MCMining LIMITED

ABN 98 008 905 388

FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2017

CORPORATE DIRECTORY

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SOUTH AFRICAN OFFICE	South Block Summercon Office Park Cnr Rockery Lane and Sunset Avenue Lonehill Telephone: +27 10 003 8000 Facsimile: +27 11 388 8333
BOARD OF DIRECTORS	Non-executive Bernard Pryor (Chairman) Andrew Mifflin Khomotso Mosehla Peter Cordin Rudolph Torlage Shangren Ding Thabo Mosololi Executive David Brown DeWet Schutte (resigned 30 November 2017)
COMPANY SECRETARY	Tony Bevan

	AUSTRALIA	UNITED KINGDOM	SOUTH AFRICA
AUDITORS	**Deloitte Touche Tohmatsu** Tower 2 Brookfield Place 123 St Georges Terrace Perth WA 6000 Australia	N/A	**Deloitte & Touche** Deloitte Place Building 1 The Woodlands 20 Woodlands Drive Woodmead 2052 South Africa
BANKERS	**National Australia Bank Limited** Level 1, 1238 Hay Street West Perth WA 6005 Australia	**Investec Bank plc** 2 Gresham Street London EC2V 7QP United Kingdom	**ABSA Bank** The Podium Norton Rose Building 15 Alice Lane Sandton South Africa

CORPORATE DIRECTORY (CONTINUED)

	AUSTRALIA	UNITED KINGDOM	SOUTH AFRICA
BROKERS	Euroz Securities Limited	Mirabaud	N/A
	Level 18, Alluvion 58 Mounts Bay Road Perth WA 6000 Australia	21 St James' Street London SW1Y 4JP United Kingdom	
LAWYERS	Squire Patton Boggs (AU)	Squire Patton Boggs (UK) LLP	Edward Nathan Sonnenbergs
	Level 21 300 Murray Street Perth WA 6000 Australia	2 Park Lane Leeds LS3 1 ES United Kingdom	150 West Street Sandton Johannesburg 2196 South Africa
NOMAD/ CORPORATE SPONSOR	N/A	Peel Hunt LLP	Investec Bank Limited
		Moor House 120 London Wall London EC2Y 5ET United Kingdom	100 Grayston Drive Sandown 2196 Johannesburg South Africa

Index

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

Contents	Page

The Directors of MC Mining Limited ("MC Mining" or "the Company"), formerly Coal of Africa Limited, submit herewith the financial report of MC Mining and its subsidiaries ("the Group") for the half-year ended 31 December 2017. All amounts are expressed in US dollars unless stated otherwise.

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

Directors

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

Bernard Pryor* (Chairman)
Andrew Mifflin*
Khomotso Mosehla*
Peter Cordin*
Rudolph Torlage*
Shangren Ