcal/kg product. The 3-product DMS cyclone allows for a production of a thermal middlings product in addition to the 12 to 14% ash peas product.

The main product from Uitkomst is used by ArcelorMittal as a metallurgical coal for Pulverised Coal Injection (PCI) processing, with the balance being a typical thermal export grade coal. This thermal product is marketed through agents. Other users include A-grade domestic coal.

3.9 Infrastructure and services

Power to the mine is provided by Eskom and is sufficient for the underground mining operations and the processing plant. A series of generators provide a back-up to the main supply. The colliery has six generator sets in use for back-up power supply. Water is provided from surrounding farm dams and underground bore holes, and is reportedly sufficient for the plant and mine use.

Other surface administration and workshops are temporary structures located at Adit 1.

The mine is serviced by a rail siding (Wykom siding), which is a spur line from the main line with connections to RBCT. Coal is loaded into trains using contractor front end loaders (FELs), with some sales distributed directly by truck via a weighbridge located near the processing plant.

3.10 Environmental and social aspects

3.10.1 Mining rights and land access rights

Uitkomst Colliery holds a consolidated mining right issued on 20 May 2016 by the Department of Mineral Resources and Energy (DMRE), which is recorded as KZN 30/5/1/2/2/94MR (94MR).

The consolidated mining right, 94MR, incorporates various properties that previously formed part of mining right references KZN30/5/1/2/2/21 (21MR), as well as the properties held under the original

mining right 94MR (Minxcon, 2017)[1]. Based on information reviewed, the mining right granted for Uitkomst Colliery is presented in Table 3.4.

Table 3.4: Uitkomst Colliery Mining right

File Ref No.	Surface area (ha)	Date granted	Effective date*	Expired date	Farms Portion[2]
KZN 30/5/1/2/2/94 MR	11,169.4	20/05/2016	26/05/2016	Initially: 02/10/2023 Renewed: 20/11/2052	Kweekspruit No.22 (Portion 3 [of 2] and Portion 8 [of 1]); Uitkomst No.95-HT (Remainder of Portion 1 and Portion 5 [of 2]); Vaalbank No.103-HT (Remainder of Portion 1, Portion 4 [of 1] and Portion 5 [of 1]), Rustverwacht No.151-HT (Remainder of Portion 1, Remainder of Portion 2, Remainder of Portion 3 [of 1], Portion 4 [of 1], Portion 5 [of 1], Remainder of Portion 6 [of 1], Portion 7 [of 1], Portion 8 [of 2], Remainder of Portion 9 [of 2], Portion 11 [of 6], Portion 12 [of 9], Portion 13 [of 2], Portion 14 [of 2], Portion 15 [of 3], Portion 16 [of 3] and Portion 17 [of 2]); Waterval No.157-HT (Portion 18 [of 3]); Jackhalsdraai No.299-HT (Remainder of Portion 1); Jericho B No.400-HT (Remainder, Portion 1, Portion 2, Portion 3); Jericho C No.413-HT (Remainder and Portion 1); Jericho A No.414-HT (Remainder of Portion 1, Remainder of Portion 2 [of 1], Portion 3 [of 1], Portion 4 [of 1], Portion 5 [of 2] and Portion 6 [of 1]); Margin No.420-HT (Remainder).

Source: (Minxcon, 2017)[3] and (Elemental, 2023a)[4]

Notes: * Date on which the environmental management program report (EMPR) is approved in terms of section 39(4) of the Mineral and Petroleum Resources Development Act 28 of 2002 (MPRDA).

According to the 2017 Minxcon review, the surface rights for the farm portions where mine and plant infrastructure are situated are owned by the Qophumlando Communal Property Association with whom a lease agreement was in place.

The status of conformance with the mining right, land ownership, rental and land access agreements requirements is regularly reviewed by management. Based on information reviewed by SRK, there is no evidence of anything that would suggest MCM does not remain compliant. SRK recommends MCM to undertake a detailed compliance review to identify Uitkomst's operational risks associated with the current land access agreements. Additional budget and time might be required to amend agreements.

The environmental and social compliance risk is considered qualitatively in SRK's assessment of an appropriate range of resource multiples to apply in determining its valuation range.

[1] Minxcon, 2017. Uitkomst Colliery Pty Ltd, Summary of technical Review 2017, Minxcom Pty Ltd, 18 Januray 2017

[2] Elemental, 2023a. Annual update of the preliminary closure and financial provision assessment for Uitkomst Colliery, 2022-2023 closure update report, Elemental Sustainability Pty Ltd, 7 August 2023

[3] Minxcon, 2017. Uitkomst Colliery Pty Ltd, Summary of technical Review 2017, Minxcom Pty Ltd, 18 Januray 2017

[4] Elemental, 2023a. Annual update of the preliminary closure and financial provision assessment for Uitkomst Colliery, 2022-2023 closure update report, Elemental Sustainability Pty Ltd, 7 August 2023

3.10.2 Environmental approvals

According to the 2023 annual closure report (Elemental, 2023a)[5], the following environmental approvals are held by Uitkomst Colliery:

- A consolidated Environmental Management Program Report (EMPR) in support of the consolidated mining right was approved on 26 May 2016.
- Environmental Authorisation (EA) for section 102 have been granted on 04 May 2023, supposedly valid for the life of mine.
- Water Use Licences (WUL):
  - Licence number 11/V32B/ACGIJ/11507 issued on 08 April 2022
  - Licence number 11/V31D/ACGIJ/13085 issued on 11 June 2023.

3.10.3 Social and Labour Plan

Based on information reviewed, it is SRK's understanding that the new Social and Labour Plan (SLP) for the period 2021–2025 was approved on 24 March 2022.

3.10.4 Environmental and social management

It was reported that the Environmental Management System (EMS) adopted at the Vele and Uitkomst Collieries was developed as the formal tool for environmental management. Continuous monitoring is implemented at the mining sites to assess the effectiveness of controls with regular analysis and reporting, and action management on failures. It is noted that, while not ISO14001:2015 accredited, MCM states that its Uitkomst EMS is aligned to ISO 14001.

The water quality report for the period from September 2021 to November 2021 was provided for Uitkomst Colliery (Elemental Sustainability, 2021a) and Wykom Siding (Elemental Sustainability, 2021b) and indicated the following key impacts:

- Uitkomst Colliery:
  - Mitigation measures have been put in place to ensure no discharge from the PCD's..
- Wykom Siding:
  - The water within the PCD is polluted and the management measures to ensure that the PCD does not spill into the receiving environment should be maintained.
  - When considering the upstream surface points of MP01, MP03 and MP05 (and then compared to downstream point MP04), it is clear that there are other system contributors that change EC, TDS, pH and Sulphate levels.

Annual internal WUL audits for Uitkomst Colliery (Uitkomst Colliery, 2022) and Wykom Siding (Wykom Siding, 2022) dated February 2022, prior to issuing of the new WULs, were provided for review. The key non-compliances were related to:

[5] Elemental, 2023a. Annual update of the preliminary closure and financial provision assessment for Uitkomst Colliery, 2022-2023 closure update report, Elemental Sustainability Pty Ltd, 7 August 2023

- Uitkomst Colliery:
  - exceeding quality limits for disposal of stormwater/dirty water
  - impact of the activities of the mine on the groundwater resources
- Wykom Siding:
  - calibration of flow meters
  - exceeding disposal quantities into the Pollution Control Dam, Slurry Dam, Settling Pond, Return Water Dam
  - exceeding disposal quantities onto the Discard Dum
  - exceeding dust suppression limits
  - exceeding quality limits for disposal of stormwater/dirty water.

In September 2021, the DMRE conducted a monitoring and compliance inspection in respect of the Uitkomst Colliery mining right renewal application. The findings of the inspection resulted in the issuing of a notice of intent to issue a compliance notice in terms of Section 31 L of the *National Environmental Management Act* (Act 107 of 1998) (NEMA) due to transgressions relating to waste management, poor housekeeping and non-implementation of a general environmental awareness or job-specific environmental awareness plan on site (DMRE 2022).

External environmental and water performance against the colliery's consolidated EMPR and IWUL were not made available, therefore the level of compliance to the regulatory requirements could not be determined. The materiality of these aspects can therefore not be assessed as SRK does not have the information to give an informed opinion on whether the operation is complying with the requirements of their environmental licences and permits.

The supplied financial model shows annual environmental cost provisions through the Uitkomst Colliery life of mine totalling ZAR 88,903,292. It is unclear what this cost covers. SRK assumes this to be related to environmental management and monitoring activities.

3.10.5 Mine closure provisions

SRK understands that the Uitkomst Colliery mine closure plan and associated financial provision are to be updated annually to comply with the regulations. The 2023 annual closure update (Elemental, 2023a)[6] provided the following costs to cover closure liabilities for the current and proposed operations:

- ZAR 28,820,936.58 for the current Uitkomst Colliery's operations closure liabilities
- ZAR 7,857,645.42 for the proposed development at Klipspruit Adit 2K.

This closure cost estimation has been developed in accordance with the 2005 Department of Mineral Resources guideline. Known as asset retirement obligation cost, it considers current environmental liabilities and activities of the site and excludes any planned activities.

[6] Elemental, 2023a. Annual update of the preliminary closure and financial provision assessment for Uitkomst Colliery, 2022-2023 closure update report, Elemental Sustainability Pty Ltd, 7 August 2023

SRK understands that MCM holds current rehabilitation financial guarantees of ZAR 28,952,253 for Uitkomst Colliery as of December 2023[7]. SRK understands that this total rehabilitation financial guarantee is equivalent to the estimated cost for Uitkomst Colliery's operations closure liabilities.

The supplied LOM schedule and associated cashflow model for the Uitkomst Colliery mine provides that operations are planned to cease in June 2038. Upon completion of the operations, SRK expects a minimum of a couple of years for closure works and 10 years post-closure monitoring activities as specified in the 2023 closure report (i.e. 2045), which is within the validity period of the mining right. The supplied financial model shows no provision for Uitkomst Colliery mine closure. Uitkomst is an underground operation and therefore options for concurrent rehabilitation are limited. The 2023 closure report estimates that only 5% of the mine residue disposal can be rehabilitated on an annual basis.

Current closure provisions totalling ZAR 37 million Table 8.2 are low compared to SRK's understanding of closure costs for similar operations in South Africa. As such, there is a risk for Uitkomst Colliery life-of-mine closure cost provisions to be underestimated.

3.11 Risks and opportunities

Geological risks relate to devolatilisation of the coal due to the presence of unmapped, and hence unexpected, dolerite intrusions.

SRK notes that with thin seam mining in particular, variations in floor and roof rolls will affect the mining height more severely, which could create unforeseen risks within these mining conditions. Uitkomst Colliery has however historically mined in these conditions and has been managing this by the existing drilling practices, and also by limited horizontal drilling conducted at the mine, to provide information pro-actively on potential anomalies within the seam and/or roof and floor conditions.

Equipment obsolescence, in particular the outdated Joy coal cutters and the scoop trams, present further risk, with the latter not common in the local thin seam coal mining industry. This has however been managed through owning surplus equipment, allowing the ability to repair as required, with less impact on the mining operation.

In August 2018, MCM took ownership of the equipment from the contract miner at Uitkomst Colliery and transferred employment of staff, who were familiar with the equipment and operation. This retained the necessary skills and subsequent equipment availability at the operation, which could be considered a noticeable risk and with related consequences, if not managed appropriately.

[7] MCM SA Guarantees-202312 (1 1), December 2023

4 Vele Aluwani Colliery

4.1 Overview

The Vele Aluwani Colliery (Vele) is located 48 km west of the town of Musina and 100 km north of the town Alldays in the Limpopo Province, South Africa. Musina is the last major town before the Beitbridge border crossing between South Africa and Zimbabwe, and lies 520 km north of Pretoria (Figure 4.1).

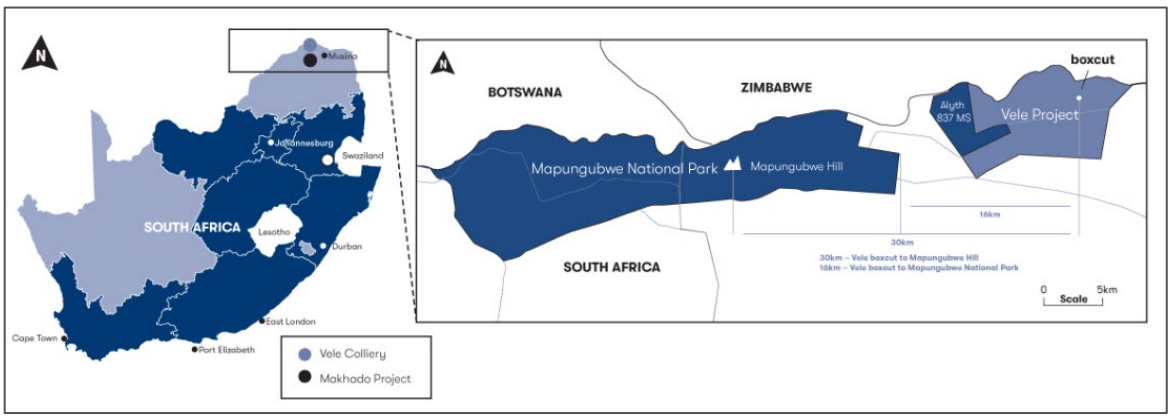
MCM holds a 100% interest in the Vele Colliery through its wholly owned subsidiary, Limpopo Coal. The Project is held under a new order Mineral Right No. LP 103 MR, which is granted and remains valid until 18 March 2040. MCM also holds a Prospecting Right LP 1136 PR over the farm Alyth 837MS.

The Colliery started thermal coal production in January 2012, and was subsequently placed on care and maintenance in October 2013, and it re-commenced mining with contractor Hlalethembeni Outsourcing Services (Pty) Ltd (HOS) during December 2022. The mine has been operated by HOS between October 2022 and December 2023, whereafter mining was suspended again in December 2023 due to the fall in thermal coal prices. HOS has since been considering options for optimisation of the overall operation, to again achieve financial viability despite low coal prices.

The Limpopo River, which represents the international border between South Africa and Zimbabwe, bounds the Vele operations to the north. The Mapungubwe National Park's eastern border is located 37 km west of the western boundary of the Vele Colliery. The Mapungubwe Hills within the park is a World Heritage site.

The Vele Colliery is well situated with respect to existing infrastructure such as rail and road. The main road linking South Africa to Zimbabwe and associated rail routes pass through Musina. The R572 sealed bitumen road from Pontdrift to Musina is located adjacent to the Vele Colliery on the southern boundary.

Figure 4.1: Location of Vele Colliery



Source: MCM website, accessed 13 May 2022

The climate at Vele is semi-arid and characterised by hot to extremely hot summers and warm to cool winters, with minimal precipitation. Mining activity is able to be conducted all year round.

4.2 History

Southern Sphere Mining and Development Company Limited undertook exploration activity between 1973 and 1983. This involved drilling 61 drill holes using air flush coring, resulting in a core size of approximately 16.8 mm. Thirty-six large diameter drill holes were also completed for washability and coking testing purposes. All exploration activity then ceased for the next 22 years, after which the Limpopo Coal acquired the prospecting rights to various properties within the current colliery area. In 2006, CoAL's predecessor company, GVM, acquired a 74% stake in Limpopo Coal and in 2008, Silkwood Trading 14 (Pty) Ltd obtained additional prospecting rights on the Vele area but was bought by CoAL later that year. CoAL received shareholder approval for its name change to MCM in November 2017.

A high-resolution airborne magnetic and radiometric geophysical survey was flown over the area in 2008. After detailed processing, the final products were a digital terrain model and a geological map, as well as other geophysical data maps.

In March 2010, the mining right was granted by the DMR. An appeal was lodged against the Mining Right. In June 2010, the DEA issued a pre-compliance notice followed by a compliance notice in August 2010. The compliance notice was in relation to the commencement of listed activities without National Environmental Management Act authorisation. In the same month, the Department of Water Affairs (DWA) (now DWS) issued a directive to cease all unlawful water activities. In March 2011, a coalition of non-government organisations opposed to Vele submitted an appeal to the country's Water Tribunal. Consequently, the IWUL was automatically suspended but this suspension was lifted in October 2011.

Subsequent to the above, Vele has secured all of the necessary licences to operate at forecast capacity.

Open pit coal production started in the East Pit in January 2012. Production ceased in October 2013 after logistical difficulties on the Matola railway line in Mozambique (as the coal was exported through the Matola Coal Terminal at Maputo) as well as depressed international thermal coal prices.

The plant produced an 18% ash export thermal coal until it was put on care and maintenance. After additional drilling and analysis, a plant redesign has been planned to produce a 10% ash semi-soft coking product and a 5,500 kcal (NAR) thermal coal product.

Following a strategy review it was decided that the optimal strategy was to recommence operations on an outsourcing basis. In December 2022, a five-year Contract Mining Agreement with HOS was signed. 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. HOS successfully de-watered the Vele open-cast pit and produced 269,051 t of saleable thermal coal during CY2023.

Following this, HOS informed MCM that, due to the operating challenges at Vele, combined with elevated logistics costs and the depressed API4 coal price, it intends downscaling operations while it progresses a production optimisation strategy at the colliery.

4.3 Local geology

The Vele Colliery is located in the Permian Tuli Basin of the Limpopo Coalfield. The Limpopo Coalfield is a small intracratonic east-west striking fault-bounded coalfield, where the sedimentation

was fault-controlled from initial deposition; the preserved basin length is around 120 km, and the width is approximately 80 km; the coalfield extends north into Botswana and northeast into Zimbabwe (Malaza, 2014). The coalfield is bounded by east-northeast trending normal faults.

The basin sediments belong to the Dwyka and Ecca Groups of the Karoo Supergroup and consist of basal diamictites and sandstone of the basal Tshidzi Formation, followed by the sandstone-siltstone-shale-coal assemblage of the Madzaringwe Formation (Figure 4.2). This is overlain by alternating black shale, sandstone and coal of the Mikambeni Formation and sandstones and conglomerates of the Fripp Formation.

The overlying Beaufort Formation is represented by the siltstone and fine-grained sandstones and mudstones of the Solitude Formation. In the central part of the basin, the Solitude Formation is overlain by the coarse sandstones and conglomerates of the Stormberg Group's Klopperfontein Formation. The red and purple mudstones and subordinate siltstones of the Bosbokpoort Formation are encountered above the Klopperfontein Formation. In turn, these are overlain by the fine-grained sandstones of the Red Rocks and Tshipise Members of the Clarene Formation.

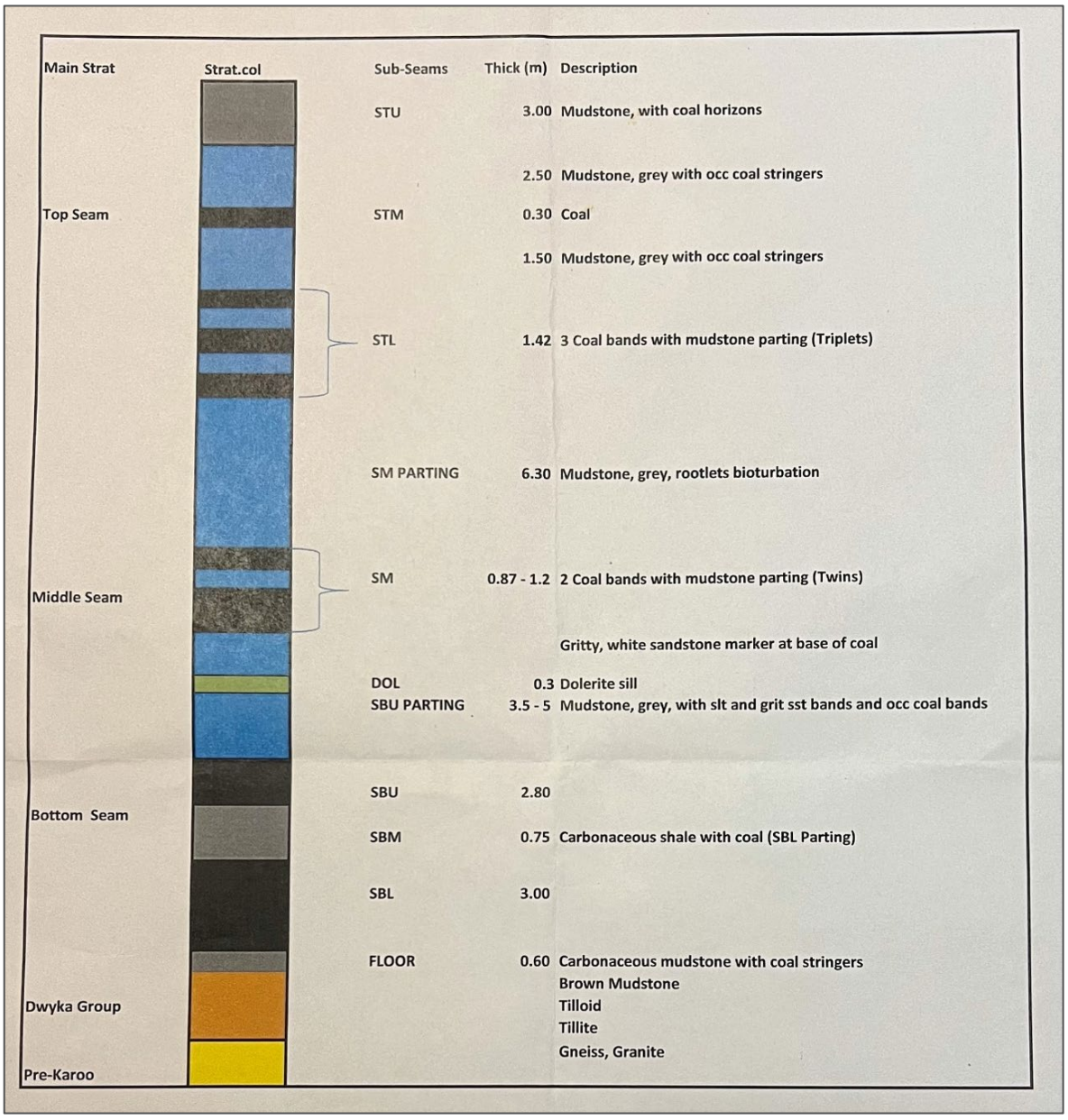
Figure 4.2: Vele and Makhado – general stratigraphy

<table>
<tr><th colspan="2">A. Main Karoo Basin (Johnson, 1994)</th><th colspan="2">1:250000 Geological Map Alldays, 2001</th></tr>
<tr><td rowspan="3">"Stormberg Group"</td><td>Clarene Formation</td><td rowspan="2">Clarene Formation</td><td>Tehipise Sandstone Member</td></tr>
<tr><td rowspan="2">Elliot Formation</td><td>Red Rocks Member</td></tr>
<tr><td colspan="2">Bosbokpoort Formation</td></tr>
<tr><td rowspan="2">Molteno Formation</td><td colspan="2">Klopperfontein Formation</td></tr>
<tr><td colspan="2">Beaufort Group</td><td colspan="2">Solitude Formation</td></tr>
<tr><td colspan="2" rowspan="3">Ecca Group</td><td colspan="2">Fripp Formation</td></tr>
<tr><td colspan="2">Mikambeni Formation</td></tr>
<tr><td colspan="2">Madzaringwe Formation</td></tr>
<tr><td colspan="2">Dwyka Group</td><td colspan="2">Tshidzi Formation</td></tr>
</table>

Source: Sparrow (2012)

The generalised stratigraphy at Vele is depicted in Figure 4.3 and shows the SBL ply of the Bottom Seam to be the thickest individual coal horizon.

Figure 4.3: Vele seam stratigraphy



Source: Photo from site visit, 13 February 2024

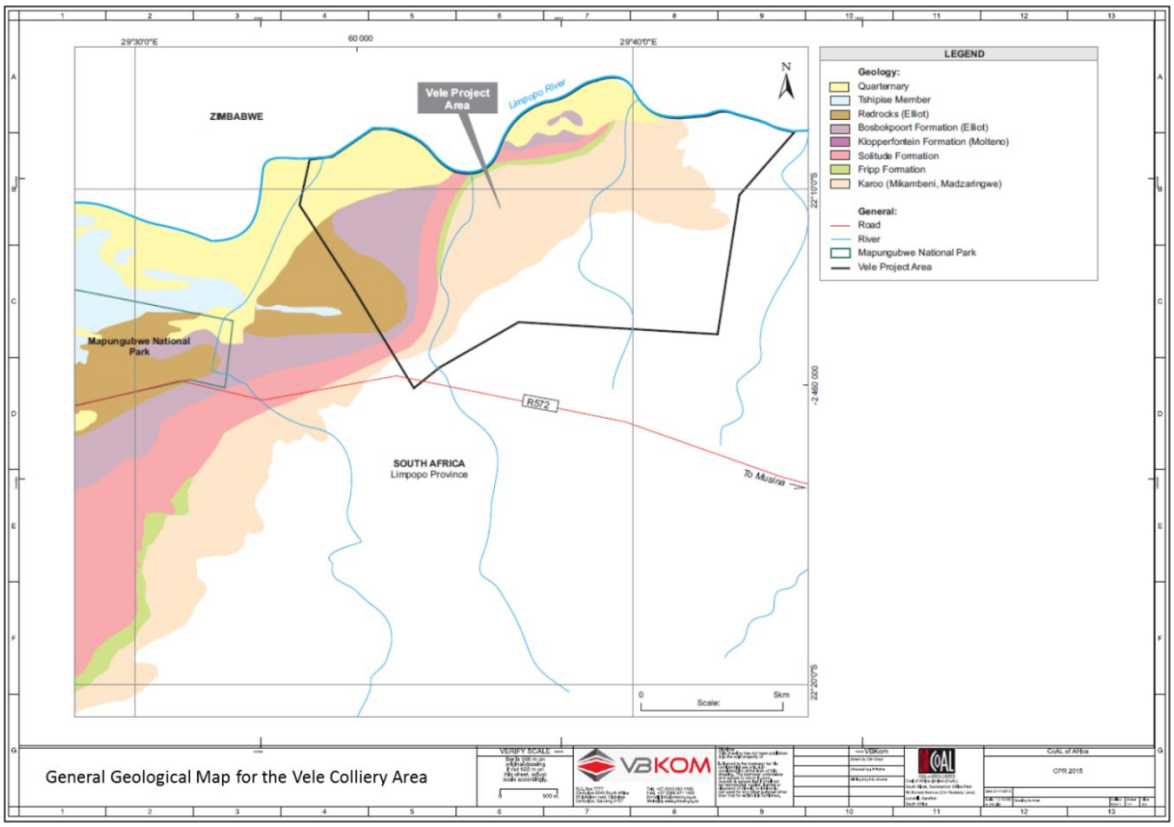
Currently exposed coal seams in East Pit are shown in Figure 4.4 which targets Top, Middle and Bottom Seams.

Figure 4.4: Vele East Pit, looking northeast

Sources: Photo from site visit, 13 February 2024

Figure 4.5 depicts the surface geology of the Vele area.

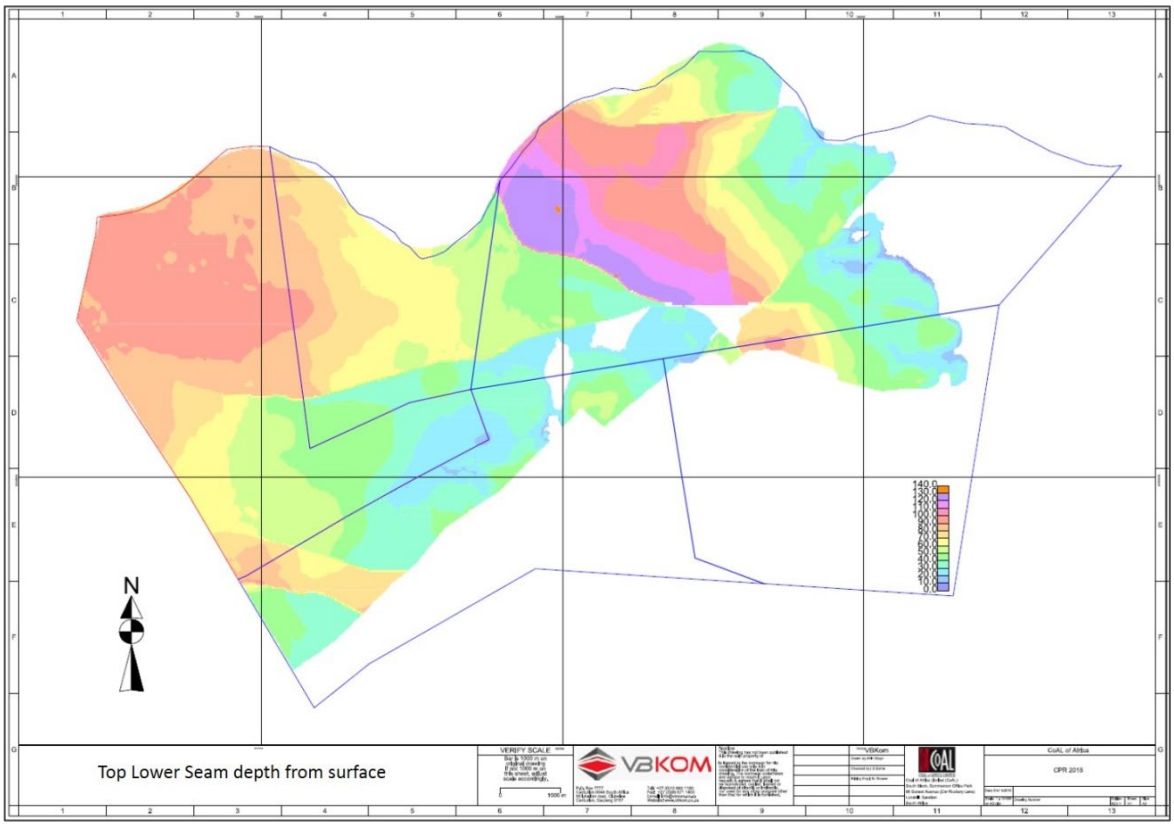
Figure 4.5: Surface geology of the Vele area



Source: VBKOM (2017)

The strata are interpreted to dip northwards at approximately 2° in the Vele area, although the dip increases locally close to faults; the strata subcrop to the east and south. Near-vertical dolerite dykes are encountered, devolatilizing the coal, but not displacing it. Faults not only controlled deposition, but also subdivided the coalfield into a number of blocks, resulting in varying seam depths between the blocks; thus, parts of the deposit can be exploited from surface, while other blocks need to be mined from underground. The differing block depths are in Figure 4.6.

Figure 4.6: Top Lower Seam depth illustrating different blocks due to faulting



Source: VBKOM (2017)

At Vele, the coals were extracted from the Main Coal Zone of the Madzaringwe Formation within the Ecca Group. The Main Coal Zone is approximately 15 m thick and consists of three coal-bearing horizons: the Top, Middle and Bottom Coal Horizons/Seams, comprising interlaminated carbonaceous shale, mudstones and coal. The Top Seam is further subdivided into the Top Upper, Top Middle and Top Lower Seams, while the Bottom Seam is subdivided into the Bottom Upper and Bottom Lower Seams (Table 4.1). However, the Top Middle and Top Upper Seams are not considered economic.

Table 4.1: Vele Seam thicknesses

Seam or Zone	Average (m)	Maximum (m)	Minimum (m)	Proportion of Coal (%)
Main Coal Zone	16.42	31.95	0.25	
Top Lower	1.52	7.66	0	55–65
Middle	1.05	2.19	0	25–45
Bottom Upper	1.98	5.48	0	65–80
Bottom Lower	3.68	7.87	0	65–80

Source: VBKOM (2017)

The coal has been petrographically classified as medium rank, high vitrinite C-grade bituminous coal. The coking coal fraction is classified as a semi-soft coking coal and can produce a 10% ash coking coal (primary product) and a secondary 5,500 kcal (NAR) product.

4.4 Exploration potential

Future exploration in areas located between areas covered by the LOM plan and the Prospecting Right boundary are limited, but better fault delineation will assist with defining any potential resources. To date, four inclined drill holes were successful in delineating faults.

MCM has an existing Prospecting Right to the farm Alyth 837 MS. The area covered by this right requires significant drilling in order to upgrade the presently defined seams JORC Code-compliant Coal Resources.

4.5 Coal Resources and Reserves

4.5.1 Coal Resources

With regard to the defined Coal Resources at Vele, the critical variable to exclude devolatilised coal is the volatile matter (VM) content. The following cut-off values were applied when estimating the mineable resources at Vele:

- Mineral Rights boundaries (the Mining Right and Prospecting Right are reported separately)
- the 100-year floodline for the Limpopo River (the international border between South Africa and Botswana or Zimbabwe)
- the limit of oxidation
- a 50 m-wide exclusion zone around dykes and other geological structures
- minimum raw VM of 18% dry ash free
- a minimum seam thickness of 0.5 m for gross tonnes in situ
- thickness cut-off criteria for underground resources (Bottom Lower Seam) – minimum of 1.4 m and maximum of 4.5 m
- Note that MTIS has been estimated by applying the theoretical mining heights and an estimated mining layout loss of 2% for open cast areas and 10% for underground areas. This translates to an average mining layout loss of 5% for the Mining Right area and 8% for the Prospecting Right area.

The Coal Resource Estimates were also discounted for unknown geological structures, based on the confidence in the Coal Resource classification, namely:

- Measured 10%
- Indicated 15%
- Inferred 20%.

The Coal Resources were estimated from the geological model, constructed by Mr John Sparrow using the Minex™ software. SRK has reviewed the geological model and considers it provides an accurate reflection of the data and that the Coal Resources have been estimated in an appropriate manner.

SRK has reviewed the geological model and is satisfied that the data are represented sufficiently accurately in the grids, that the modelling principles employed, and the estimation methods used are fit-for-purpose and that the geological model and the resource estimates can be relied upon.

The Coal Resources have been estimated by Mr John Sparrow in accordance with the JORC Code, 2012.

All Coal Resources and coal qualities have been estimated on an air-dry basis and are inclusive of the Coal Reserves. Note that the in-situ Coal Resource Estimates include significant amounts of intercalated non-coal material that will be removed during beneficiation.

The Coal Resources as reported in the Company's 2023 Annual Report are shown in Table 4.2; the Coal Resources, subdivided into those attributable to the Mining Right area and the Prospecting Right area are shown in Table 4.3 and Table 4.4, respectively.

Table 4.2: Vele Coal Resources – (as declared at 30 June 2023)

Resource Category	GTIS (Mt)	MTIS (Mt)	MCM Attributable Interest (%)	MCM Attributable Resource (Mt)
Measured	146.789	5.353	100	5.353
Indicated	426.854	3.961		3.961
Subtotal Measured & Indicated	573.643	9.314		9.314
Inferred	218.932	0.704		0.704
Total	**792.575**	**10.018**	**100**	**10.018**

Source: MCM Annual Report 2023

Table 4.3: Vele Coal Resources – (Mining Right only)

Resource Category	GTIS (Mt)	TTIS (Mt)	MCM Attributable Interest (%)	MCM Attributable Resource (Mt)	Raw TTIS Coal Qualities					
					CV (MJ/kg)	Ash (%)	VM (%)	FC (%)	TS (%)	IM (%)
Measured	140.58	126.52	100	126.52	15.69	48.0	21.5	28.8	1.78	1.6
Indicated	356.92	303.39		303.39	14.73	50.7	20.7	26.9	1.80	1.6
Subtotal Measured & Indicated	*497.50*	429.91		*429.91*						
Inferred	167.93	134.35		134.35	14.51	51.5	20.6	26.2	1.86	1.7
Total	**665.43**	**564.25**	**100**	**564.25**	**14.88**	**50.3**	**20.8**	**27.2**	**1.81**	**1.6**

Source: VBKOM (2017)

Table 4.4: Vele Coal Resources – (Prospecting Right only)

Resource Category	GTIS (Mt)	TTIS (Mt)	MCM Attributable Interest (%)	MCM Attributable Resource (Mt)	Raw TTIS Coal Qualities					
					CV (MJ/kg)	Ash (%)	VM (%)	FC (%)	TS (%)	IM (%)
Measured	7.59	6.83	100	6.83	15.69	48.0	21.5	28.8	1.78	1.7
Indicated	69.93	59.44		59.44	14.73	50.7	20.7	26.9	1.80	1.6
Subtotal Measured & Indicated	77.52	66.27		66.27						
Inferred	51.00	40.80		40.80	14.51	51.5	20.6	26.2	1.86	1.7
Total	**128.52**	**107.07**	**100**	**107.71**	**14.88**	**50.3**	**20.8**	**27.2**	**1.81**	**1.6**

Source: VBKOM (2017)

4.5.2 Coal Reserves

Vele declared a Coal Reserve in 2017 (VBKOM 2017) based upon parameters adopted at an adjacent open pit operation, also supplemented by underground mining. As noted before, mining operations re-commenced in December 2022, with the latest Coal Reserves estimate reported for Vele at 30 June 2023 in MCM's 2023 annual report (Table 4.5).

Table 4.5: Vele Coal Reserves (100% attributable basis)

Coal Reserves Category	ROMt (Mt)	Saleable Primary Prodt (Mt)
Proved	3.404	1.362
Probable	3.188	1.275
Total Reserves	**6.592**	**2.637**

Source: MC Mining Limited Annual Report 2023

It is clear there is a substantial Coal Resource within the Mining Right, however the Coal Reserves declared are of substantially lower magnitude. The Coal Reserves (Table 4.5) were estimated and reported by HOS for a 5-year plan only and these estimates do not represent a true LOM Coal Reserve. Hence, until a clear development profile is established, any assessment of this Mining Right should be completed on an implied resource multiples basis.

4.6 Mining

The Vele Colliery is located in the Thuli Coalfield and, as indicated in response to a query to MCM, has an estimated mine life of approximately 40 years – this is supported by a shorter mine life however, as indicated in the Vele Colliery Financial model (*46.06.02.01 Vele Model 20230801_StR*) provided by MCM, of 27 years, which is accepted by SRK as the more accurate life of mine estimation. MCM signed an agreement and appointed a contractor to the Vele operations in December 2022, initiating the re-commissioning of the Vele Colliery CHPP, as well as commencement of mining by the contractor. The agreement signed between the parties is on an exclusive basis to produce thermal coal, and endures for an initial five-year period up to December 2027. The contract stipulates that, at the end of the five-year term, MCM (via its 100% subsidiary Limpopo Coal Co. (LCC), which holds the Vele licences), will pay the contractor the equivalent of the 'value in use' of the plant and other operating assets for their return to LCC.

The contractor targeted a monthly production of 60,000 t of saleable thermal coal from the operation, with LCC according to the contractual terms earning ZAR200/t (excluding VAT) for each tonne of saleable coal produced, i.e. if the average monthly API4 export coal price holds above US$120/t.

The agreement stipulates that the contractor is responsible for all mining and processing costs at Vele, while LCC remains responsible for the colliery's regulatory compliance, rehabilitation guarantees, relationships with authorities and communities as well as the supply of bulk electricity and water.

Following re-commencement of mining in late December 2022, ramp-up to full production was targeted for H2, CY2023. However, the operation did not deliver as planned.

This was further exacerbated by the depressed API4 coal price, resulting in a decline in the thermal coal price delivered, with the three-month average API4 price for Q1, CY2023 at US$146/t, reducing to US$115/t in Q2, CY2023, US$109/t in Q3, CY2023, and down to US$102/t in Q4, CY2023.

Hence, due to these impacts on the financial performance and viability of the Vele operation, the contractor reportedly exercised the hardship clause in the agreement, and subsequently ceased operations at Vele during December 2023 and January 2024. MCM in collaboration with the mining contractor proceeded with consideration of various improvement initiatives.

It is noted that the contractor has indicated that its production optimisation strategy (Operation Shandukani) will potentially include, amongst others, changes to the mining methodology, as well as further modifications to the CHPP and securing access to rail transport at competitive prices. The evaluation of these measures is expected to take place in H1, CY2024, however this has been in the process of development and is not for consideration at the time of writing of this report. It was mentioned that the potential for underground mining in a northwestern direction was also considered, in an attempt to access higher-yielding coal compared to that achievable with open cut methods.

SRK conducted a one-day site visit to Vele Colliery to further understand the mine status and the remaining infrastructure and services following suspension of production. It was observed that there is no apparent activity on site, other than sporadic loading of remaining coal product to be transported by road to a customer in Mpumalanga. No equipment remains on site other than the preparation plant and associated conveyors and stackers, as well as management offices and change houses, which are all in generally good condition. Bulk water and electricity infrastructure remains in place and is functional.

It was noted during SRK's site visit that there is a substantial amount of water in the exposed pit area, with no pumps or pumping in progress. Access haul roads and ramps are established, but would need to be repaired and upgraded in some areas before mining could commence again. Coal faces were open for mining, and backfilling with plant discard and rehabilitation with burden and topsoil is evident. SRK's assessment was that a noticeable measure of pit preparation would be required to enable mining operations to recommence.

All of the above mining review are contributing factors to our advice to BDO that there are insufficient reasonable grounds to value Vele Colliery using a DCF approach.

4.7 Geotechnical

A pit slope design schematic provided for Vele indicates the following:

- Bench face angles of 35° in the sandy soil of ~5 m thickness
- Vertical bench faces in the fresh rock and weathered rock, but with the "soft" bench crests removed in the weathered rock by cutting back the upper bench face to an angle of 63°
- Benches of maximum 13 m height in the fresh and weathered materials
- Bench faces of 88° in the coal zone in the lowermost part of the slope

- Berms of 7 m width, with bunds constructed 3 m back from the bench crest.

This generates an overall slope angle of 63° over a slope height of approximately 50 m. SRK considers this fairly steep, particularly in the weathered materials. By comparison, the slope designed at Makhado is less than 40° over a similar height (as discussed in Section 5.7, which has been based on analysis.

Observations made during the site visit made by Steven Muller suggest that, except for loose material that spilled over the high-wall (probably due to rain) there was no evidence of slope/highwall failures. Therefore, it seems the design was successfully employed during the previous mining at the site. As SRK are not certain of the properties of the materials within the pit walls, it is suggested that this be considered moderate risk, and the slope performance and groundwater levels are closely monitored during further mining.

4.8 Processing

MCM had planned to mine, crush and screen 3.2 Mt/a of ROM coal at the Makhado mine to a top size of approximately 225 mm before scalping at 31.5 mm. The +31.5 mm (approximately 34% to 38% of the ROM) was going to be discarded and placed on the carbonaceous dump or backfilled into the Makhado open pits as high-ash waste, while the -31.5 mm coal, which accounts for approximately 62% to 66% of the ROM, was going to be hauled with side tipper trucks to the Vele coal processing plant (CPP) for washing. Vele is approximately 134 km from Makhado mine.

This plan has now changed to only processing Vele coal at Vele. A new 4.0 Mt/a coal processing plant is proposed to be constructed at Makhado to process the Makhado coal production.

The existing plant at Vele (Figure 4.7) was based on a production rate of 2.2 Mt/a ROM and operated between February 2012 and October 2013 producing a thermal export product (18% ash) at an average yield of 32%.

The current plant consists of the following main sections:

- crushing and screening plant
- secondary washing plant (modular)
- spiral plant (modular)
- filter presses
- ROM, product and discard stockpiles
- general plant services
- a slurry pond.

ROM material supplied from the opencast mining activities comprises a top size of 300 mm. The plant was designed for a ROM feed of 500 t/h into the crushing and screening plant.

The Vele plant was placed on care and maintenance in September 2012 to allow for the plant modifications the objective of which was to create capability to produce multiple products, reduce the amount of fines generated through materials crushing and handling, improving product yield by adding froth flotation to capture the ultra-fine coal and simultaneously produce coking and thermal coal, and reducing operational costs by improving materials handling systems in the plant.

During the 2012 operational period it was clear that there were significant yield and product losses. During this period, investigations showed that product quality coal in the smaller size fractions (fines) were being spoiled either to slimes or discards.

A Front End Engineering and Design (FEED) study was performed by Sedgman in 2016 to modify the existing coal handling and processing (CHPP) plant to process 500 t/h ROM and produce a semi-soft coking coal and a thermal coal product.

The plant upgrade study included:

- a new ROM dual tip hopper, with an 800 mm top size
- a new feeder breaker to size the ROM coal to nominal 50 mm
- new and extended conveyors to transport coal between new plant modules, discard and product stockpiles
- a feed bin for surge capacity
- upgrade of the de-stoning plant
- new discard bin and discard extraction system
- tertiary screening plant for nuts and peas as well as a stacking system
- modification to coking coal plant feed system (larger openings, vibrating feeder chutes)
- upgrading existing DMS cyclone
- new thermal coal stockpile facilities
- an upgrade of fines beneficiation by incorporation of a reflux classifier and floatation circuit
- dewatering using a high frequency screen for thermal coal and screen bowl centrifuge for coking coal
- dust and fire suppressing systems as well as integrated control and communication systems.

To SRK's knowledge, none of the above mentioned upgrades and improvements have been implemented to date, and the contractor mining and processing at Vele between October 2022 and December 2023 utilised the plant in its unmodified condition. SRK's site visit to Vele, showed no evidence of any mining and/or coal processing activities taking place on site apart from loading, weighing and transport from the 6,000 kcal/kg stockpile.

In general, the processing plant seems in good condition apart from a mobile feeder breaker and destoning plant that have been removed. No maintenance or processing activities were evident. Two final product stockpiles were observed, a 6,000 kcal/kg (RB1) and a 5,500 kcal/kg (RB3) stockpile. The 6,000 kcal product is in the process of being loaded and sold.

The plant and associated conveyor infrastructure are all intact with no evidence of spares pirating or stripping.

The slimes dam is full and there are activities underway to remedy this, including the sale of dry slimes. There was evidence of some dry slimes being loaded out for prospective clients interested in the dried fines for briquetting.

Figure 4.7: Vele washplant

Source: Minxcon Projects (2022), Makhado Colliery BFS

The current Vele plant has provision for water, power and the necessary pollution controls already implemented.

In the event that HOS do not once again proceed with mining, the plant can be broke-up into its components and potentially used at Makhado.

4.9 Infrastructure and services

The nearest town to the Vele Colliery is Musina, which is the seat of the local municipality, with a history of mining activity and several active mines in the region. Services available at Musina include schools, rail linkages, a hospital, bitumen roads and electricity from the national grid.

Various infrastructure and services were re-established and commissioned from July 2022 onwards, in preparation for the contractor operation that commenced in December 2022. MCM has reported that the following main infrastructure and services were installed (excluding the preparation plant infrastructure/services):

- A 5 MVA overhead line from the Pontdriff Substation to provide power to Vele, eliminating the operation's reliance on the diesel generator – this however remains on standby for when required.
- The boreholes located at the Limpopo River are now energised by Eskom, with the diesel generator again remaining on standby for when required.
- The raw water dam pumps are now also energised by Eskom, with the diesel generator remaining on standby.

- Five replacement boreholes were implemented at the Limpopo River, improving water availability to the site.
- A new HDPE water pipeline for dewatering the mining pit(s) was laid from there to the slurry pond, located at the plant.
- Replacement of the dilapidated clarifying water tank was completed.
- A crushing and screening plant.
- Additional ROM stockpile capacity.
- Additional product stockpiles.

SRK's site visit to Vele Colliery confirmed that the power supply infrastructure on and surrounding the mine site was in relatively good condition, other than for a section providing power to the substation and eight site-supply water boreholes along the Limpopo River bank, which was damaged by a weather event. This damage was subsequently repaired. However, from the site visit it was observed that the power lines and electrical panels do need clearing of vegetation, as this could cause downtime if not maintained regularly.

Other infrastructure on site and security fencing, e.g. the explosives magazine, substations and electrical gear remained in good condition but also required clearing of vegetation and follow-up maintenance applied on a regular basis to prevent potential damage. General road access to site and other secondary roads were accessible and in relatively good condition.

The site visit revealed that the slimes dam is filled to capacity, but it was evident that the southern dam wall was disturbed and dry fines were removed from this end. SRK was informed that this was sold to a customer who was experimenting with and marketing briquetting of fines for the South African market. Coal is transported from the mine to an existing and upgraded rail siding in Musina, located approximately 50 km by road from the colliery. The contractor has however during 2023 also experienced challenges in attaining the targeted monthly saleable coal production – while unit costs have been adversely impacted – by the lack of access to rail capacity to transport Vele's coal to port. When re-commencing production activities during December 2022, the railing of coal was anticipated to result in a significant reduction in logistics costs, due to the colliery's isolated location and the high cost of trucking coal to port and domestic customers.

4.10 Environment and social aspects

4.10.1 Mining right and land access rights

The Vele Colliery was issued with a new order mining right (No. 30/5/1/2/2/103) on 19 March 2010. The mining right covers an area of approximately 8,662 ha and expire on 18 March 2040. The mining right overlaps with farmlands. The 2016 VBKOM Independent Competent Person Report (VBKOM, 2016)[8] summary of the mineral and land access obtained by CoAL for the Vele Colliery are presented in Table 4.6 and represented in Figure 4.8. SRK understands from the 2016 VBKOM review that:

[8] VBKOM, 2016. Independent Competent Person's Report for the Vele Colliery operated by Coal of Africa Limited in the Limpopo Province, South Africa, VBKom Consulting Pty Ltd, 15 January 2016

- Alyth prospecting right was renewed in 2013. An application for the renewal of the Alyth prospecting right was submitted to the DMR in September 2013. No decision has been made on this application.
- Over the mineral right, partial land access right was secured by CoAL, through its wholly owned subsidiary, Investments Holdings Pty Ltd. These farms constituted the areas for mining operations.
- Compensation agreements were in place with the remainder of farms. However, land claims were reported on the farms Bergen Op Zoom 124 MS and Semple 155 MS. Land claims might affect land access rights but there has been no progress on the land claims over the past ten years.

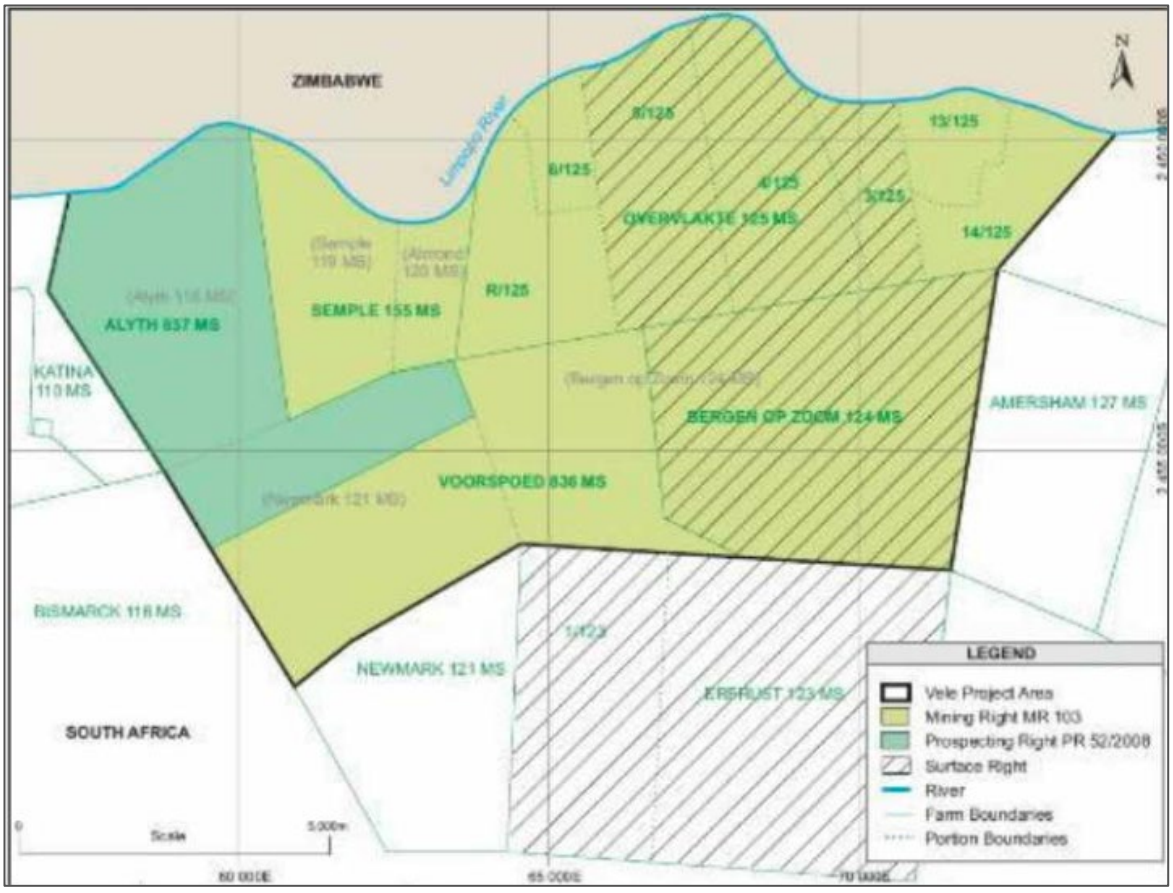
The supplied LOM schedule provides for operations to cease in June 2051. Upon completion of the operations, SRK expects a minimum of a couple of years for closure works and 5 to 10 years post-closure monitoring activities. SRK notes that the mining right expires in 2040. There should be sufficient time for the lodgement of revised validity period of the mining right to be aligned with the Vele LOM plan.

Table 4.6: Summary of Vele Colliery mining rights and surface rights

Farm Name	Portion	Area (Ha)	Company	Type	Permit Number	Date Issued	Expiry Date	Renewed
Alyth 837MS	N/A	2 092.95	Silkwood Trading 14 (Pty) Ltd	Prospecting Right	LP 1136 PR	25.03.2008	24.03.2013	Yes
Bergen op Zoom 124MS	N/A	2 078.13	Limpopo Coal Company (Pty) Ltd	Mining Right	LP 103 MR	19.03.2010	18.03.2040	N/A
Overvlakte 125MS	Portion 3, 4, 5, 6, 13, 14 & RE	3 554.48						
Semple 155MS	N/A	9 421.91						
Voorspoed 836MS	N/A	2 087.22						

Sources: VBKOM, 2016. Independent Competent Person's Report for the Vele Colliery operated by Coal of Africa Limited in the Limpopo Province, South Africa, VBKom Consulting Pty Ltd, 15 January 2016

Figure 4.8: Summary of Vale Colliery mining rights and surface rights



Sources: VBKOM, 2016. Independent Competent Person's Report for the Vele Colliery operated by Coal of Africa Limited in the Limpopo Province, South Africa, VBKom Consulting Pty Ltd, 15 January 2016

4.10.2 Environmental approvals

According to the 2023 annual closure update (Elemental, 2023)[9], Vele Colliery holds the following environmental approvals:

- Approved EMP on January 2021 in terms of section 39 the MPRDA.
- Two EAs have been granted for listed activities in terms of the NEMA for the life of mine duration. An amendment to the EA was approved in January 2015, and subsequently appealed. On 19 November 2015, the Minister dismissed the appeal lodged against the Vele Colliery's amended EA. In January 2017, DMR approved an EA for River Diversion.
- An Integrated Water Use Licence (IWUL) (No. 01/A71/ABCEGUK/420) was issued on 29 March 2011 and subsequently renewed on 18 December 2015 (No. 27/2//2/A1171/1/4) for a period of 20 years (i.e. December 2035). The 2015 IWUL and two other individual IWULs were consolidated into a single IWUL in December 2018.

[9] Elemental, 2023. Annual update of the quantum for closure-related financial provision, Vele Colliery, 2022-2023 for MCMining Limited, Elemental Sustainability Pty Ltd, May 2023

- Various permits were issued by the Department of Agriculture, Forestry and Fisheries (DAFF) to relocate protected trees in terms of Section 15(1) of the National Forests Act, 1998 (Act 84 of 1998). The DAFF permits have been executed within the period of validity and subsequently expired.

While SRK understands HOS is considering optimisation of Vele, the current mine life extends beyond the validity period of some environmental approvals (such as water licence) and changes to the LOM plan might potentially change the environmental and social management conditions and objectives.

4.10.3 Social and Labour Plan

Vele had two SLPs previously approved by the DMRE. The new SLP for the period 2022 to 2026 has been submitted to the DMRE and the Company awaits approval for this. For the purpose of valuation, this is considered in the choice of an appropriate valuation range.

4.10.4 Environmental and social management

An EMS has been adopted at Vele Colliery and was developed as the formal tool for environmental management. This system is independently audited every quarter, and reports are submitted to the regulatory authorities (MCM, 2021a). Core system procedures have been developed for each of the EMS elements, supported by legislated Codes of Practice (COPs) and operational Standard Operating Procedures (SOPs).

Vele Colliery has also implemented an Environmental Management Committee (EMC) in accordance with the EA, which comprises various stakeholders from regulatory authorities, relevant organs of state, municipal representatives, civic society and stakeholders identified during the initial public process. The EMC has various sub-committees including the heritage and water sub-committees established to monitor compliance to the heritage management plan and IWUL, respectively.

Continuous monitoring is implemented at the mining sites to assess the effectiveness of controls with regular analysis and reporting, and action management on failures. Monitoring data is reviewed by the EMC on a quarterly basis, and the monitoring program and/or protocols revised where necessary (MCM, 2021a). According to the Annual Report (MCM, 2021a), the following monitoring is undertaken at the Vele Colliery:

- groundwater – quarterly
- surface water – monthly
- biomonitoring – biannual
- heritage – monthly
- air quality (dust and PM_{10}) – monthly (dust) and continuous (PM_{10}).

Based on SRK's review of the 2020 IWWMP (VELE/EMS/E10-IWWMP/2009 – MCM, 2020), surface water quality monitoring results are generally within IWUL limits, though, the groundwater quality results exceed the limits stipulated by the IWUL. It was recommended that the water quality limits within the IWUL are reviewed and revised to reflect the local context (high natural background levels of certain parameters) of the catchment.

At Vele Colliery, environmental performance is measured against prescribed criteria in line with its Environmental Management Procedure. The DWS, DMRE and the South African Heritage Resources Agency (SAHRA) undertake annual audits of the colliery. Audit reports of the colliery indicate compliance to the conditions of the environmental approvals.

4.10.5 Mine closure provisions

SRK understands that the Vele Colliery mine closure plan and associated financial provisions are updated annually to comply with the regulations. The 2023 annual closure update (Elemental, 2023b)[10] provided that Vele Colliery's closure liability was calculated at ZAR 70,122,491.09 for the period 2022–2023. This closure cost estimation has been developed in accordance with the Department of Mineral Resources guideline. Known as asset retirement obligation cost, it considers current environmental liabilities and activities of the site and excludes any planned activities.

The supplied financial model includes a provision of ZAR 75 million for closure for the year 2031. However, the costing does not provide details of the underlying assumptions inherent in the cost estimate. SRK understands that this cost is equivalent to the current rehabilitation financial guarantees of ZAR 75,124,134 held by MC Mining for Vele Colliery as at December 2023[11].

Current closure provisions of ZAR 75 million Table 8.2are low compared to SRK's understanding of closure costs for similar operations in South Africa. SRK understands that no whole-of-mine-life closure cost estimates are available for Vele Colliery. International practice normally requires estimation of whole-of project closure costs for mine, processing plant and associated auxiliaries. SRK recommends a life of mine closure cost estimate to be developed according to the updated LOM plan and aligned with the closure objectives and requirements of Vele Colliery. There is a risk for Vele Colliery life of mine closure cost provision to be underestimated.

Given that Vele mine is valued using a market approach rather than on a DCF basis, SRK has assessed the risk of under provided closure estimates to exceed that of a typical coal project, and as such has qualitatively factored this into the assessed resource multiple for the project.

4.11 Risks and opportunities

Geological risks include as yet unidentified dolerite dykes and faults that may reduce the blocks available for mining.

Risks are evident from the suspended mining operations, with financial viability driven by the market-determined thermal coal pricing, and in turn the ability to mine and wash the coal at a cost sufficient to create a profit margin despite subdued prices. In addition, curtailing transportation cost of the coal to port and other offset points are of utmost importance.

SRK notes that, although Vele Colliery shows a potential mine life of approximately 40 years based on resources, very low reserves have been declared. This requires mine planning and related study work to be completed in advance in order to report reserves, and importantly to focus on areas with higher yields to optimise profits for the same amount of coal mined.

[10] Elemental, 2023. Annual update of the quantum for closure-related financial provision, Vele Colliery, 2022-2023 for MCMining Limited, Elemental Sustainability Pty Ltd, May 2023

[11] MCM SA Guarantees-202312 (1 1), December 2023

The required infrastructure for a mining operation is already established, including power supply with a back-up generator, and adequate water supply for the operation from boreholes in the Limpopo River. This provides the opportunity for the Vele operation to be re-established at low cost, and with the correct planning and management, the potential to be economically viable.

The Vele plant is producing lower than expected product yield due mainly to generation of excessive fine coal material (<1.0 mm) and loss of fines due to an under-designed fines beneficiation circuit in the plant where ultrafines are not recovered.

These risk and opportunities are considered in the valuation section 8 of this report.

5 Makhado Project

5.1 Overview

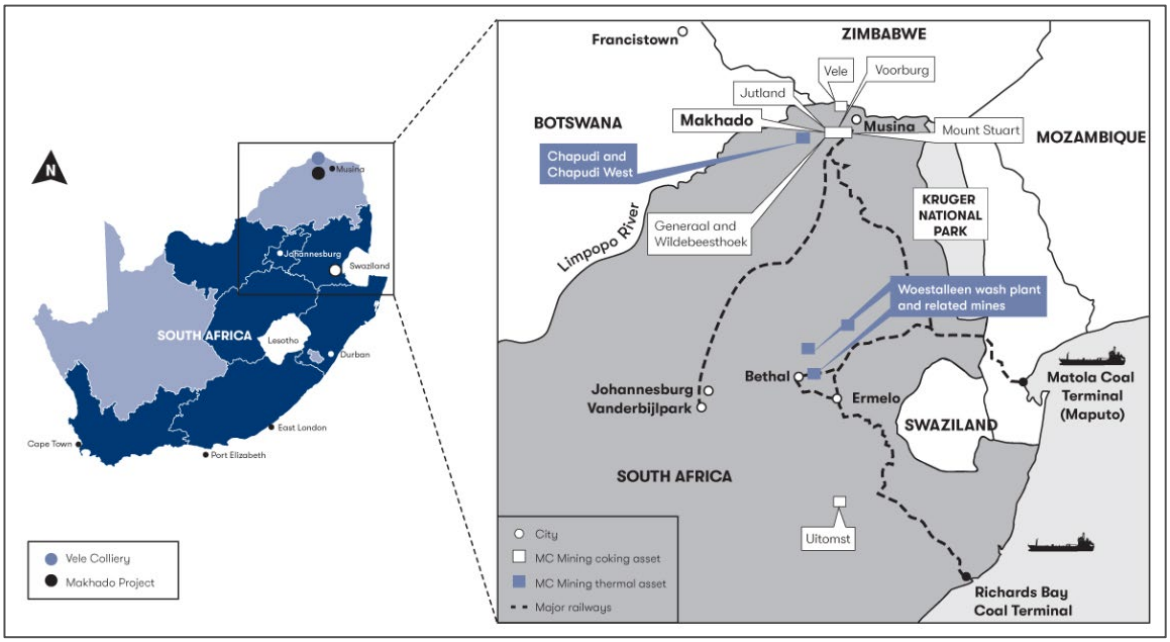
The Makhado Project is situated in the Soutpansberg Coalfield, approximately 36 km north of the town of Makhado on the National Route N1 highway or 65 km southwest of Musina (Figure 5.1). Polokwane lies some 130 km due southwest of the project area, while RBCT is 680 km due southeast.

MCM holds a 67% interest in the Makhado Project through a wholly owned subsidiary, Baobab Mining & Exploration (Pty) Ltd. A new order mining right No. 30/05/1/2/2/204 MR (204 MR) was granted and is valid until 25 January 2046.

The Project lies 80 km southeast of the Company's Vele Colliery.

The Makhado Project remains in development and is a proposed opencast operation with a forecast mine life of over 28 years at 4 Mtpa, with the potential for further expansion into underground.

Figure 5.1: Location of Makhado Project



Source: MCM website, accessed 13 May 2022

The Project is directly accessed from the bitumen sealed N1 highway, which runs north-south along the western boundary of the Mining Right area. The N1 links the Project to the towns of Musina, Louis Trichardt and Polokwane. Several gravel roads and tracks provide further access across the various sites of the Project.

A railway line lies west of the Project, which runs in a northeast–southwest direction and offers connections to RBCT and other potential export hubs and domestic markets. The planned Huntleigh Rail Siding is located 15 km due northwest of the Project area.

As at Vele, the climate at the Project is semi-arid and characterised by hot to extremely hot summers and warm to cool winters, with minimal precipitation. Mining activity can be conducted all year-round, as no appreciable mining downtime is expected due to unfavourable climate or weather conditions.

The east–west orientated Soutpansberg Mountains run along the southern boundary of the Project. The topography of the Project area is characterised in the north by a relatively flat plain at an average elevation of 750 m above sea level, rising steeply in the south to an elevation of 1,750 m, forming the Soutpansberg Ridge. Immediately beyond the southern boundary of the Project tenure, the land falls rapidly to around 800 m.

5.2 History

Iscor explored the Soutpansberg Coalfield during the 1970s and 1980s, drilling approximately 1,250 holes and opening a bulk sample pit on the farm, Fripp 645 MS, in 1979. No historical mining occurred.

MCM acquired the full Iscor data set for the Makhado Project area. The data set included 316 diamond core drill holes within the current Makhado tenure. MCM, then known as CoAL, began its own exploration in 2007, with exploration drilling on Fripp 645 MS.

By 2011, 214 drill holes had been drilled within Makhado, as well as aerial magnetic and radiometric geophysical surveys conducted. A boxcut was excavated on the farm Tanga 648 MS in 2010–2011, from which a bulk sample of 45,849 t of material was extracted. The coal produced from this material (21,800 t) was used to confirm the coal and coking properties and to test a number of coal processing options.

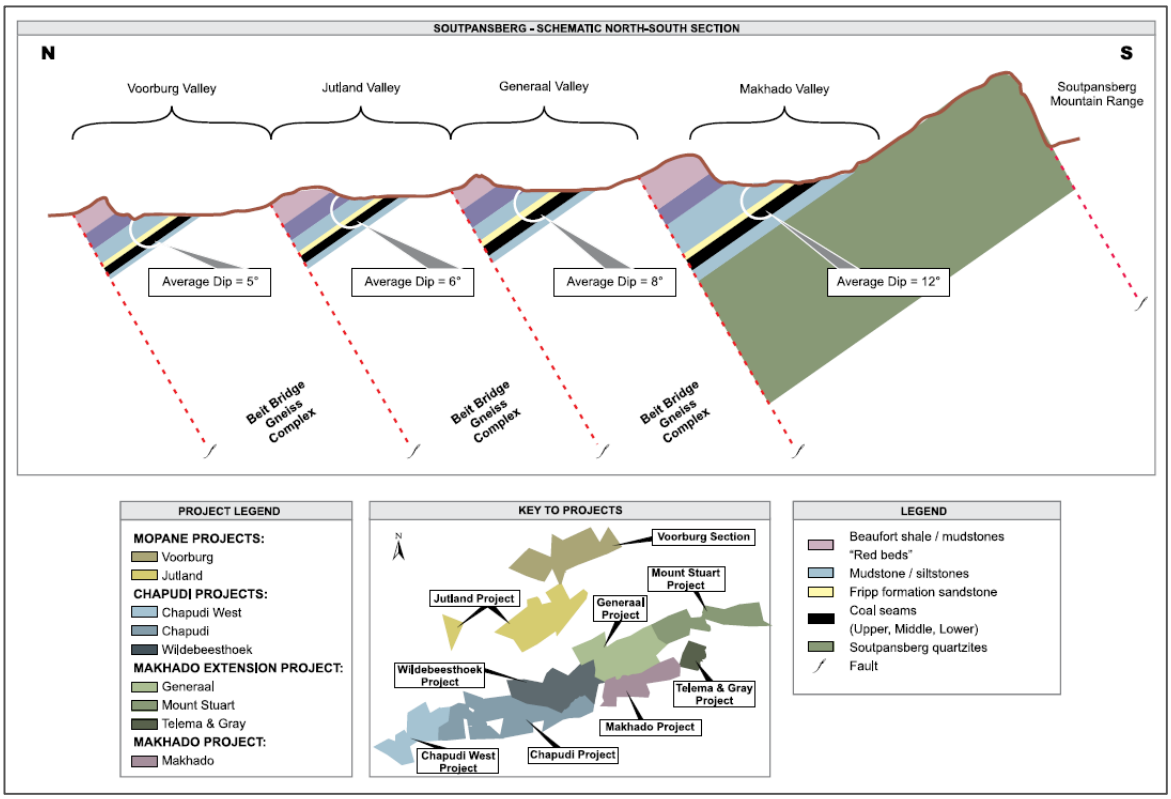
In May 2015, a 30-year Mining Right was granted by the then Department of Mineral Resources, now termed the DMRE. A WUL, valid for 20 years, was granted by the DWS. The EA for the duration of the LOM was granted by the Limpopo Department Economic Development Environment and Tourism (LEDET) and has since been amended.

In FY2023, MCM commenced planning and development for the Makhado Project. MCM subsequently appointed Erudite (Pty) Ltd (Erudite) to complete the detailed designs for the Makhado CHPP and also employed independent consultants to review the Makhado mine plan that was developed internally. Early works at Makhado commenced in H2 CY2023 including bulk water infrastructure, construction of a bridge across the Mutamba River and site security.

5.3 Local geology

Makhado is situated in the Tshipise Basin of the Soutpansberg Coalfield (Figure 3.2). The strata of this coalfield are preserved in a northward-dipping half-graben located on the northeastern edge of the Kaapvaal Craton, and terminating against east–west striking faults associated with the Limpopo Mobile Belt in the north and subcropping in the south (Figure 5.3). The entire Soutpansberg Coalfield is faulted, with extensive east-northeast normal faults, parallel to the regional strike, controlling the preservation of the coal-bearing Karoo strata. This fault system resulted in the horsts and grabens characteristic of the coalfield, with throws to either to the north or south with displacement of around 500 m. A secondary fault system trends west-northwest to northwest, with throws generally to the southwest.

Figure 5.2: Makhado – diagrammatic cross-section



Source: Venmyn Deloitte (2012)

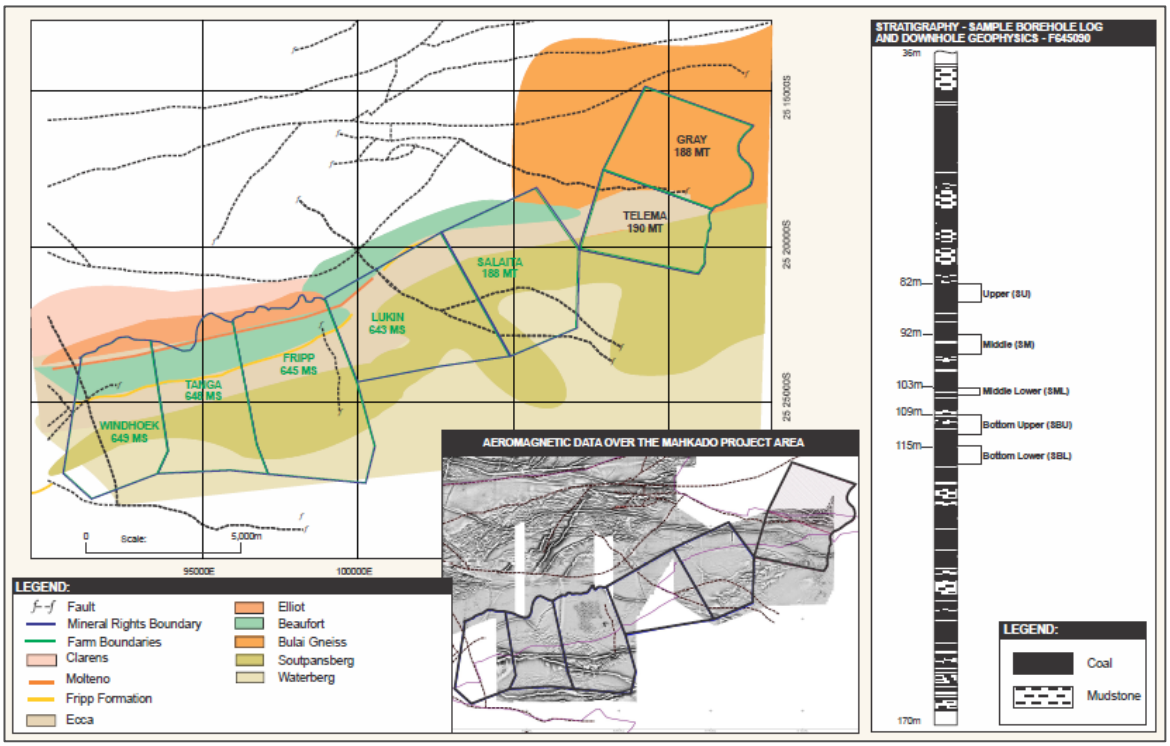
Sedimentation within the coalfield was fault-controlled. The Karoo strata overlies the Soutpansberg Formation and within the Tshipise Basin, the coal-bearing sediments are found in the 30–40 m thick carbonaceous portion of the Madzaringwe Formation. This formation comprises coal, shale, mudstone and siltstone, with the coal seams consisting of alternating bands of coal and mudstone. The coal is generally bright and high in vitrinite, with the vitrinite content decreasing with depth.

The Madzaringwe Formation is overlain by the mudstones, shales and sandstones of the Mikambeni Formation, followed by the coarse sandstone of the Fripp Formation.

This is followed by the siltstones and mudstones of the Solitude Formation of the Beaufort Group; the sandstone of the Klopperfontein Formation; the red mudstones and sandstone of the Bosbokpoort Formation; the sandstone of the Clarene Formation (all of the Stormberg Group) and finally, the basaltic lavas of the Lebombo Group (Figure 5.3).

The surface geology, aeromagnetic geophysical data and stratigraphy of the Makhado area is shown in Figure 5.3.

Figure 5.3: Makhado – surface geology, aeromagnetic data and stratigraphy



Source: Venmyn Deloitte (2012)

Within the project area, the strata display an average dip of 12° to the north, varying from 4–18° to the north.

The northwest–southeast-striking Siloam Fault, identified on the farm Lukin 643 MS, offsets the subcrop (Figure 5.3). This has been taken into consideration when designing the infrastructure and the mine layout. Faulting also restricts the distribution of the coal along strike, on the western and eastern edges of the project, while the position of some smaller faults needs to be confirmed by targeted drilling.

Drilling has identified a 50 m-thick dolerite intrusive sill that transgresses the coal seams in two places in the centre of the project area, situated above the coal horizons on the farms Lukin 643 MS and Tanga 648 MS, but below the coal on the farm Fripp 645 MS (situated between the other two farms). The coal has been devolatilised close to this sill and burnt where the sill transgresses the seams, which has destroyed the coking properties of the coal in this area. Interpretation of the aeromagnetic geophysical data by GAP Geophysics suggests that few magnetic intrusive dykes traverse the area and that those that have been identified are vertical, in the order of 2 to 5 m thick and are steeply dipping. A bulk sample pit on Fripp 645 MS, excavated by the then Iscor, revealed a thin, discontinuous dyke in the highwall.

MCM has identified six major mining horizons (referred to as ‘seams’) within the Madzaringwe Formation; namely, the Upper, Middle Upper, Middle Lower, Bottom Upper, Bottom Middle and Bottom Lower Seams (Figure 5.3). The Bottom Middle Seam is usually excluded from the Coal Resource Estimate, as it is mostly mudstone. MCM has modelled the other five seams to estimate the Coal Resources. Average modelled seam thicknesses range from 1.80 m to 4.32 m (Table 5.1).

Table 5.1: Makhado – modelled seam thicknesses

Seam	Seam Thickness (m)		
	Minimum	Maximum	Mean
Upper	0.1	6.48	2.48
Middle	0.1	18.54	4.32
Middle Lower	0.1	6.03	1.80
Bottom Upper	0.1	7.58	3.78
Bottom Lower	0.1	11.07	3.85

Source: Makhado BFS (2022)

Notes: Minimum thickness is a cut-off limit imposed during modelling; note that this cut-off is greater (1.5 m) for resource estimation.

The coal is suitable for producing a primary hard coking coal with a 10% ash, TS between 1.0 and 1.1% and an average theoretical yield for all size fraction of 21.2%, as well as a secondary thermal coal, with an ash content of less than 25.9%, a CV of 5,500 kcal/kg, TS between 0.7 and 0.9% and a theoretical yield of approximately 17.6%.

5.4 Exploration potential

No areas remain to be drilled for additional resources. However, some consideration has been given to extending the extractable resources below a depth of 200 m on the Middle Lower and Bottom Upper Seams. This would require transitioning to underground extraction and has not yet progressed beyond concept stage.

The northern limits of the pit edge infrastructure will be determined using limit of oxidation drilling; this may result in the definition of some additional resources.

5.5 Coal Resources and Coal Reserves

5.5.1 Coal Resources

The critical variable considered for both the primary coking coal product and the secondary thermal product is ash (<10% and <25.9%, respectively). In addition, the following cut-off values were imposed:

- Mineral Rights boundaries
- 50 m limit around known geological structures
- the limit of oxidation
- minimum seam thickness of 0.5 m for GTIS
- minimum seam depth of 17 m for MTIS
- maximum seam depth of 200 m for MTIS.

The Coal Resource Estimates (MTIS) were also discounted for unknown geological structures, based on the confidence of the Coal Resource classification; namely:

- Measured 5%
- Indicated 8%
- Inferred 10%.

The Coal Resources were estimated from the geological model, constructed by Mr John Sparrow using the Minex™ software. SRK has reviewed the geological model and considers it provides an accurate reflection of the data and that the Coal Resources have been estimated in an appropriate manner.

SRK has reviewed the geological model and is satisfied that the data are represented sufficiently accurately in the grids, that the modelling principles employed and the estimation methods used are fit-for-purpose and that the geological model and the resource estimates can be relied upon.

The MTIS Coal Resources have been declared per planned mining pit (open pit only, no underground mining considered) between depths of 17 m and 200 m. Note that no Coal Resources are declared for the farm Fripp 645 MS, as this is occupied by the Mudimeli village.

The Coal Resources have been estimated by Mr John Sparrow (MCM) in accordance with the 2012 JORC Code. The Coal Resources have been reviewed by Mr Uwe Engelmann (Minxcon); both Mr Sparrow and Mr Engelmann are Competent Persons as defined by the JORC Code.

All Coal Resources and coal qualities have been estimated on an air-dry basis and are inclusive of the Coal Reserves.

Total Coal Resources at Makhado, as reported in the MCM Annual Report 2023 and unchanged from 2022, are shown in Table 5.2.

Table 5.2: Makhado Coal Resources (as declared at 30 June 2023)

Resource Category	GTIS (Mt)	MTIS (Mt)	MCM Attributable Interest (%)	MCM Attributable Resource (Mt)
Measured	387.340	241.945	69%	166.942
Indicated	254.000	54.055		37.298
Subtotal Measured & Indicated	641.340	296.000		204.240
Inferred	116.200	38.857		26.811
Total	**757.540**	**334.857**	**69%**	**231.051**

Sources: MCM Annual Report 2023

Recent metallurgical testwork and studies on fine coal beneficiation, together with optimisation of the mine plan, have resulted in updated simulated average practical product yields of 21.2% for HCC and 17.6% for thermal coal respectively across the proposed Makhado pits (ASX:MCM announcement dated 30 June 2023).

The coal products comprise a primary HCC at 10% ash, total sulfur between 1.0 and 1.1% and volatiles 29.6%, as well as a secondary thermal coal product with an ash content of less than 25.9%, a CV of 5,500 kcal/kg, total sulfur between 0.7 and 0.9% and volatiles of 25.1%.

5.5.2 Coal Reserves

The Makahdo Project was evaluated under a feasibility study (FS) conducted in 2017. The 2017 FS considered the project was phased in such a manner as to initially use the beneficiation plant at Vele and then build a plant at Makhado for the longer term. This plan was subsequently modified into a new FS in 2021, to mine the Makhado coal using the beneficiation plant at Vele, which will be modified to allow fine coal beneficiation.

During 2022 and 2023 MCM continued assessing the Makhado Project and potential options to optimise beneficiation and the distribution of product coal. This assessment would aim at providing opportunity to increase mining and beneficiation throughput, as well as allowing for more flexibility in design of the wash plant and reduce cost during the overall project life. These changes in the project philosophy were not addressed through an amendment or inclusion to the FS, but addressed separately through focus on the various technical and commercial aspects of this new approach and captured at high level in an overarching Project Definition Statement document for the ”Colliery Establishment”, which was released in April 2023.

MCM has noted in the MCM Mining Annual Report for 2023, that *“The Makhado Project reserves have been re-evaluated in the implementation plan and declared a public statement in June 2023”.* This is reflected in Table 5.3, to also include a thermal coal as a secondary product.

Table 5.3: Makhado Coal Reserves as at June 2023 in 100% terms

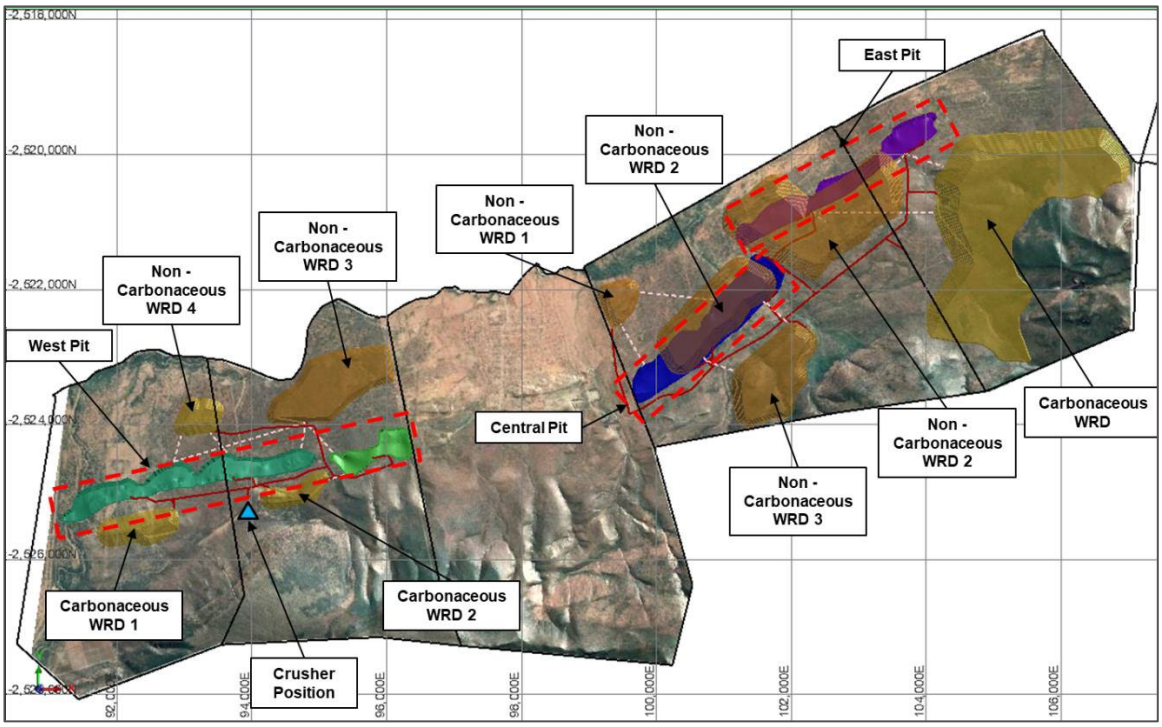
Coal Reserves Classification	ROM (Mt)	Saleable Primary Prodt (Mt)	Saleable Secondary Prodt (Mt)
Proved	97.756	20.672	17.281
Probable	8.498	1.846	1.415
Total Reserves	**106.254**	**22.518**	**18.696**

Source: Minxcon Projects (2022), Makhado Colliery BFS MC Mining Limited Annual Report 2023

5.6 Mining

Future development of the Makhado Project envisages three open pits namely East, Central and West pits as shown in Figure 5.4 with a life of mine for the project estimated at 28 years.

Figure 5.4: Makhado proposed open pits



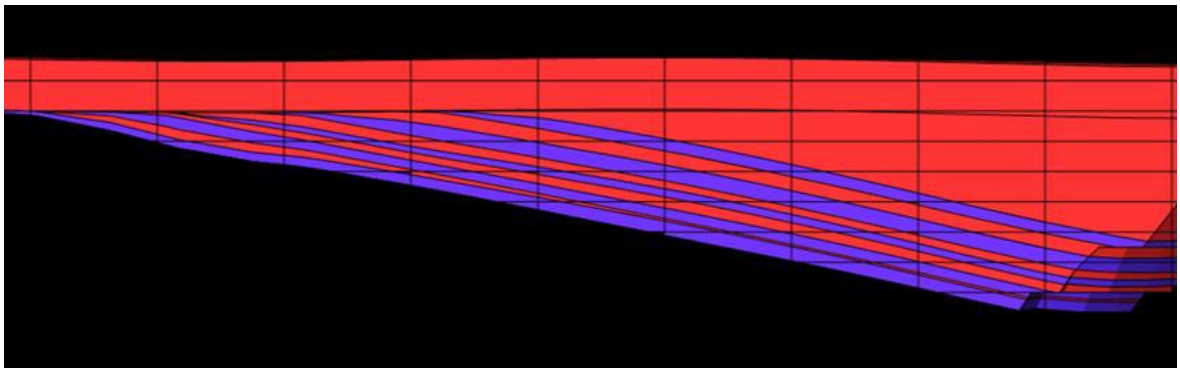
Source: Minxcon Projects (2022), Makhado Colliery BFS

The sequence of the development is to exploit the East Pit first, due to quality and proximity to the location of the planned CHPP, followed by the other two pits. The farm between the pits, namely the Fripp Farm, is not included in current development.

The defined coal seams consist of several seams (five seams) separated by partings. The seams are identified as the: (i) Upper Seam, (ii) Middle Seam, (iii) Middle Lower Seam, (iv) Bottom Upper Seam, and (v) Bottom Lower Seam. The Bottom Middle Seam generally comprises predominantly mudstone within the horizon, hence this is excluded and not specifically targeted for mining and beneficiation purposes.

These seams display dips of between 4° and 18°, with an average of 12° from the outcrop position, and, as the seams dip toward the hilly overburden, this becomes the limiting factor for future pit development (Figure 5.5). For the most efficient mining, the pits will be mined at an apparent dip, i.e., 30° to the general strike direction to the final highwall position – this creates an apparent dip of no more than 10°. The seams are then mined individually from the partings to maximise coal recovery.

Figure 5.5: Cross-section of coal seams



Source: Minxcon Projects (2022), Makhado Colliery BFS

The Makhado Project area is intersected by identified faults, specifically on the farms, Windhoek and Lukin, with the latter in the East Pit area. This fault is a major, northwest-southeast trending fault, where it has displaced the coal seam and offset the sub-outcrop. Information on the occurrence of small-scale faulting has reportedly not been clearly defined yet, and it has also been reported that a 13 m thick dolerite sill is present above the coal seams on the farms Tanga and Lukin, with the latter again in the East Pit region. Aeromagnetic data however shows that there are generally few dykes within the planned mining areas.

Pit optimisation software has been run to establish the most technical and financially viable areas and limits for mining, which resulted in the East Pit measuring at a length of 4.2 km and up to 460 m in width. The pit will have a maximum depth at the end of life of between 80 and 90 m, resulting in a projected strip ratio of approximately 3 or less.

In-pit filling has been included as part of the mine design and schedule, which is advantageous and significantly reduces cost of haulage and eventual rehabilitation costs. This has been reported to be scheduled as soon as sufficient in-pit space becomes available. It has been noted that a minimum of 40 m working space from the highwall, and 120 m from the direction of mining have been incorporated into the pushback designs, with complete in-pit filling designs allowing for up to the highwall.

Despite a review of geotechnical design criteria indicating no significant shortcomings, it has been noted in 2023 that additional exploration drilling is required to upgrade the confidence level of the designs, as the initial or most recent designs were only conceptual.

Mining is planned to be contracted out, with the contractor responsible to provide the entire primary mining fleet, and ancillary and support equipment for an efficient operation. The mining process is planned to be conducted with a primary fleet of 70 t to 90 t excavators, and with 90 t and 55 t trucks for haulage. The bench heights have been designed at 15 m, with ramp widths at 30 m and ramp angles at a maximum of 10%. Coal benches have been designed, depending on the dip of the seam in the specific location, between 50 m and 250 m, with the waste benches maintained at horizontal.

The overburden material within the East Pit generally consists of sand and quartz for the first 6 m of depth, followed generally by weathered siltstone and mudstone for the next 20 m. Thereafter, another at least 2 m of unweathered but degraded mudstone covers the coal seam horizon. Drilling and blasting will be required for the overburden removal, including the partings between the seams,

however it is anticipated that coaling will be free-dig with excavators in a backhoe configuration, due to the relatively low UCS value of between 5 MPa and 15 MPa for the coal.

Mining of the East Pit will commence with the establishment of a boxcut, including substantial removal and haulage of overburden and waste material, before coal mining will commence. The East Pit design and schedule reportedly results in a total of 17.9 Mt of ROM coal excavated, at an average of 324 kt/m over the first five years of the Makhado Project life. An average strip ratio of approximately 3:1 is achieved over this period, based on a total of 52.6 Mbcm of waste material removed.

5.7 Geotechnical

5.7.1 Design studies

The geotechnical slope design study for Makhado was carried out by Middindi Consulting (Pty) Ltd in September 2011. The design recommendations were incorporated into the January 2013 Makhado Feasibility Study (Mining Geotechnical Design Chapter 5 – Section 2), by CoAL, and carried forward into the Bankable Feasibility Study (BFS) pit designs presented in the report *Makhado Colliery Bankable Feasibility Stud*y (4. Geotechnical and Geohydrology (M2021_038a BFS) by Minxcon (Pty) Ltd, March 2022.

Outstanding geotechnical work is for the coal outcrop in the east pit, as well as the central and west pits. The plant geotechnical work has been completed.

Details of the design of stockpiles have been provided for the 2022 Minxcon BFS report (7b. Engineering and Infrastructure Design).

5.7.2 Geotechnical conditions

Soft weathered materials, including a thin topsoil layer at surface are present up to a maximum of ~20 m below surface (i.e. these will constitute the upper one or two 10 m benches). Below this, stronger unweathered rocks include bedded units of the Karoo Supergroup – shales, mudstones, carbonaceous materials and sandstones. Five coals seams are present, between 2.2 m and 4.2 m in thickness, with interburden of mudstone. A large dolerite dyke and two significant large faults are present at Makhado; however, these will not have an influence on pit slope stability.

5.7.3 Geotechnical data and analyses

Five geotechnical drill holes were drilled, but these were limited to the East Pit area, so data coverage is spatially limited, and it is possible that it may not be representative for all the mining areas. The data that has been collected in each drill holes is comprehensive, however.

In the absence of test results for the soft (soil and weathered rock) materials, appropriate properties were derived following a literature survey of databases of similar materials. Itasca FLAC software was employed for design stability analyses for these materials, assumed to be up to 20 m in thickness.

For the unweathered shale, mudstone, coal and sandstone, input values were defined for Hoek-Brown (H-B) criterion shear strength parameters. These include unconfined compressive strength (UCS), material constant (mi), and geological strength index (GSI, which is a measure of rock mass quality).

GSI and RMR (Bieniawski, 1989) rock mass classification values were obtained from geotechnical logging; mi values were taken from suggested values in Rocscience Rock Data software.

No UCS testing was conducted; UCS values for analyses were assumed using data from the Witbank Coalfields. UCS values assumed for the shale and sandstone represent strong rock (70-85 MPa), whilst for the mudstone and coal weak rock (~20MPa) values have been assumed.

Although the quality of the rock mass, as defined by the GSI values, is generally moderate ($40 \leq GSI \leq 60$), minimum values in the late twenties and early thirties represent locally poor-quality rock mass.

Bedding dips from south to north at shallow angle (10–14°) – daylighting only into southeast slopes. No actual shear testing of discontinuities (bedding or joints) was undertaken; however, 70% of discontinuities have dip angles less than their expected minimum friction angles. Therefore, sliding failure is not expected to be a commonly occurring failure mechanism, nor are toppling or wedge failure expected to be significant failure mechanisms. Rather, rotational failure in moderate to weak quality materials, perhaps with a contributing sliding mechanism at its base, is expected to be the main instability mechanism in most slopes.

The mine is in an area of relatively low seismic risk, therefore no seismic loading was included in the stability analyses for design.

The design analyses were carried out with the assumption that the groundwater level (phreatic surface) is at 25 m below surface. No slope depressurisation considerations were made in the 2022 study.

For bench-scale, design stability analyses were carried out using limit equilibrium analyses with a design acceptance criterion (DAC) of factor of safety (FoS) 1.3 – which is relatively high for individual benches. This was also on the basis that mined strips will be backfilled within 12 months.

For overall and inter-ramp slopes, design stability analyses were also conducted using limit equilibrium methods, with a DAC FoS of 1.5. The required FoS was increased to 2.0 where the consequences of failure are regarded as serious – i.e. failure in medium sized or high slopes including major haul roads or above permanent mine installations.

5.7.4 Recommended design – pit slopes

The slope designs are based on limited field and testing geotechnical data, therefore precedent practices have been used.

For soft weathered materials (i.e. the upper one or two benches), the following parameters have been recommended:

- bench height = 10 m
- bench face angle (BFA) = 55°

- berm width = 6.5 m.

This generates a crest to crest inter-ramp angle (IRA) of 36.5°.

For relatively strong, fresh materials the following parameters were investigated for the 2013 Feasibility Study:

- bench height = 15 m (2 benches in height)
- BFA = 90°
- berm width = 10 m to 20 m.
- A berm width of 20 m generates an IRA of 37°; however, depending on equipment and mobility constraints, it was indicated that a steeper angle of up to 47° could possibly be accommodated, with substantially lower berm widths. It was stated that this would only be appropriate if further studies based on the forward works program of more comprehensive geotechnical data acquisition is completed.
- The recommendations in the 2022 BFS include a different configuration: 55° BFAs with 7.5 m berm widths, generating an IRA of 39.8°.

Slope design angles for the boxcuts are shallower: ≤30° in soft weathered material, with a 15 m catch berm at the boundary of the weathered and unweathered materials, a bench height of 15 m and a berm width of 7.5 m.

SRK considers that the slope design angles are appropriate for the geotechnical conditions identified, as the selected DAC are onerous, and the designs therefore may be relatively conservative.

5.7.5 Stockpiles

With regards to the design of non-carbonaceous stockpiles, these have been designed with an overall slope angle of ~30°; and consist of individual 10 m high benches of ~40° slope angles, with 5 m-wide berms. The intended heights of the stockpiles vary from the lowest of 54 m (in the west) to approximately 100 m (in the east). The basis for these designs is not evident; depending on the actual material properties it is possible that angles of 31° over 100 m may present FoS that are lower than ideal, though it is acknowledged that drainage of the stockpiles has been allowed for.

For the stockpile foundations, it has been recommended that the upper ~900 mm of topsoil and subsoil are removed and replaced with compacted fill of suitable type, which seems appropriate.

5.7.6 Geotechnical risks and opportunities

In SRK's opinion, the key concerns with regards to pit slope stability are related to lack of data - in terms of spatial coverage of drilling in the West and Central pit areas and the lack of laboratory strength testing (UCS and direct shear of discontinuities, particularly bedding). The recommended slope designs seem likely to be conservative, however, and so SRK does not regard the current lack of data confidence as a major risk. However, it is reiterated that the forward works program recommended in the 2013 Feasibility Study, should be conducted during the next development phase to confirm the geotechnical design parameters going forward. The geotechnical risk

assessments performed for the boxcut indicate that the risks are generally in the moderate to low category.

As stated earlier, there may be an opportunity for a steeper IRA in the unweathered materials within the pits to be accommodated, with substantially lower berm widths. However, this would need to be supported by the results of further studies based on the forward works program of more comprehensive geotechnical data acquisition.

5.7.7 Recommendations for further work

The recommended forward works program, as detailed in the 2013 Feasibility Study, should be conducted during the next development phase. This includes:

- the drilling, logging and sampling of ~15 additional drill holes across the mining tenure
- downhole televiewer surveys
- laboratory strength testing: UCS, direct shear of discontinuities, triaxial testing of weak materials, swell and slake durability testing
- appropriate synthesis of geotechnical data and further assessments to confirm geotechnical design parameters.

If it has not been done already, it is also recommended that the slope angles in the stockpiles be confirmed with identification of suitable material properties and with stability analyses.

5.8 Processing

A new CHPP processing facility will be built at the Makhado minesite to process 4 Mt/a ROM coal.

ROM material will be hauled by truck from the open cut mines to the ROM tip facility and tipped into a 250 t ROM Tip Bin at a nominal maximum size of 800 mm. Material greater than 800 mm will be reduced in size to pass 800 mm by a rock breaker located on top of the bin.

ROM material will then be fed from the ROM Tip Bin by an Apron feeder to a Primary Mineral Sizer, which will reduce the top size of the material to a nominal minus 225 mm before conveying the crushed raw coal to the ROM Screen.

The screen will separate the raw coal into plus and minus 50 mm fractions with the plus 50 mm material discharged to the Secondary Mineral sizer. The secondary sizer will crush the oversize material to minus 50 mm before combining with the ROM screen underflow.

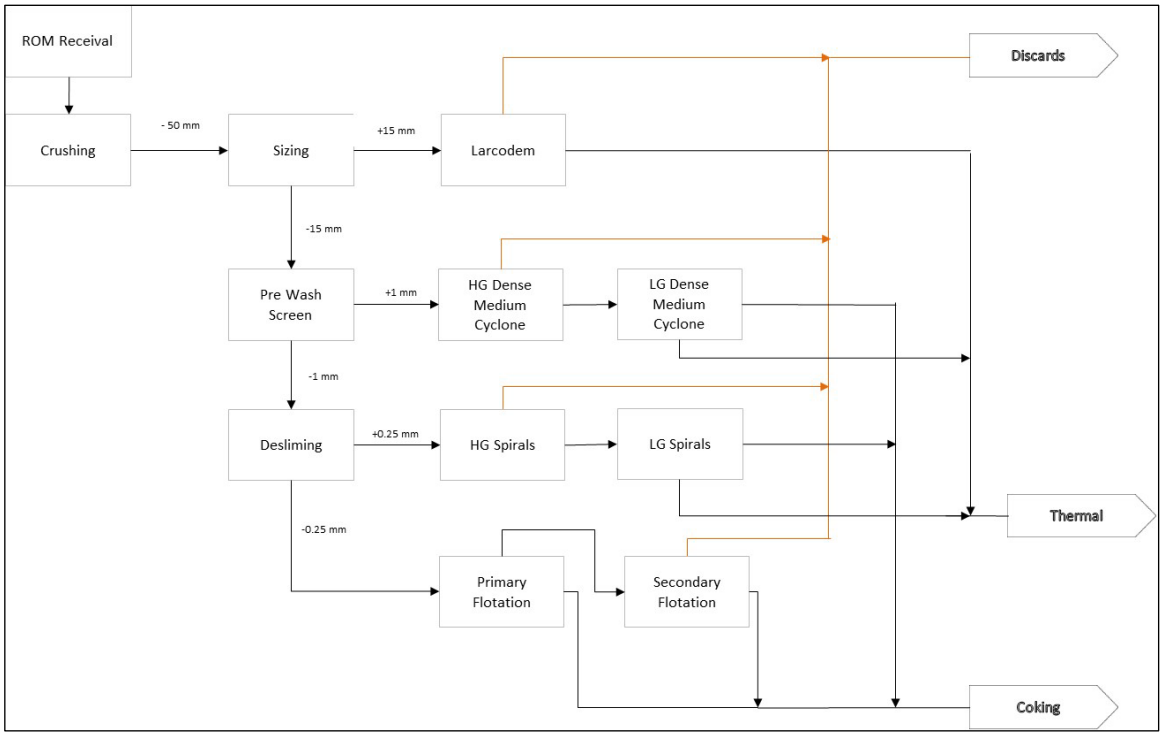
The combined material will then be discharged via conveyor onto the Plant Feed Stockpile.

Vibrating feeders installed below the Plant Feed Stockpile will draw the crushed feed material from the stockpile before conveying to the Primary Sizing Screen. The Primary Sizing Screen will separate the feed material to plus and minus 15 mm feed fractions with the plus 15 mm fraction directed to the Larcodem DMS circuit.

The Larcodem circuit will separate the product material from the discards and employ a conventional dense medium process incorporating drain and rinse screens and magnetic separators to recover and reprocess the magnetite. The product material from the Larcodem will be discharged to the Thermal Coal Conveyor with the discards reporting to the Discard Conveyor

The Primary Sizing Screen underflow fraction will report to a Pre-Wash Screen where the 15 mm × 1 mm fraction will report to the high gravity dense medium cyclone circuit and the minus 1 mm fraction will report to the fines processing plant. A schematic flowsheet of the proposed plant is shown in Figure 5.6.

Figure 5.6: Makhado CHPP Block Flowsheet



Sources: Enprotec/Erudite Flowsheets

The plus 1 mm fraction will be pumped from a HG Mixing Box together with a magnetite medium pulp to the HG Dense Medium Cyclone for separation. The Dense Medium Cyclone will separate the feed coal into a floats and discard fraction with the discard fraction reporting to the Discard Conveyor and the floats directed to the LG Dense Medium Cyclone Mixing Box for further processing.

The floats from the high gravity circuit will be pumped from the LG Mixing Box together with a magnetite medium pulp to the LG Dense Medium Cyclone for separation. The LG Dense Medium Cyclone will separate the high gravity floats material into a coking and thermal fraction, with each reporting to their respective product conveyors.

Both HG and LG dense medium circuits are of a conventional dense medium design using drain and rinse screens and magnetic separators to recover and reprocess the magnetite.

The minus 1 mm fraction reporting from the Pre-wash Screen will be directed to the Fines Tank before being pumped to Desliming Cyclones for separation into minus 0.25 mm and plus 0.25 mm fractions. The plus 0.25 mm fraction will be directed to the two stage spirals processing circuit and the minus 0.25 mm fraction will report to the Slimes Thickener before being processed in the two-stage flotation circuit.

The spirals circuit will undertake a high gravity separation in the first stage with the high gravity discard material dewatered prior to reporting to the Discard Conveyor. The low gravity material will report to the Low Gravity spirals where the material will be separated into coking and thermal product fractions. Both product streams will be dewatered by fine coal centrifuges before reporting to the Coking and Thermal Coal Conveyors respectively. The Coking and Thermal product conveyors discharge to stockpiles via stacking conveyors.

The minus 0.25 mm fraction will be pumped from the Slimes Thickener into the Flotation Feed Tank for processing by the two-stage flotation circuit. The first flotation stage will remove the coking product concentrate for dewatering in the Product Filter Press circuit. The second stage will receive the flotation cell tailings stream and recover any further coking product before combining with the primary product concentrate. The dewatered coking coal product will be discharged to the coking coal product conveyor system.

The Secondary Float Cell tailings stream will be directed to the Tailings Thickener before being pumped to the Tailings Filter Presses. Dewatered tailings will then be discharged to the discard product conveyor system for discharge into a discard bin before being trucked back to the mine for disposal.

SRK is satisfied that the proposed plant design and associated flow sheet is appropriate for the type of coal being processed, and that adequate and appropriate fine coal processing circuits have been accounted for in the design.

Recent metallurgical testwork and studies on fine coal beneficiation, together with optimisation of the mine plan, have resulted in updated estimates and increases in the average practical product yields to 21.2% for HCC and 17.6% for thermal coal respectively across the proposed Makhado pits (ASX:MCM announcement dated 30 June 2023).

SRK has reviewed the available sizing and washability. The summary table for three East Pit large diameter holes (S188T604, S188T605 and S188T606) indicates that coking and thermal yield determinations were based on extracting the float and sink yields at a perfect separation at the nominated product ash. These values were then pro-rated on a mass of sample basis versus a total mass of all relevant plies by size with a contamination value entered before an organic efficiency (OE) value was applied. The OE value has been applied to reflect the downstream processing inefficiencies in lieu of undertaking actual process simulations. The basis of the OE value is not derived from actual simulations.

Analysis of the summary tables identified that an increase in coking flotation yield had been applied after the contamination adjustment from 60% to 62% for the minus 0.25 mm fractions in contrast to the reduction applied to the remaining yields based on the addition of a dilution component.

Based on the reviewed data, SRK concludes that the HCC yield will be highly sensitive to dilution and liberation in the coarser size fractions. SRK agrees that the predicted HCC yield of 21.2% is achievable but cautions that it may not be consistently achievable.

5.9 Infrastructure and services

It has been reported by an external engineering consultant that the anticipated electricity demand for the Makhado Project exceeds available capacity from the nearest Eskom power distribution station, i.e. the Paradise substation located to the south of the project, with a maximum available capacity of 7.5 MVA. This has however been secured from Eskom, and will be supplied via a new 22 kV (of 33 kV insulation design) overhead power line of approximately 14 km in length. At the time of SRK's site visit, bush clearing was completed for construction of the power line, however construction had not yet commenced.

The external consultant indicated that the capacity of the line will be "borderline" for mining and other infrastructure requirements, and the operation will be "subject to load curtailment", with a co-generation requirement envisaged. Additional power will however also be sourced from the Makhado Municipality as well as Eskom's 22 kV rural networks for potable water storage and distribution, as well as MIA power requirements. A further 1.15 MVA on Eskom's Makhado/Vhembe 22 kV network has also been negotiated, however it has been reported that the performance of this network is "not ideal", and load shedding rules apply. MCM has indicated that future upgrades of power supply will be considered for Makhado, during the life of the operation. This has however not yet been reflected in the Makhado financial model received from MCM, titled *46.04.05.01 MKD_ Financial_Model_PostPDS.v23*.

MCM has reported that the Makhado Mine and associated infrastructure will require a maximum water supply of 2.6 Ml per day. It was stated during SRK's site visit that the main source of process water will be from the bulk sample pit established in 2011, at approximately 430 kl per day, while the main source of potable water will be a natural spring at Tanga Lodge (an estimated capacity of 172 kl per day), both situated in the Western pit area. Two overhead power lines that are fed from the 400V Municipality Network have been commissioned with only mechanical works outstanding.

SRK was notified by MCM that various other boreholes are available and to be powered as part of the implementation plan, to provide sufficient water supply for the operations. It is also noted in the PDS that water balance modelling indicates that the supply of water required for the operations will be replaced by water inflows to the mining pits after 18 months of operation, but also further states that access to supplementary water from the Nzhelele Dam may be required as part of future expansion plans.

Foundations have been prepared on site for storage and transfer water tanks for water supply at the East Pit entrance, i.e. process water and potable water supply, each in a 100 m^3 tank. From these two tanks the water will be pumped to three process and one potable water tank, each with a capacity of 2,500 m^3, located at the main entrance of the project area. The tanks are however yet to be implemented, and no pipeline construction has commenced either.

Access to site will require construction of a two-lane bridge over the Mutamba River, which is also planned for the next phase of construction activities. The bridge will provide all-weather access to site, and will be designed and constructed to a 65-tonne payload. Various regional roads and intersections will require upgrading to cater for heavy loads, as product coal is transported by road to the allocated siding, or port if so required.

Lump sum amounts have been included in general and mining infrastructure establishment over a three-year period in the Makhado financial model received from MCM (titled *46.04.05.01 MKD_Financial_Model_PostPDS .v23),* to cover as Project Capital for the required infrastructure to

establish the infrastructure for commencing the mining operations. However, given that a DCF valuation approach has not been used, SRK has assessed whether the capex requirements are in excess of what is typically observed in the comparable coal transactions selected and have reflected this in their assessed resource multiple.

5.10 Environmental and social aspects

5.10.1 Mining rights and land access rights

Based on information reviewed, the mining right granted for Makhado Colliery is presented in Table 5.4.

Table 5.4: Makhado Colliery Mining right

File Ref No.	Surface area (ha)	Date granted	Effective date*	Expired date	Farms Portion
30/05/1/2/2/204 MR	7,651	26/01/2016	No stated	25/01/2046	Windhoek 847MS; Mutamba 668MS; Tanga 849MS; Daru 848MS; Fripp 645MS; Lukin 643MS; Salaita 188MT

Notes: * Date on which the environmental management program report (EMPR) is approved in terms of section 39(4) of the Mineral and Petroleum Resources Development Act 28 of 2002 (MPRDA)

According to the 2023 Project Definition Statement (MCM, 2023)[12], all surface land rights associated with the Mining Right area have been secured.

At this stage, the status of stakeholder relationships with the landowners and traditional owners is good based on-site visit feedback. Although there is no evidence of weak relationships, the raising of unresolved concerns or grievances between parties could result in potential social disruptions and reputational risk to the current operations.

The supplied LOM schedule and associated cashflow model for the Makhado Colliery mine provides that operations started in 2023 and will cease June 2052. Upon completion of the operations, SRK expects a minimum of a couple of years for closure works and 5 to 10 years post-closure monitoring activities. SRK notes that the mining right expires in 2046. Although there might be sufficient time for the lodgement of revised validity period of the mining right to be aligned with the Makhado life of mine plan, there is a risk for the tenement to not be extended and therefore, affect the exclusive mineral right over Makhado site beyond validity periods. SRK recommends MCM to undertake a detailed review to identify Makhado's operational risks associated with the potential loss of the mining right.

5.10.2 Environmental approvals

The following environmental approvals are held by Makhado Colliery:

- An EA (Reference No. 12/1/9/2-V3) was granted on 30 August 2013. Subsequent amendments were granted in July 2016 and September 2018 to account for changes in the project

[12] MCM, 2023. Makhado Project, Project Definition Statement: Colliery Establishment, MKD 20230426PDS, Baobab Mining & Exploration, MC Mining, 26/04/2023

description and extension of the validity period of the approval, requiring the project to commence before 5 July 2021. Otherwise, the EA Lapses and a new application for EA must be made. In June 2021, MCM notified the DMRE of the commencement of certain activities approved in the EA (MCM, 2022)[13].

- An IWUL (No. 01/A80D/ABCEGJ/4138) was issued to Baobab on 24 December 2015. According to the 2023 Project Definition Statement (MCM, 2023), the licence was appealed and suspended in February 2016. A licence amendment was granted on 16 January 2019 and valid for 17 years till 15 January 2035. This licence includes the water allocations from the irrigation farmers in addition to the water uses authorised in 2015. The appeal was set to be heard by the Tribunal in January 2022 (MCM. 2021a). The hearing has been postponed indefinitely and there is no outcome yet. According to the report, some water uses related to the Plant area were omitted from the licence by the regulator and this issue remains to be addressed.
- Waste disposal in terms of the residue stockpile and residue deposits was initially approved under the *Minerals and Petroleum Resources Development Act 2002* (MPRDA). These associated activities now fall under the NWA as well as the NEMA and is deemed to be approved under NEMA and NWA Section 21 water uses approval.
- Other environmental approvals pertaining to protected tree and plant removal as well as grave relocation were granted. These approvals have a short validity (between one and 12 months) and it is advised that the project revisit the need to apply for these permits if they are required in the future (i.e. if further grave relocations or removals of protected flora species are required).

Based on information reviewed, the environmental approvals in place for the Makhado Project are based on an outdated project description and mine plan and need to be aligned to the current status quo. Therefore, it is unclear if the changes of the Makhado Colliery LOM plan have been fully assessed against current environmental approvals conditions and requirements. The mine life extends beyond the validity period of some environmental approvals (such as water licence) and changes to the LOM plan might potentially change the environmental and social management conditions and objectives. SRK notes that this review does not constitute a legal audit and is based on information provided by MCM at the time of SRK's review. No detailed compliance assessment was undertaken by SRK to confirm whether the conditions of approvals were being met. In the case of non-conformance with the current approvals' conditions, there could be a risk for approvals to be withdrawn and could present a risk to Makhado operations. SRK recommends MCM to undertake a detailed compliance review to identify Makhado's operational risks associated with the current approvals. Additional budget and time might be required to amend approvals, and to implement updated environmental and social management plans.

5.10.3 Social and labour plan

MCM has an approved SLP for 2015 to 2019, which was submitted to the DMRE in 2015 and only approved in May 2019 following approval to amend the 2015–2019 SLP in April 2019. A new SLP

[13] MCM, 2022. Audit report 2022, Financial Liability Report - Makhado Colliery LP 30/5/1/3/2/1 (204) EM, Baobab Mining & Exploration, MC Mining, February 2022

is in the process of being developed for the 2020 to 2024 period and the associated annual implementation plans and reports must be submitted for 2020 and 2021.

5.10.4 Environmental and social management

MCM has an Environmental Policy which is used to guide its environmental management activities (MCM, 2021a).

An Environmental Management System (EMS) is not yet in place for the Makhado Project. However, according to the Makhado Project Information Memorandum (MCM, 2019), the intention is to consolidate the existing Vele safety, health and EMS systems and procedures into an integrated SHE Management System that will be adopted for implementation at the Makhado site. Contractors are required to manage their impacts to the environment in accordance with the Contractor Management Pack (MCM, 2018). The EMS needs to be implemented as construction phase activities have commenced (MCM, 2021b) to ensure that the company records and manages all aspects related to its impacts on the environment.

There are several management plans currently in place for the Project, however, these plans will require revision to align to the most up-to-date project description and mine plan.

The only monitoring undertaken at present is dust fallout monitoring (which is not ongoing at this stage).

According to the August 2021 monthly monitoring report (Skyside, 2021), there are currently three sampling locations that are all operational. It is anticipated that the monitoring program will ramp up with the commencement of construction extending into the operational phase. The following monitoring will be undertaken monthly (Minxcon, 2022 and MCM, 2021a):

- surface water
- groundwater
- heritage
- air quality (dust)
- biodiversity
- waste management.

Commitment to monitoring needs to be aligned with the recommendations from both the specialist studies undertaken in support of the EA as well as what has been included in the EMPR. It is recommended that the EMPR is reviewed to ensure that all the management and mitigation measures are still relevant and aligned with the most up-to-date project description.

SRK understands that audits of EAs took place upon commencement of construction and an environmental monitoring and audit report was submitted to the DMRE in March 2023 and received a positive compliance statement.

The latest EMPR performance review was conducted in November 2021 (Elemental Sustainability, 2021c) for activities that have commenced. The colliery received full compliance on the relevant associated EMPR activities assessed. In addition to this the latest external WUL audit was undertaken in October 2021 (Elemental Sustainability, 2021d). The colliery received full compliance on the relevant associated conditions assessed.

SRK understands that environmental monitoring requirements as specified in the EA and EMPR has commenced with listed activities and the Company has informed the DMRE of this.

The supplied financial model shows annual sustainability cost provisions through the Makhado East pit lifetime of ZAR 386,183,000. This cost is provided to cover stakeholder engagement, marketing and communication, centre of learnings, SLP, and environmental management (assessments, audits; monitoring). SRK recommends this cost to be extended towards the full life of mine plan of Makhado Colliery, including Central Pit and West Pit operation, for a total of ZAR 765,157,200 in the case of a DCF valuation method. However, in the case of using comparable market transactions this is considered when choosing an appropriate multiple.

5.10.5 Mine closure provisions

SRK understands that the Makhado Colliery mine closure plan and associated financial provisions are updated annually in accordance with the regulatory requirements. The 2022 Makhado Colliery financial liability report (MCM, 2022) provided that:

- Closure liability of current activities was calculated at ZAR 350,355.76 for the period 2022–2023. This closure cost estimation is known as asset retirement obligation cost. It considers current environmental liabilities and activities of the site and excludes any planned activities.
- Closure cost for Year 1 of mining conducted as part of the environmental impact assessment was calculated at ZAR 72.4 million and was used for the initial financial guarantee for the project.
- Financial guarantee related to activities before the mining right was granted was calculated at ZAR 10,380,629.76.
- The current financial guarantee held for the Makhado project amounts to ZAR 82,100,000.

SRK understands that MCM holds current rehabilitation financial guarantees of ZAR 82,340,350 for Makhado as of December 2023[14].

SRK understands that no whole-of-mine-life closure cost estimates are available for Makhado Colliery. International good practice would normally require estimation of whole-of project closure costs for mine, processing plant and associated auxiliaries. SRK recommends a LOM closure cost estimate to be developed according to the updated life of mine plan and aligned with the closure objectives and requirements of Makhado Colliery. There is a risk for Makhado Colliery life of mine closure cost provision to be underestimated.

The supplied financial model has a provision of ZAR 336,705,000 for East pit lifetime rehabilitation works. However, the costing does not provide details of the underlying assumptions inherent in the cost estimate. SRK recommends this cost to be extended towards the full life of mine plan of Makhado Colliery, including Central Pit and West Pit operation, for a total of ZAR 687,556,406 in the case of a DCF valuation method. However, in the case of using comparable market transactions this is considered when choosing an appropriate multiple.

[14] MCM SA Guarantees-202312 (1 1), December 2023

5.11 Risks and opportunities

No geological risks were identified during the risk assessment conducted as part of the Makhado BFS.

From a mining perspective, major faults of the magnitude displacing the coal seam and offsetting the sub-outcrop are always a risk, and although known, are to be planned for meticulously as various unforeseen impacts can be experienced when mining nearby these faults. These features constitute a potential risk to the mine design and productivity and should be appropriately mitigated prior to mining and as such should have negligible effect on the valuation.

The reported lower or conceptual confidence level of the geotechnical designs due to lack of information from exploration drilling creates a risk for the project, as these designs would have been and would in future be based on assumptions that are not necessarily aligned with actual conditions experienced when mining occurs.

SRK is also of the opinion that full reliance on a contractor to provide the entire primary mining fleet, and ancillary and support equipment could pose a risk if the contractor is not fully funded and prepared with the required equipment when mining commences. This will require careful management well in advance of commencement of mining, together with daily management of the contractor operations to ensure that planned production and productivities are achieved.

The optionality and design for backfilling is a significant opportunity and allows for various efficiencies and cost savings over the life of the mine. Furthermore, the occurrence of multiple mineable seams within the project area provides for favourable open cut mining efficiencies, based on low strip ratios and resulting in lower cost bases.

Infrastructure and services requirements appear to be understood and provision made in budget forecasts. The timing of implementation of these are however crucial, and especially reliance on external parties for delivery of either infrastructure or services, is to be carefully managed to ensure no extended delays occur when mining operations are to commence or are already underway.

The risk of sufficient and constantly reliable power supply is reported to be of current concern, although co-generation is proposed to address this as best as practically possible. To the contrary, information indicates that the abundance of groundwater, albeit requiring pumping initially, is a benefit to the project and can be used as an opportunity to reduce cost and delays if managed pro-actively.

6 Greater Soutpansberg Project

6.1 Overview

The GSP, is contiguous to the Makhado Project, and situated to the north of the Soutpansberg Mountains in the Limpopo province. It comprises three sub-projects: Mopanie, (Jutland and Voorburg), Generaal (Generaal and Mount Stuart) and Chapudi (Chapudi, Wildebeesthoek, Chapudi West) (Figure 6.1).

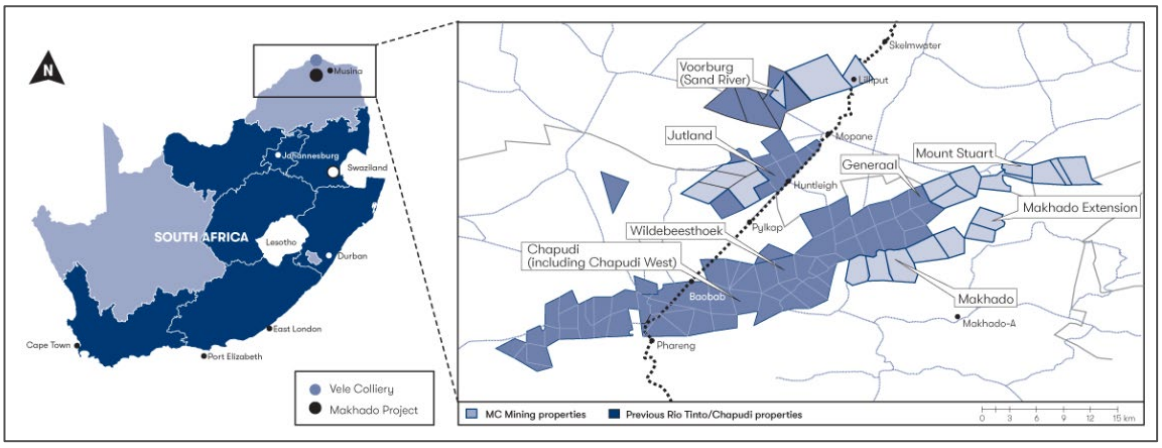
The Mopane Project comprises Jutland and Voorburg sections. The nearest town is Musina, situated approximately 30 km to the north of the project area. Pretoria lies approximately 380 km to the south.

The project is accessed via a network of unsealed dirt roads that branch from the R525 unsealed dirt road and connect to the sealed national N1 highway.

A railway line runs along the southeastern boundary of the Jutland section and connects the GSP with the main rail network. Eskom grid power lines are located parallel to the N1.

The towns of Louis Trichardt and Musina are regional centres and provide modern facilities including accommodation and services to the Project.

Figure 6.1: Location of GSP

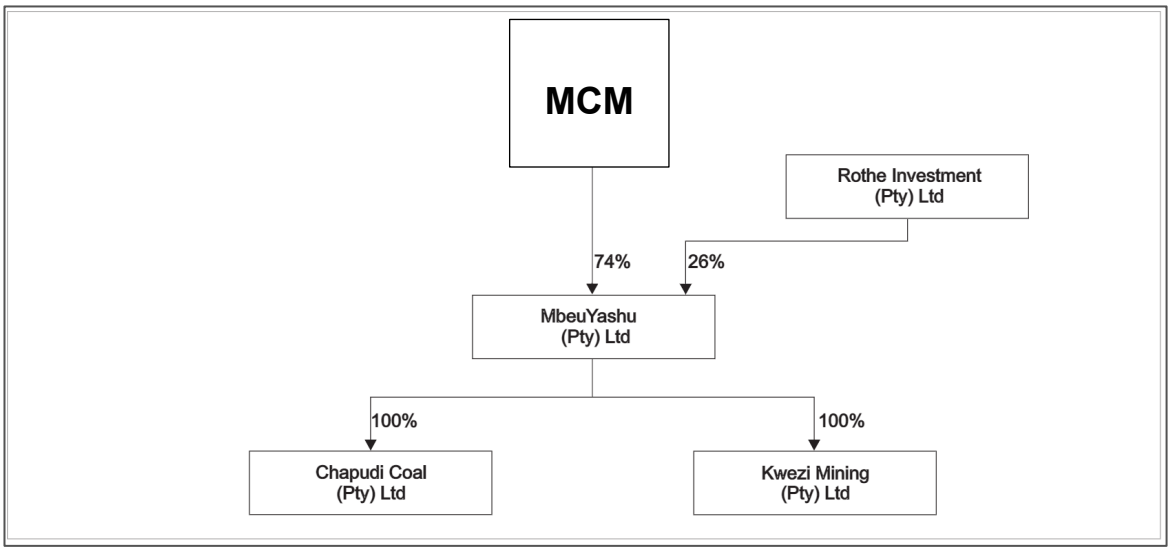


Source: MCM website, accessed 13 May 2022

These are owned by MbeuYashu (Pty) Ltd, a company jointly owned by MCM (74%) and its Black Economic Empowerment partner, Rothe Investments (Pty) Ltd (26%) (Figure 6.2).

The Mopane and Generaal mining rights were legally executed in December 2023 and the Chapudi mining right is expected to be executed in Q1 CY2024.

Figure 6.2: Shareholding of GSP



Source: Venmyn Deloitte, CoAL CPR, 2017

6.2 History

No mining has taken place on any areas of the GSP. This section discusses the known exploration in the various sections.

6.2.1 Mopane Project

Voorburg Section

Exploration on Cavan 508 MS was first conducted by Rapburn Exploration (Pty) Ltd in the early 1970s. This consisted of reconnaissance drilling with seven holes drilled, of which six were sampled. None have been used in MCM's geological models or resource estimates. In 1976, Iscor drilled 43 diamond holes on Banff 502 MS and Voorburg 503 MS. These were widely spaced for reconnaissance purposes. Iscor recognised the high coking properties of the coals and produced two reports on the mining potential of the properties. CoAL acquired Iscor's Soutpansberg database, covering all the GSP, in 2007.

Rio Tinto drilled one drill hole on each of Banff 502 MS (diamond), Delft 499 MS (reverse circulation (RC)), Vera 815 MS (diamond) and Krige 495 MS (RC) as part of its regional exploration program. No data from any of these drill holes have been incorporated into the MCM modelling or resource estimation, as either MCM has its own drill hole data or the holes are outside MCM's immediate area of interest.

In 2006, CoAL drilled 15 diamond drill holes on the farm, Voorberg 503 MS. Five large diameter drill holes were sunk at each of three sites.

Downhole geophysical surveys have been conducted on all the drill holes, using a tool suite suitable for dual density, natural gamma and calliper measurements. These measurements are used to identify, correlate and sample the coal.

A photographic/LIDAR survey was conducted in 2008 to produce orthophotos and ground elevation data.

Historical mining took place on the farm Cavan 508 MS between 1911 and 1918 to supply the smelter at Messina Copper Mine. The mine was located a few hundred metres west of the Liliput rail siding, into the side of a small hill. Reportedly, 14,488 t was mined, but the quality is unknown.

New order Prospecting Rights to the Voorburg Section were acquired by CoAL in 2006.

Jutland Section

Trans Natal Coal Mining Corporation undertook the earliest exploration between 1968 and 1975 for reconnaissance purposes; altogether, 53 holes were drilled, although no information about them still exists.

Between 1975 and 1982, Iscor performed extensive exploration, totalling 106 drill holes and including bulk sampling on the farms Jutland 536 MS, Stubbs 558 MS, Mons 557 MS and Cohen 591 MS. However, the location of the drill holes and the bulk samples could not be ascertained by MCM. A pre-feasibility study (PFS) was conducted by Iscor in 1982 for these farms, concluding that about 50 Mt of coal could be mined from underground. No further work appears to have been done.

During 2006 and 2007, Rio Tinto drilled three reconnaissance vertical holes on the farms Hermanus 553 MS, Verdun 535 MS and Ursa Minor 551 MS. Downhole geophysics were conducted on the drill holes; no remote sensing was undertaken.

CoAL drilled five PQ3 drill holes in 2012 for confirmatory purposes, as well as 10 RC holes to assist with the structural interpretation; these have not been incorporated into the geological model. No remote sensing or geophysical exploration has taken place.

6.2.2 Generaal Project

Mount Stuart Section

Iscor drilled 417 holes between 1975 and 1978, plus a number of deflections and possibly some large diameter holes. Uncertainty regarding the drilling and sampling protocols employed exists, as they are not known, nor whether the drill hole collars were professionally surveyed. Analysis was conducted by Iscor's in-house laboratory and was usually undertaken on a float fraction of RD1.40; analyses comprised proximate analysis, CV, Roga and Swell Index.

Rio Tinto conducted some limited exploration and CoAL acquired data for nine holes, seven of which were diamond drill holes (farms Nakab 184 MT, Schuitdrift 179 MT, Mount Stuart 153 MT and Ter Blanche 155 MT) and a further two on Nakab 184 MT were percussion holes.

CoAL started drilling in 2009 on the farm Riet 182 MT; nine holes have been drilled to date. Ground magnetic geophysical data for the farm Nakab 184 MT and aeromagnetic data for the farm Schuitdrift 179 MT were acquired from Rio Tinto.

Downhole geophysics was conducted on all Rio Tinto and CoAL drill holes to identify, correlate and sample the coal horizons. Sondes deployed included those for dual density, natural gamma and calliper measurements.

Generaal Section

Most of the exploration has been conducted by Iscor; between 1975 and 1978, 64 holes were drilled. Downhole logging data and partial coal quality data for 13 of these holes was acquired by CoAL in 2007.

Rio Tinto drilled a total of 11 holes on the farms Generaal 587 MS, Fanie 578 MS and Van Deventer 641 MS.

CoAL drilled 26 holes, consisting of diamond and RC holes, as well as four water boreholes, in 2013, which were used to update the geological model. However, there is no quality data for these drill holes and the historical quality data is not believed to be reliable; thus, no Coal Resources have been declared for this section. No downhole geophysical logging or remote sensing has been conducted.

6.2.3 Chapudi Project

Little information seems to exist regarding historical exploration at Chapudi. CoAL obtained a historical database from the then Council for Geological Sciences in 2013; this included 162 holes drilled by Iscor.

Chapudi Section

Rio Tinto conducted extensive exploration, including drilling and various forms of remote sensing. Rio Tinto was targeting thermal power station coal, with or without an export coking coal fraction. As MCM is targeting coking coal, the information from all this previous work will be reassessed and future exploration planned accordingly.

Rio Tinto started drilling in 2003 on the farm Chapudi 752 MS, drilling 125 holes along strike and focusing on areas near the subcrop and for short distances downdip. The holes consisted of both diamond core holes and open holes. Three deep holes were drilled to verify the downdip continuity.

Aeromagnetic and radiometric geophysical surveys were flown in 2005, used to identify intrusions and lineaments over the central area of the section. Three resistivity and four vertical electrical traverses were performed in 2006 and in 2007 two north-south seismic traverses were conducted. These were used to determine the depth of weathering. Aerial photograph interpretation resulted in data for a digital terrane model.

Downhole geophysical logging was conducted on most of the Rio Tinto drill holes. This included three-arm calliper, density, natural gamma, full-wave sonic, resistivity, neutron-neutron, magnetic susceptibility and an acoustic televiewer.

CoAL acquired Rio Tinto's full drill hole database in 2011, as well as detailed data reports and the complete geological model. MCM has not yet drilled any confirmatory holes, although three RC holes were drilled in 2012 for structural purposes and to update the physical geological model.

Chapudi West Section

Trans Natal Coal Mining Corporation drilled holes and Iscor a further 11 drill holes during 1973 and 1974. Although the data from these holes has been used in the geological model, no resources have been declared.

Rio Tinto conducted some reconnaissance drilling between 2003 and 2005. This involved three drill holes on the farms Grootvlei 684 MS and Grootboomen 476 MS. Only petrographic analysis was conducted on these holes.

Wildebeesthoek section

Iscor drilled 94 holes between 1975 and 1978. Although CoAL acquired this data, quality data only exists for two of the drill holes.

Rio Tinto drilled four holes on the farms Wildebeesthoek 661 MS and Mapani Ridge 660 MS, sampling Seam 6 on a ply-by-ply basis.

CoAL drilled 20 holes (10 diamond core and 10 RC) in 2013 to assist with the structural interpretation; none of the holes were sampled and were only used to update the geological model, to estimate resources.

6.3 Local geology

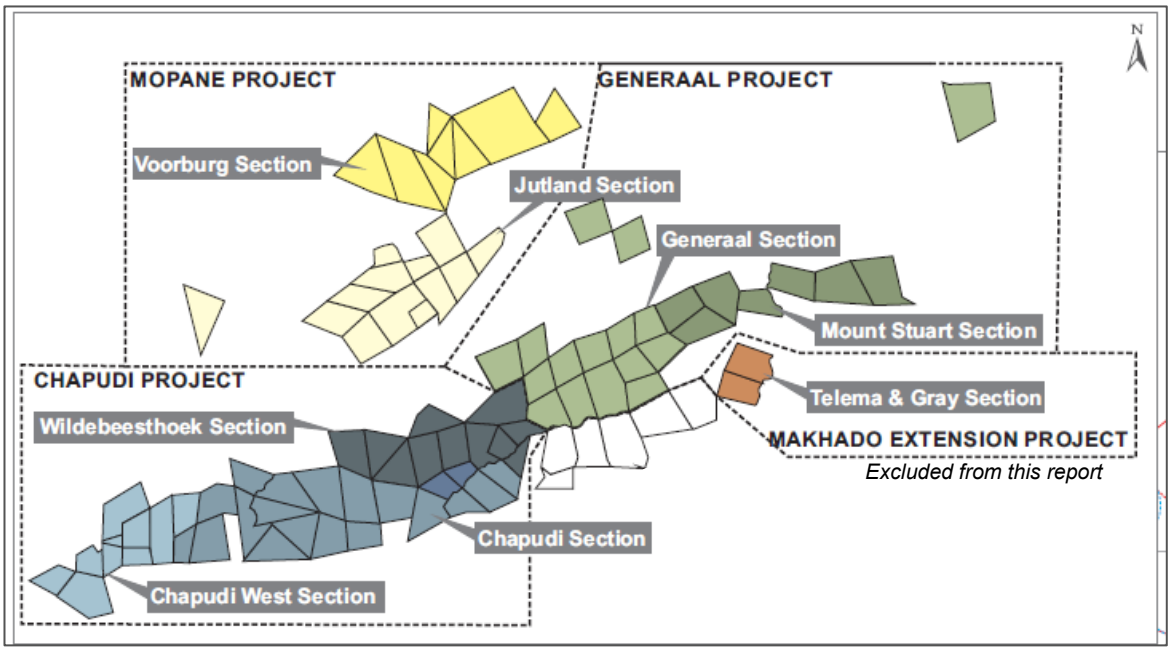
The GSP consists of a number of separate sub-projects:

- the Mopane Project, comprising the Voorburg and Jutland Sections
- the Generaal Project, comprising the Mount Stuart and Generaal Sections
- the Chapudi Project, comprising the Chapudi, Chapudi West and Wildebeesthoek Sections.

Figure 6.3 depicts the location of these projects with respect to one another.

The Soutpansberg Coalfield has been subdivided by faulting into a number of separate basins, also sometimes referred to in the literature as coalfields. The GSP falls within these separate basins and is divided into three projects (Figure 6.3). Figure 5.2 illustrates the general dip of the strata across these basins of the western part of the Soutpansberg Coalfield.

Figure 6.3: Projects comprising the GSP



Source: modified after Venmyn Deloitte (2017) – *Not to scale*

6.3.1 Mopane Project

The Mopane Project has been subdivided into the Voorburg and Jutland Sections; Coal Resources have only been declared by MCM for the Voorburg Section. The coal has the potential to produce a semi-hard coking coal.

Voorburg Section

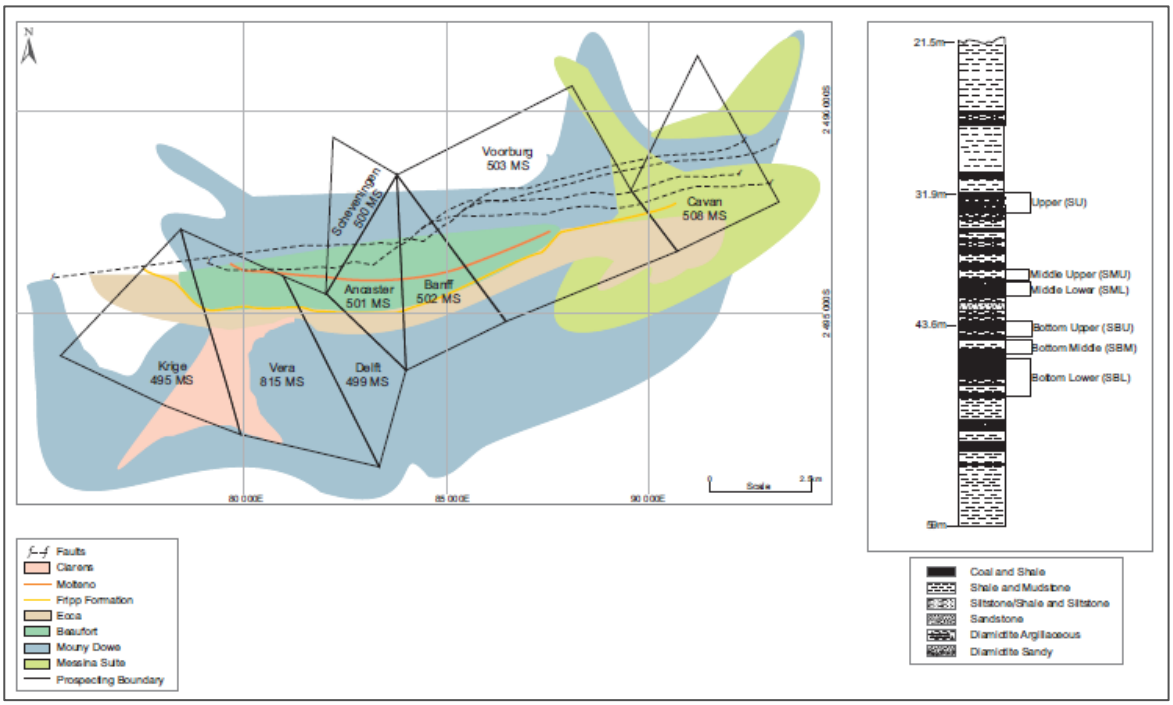
The Voorburg Section is the most advanced exploration part of Mopane Project and located in the Sand River Basin, an isolated, upfaulted block of Karoo sediments, about 10 km north of the main part of the Soutpansberg Coalfield (Figure 6.1 and Figure 6.3). It is a half graben with an unconformable southern contact due to the upsloping edge of the depositional palaeobasin. It is fault-bounded to the north by a southwest–east-northeast striking normal fault. This fault is 25 km long with an upthrow of approximately 1,000 m to south. Semi-parallel smaller faults form offshoots to main fault, with throws between 5 and 10 m. Figure 6.4 depicts the surface geology of the area and the typical stratigraphy encountered in this basin. Minor faulting and dolerite intrusions have been identified in historic drill holes and by mapping; only one 0.4 m-thick dolerite sill has been intersected in recent drilling.

The coal seams are thickest in the north, thinning southwards; dips are in the order of 5° north (Figure 5.2). The sediments of the Lower Ecca Group are absent and the coal is found in the sediments of the Mikambeni Formation as alternating coal bands and mudstone laminae. Six potentially economic seams have been identified – the Upper, Middle Upper, Middle Lower, Bottom Upper, Bottom Middle and Bottom Lower Seams. The coal measures are overlain by the red shales and mudstones of the Beaufort Group, followed by the coarse sandstones of the Fripp Formation (Figure 6.4).

Coal was previously mined at Liliput, in the east on the farm Cavan 508 MS, on the main rail line from South Africa to Zimbabwe.

A LIDAR survey conducted in 2008 produced ground elevation data and orthophotos. CoAL (now MCM) conducted a drilling program of mainly 83 mm core size vertical drill holes. Triple tube diamond drilling was employed to confirm the drill hole results from historic Iscor drilling and to increase the drill hole density such that resources could be declared. Large diameter drill holes with a 122.8 mm core size were sunk for bulk sampling purposes. All drill holes were geophysically logged to identify, correlate and sample the coal horizons. Standard coal analyses were undertaken (proximate analysis, CV and washability from RD1.35 – 1.70 in 0.05 gcc^{-3} intervals and from RD1.70 – 2.00 in 0.10 gcc^{-3} intervals). The Free Swell Index was also determined to indicate the coking potential.

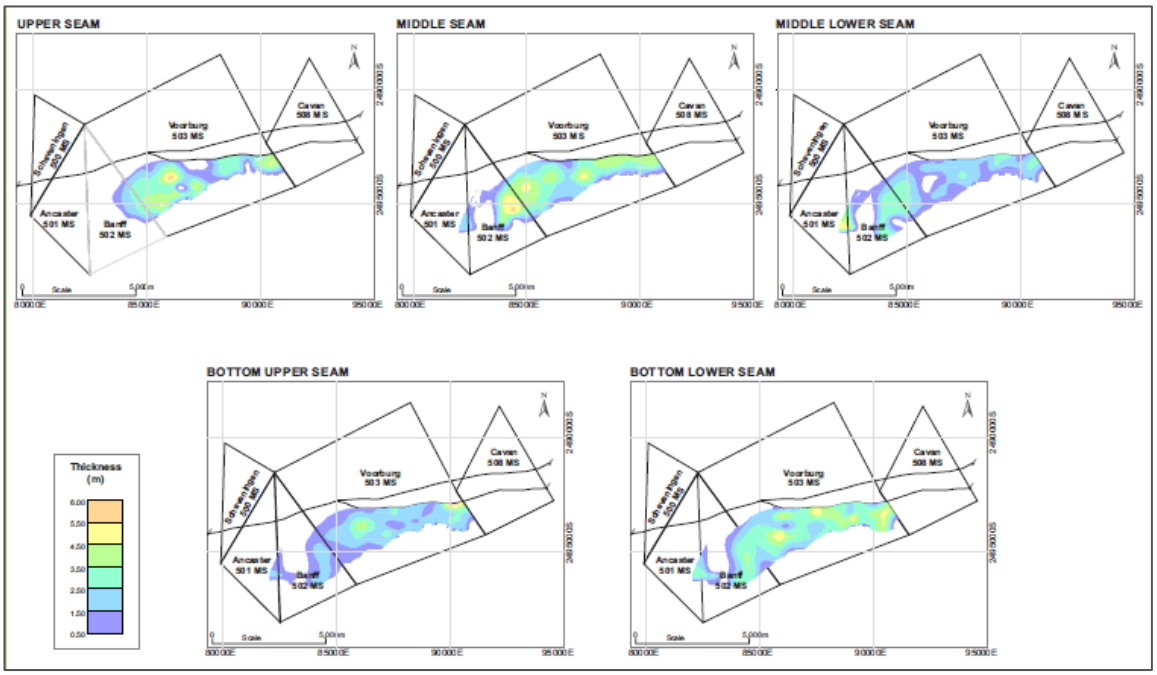
Figure 6.4: Voorburg Section – surface geology and typical stratigraphy



Source: Venmyn Deloitte (2017)

The seams vary in thickness from 0.5 m to a maximum of 6.0 m (Upper and Middle Upper Seams); the Middle Lower and Bottom Upper Seams are thinner than the other seams (Figure 6.5).

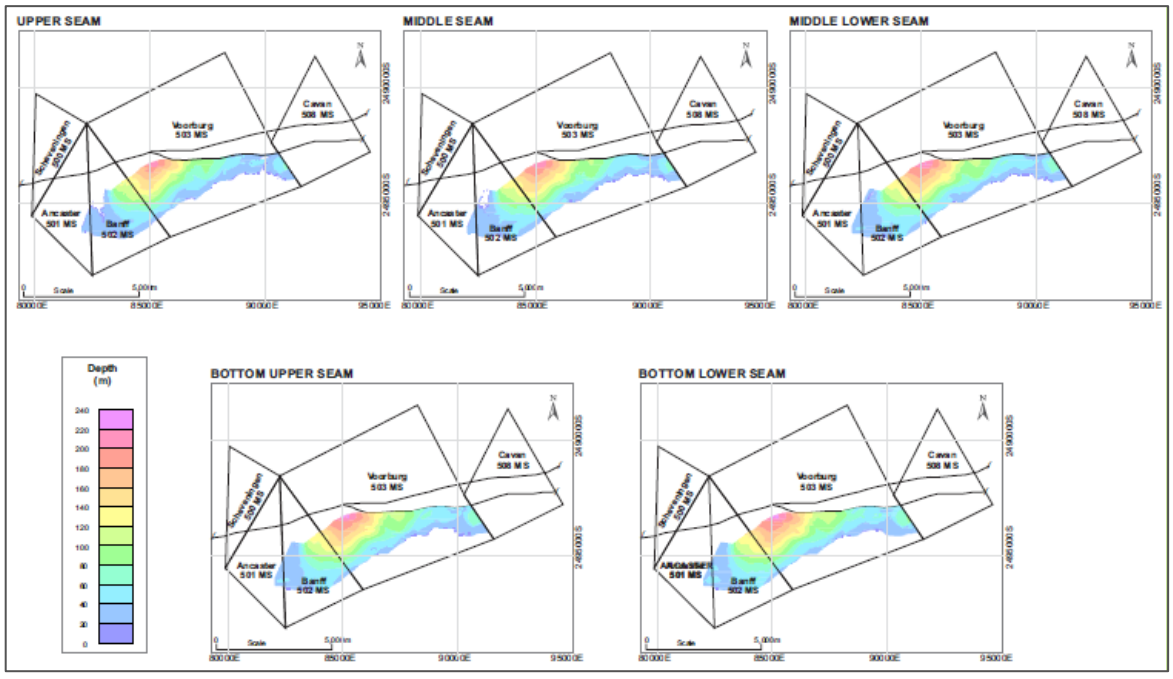
Figure 6.5: Voorburg Section – seam thicknesses (m)



Source: Venmyn Deloitte (2017)

The seam depths vary from <20 m in the west to a maximum of 240 m (Bottom Seam) in the north (Figure 6.6). The coal is mainly shallow (i.e. at depths able to be extracted using open cast methods) from the subcrop in the south but specific seams will need to be mined via underground to the north. The majority of the project area has stripping ratios less than 4 BCM/t of coal.

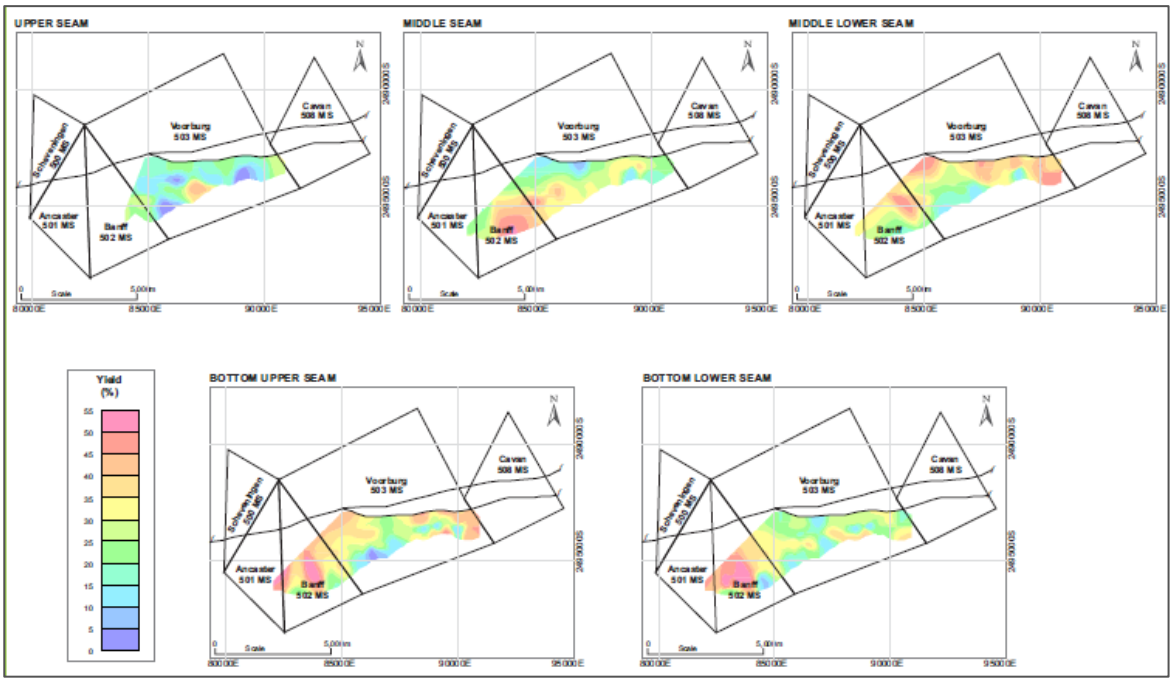
Figure 6.6: Voorburg Section – seam depths (m)



Source: Venmyn Deloitte (2017)

Washed coal is forecast to produce a theoretical product at RD1.40 with an ash content between 8 and 12%, depending on the seam; VM varies between 10 and 38% (increasing to the south for the Upper, Upper Middle and Middle Lower Seams, while increasing to the southeast for the Bottom Upper and Bottom Lower Seams. The Free Swelling Index ranges from 5.0 to 7.0 and theoretical yields up to 55%, depending on the seam; lower yields are found in seams with a greater amount of intercalated mudstone – the lowest yields occur in the Upper Seam and the highest average yield on the farm Banff 502 MS (Figure 6.7).

Figure 6.7: Voorburg Section – theoretical product yield at RD 1.40



Source: Venmyn Deloitte (2017)

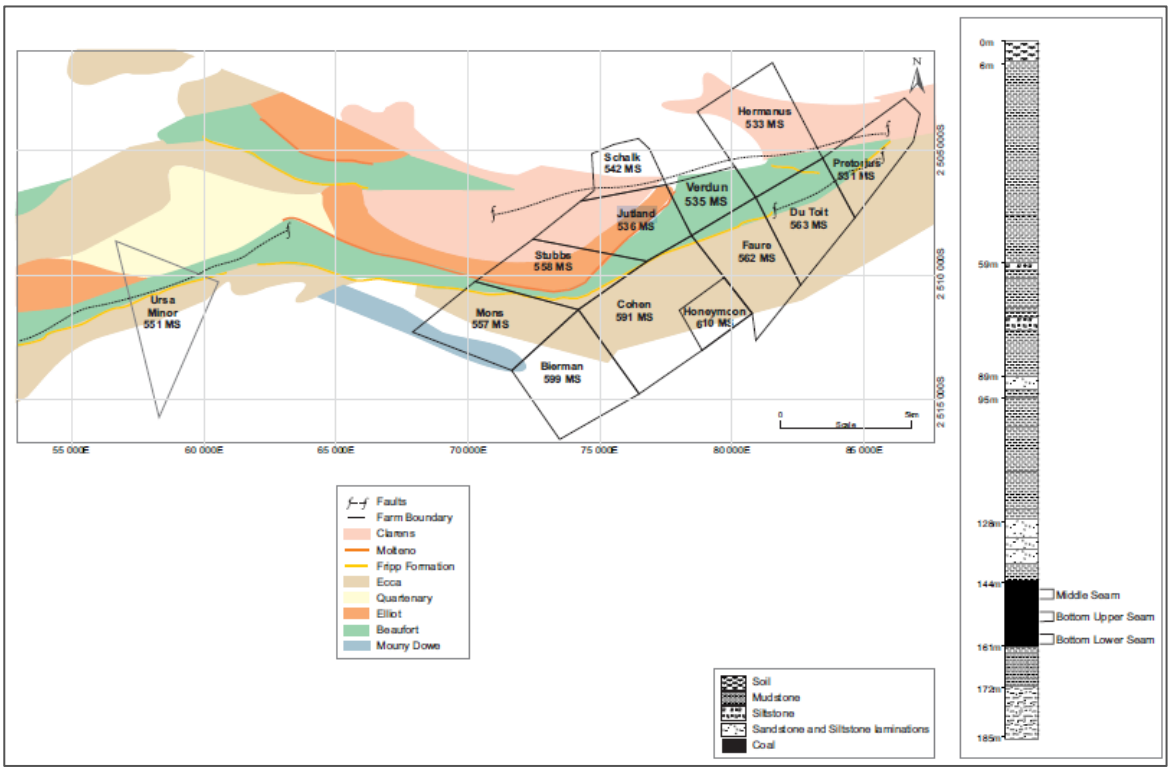
Jutland Section

No Coal Resources have been declared for the Jutland Section, although the presence of coal is known.

The Jutland Section is located in the Mopane Basin of the Soutpansberg Coalfield and is classed as an early-stage exploration project; it is the least developed section of the Mopane Project.

The coal is preserved in a half-graben, with an unconformable southern contact; the lower Karoo sediments are not developed but the coal-bearing Mikambeni Formation is present (Figure 6.8). The seams dip northwards approximately 10–12º (Figure 5.2). The coal-bearing sediments are found as alternating coal bands and mudstone laminae with the coal horizons divided into five economic horizons, named the Upper, Middle Upper, Middle Lower, Bottom Upper and Bottom Lower Seams. The Mikambeni Formation is overlain by the red shales and mudstones of the Beaufort Group, followed by the coarse sandstone of the Fripp Formation.

Figure 6.8: Jutland Section – surface geology and typical stratigraphy



Source: Venmyn Deloitte (2017)

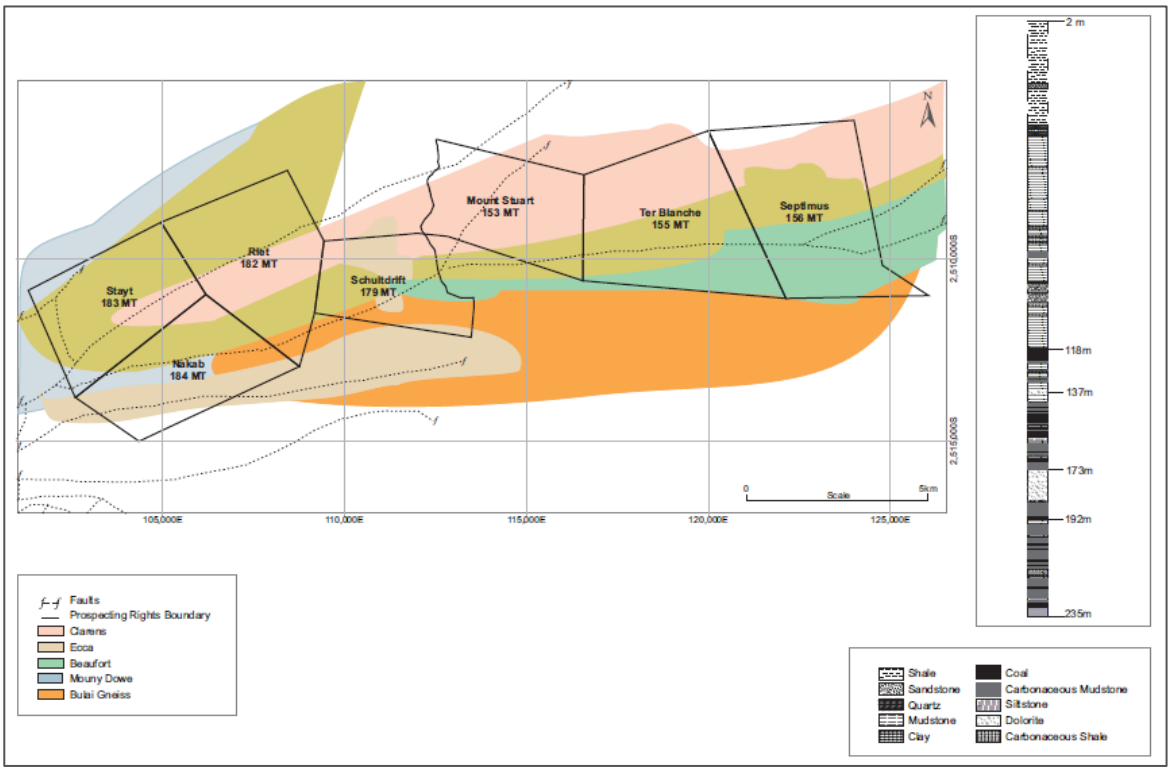
6.3.2 Generaal Project

The Generaal Project is subdivided into the Mount Stuart and Generaal Sections; Coal Resources have only been declared for the Mount Stuart Section (Inferred Coal Resources). Both sections are located in the Tshipise North Basin, northeast of the Makhado Project (Figure 6.3).

Mount Stuart Section

The Mount Stuart Section is the more advanced of these two exploration sections. The Tshipise North Basin is an isolated, upfaulted block of Karoo strata (Figure 6.9). The lowermost strata comprise 10 m of conglomerate-diamictite belonging to the Tshidzi Formation; these are followed by 190 m of alternating black shales, sandstones, siltstones and interbedded coal seams of the Madzaringwe Formation. Overlying this formation is the 140 m thick Mikambeni Formation (consisting of mudstone and shale and lesser amounts of sandstone) with the 60 m-thick Fripp Formation of coarse-grained sandstones forming east–west trending ranges of low hills. The Fripp Formation is overlain by Solitude Formation (110 m of shale with minor sandstone and grit), the Klopperfontein Formation (similar to the Fripp Formation) and finally, the Bosbokpoort Formation (300 m of fine sandstone and mudstone, Figure 6.9).

Figure 6.9: Mount Stuart Section – surface geology and typical stratigraphy

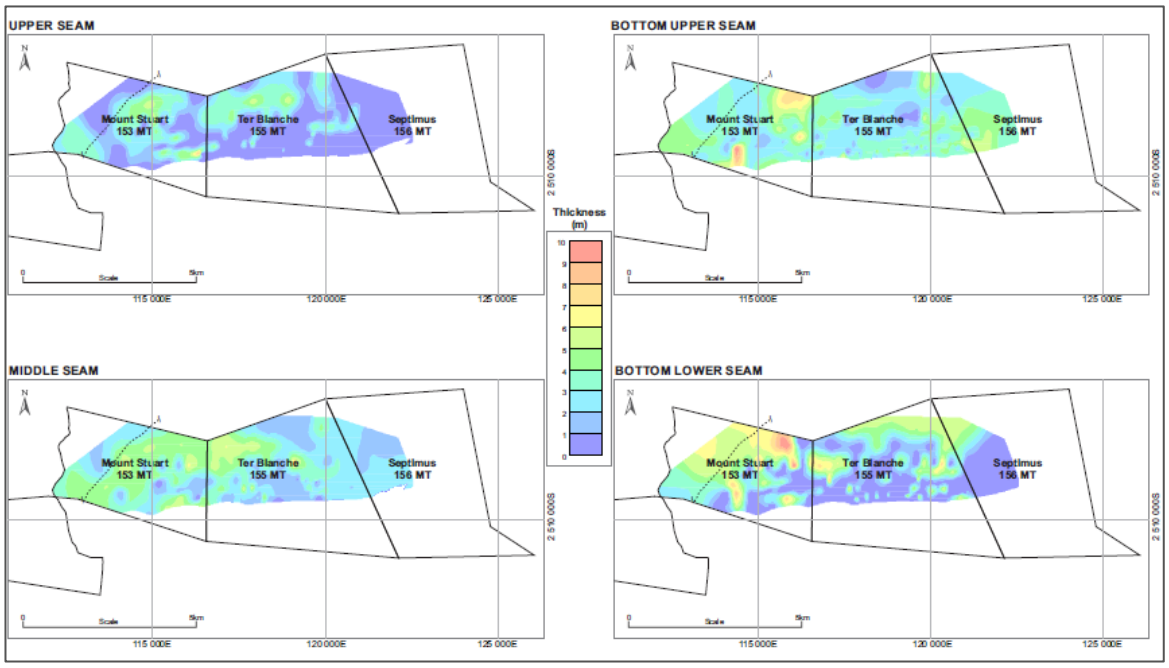


Source: Venmyn Deloitte (2017)

Four seams of commercial interest have been identified; namely, the Upper, Middle Upper, Bottom Upper and Lower Seams. The seam thicknesses range from <0.5 m to over 9.0 m and the Upper Seam is usually the thinnest (Figure 6.10).

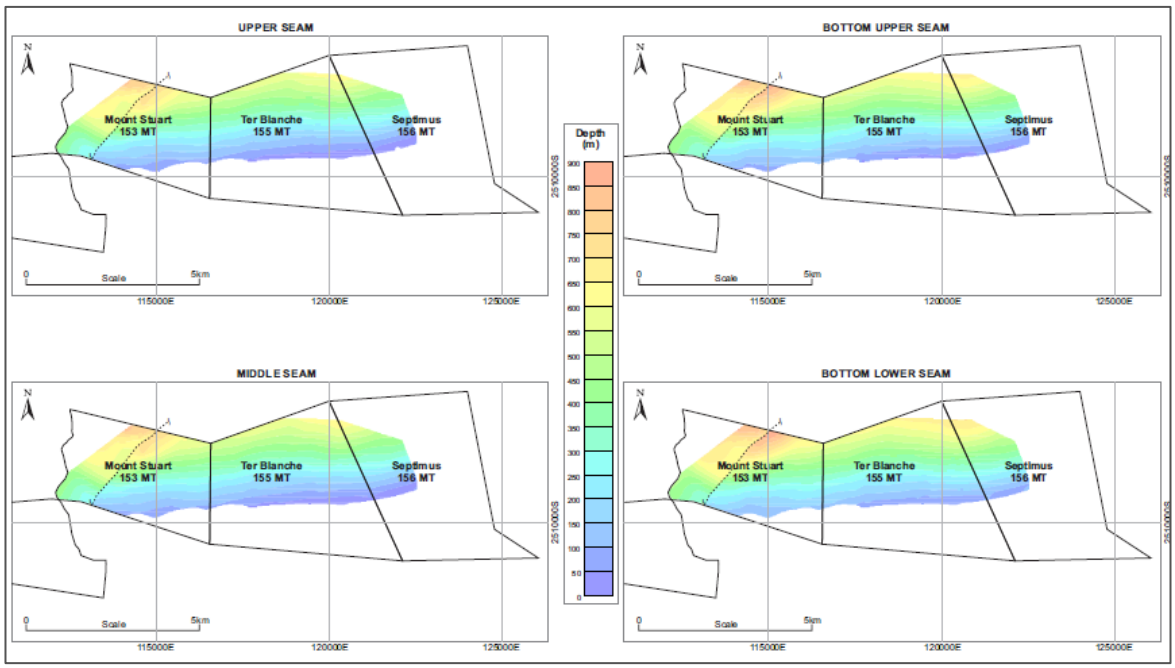
The coal seams dip to the north with the shallowest part of the basin in the south (Figure 6.11). Depths vary from less than 50 m in the south to a maximum of almost 900 m for the (Bottom Lower Seam in the north. A large northeast-southwest striking fault has been identified in the west of the farm Mount Stuart 153 MT, which continues west across the farms Schuitdrift 179 MT and Nakab 184 MT and beyond. The coal would need to be extracted from surface in the south and then specific seams could be extracted from underground as mining progresses northwards.

Figure 6.10: Mount Stuart Section – seam thickness (m)



Source: Venmyn Deloitte (2017)

Figure 6.11: Mount Stuart Section – seam depths (m)



Source: Venmyn Deloitte (2017)

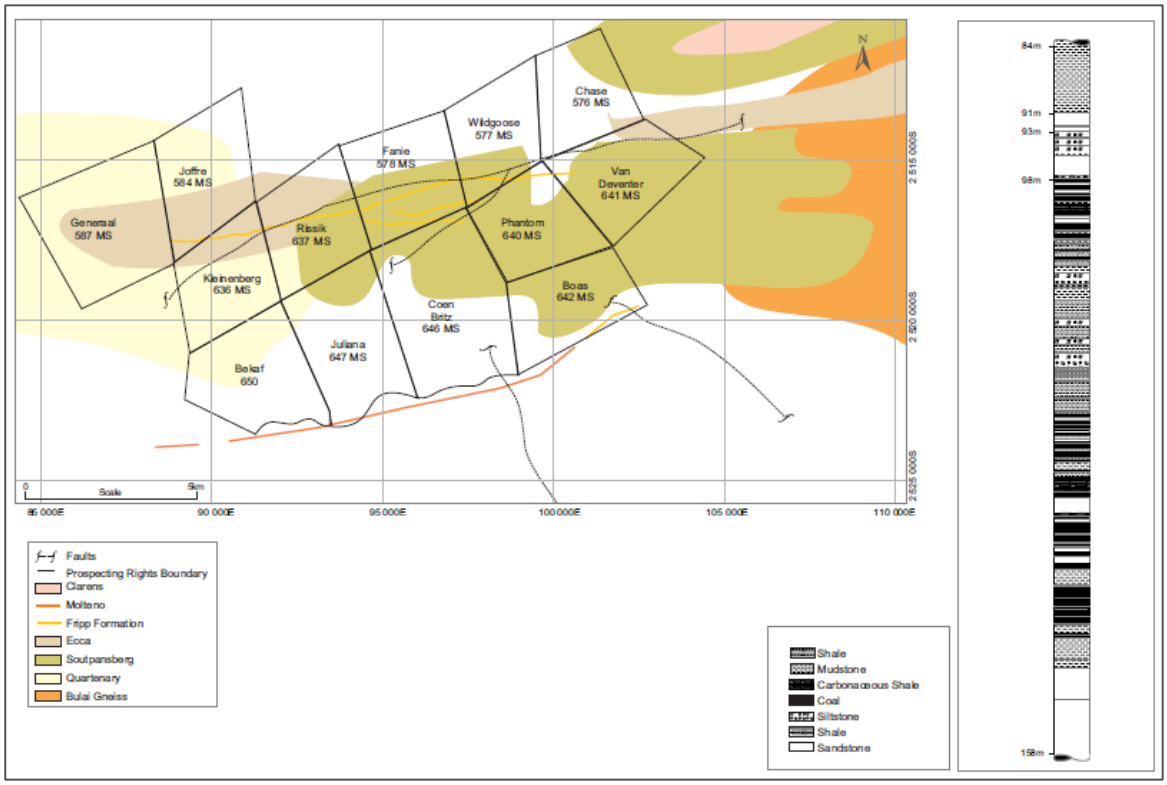
The section is interpreted to have the potential to produce a hard coking coal. The theoretical product at RD 1.40 equates to approximately a 12% ash product, although the ash varies between 5–20% depending on the seam; the VM is in the order of 10–30% and theoretical yields as high as 50%, depending on seam. The lowest average yields are obtained from the Upper and Bottom Lower Seams.

Generaal Section

The Generaal Section is located immediately north of the Makhado Project. It is classed as an early-stage exploration project; although the presence of coal is known, no Coal Resources have been declared.

The section is located within the northern part of the Waterpoort Basin of the Soutpansberg Coalfield. It is a 20 km long east-west striking upfaulted block with the coal found in the northern part of the project area in the Mikambeni Formation. Here the formation consists of a 20–30 m-thick package of banded coal-bearing sediments with large proportions of non-coal material. Three horizons with relatively lesser proportions of non-coal material have been identified, with average thicknesses between 2.9 and 3.0 m (Figure 6.12). Dips are in the order of 4–5° (Figure 5.2), but are steeper in the central part of the project area.

Figure 6.12: Generaal Section – surface geology and typical stratigraphy



Source: Venmyn Deloitte (2017)

6.3.3 Chapudi Project

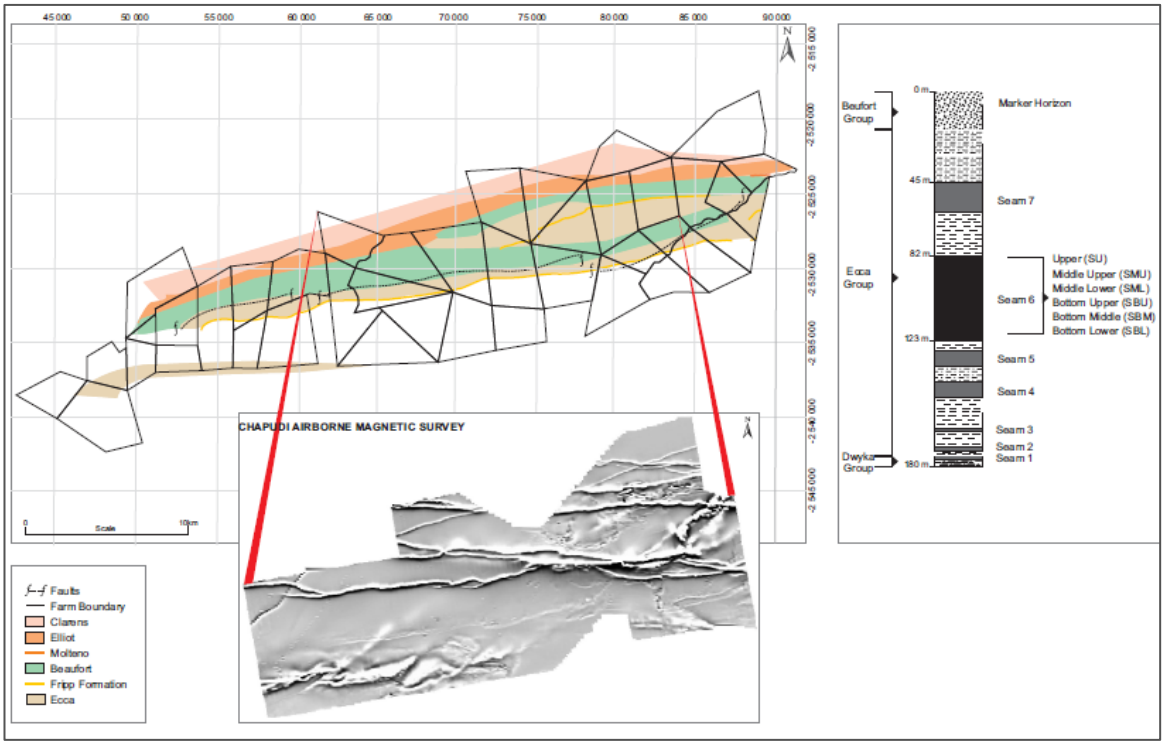
The Chapudi Project lies west of the Makhado Project (Figure 6.3) in an extension of the Tshipise Basin of the Soutpansberg Coalfield, named the Waterpoort Basin. In terms of area, the Chapudi Project is the largest of the GSP, covering 21 farms. It has been subdivided into three sections, all of which offer the potential to produce a primary coking coal product and a middlings thermal coal product.

Chapudi Section (the central section)

The Chapudi Section is the central section in the project and is the most advanced of the three, hosting Inferred Coal Resources (Table 6.1).

Early exploration by Rio Tinto led to the identification of seven coal zones, three in Lower Ecca and four in Upper Ecca, named, from the base upwards, Seam 1 through to Seam 7 (Figure 6.13). The zones consisted of finely interbanded carbonaceous mudstones and coal and are overlain by the Fripp Formation, which attains a maximum thickness of 40 m. The strata dip northwards at approximately 12° (Figure 5.2).

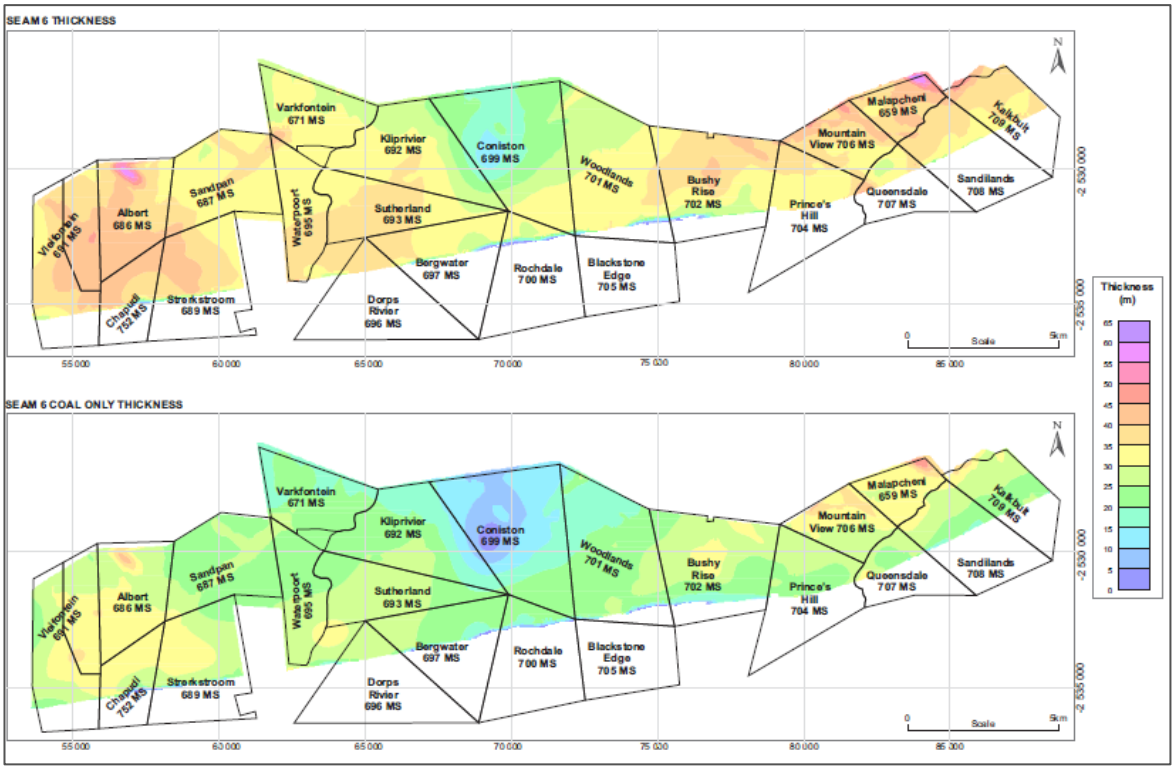
Figure 6.13: Chapudi Section – surface geology and typical stratigraphy



Source: Venmyn Deloitte (2017)

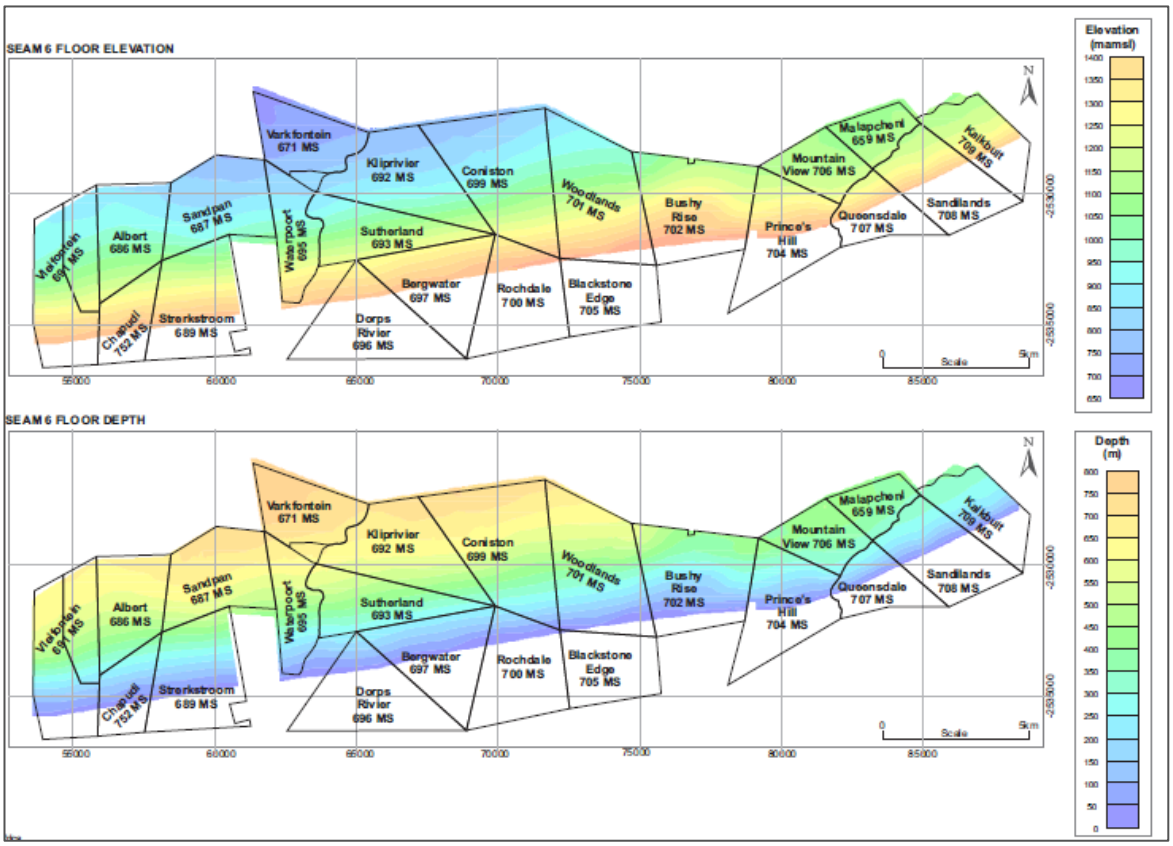
The best developed zone is Seam 6, with total seam thickness ranging between 5 and 15 m; the coal-only thickness generally averages 25 m (Figure 6.14). Seam floor depths range from surface to at least 800 m below surface (Figure 6.15). The coal is frequently bright with a high vitrinite content. MCM has divided Seam 6 into six mining horizons: Upper Seam, Middle Upper Seam, Middle Lower Seam, Bottom Upper Seam, Bottom Middle Seam and Bottom Lower Seam; however, as the Bottom Lower Seam consists mainly of mudstone, it has been excluded from the resource estimates. The seam is amenable to open cast extraction with average strip ratios estimated around 2 BCM/t coal, which increase to the north.

Figure 6.14: Chapudi Section – Seam 6: Top – total thickness (m); Bottom – coal only thickness (m)



Source: Venmyn Deloitte (2017)

Figure 6.15: Chapudi Section – Seam 6



Source: Venmyn Deloitte (2017)

Notes:

Top – floor elevation (m AMSL);

Bottom – floor depth (m)

Seam 7 is also well-developed (12–15 m thick) but has high ash content and low yields; thus, only Seam 6 is deemed to have economic potential by MCM and exclusively makes up the declared resources.

The resource area is constrained by major faulting; the frequency of smaller-scale faulting in the area is not well understood. Dolerite intrusions mainly strike east–west and were identified through an aeromagnetic geophysical survey (Figure 6.13). In the west and central parts of the Chapudi Section, the intrusions are limited to a single 0.5–1 m-thick dyke, but are more common in the eastern part, where they can reach thicknesses of up to 80 m. However, these do not impact Seam 6 above depths of 150 m and so are unlikely to have significant impact on open cast mining.

The potential to produce a 10% ash coking product is believed by MCM to be good, with this potential increasing with increasing coal seam depth, although this is based on limited testwork. The coal is 90% vitrinite with qualities on a dry, mineral matter free basis being 35.5 MJ/kg average CV, VM between 37 and 44% and highly variable ash.

Chapudi West Section

The Chapudi West Section is an early-stage exploration project, similar to the Chapudi Section in terms of the stratigraphy and seams intersected. The area is believed to have the potential to produce coking coal and a middlings thermal product.

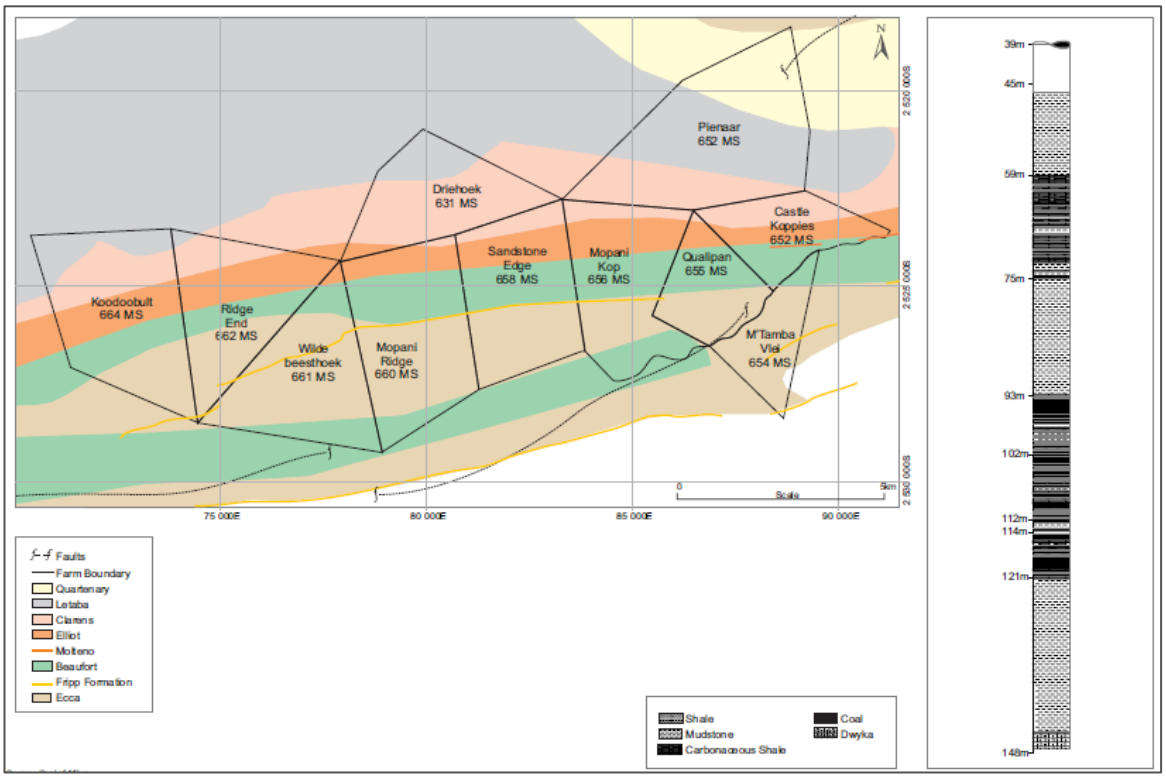
No Coal Resources have been declared as insufficient exploration has been done to do so.

Wildebeesthoek Section

The Wildebeesthoek Section, immediately north of the eastern extremity of the Chapudi Section (Figure 6.3) and northwest of the Makhado Project, is the least developed of the Chapudi Project sections. It is an isolated, upfaulted block of Karoo strata; interpreted to represent an upfaulted extension of the coal seams from downdip of the main Chapudi Section (Figure 6.16).

Although the presence of coal over the area is known, no Coal Resources have been declared.

Figure 6.16: Wildebeesthoek Section – surface geology and typical stratigraphy



Source: Venmyn Deloitte (2017)

6.4 Exploration potential

Much of the GSP remains to be explored in greater detail, particularly those areas where Coal Resources remain to be declared; that is, the Jutland Section (Mopane project), the Generaal Section of the Generaal Project, the Chapudi West and Wildebeestfontein Sections of the Chapudi Project. The Coal Resources of the Mount Stuart Section (Generaal Project) and the Chapudi Section of the Chapudi Project will require additional exploration, particularly drilling, to increase the confidence and upgrade the resources from the Inferred category.

6.5 Coal Resources

6.5.1 Coal Resources

The critical variable considered for both the primary coking coal product and the secondary thermal product is ash (<10% and <25.9%, respectively). In addition, the following cut-off values were imposed:

- Prospecting Rights boundaries
- subcrop in the south
- minimum VM content of 18% for MTIS
- minimum seam thickness of 0.5 m for GTIS
- a mining layout loss of 2% for MTIS.

The Coal Resource Estimates were also discounted by the Company for unknown geological structures, based on the confidence in the Coal Resource classification; all Coal Resources have been classified as Inferred.

The Coal Resources were estimated from the geological model, constructed by Mr John Sparrow using the Minex™ software. SRK has reviewed the geological model and considers it is an accurate reflection of the data and that the Coal Resources have been estimated in an appropriate manner.

SRK has reviewed the geological model and is satisfied that the data are represented sufficiently accurately in the grids, that the modelling principles employed and the estimation methods used are fit-for-purpose and that the geological model and the Resource estimates can be relied upon.

All Coal Resources and coal qualities have been estimated on an air-dry basis and are inclusive of the Coal Reserves. Note that the in situ Coal Resource Estimates include significant amounts of intercalated non-coal material that will be removed during beneficiation.

The Coal Resources as reported in the MCM Annual Report (2023) are shown in Table 6.1. Note that Coal Resources have only been declared for the Voorburg Section of the Mopane Project, for the Mount Stuart Section of the Generaal Project and for the Chapudi Section of the Chapudi Project.

Table 6.1: Greater Soutpansberg Coal Resource Estimate (30 June 2023)

Project	Resource Category	GTIS (Mt)	MTIS (Mt)	MCM Attributable Interest (%)	MCM Attributable Resource (Mt)
Mopane (Voorburg Section only)	Measured	109.435	94.916	97	92.012
	Indicated	125.034	100.507	96	96.444
	Measured & Indicated	*234.469*	195.423		188.456
	Inferred	36.239	24.001	88	21.130
	Total	**270.708**	219.424		209.586
Generaal (Mount Stuart Section only)	Inferred	407.163	55.511	100	55.511
Chapudi (Chapudi Section only)	Inferred	6,399.023	1,318.481	74	975.676
All	**Total**	**7,016.894**	**1,593.416**	**±65**	**1,031.187**

Source: MCM Annual Report (2023)

6.6 Environmental and social aspects

6.6.1 Mining rights and land access rights

According to the MCM website[15], the Chapudi, Mopane and Generaal project areas comprise MCM's longer-term Greater Soutpansberg Project. SRK understands from documents reviewed that the mining rights granted for GSP projects are as presented in Table 6.2.

According to the 2016 Deloitte Independent Competent Person Report (Deloitte, 2016)[16], "CoAL has agreements with the various surface rights owners to access properties for exploration purposes and access is sufficient for its prospecting requirements." However, Deloitte reported a number of land claims for the following sections of GSP Mineral rights: Voorburg, Jutland, Mount Stuart, Generaal, Chapudi West, Wildebeesthoek. The status of conformance with the mining rights, land ownership, rental and land access agreements requirements was last reviewed in 2016. Based on information reviewed by SRK, there is no evidence of anything that would suggest MCM does not remain compliant. SRK recommends MCM to undertake a detailed compliance review to identify GSP's operational risks associated with the current land access agreements and surface rights. Additional budget and time might be required to amend agreements.

At this stage, the status of stakeholder relationships with the landowners and traditional owners is good, based on feedback from the site visit.

[15] GSP/MbeuYashu - MCMining Limited, https://www.mcmining.co.za/our-business/projects/gsp-mbeu-yashu, last accessed 21/02/2023

[16] Deloitte, 2016. Independent Competent Persons Report on Coal of Africa Limited's Greater Soutpansberg Projects, prepared for Coal Africa Limited and Peel Hunt LLP, Venmyn Deloitte, 28 January 2016

Table 6.2: SRK reviewed list of GPS Mining rights

Project	Holder	File Ref No.	Surface area (ha)	Date granted	Effective date*	Expired date	Farms Portion
Chapudi	Chapudi Coal	LP 10044 MR	2,531.57	28/10/2019	30/11/2023	27/10/2049	Fanie 578 MS, Kleinberg 636 MS, Bekaf 650 MS, Joffre 584 MS, Chase 576 MS, Rissik 637 MS, Wildgoose 577 MS, Maseri Pan 520 MS, Solitude 111 MT
		10032 MR	4,353.63	19/09/2017	14/12/2023	18/09/2047	Banff 502 MS, Delft 499 MS, Krige 495 MS, Schalk 542 MS
		10036 MR	1,283.61	23/05/2018	14/12/2023	22/05/2048	Ursa Minor 551 MS
Mopane	Regulus Investment Holdings	10029 MR	2,233.63	28/10/2019	14/12/2023	27/10/2050	Mons 557 MS, Stubbs 558 MS
		LP 10045 MR	871.293	28/10/2019	30/11/2023	27/10/2049	Schuitdrift 179 MT
Generaal	Kwezi Mining Exploration	LP 10050 MR	4,740.23	13/09/2017	30/11/2023	12/09/2047	Juliana 647 MS, Phantom 640 MS, Van Devender 641 MS, Daru 889 MS, Tanga 894 MS, Coen Britz 881 MS, Coen Britz 646 MS
		LP 10053 MR	1,452.43	13/09/2017	30/11/2023	12/09/2047	Portion 1, 2 and Remaining Extent of General 587 MS
		LP 10054 MR	866.87	13/09/2017	30/11/2023	12/09/2047	Portion 1 and Remaining Extent of Boas 642 MS
		LP 10058 MR	1,056.66	13/09/2017	30/11/2023	12/09/2047	Beck 568 MS
		10030 MR	1,002.93	23/05/2018	14/12/2023	22/05/2048	Vera 815 MS
		10031 MR	577.80	23/05/2018	14/12/2023	22/05/2048	Scheveningen 500 MS
		10035 MR	6,409.29	23/05/2018	14/12/2023	22/05/2048	Pretorius 531 MS, Remaining extent and Portion 1 on Pretorius 531 MS, Remaining extent of Otto (Honeymoon) 560 MS, Hermanus 533 MS, Faure 562 MS, Remaining extent of Du Toit 563 MS, Bierman 559 MS, Remaining extent of Verdun 535 MS
	CoAL/ MC Mining	LP 10047 MR	5,716.56	13/11/2017	30/11/2023	12/11/2047	Remaining Extent and Portion 2 of Mount Stuart 153 MT, Nakab 184 MT, Rmaining Extent and Portion 1 of Terblanche 155 MT, Septimus 156 MT
		10033 MR	3,994	13/09/2017	14/12/2023	12/09/2047	Voorburg 503 MS
		10034 MR	4,902.84	13/09/2017	14/12/2023	12/09/2047	Ancaster 501 MS, Cavan 508 MS, Cohen 591 MS, Jutland 536 MS

Sources: MC Mining data room

Notes: * Date on which the environmental management program report (EMPR) is approved in terms of section 39(4) of the Mineral and Petroleum Resources Development Act 28 of 2002 (MPRDA)

6.6.2 Environmental approvals

SRK understands that:

- Individual EMPRs were approved at the end of 2023 for Mopane and Generaal projects as part of the granted mining rights, as described in Table 6.2.
- WULs are not currently in place for the GSP as the projects are in exploration phase. Should the project proceed beyond the exploration phase, MCM should investigate alternative options for water supply and submit a WUL application to DWS.
- Waste permits are not currently relevant as the projects are in exploration phase. The probability of requiring a WML will be based on the anticipated mining activities. This will need to be verified once more technical information is available for the projects.

6.6.3 Social and Labour plan

SRK understands that the SLPs associated with the Mining Rights for the Chapudi Project have not yet been approved. SLP's have been approved for Mopane and Generaal.

6.6.4 Environmental and social management

MCM has an Environmental Policy that is used to guide its environmental management activities (MCM, 2021a). It is assumed that drilling contractors are required to adhere to the Contractor Management Pack (MCM, 2018) and that exploration is being undertaken in line with the exploration Environmental Management Plan. No environmental monitoring is currently taking place as there is no current exploration active.

Water is a critical issue in the area due to the low rainfall and high evaporation rates and competing water demands from farmers. It is essential that the potential water sources are carefully studied to determine the sustainability of water supply and identify potential alternatives for future mining activities (Venmyn Deloitte, 2016). Competition for water between mining and local communities/operations can result in negative publicity if this risk is not managed at the onset. Due to the locality of the project in a water scarce area, this risk is material and the likelihood of this risk being realised in the future is high if the eventual operation impacts on water availability for surrounding water users.

The area is rich in cultural heritage and therefore mining is likely to impact on some aspects of cultural heritage. This could result in reputational damage if an updated and extensive heritage impact assessment is not undertaken adequately. This risk is material if the eventual operation impacts cultural heritage resources. The likelihood of this risk could be mitigated to low if adequate and extensive heritage study is undertaken and the resultant mitigation measures are adhered to ahead of the construction phase.

6.6.5 Environmental liabilities and closure provisions

MCM holds current rehabilitation financial guarantees of ZAR 10,882,257 for GSP as of December 2023[17]. SRK understands that the amount covers the current environmental liabilities of GSP exploration sites. However, the costing does not provide details of the underlying assumptions inherent in the cost estimate.

Current closure provisions totalling ZAR 10,882,257 might be sufficient to cover current liabilities of the exploration sites. However, with regards to GSP projects in pre-feasibility study stages (such as the Chapudi project), SRK recommends a life-of-mine closure cost estimate to be developed according to the LOM plan and aligned with the closure objectives and requirements of the projects. Should mining commence, SRK would expect the mine closure costs to be in the same order of magnitude as the coal assets per the identified comparable transactions. Therefore, SRK consider the expected closure costs to be reflected in the multiples that acquirers have paid for coal assets.

6.7 Risks and opportunities

Geological risks pertain to the continuity of the coal seams and their quality in the lesser explored parts of the GSP. Although the presence of coal is known in all the projects, this has not been proved sufficiently by exploration to declare Coal Resources for all areas, nor is the ability of the coal to be beneficiated to coking coal product confirmed in all areas. Further exploration through drilling and analysing the coal will reduce this risk. As such, in the valuation exercise using comparable market transactions, this is considered when choosing an appropriate multiple.

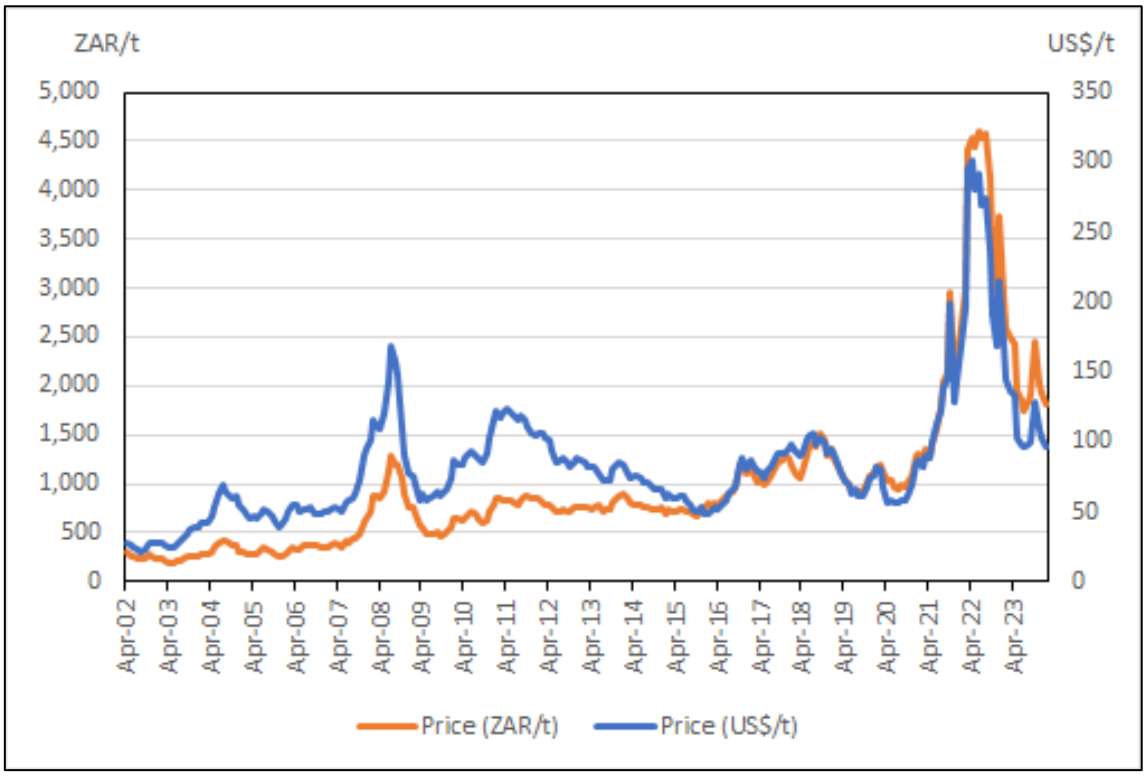
[17] MCM SA Guarantees-202312 (1 1), December 2023

7 Other considerations

7.1 Coal market

SRK has reviewed the coal market prices and notes the South African Richards Bay benchmark thermal price is currently 60% lower than its all-time high of ZAR4,599/t in June 2022 (Figure 7.1).

Figure 7.1: Richards Bay thermal coal price



Source: Index Mindi

Notes: Coal (South Africa), thermal NAR netback assessment f.o.b. Richards Bay 6,000 kcal/kg from February 13, 2017; during 2006-February 10, 2017 thermal NAR; during 2002-2005 6,200 kcal/kg (11,200 btu/lb), less than 1.0%, sulfur 16% ash; years 1990-2001 6,390 kcal/kg (11,500 BTU/lb).

In determining a Market Value for MCM's coal assets, SRK has considered the following:

- In reviewing the 2023 financial results for the Uitkomst Colliery, the achieved price (US$142/t) was 30% lower than the API4 average price of US$204/t for the same period. This is because the achieved price includes low grade middlings coal.
- Vele Colliery, is a potential semi-soft coking and thermal coal producer that could be sold into the export market and shipped through the coal terminal in Mozambique.
- The Makhado Project will potentially produce 20% coking coal and 20% thermal coal with a total yield of approximately 40%. SRK is not aware of any offer price for the thermal coal fraction potentially produced at Makhado.
- South Africa is traditionally an exporter of only thermal coal and therefore has no market quoted benchmark coking coal price.

8 Valuation

8.1 Valuation methodology

The objective of this section is to provide BDO with:

- a Market Value estimate for MCM's Coal Resources (i.e. those outside the current LOM schedule)
- SRK's opinion regarding the Market Value of MCM's Coal Resources with associated exploration tenure.

SRK has not valued MCM or its corporate subsidiaries as the beneficial owners of the Mineral Assets.

In determining the appropriate parameters for valuation purposes, SRK has considered the assessments that might be made by a willing, knowledgeable and prudent buyer in assessing the value of MCM's projects. SRK has relied on information provided by MCM, as well as information sourced from the public domain, SRK's internal databases and SRK's subscription databases.

The VALMIN Code (2015) outlines three generally accepted valuation approaches:

1. Market Approach
2. Income Approach
3. Cost Approach.

The Market Approach is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The Mineral Assets being valued are compared with the transaction value of similar Mineral Assets under similar time and circumstances on an open market (VALMIN Code 2015). Methods include comparable transactions and option or farm-in agreement terms analysis.

The Income Approach is based on the principle of anticipation of economic benefits and includes all methods that are based on the anticipated benefits of the potential income or cashflow generation of the mineral asset (VALMIN Code 2015). Valuation methods that follow this approach include discounted cashflow (DCF) modelling, capitalised margin, option pricing and probabilistic methods.

The Cost Approach is based on the principle of cost contribution to value, with the costs incurred providing the basis of analysis (VALMIN Code 2015). Methods include the appraised value method and multiples of exploration expenditure (MEE), where expenditures are analysed for their contribution to the exploration potential of the mineral asset.

The applicability of the various valuation approaches and methods varies depending on the stage of exploration or development of the mineral asset and hence the amount and quality of the information available on the mineral potential of the assets.

Most mineral assets can be classified as either:

- **Exploration Project**: properties where mineralisation may or may not have been identified, but where a Coal Resource has not been identified.
- **Advanced Exploration Project**: properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Coal Resource Estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the resource category.
- **Pre-Development Project**: properties where Coal Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on C&M and properties held on retention titles are included in this category if Coal Resources have been identified, even if no further Valuation, Technical Assessment, delineation or advanced exploration is being undertaken.
- **Development Project**: properties for which a decision has been made to proceed with construction and/or production, but which are not yet commissioned or are not yet operating at design levels.
- **Operating Mines**: mineral properties, particularly mines and processing plants that have been commissioned and are in production.

Table 8.1 presents the various valuation approaches for the valuation of mineral assets at the various stages of exploration and development.

Table 8.1: Suggested valuation approaches according to development status

Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

Source: VALMIN Code (2015)

In general, these methods are accepted analytical valuation approaches that are in common use for determining Market Value (defined below) of mineral assets, using market-derived data.

The Market Value is defined in the VALMIN Code (2015) as, *in respect of a mineral asset, the amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should change hands on the Valuation Date between a willing buyer and a willing seller in an arms-length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion*. The term Market Value has the same intended meaning and context as the International Valuation Standards Committee's (IVSC) term of the same name. This has the same meaning as Fair Value in RG 111. In the 2005 edition of the VALMIN Code this was known as Fair Market Value.

The Technical Value is defined in the VALMIN Code (2015) as *an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations*. The term Technical Value has an intended meaning that is similar to the IVSC term Investment Value.

In summary, the various recognised valuation methods are designed to provide an estimate of the mineral asset or project value in each of the various categories of development. In some instances, a particular mineral asset or project may comprise assets, which logically fall under more than one of the previously discussed development categories.

MCM has developed cashflow models for its Uitkomst Colliery, Vele Colliery and Makhado Project and has provided these to BDO and SRK.

In the case of Vele, plant modifications have not been completed and as a consequence, the Vele coal products cannot be optimised. The potential semi soft coking coal product cannot be adequately recovered and is currently lost to slimes and discards. At the current low coal prices, the thermal coal product that can be produced from the Vele plant is not economic. As such, mining has temporarily stopped. Therefore, SRK agreed not to use a DCF approach and has adopted a market based approach using comparable market transactions.

In the Case of Uitkomst and Makhado, SRK has reviewed the underlying technical inputs to the models and provide recommendations to BDO to make adjustments to various technical inputs and cost assumptions. These recommendations have been modelled by BDO and as a result, in consultation with BDO, it has been agreed that a DCF valuation approach would not be appropriate to value Makhado and Uitkomst. This is because the values derived from a DCF approach are lower than those derived from a market approach and BDO and SRK consider it more appropriate to value it on a highest and best use basis.

In estimating the Market Value of MCM's Mineral Assets as at the Valuation Date, SRK has considered various valuation methods within the context of the VALMIN Code (2015). SRK has used comparable market transactions as the primary valuation method. To support the comparable market transaction valuation of the Coal Resources, SRK has used a peer group analysis and the yardstick method as a cross-check.

8.2 Previous valuations

The VALMIN Code (2015) requires that an Independent Valuation Report should refer to other recent valuations or IERs undertaken on the mineral properties being assessed. SRK completed a valuation on the MCM Mineral Assets in June 2022. SRK's ISR formed part of BDO's IER, which was provided to MCM shareholders and commented on the 'fairness and reasonableness' of a proposed transaction.

8.3 Valuation of the Coal Resource

8.3.1 Summary of Coal Resource Estimates

MCM's Coal Resources that are adjusted for valuation purposes and are classified as adjusted GTIS Coal Resources in this valuation exercise total 8,313.4 Mt (attributable 6,451.2 Mt), which

accounts for around 96% of the total GTIS Coal Resource of 8,652.6 Mt (attributable 6,721.2 Mt). The adjusted GTIS Coal Resource Estimates are presented in Table 8.2.

Table 8.2: Gross in situ Coal Resources (100% basis)

Coal Asset	Status		Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)	Interest	Total Attributable (Mt)
Uitkomst	Operation	GTIS	15.9	4.0	5.7	25.6	84%	21.5
Makhado	Development	GTIS	387.3	254.0	116.2	757.5	67%	507.6
		Fripp Farm[1]	92.0	75.4	42.3	209.7		140.5
		Adjusted GTIS	295.4	178.6	73.9	547.8		367.0
Vele	Care & Maintenance	GTIS	146.8	426.9	218.9	792.6	100%	792.6
		LP1136 PR[2]	7.6	69.9	51.0	128.5		128.5
		Contractor ROM	0.461	0.460	-	0.921		0.921
		Adjusted GTIS	138.7	356.4	167.9	663.1		663.1
Mopane	Advanced exploration	GTIS	109.4	125.0	36.2	270.7	74%	200.3
Generaal	Advanced exploration	GTIS			407.2	407.2	74%	301.3
Chapudi	Advanced exploration	GTIS			6,399.0	6,399.0	74%	4,735.3
GTIS Resources			**659.4**	**809.9**	**7,183.2**	**8,652.6**		**6,558.5**
Adjusted GTIS Resources			**559.5**	**664.0**	**7,089.9**	**8,313.4**		**6,288.5**

Source: MCM Annual Report (2023), Minxcon Projects (2022) Makhado Colliery BFS

Notes:

[1] A village is situated on this farm over the defined Coal Resource and therefore has been excluded.

[2] Vele prospecting right LP1136 PR has expired.

8.3.2 Comparable transactions

As the primary valuation method to establish a market value for MCM's Coal Resources, SRK carried out a search for publicly available information on market transactions involving similar coal projects in southern Africa. SRK has not considered transactions from other geographic regions as coal type, coal quality, infrastructure and local market conditions can all differ vastly and as such not be comparable. Based on its analysis, SRK has considered 34 transactions involving assets within South Africa that occurred since 2007 leading up to the Effective Date of this valuation (Appendix A). SRK considers this a good representative sample of transactions that included some of the asset currently held by MC Mining such as Chapudi and Vele. Further to this, each transaction was then indexed according to increasing confidence of coal mineralisation and stage of development. This is graphically illustrated in Figure 8.1.

The transaction values (ZAR/t gross in situ resource) were then normalised using the Richards Bay export coal price as a proxy index to reflect the values in the current South African coal market at the Effective Date of this valuation. The coal price was indexed to the January 2024 average of ZAR1,813/t.

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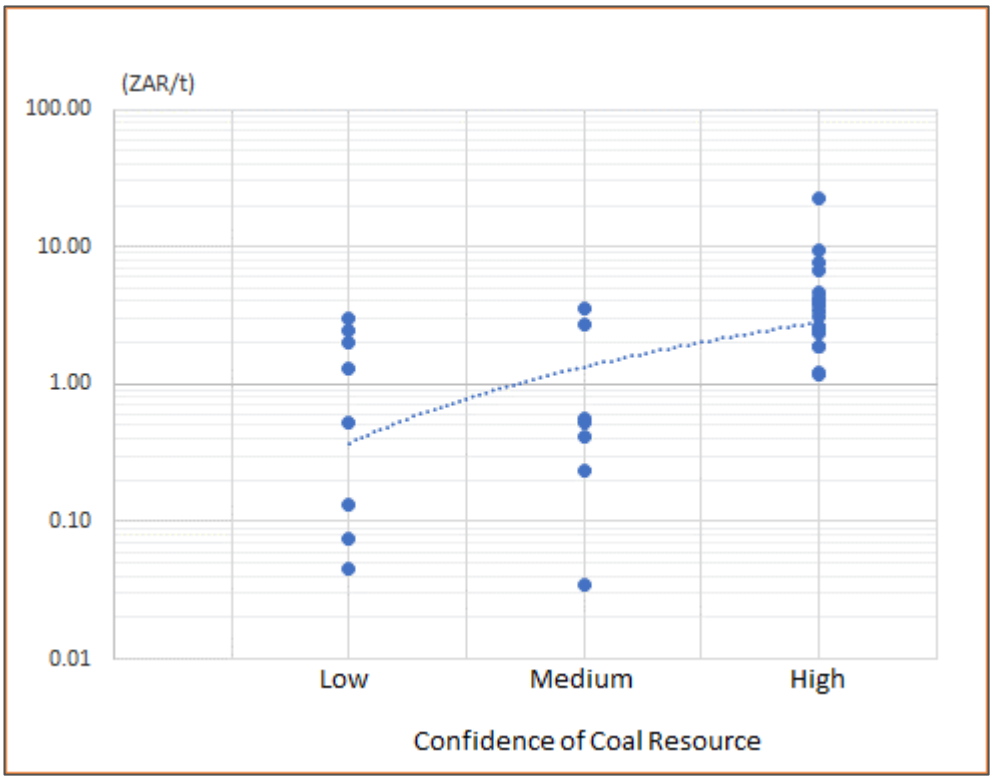
Figure 8.1: South African coal transactions classified



Source: SRK analysis

Notes: A total of 34 transactions were sorted according to the level of Coal Resource confidence based on stage of development.

The statistics of the population of market transactions are summarised in Table 8.3.

Table 8.3: Comparable market transaction statistics

	Low	Medium	High
Count	8.00	7.00	19.00
Min (ZAR/t)	0.04	0.03	1.19
Max (ZAR/t)	2.98	3.50	22.84
Average (ZAR/t)	1.19	1.14	4.72
Median (ZAR/t)	0.90	0.52	3.40
25th percentile	0.12	0.33	2.36
75th percentile	2.10	1.63	4.39

Source: SRK Analysis

Importantly, while transaction multiples are widely used in valuation, they rely on the assumption that the reported Coal Resources or Coal Reserves have been appropriately reported and can be taken at face value. The method assumes that differences in reporting regimes, between different Competent Persons, resource classification, coal recovery and adopted cut-off grades (which may change between assets and/or companies) do not materially influence the implied multiple. The method implicitly assumes total recoverability of all coal tonnes, as reliable and accurate data is generally not disclosed or available around the time of most transactions or for all companies.

Importantly, SRK's implied value calculations are for the purposes of our valuation and do not attempt to estimate or reflect the coal likely to be recovered as required under the JORC Code (2012).

SRK's analysis of the implied resource value multiples is based on the reported Coal Resources involving mainly South African thermal products but also includes a few transactions of metallurgical coal assets. SRK also recognises that the reasonable prospects for eventual economic extraction (RPEEE, with the meaning as defined in the JORC Code) based on depth of coal seams, likely stripping ratios, and structural complexity impact the implied transaction multiples. Therefore, informing our opinion of the Coal Resource of MCM's assets, SRK has considered coal confidence, coal resource estimation differences, coal type and reasonable prospect of eventual economic extraction. SRK also notes that several of the transactions considered included Coal Reserves (supported by a LOM schedule).

In selecting appropriate multiples for Inferred, Indicated and Measured Resource, SRK has a chosen from the Low, Medium and High subsets (Table 8.3), respectively. Further to this, in each of the subsets the technical aspect of the coal type is considered in selected a multiple within the subsets range. As an example, coal with poor qualities and low recoveries imply a multiple at the low end of the range within a subset. Therefore, for all the Inferred Resource at GSP, SRK has selected a preferred multiple of ZAR$0.04/t (Table 8.3 and Table 8.4), which is the minimum of the Low subset of transaction data.

When selecting an appropriate transaction multiple for Uitkomst and Vele, SRK has considered the mines as an operating going concern and the selected multiple captures the value of all the plant and equipment required to operate the site net of all expenses that may include remediation. In the case of Uitkomst, SRK has selected ZAR3.40/t as the appropriate multiple for the Measured Resources which is the median of the High subset of transaction data.

However, in the case of Vele, SRK has selected a lower multiple for the Measured Resource of ZAR2.80/t to reflect that operations have temporarily stopped while it re-optimises, given the current low coal price. ZAR2.80/t is near the 25th percentile of the High subset of transaction data.

Based on its comparable transaction analysis (Table 8.4), SRK considers the implied value of the Coal Resource resides between ZAR1,343.3M and ZAR2,065.6M, on an attributable basis.

Table 8.4: Comparable market transaction valuation

Coal Asset	Inferred (Mt)	Indicated (Mt)	Measured (Mt)	Total Adjusted Resource (Mt)	Range	Implied Value Inferred (ZAR/t)	Implied Value Indicated (ZAR/t)	Implied Value Measured (ZAR/t)	Total Value (ZAR M)	% Owned	Attributable Value (ZAR M)
Uitkomst	5.68	3.96	15.94	25.6	Low	0.32	0.43	2.72	46.89	84	39.39
					High	0.48	0.65	4.08	70.33		59.08
					Mid	**0.40**	**0.54**	**3.40**	**58.61**		**49.23**
Makhado	73.90	178.56	295.36	547.8	Low	0.29	0.38	2.40	798.71	67	535.14
					High	0.43	0.58	3.60	1,198.07		802.71
					Mid	**0.36**	**0.48**	**3.00**	**998.39**		**668.92**
Vele	167.93	356.47	138.74	663.6	Low	0.26	0.32	2.24	467.83	100	467.83
					High	0.38	0.48	3.36	701.75		701.75
					Mid	**0.32**	**0.40**	**2.80**	**584.79**		**584.79**
GSP – Mopane	36.20	125.00	109.44	270.7	Low	0.03	0.32	1.60	216.11	74	159.92
					High	0.05	0.48	2.40	324.53		240.15
					Mid	**0.04**	**0.40**	**2.00**	**270.32**		**200.04**
GSP – Generaal	407.16	-	-	407.2	Low	0.03	0.32	1.60	11.40	74	8.44
					High	0.05	0.48	2.40	21.17		15.67
					Mid	**0.04**	**0.40**	**2.00**	**16.29**		**12.05**
GSP - Chapudi	6,399.02	-	-	6,399.0	Low	0.03	0.32	1.60	179.17	74	132.59
					High	0.05	0.48	2.40	332.75		246.23
					Mid	**0.04**	**0.40**	**2.00**	**255.96**		**189.41**
Total (ZAR M)				**8,313.4**	Low				1,720.12		1,343.30
					High				2,648.60		2,065.59
					Mid				**2,184.36**		**1,704.45**

Source: SRK analysis

8.3.3 Peer group analysis

As a cross check of the Market Value derived from the comparable market transaction method, SRK has considered the enterprise values per defined Coal Resource of similar listed companies with defined Coal Resources in South Africa.

There are two companies broadly comparable to MCM listed on the ASX – Terrecom Resources Ltd (Terrecom) and Thungela Resources Limited Ltd (Thungela) (Table 8.5).

In 2020, Terrecom purchased Universal Coal Plc comprising a portfolio of coal assets in South Africa. Terrecom now has a 4,119 Mt of attributable Coal Resources in both South Africa and Australia.

Thungela is listed on the JSE and it owns interests in and produces its thermal coal from mining operations in the Mpumalanga province of South Africa, including Goedehoop colliery, Greenside colliery, Isibonelo colliery, Khwezela colliery, Zibulo colliery, Mafube colliery, and Rietvlei colliery. Thungela has an attributable Coal Resource of 870.1 Mt.

As at 25 February 2024, Terrecom and Thungela traded at multiples of ZAR0.54/t and ZAR0.23/t, respectively.

Table 8.5: Peer Group analysis

	Market cap (ZAR M)	Enterprise Value (ZAR M)	Attributable Coal R&R (Mt)	EV ZAR/t
Terrecom	2,684.7	2,226.3	4,118.6	0.54
Thungela	14,531.6	200.6	870.1	0.23

Source: S&P Global Capital IQ Pro, Ikwezi Annual Report 2021, Terrecom Annual Report 2021

Note: Market capitalisation and Enterprise Value as at 23 May 2022.

Based on this analysis, SRK has adopted the only two peers as the lower and upper range for the value of MCM. Applying these multiples to MCM's Coal Resources implies a value of between ZAR1,446.4M and ZAR3,395.8M on an attributable basis, as outlined in Table 8.6.

Table 8.6: Peer group valuation

	Attributable Coal Resource (Mt)	Adopted metric	Attributable Coal Resource (Mt)
Low	6,288.5	0.23	1,446.4
High	6,288.5	0.54	3,395.8
Preferred	**6,288.5**	**0.39**	**2,421.1**

SRK considers the peer group valuation only as a guide because Terrecom and Thungela differ from MCM in that they have coal resources across geographical regions, and both have large producing coal mines relative to MCM that only produces less than 0.5Mt/a. Terrecom and Thungela produce 11.5 Mt/a and 13.0 Mt/a, respectively. This implies that Terrecom and Thungela would trade at higher multiples than MCM with strong cash flows and are geographically diverse.

8.3.4 Yardstick

To support the comparable market transaction valuation of the Coal Resources, SRK has used the Yardstick method as a guide. This method was first described by MacArthur (1989) specifically for gold projects and was based on a percentage of contained value ranging from 0.1% and 3.0%. This method was further described by Baxter, et al (1990) in estimating the value of the contained metal. SRK has modified this method for coal projects but has reduced these percentages to better reflect in situ coal value based on experience valuing coal projects around the world and these are standard ranges used for coal projects by SRK.

Using the Yardstick method of valuation, the SRK adopted specified percentages of the coal price are applied to the defined Coal Resources (Table 8.7).

- Measured Resources – 0.2% to 0.5% of the spot price
- Indicated Resources – 0.1% to 0.2% of the spot price
- Inferred Resources – 0.05% to 0.1% of the spot price.

SRK has adopted the Richards Bay thermal benchmark coal price average for January 2024 at ZAR1,813/t.

Table 8.7: Yardstick multiples

Resource	% of the spot price	Value Range	
		A$/t Low	A$/t High
Measured	0.2% to 0.5%	3.63	9.07
Indicated	0.1% to 0.2%	1.81	3.63
Inferred	0.05% to 0.1%	0.91	1.81

Source: SRK analysis

Notes: Used average coal price for January 2024 at ZAR1,813/t.

SRK considers this a generic method and problems lie with different types of coals, geographic markets, available infrastructure and processing yields. As in this case, Inferred Coal Resources at GSP are expected to have low processing yield and therefore are considered overvalued. As such, SRK has applied a yield adjustment which brings values broadly more in line with comparable market transactions. Despite this, SRK has used the Yardstick method only as a guide.

Application of these multiples and adjusting for processing yield to MCM's attributable Coal Resources implies the value of these resources lies between ZAR2,864.1 M and ZAR6,025.5 M.

SRK notes that this value is approximately 2.6 times that of the values implied by its Comparative Transactions Analysis. SRK considers the values implied by the Yardstick approach are generic and do not adequately account for the technical attributes outlined previously. Therefore, SRK has not selected the values implied by the Yardstick and use it only as a guide to the likely valuation range (Table 8.8).

Table 8.8: Yardstick valuation of Coal Resources

Coal Asset	Inferred (Mt)	Indicated (Mt)	Measured (Mt)	Total Adjusted Resource (Mt)	Range	Implied Value Inferred (ZAR/t)	Implied Value Indicated (ZAR/t)	Implied Value Measured (ZAR/t)	Total Value (ZAR M)	% Owned	Attributable Value (ZAR M)	Yield adjusted Attributable Value (ZAR M)
Uitkomst	5.68	3.96	15.94	25.6	Low	0.91	1.81	3.63	70.14	84	58.91	35.35
					High	1.81	3.63	9.07	169.17		142.11	85.26
					Mid	**1.36**	**2.72**	**6.35**	**119.65**		**100.51**	**60.31**
Makhado	73.90	178.56	295.36	547.8	Low	0.91	1.81	3.63	1,461.69	67	979.34	391.73
					High	1.81	3.63	9.07	3,458.88		2,317.45	926.98
					Mid	**1.36**	**2.72**	**6.35**	**2,460.29**		**1,648.39**	**659.36**
Vele	167.93	356.47	138.74	663.6	Low	0.91	1.81	3.63	1,301.57	100	1,301.57	416.50
					High	1.81	3.63	9.07	2,854.66		2,854.66	913.49
					Mid	**1.36**	**2.72**	**6.35**	**2,078.11**		**2,078.11**	**665.00**
GSP – Mopane	36.20	125.00	109.44	270.7	Low	0.91	1.81	3.63	656.25	74	485.63	194.25
					High	1.81	3.63	9.07	1,510.91		1,118.07	447.23
					Mid	**1.36**	**2.72**	**6.35**	**1,083.58**		**801.85**	**320.74**
GSP – Generaal	407.16	-	-	407.2	Low	0.91			369.09	74	273.13	109.25
					High	1.81			738.19		546.26	218.50
					Mid	**1.36**			**553.64**		**409.69**	**163.88**
GSP - Chapudi	6,399.02	-	-	6,399.0	Low	0.91			5,800.71	74	4,292.53	1,717.01
					High	1.81			11,601.43		8,585.06	3,434.02
					Mid	**1.36**			**8,701.07**		**6,438.79**	**2,575.52**
Total (ZAR M)				**8,313.4**	Low				9,659.46		7,391.10	2,864.10
					High				20,333.24		15,563.60	6,025.49
					Mid				**14,996.35**		**11,477.35**	**4,444.79**

Source: SRK Analysis

8.4 Exploration potential value

Given the valuation methods adopted and the multiples assumed for valuation purposes, SRK has elected in this instance not to assign any additional value to the exploration potential associated with MCM's mineral tenures in South Africa.

In all MCM's Mining Rights, the geology and the extent of the coal mineralisation is well understood. In SRK's opinion, it has limited potential for the discovery of new coal deposits at economically extractable depths within the current mining rights. However, additional exploration will be required, particularly drilling, to increase the confidence and upgrade the resources from the Inferred category. This should add value to the current coal assets as the projects advance to increasing stages of development.

9 Valuation summary

In forming its overall opinion regarding the market value for each of the coal assets, SRK has considered the market based methods, such as comparable transaction analysis as its primary valuation method while using peer group analysis and the yardstick approach as secondary guides. Table 9.1 summarises SRK's opinion regarding the current market value of MCM's mineral assets.

On the above basis, SRK considers the market is likely to pay between ZAR1,343 M and ZAR2,066 M, with a preferred value of ZAR1,704 M for the attributable Coal Resources held by MCM (Table 9.1).

In adopting its overall values, SRK considers that any value associated with any exploration potential of the surrounding tenures has been captured in the value attributed to the Coal Resources, which were valued using comparable market transactions involving coal projects with both defined resources and exploration upside.

Table 9.1: Valuation summary of Coal Resources

Coal Asset	Attributable Resource (Mt)	Range	Attributable Low (ZAR M)	Attributable High (ZAR M)	Attributable Preferred (ZAR M)
Uitkomst	21.5	Market	39.39	59.08	49.23
		Yardstick	35.35	85.26	60.31
		Adopted	**39.39**	**59.08**	**49.23**
Makhado	367.0	Market	535.14	802.71	668.92
		Yardstick	391.73	926.98	659.36
		Adopted	**535.14**	**802.71**	**668.92**
Vele	663.1	Market	467.83	701.75	584.79
		Yardstick	416.50	913.49	665.00
		Adopted	**467.83**	**701.75**	**584.79**
GSP – Mopane	200.3	Market	159.92	240.15	200.04
		Yardstick	194.25	447.23	320.74
		Adopted	**159.92**	**240.15**	**200.04**
GSP – Generaal	301.3	Market	8.44	15.67	12.05
		Yardstick	109.25	218.50	163.88
		Adopted	**8.44**	**15.67**	**12.05**
GSP - Chapudi	4,735.3	Market	132.59	246.23	189.41
		Yardstick	1,717.01	3,434.02	2,575.52
		Adopted	**132.59**	**246.23**	**189.41**
Total	**6,288.5**	Market	1,343.30	2,065.59	1,704.45
		Peer group	1,446.36	3,395.80	2,421.08
		Yardstick	2,864.10	6,025.49	4,444.79
		Adopted	**1,343.30**	**2,065.59**	**1,704.45**
Total Unit Value (ZAR/t)		**Adopted**	**1,343.30**	**2,065.59**	**1,704.45**

9.1 Discussion on valuation ranges

In assigning its valuation range and preferred value, SRK is mindful that the valuation range is also indicative of the uncertainty associated with exploration assets.

The wide range in value is driven by the confidence limits placed around the size and quality of the mineral occurrences assumed to occur within each project area. Typically, this means that as exploration progresses and a prospect moves from an early to advanced stage prospect, through Inferred, Indicated or Measured Resource categories to Reserve status, there is greater confidence around the likely size and quality of the contained mineral and its potential to be extracted profitably.

Estimated confidence of plus or minus 60% to 100% or more are not uncommon for exploration areas and are within acceptable bounds given the level of uncertainty associated with early to advanced stage exploration assets. By applying narrower confidence ranges, one is actually implying a greater degree of certainty regarding these assets than may be the case in reality.

The GSP tenements are exploration assets in the early to advance stages of assessment. Therefore, there are significant uncertainties around their attributes. This results in a wide valuation range. Where possible, SRK has endeavoured to narrow its valuation range. In recognising this wide range, SRK has also indicated a preferred value for each project.

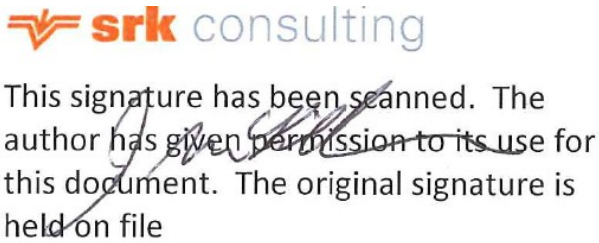
The preferred value can be the midpoint of the range unless there is a specific reason to choose a bias to either side of the midpoint, within the range.

Closure

This report, Independent Specialist Report on the Mineral Assets of MC Mining Limited, was prepared by

Shaun Barry
Principal Consultant

and reviewed by



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All data used as source material plus the text, tables, figures, and attachments of this document have been reviewed and prepared in accordance with generally accepted professional engineering and environmental practices.

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Appendix A Comparable Market Transactions

South Africa Comparable Coal Market Transaction

Date	Target	Buyer	Seller	Confidence in Resource	Normalised Implied Multiple (ZAR/t)
7/11/2007	Isicebi Carbon Mining Pty Ltd	Comdek Limited	"Lukale Mining Company (Pty) Ltd (“Lukale”) and Umnotho	Low	0.13
6/08/2008	Vlakplaats Coal Project	Universal Coal PLC	Universal Pulse Trading 132 Pty Ltd	Low	2.98
11/09/2009	Waterberg Coal Projects	Firestone Energy Ltd	Sekoko Resources Pty Ltd	Low	0.52
29/11/2010	Vlakplaats Coal Project	Korea Resources Corp	Continental Coal Ltd	Low	1.98
29/11/2010	Chapudi Coal Project	Coal of Africa Ltd	Rio Tinto PLC,Kwezi Mining Pty Ltd	Low	1.28
27/01/2011	Cgynus property	Universal Coal PLC	Private	Low	0.04
27/03/2012	Grootegeluk West Coal Project	Resource Generation Limited	Exxaro Resources Limited	Low	0.08
20/10/2015	South Arnot project	Universal Coal PLC	Exxaro Resources Limited	Low	2.47
7/05/2008	Holfontein coal project	Lachlan Star Ltd	Coal of Africa Ltd	Medium	3.50
14/07/2009	Vele Project	Coal of Africa Ltd	Limpopo Coal Co Proprietary Ltd	Medium	0.42
12/12/2012	Firestone Energy Ltd	Ariona Co SA	Sekoko Resources Pty Ltd	Medium	0.23
2/02/2017	Keaton Energy Holdings Limited	Wescoal Holdings Limited	Keaton Energy Holdings Limited	Medium	2.71
30/06/2017	Eloff Mining Company (Pty) Ltd.	Universal Coal PLC	Canyon Springs Investments 80 (Pty) Ltd	Medium	0.56
27/11/2017	Eloff Mining Company (Pty) Ltd.	Universal Coal PLC	Manyeka Coal Mines (Pty) Ltd	Medium	0.52
1/09/2018	Eloff Mining Company (Pty) Ltd.	Universal Coal PLC	South32 Limited	Medium	0.03
1/04/2010	Rietkuil	Sable Mining Africa Ltd	Unknown Company or Entity - 30.0%	High	3.77
23/04/2010	Rietkuil	Sable Mining Africa Ltd	London Mining plc - 27.5%	High	2.53
11/07/2012	Moabsvelden Coal Project	Thebe Investment Corporation	Xceed Resources Ltd	High	2.36
3/02/2014	New Clydesdale	Universal Coal PLC	Exxaro Resources Limited	High	6.63
27/06/2014	Leeuw Mining and Exploration Proprietary Limited	Keaton Energy Holdings Limited	JPI Leeuw and Associates Proprietary Limited	High	3.40
28/07/2014	Total Coal South Africa Ltd.	Exxaro Resources Limited	Total S.A.	High	7.70
9/01/2015	Continental Coal Limited (South Africa)	Investors group	Continental Coal Limited	High	4.04
8/06/2015	Penumbra Coal Mine	ICHOR Coal NV	Continental Coal Limited	High	9.54

Date	Target	Buyer	Seller	Confidence in Resource	Normalised Implied Multiple (ZAR/t)
15/02/2016	Leeuw Mining & Exploration Pty Ltd./ Amalahle Exploration Pty Ltd.	Bayete Energy Resources (Pty) Ltd	Keaton Energy Holdings Limited	High	4.62
12/09/2016	South African Coal Mining Holdings Limited	JSW Energy Limited	Shareholders of South African Coal Mining Holdings Ltd.	High	2.37
1/08/2018	New Largo project	Seriti Resources Proprietary Limited	Anglo American	High	2.60
30/08/2018	Mooiplaats colliery	Undisclosed	MC Mining	High	3.89
12/11/2018	North Block Complex	Universal Coal PLC	Exxaro Resources Limited	High	1.22
12/12/2018	Tegeta Exploration and Resources Proprietary Limited	Project Halo	Oakbay Investments Proprietary Limited	High	4.17
22/08/2019	South32 SA Coal Holdings Proprietary Limited	Seriti Resources Proprietary Limited	South32 Limited	High	1.19
2/10/2019	Mbuyelo Coal operations	Investors group	ICHOR Coal NV	High	22.84
25/03/2020	Universal coal Plc	Terrecom Resources Limited	Universal coal Plc	High	1.89
16/02/2021	Wescoal Holdings Limited	RBFT Investments Proprietary Limited	Wescoal Holdings Limited	High	1.87
9/04/2021	Exxaro Coal Central Proprietary Limited	Overlooked Colliery Proprietary Limited	Exxaro Resources Limited	High	3.10

Source: S&P Global, SRK analysis

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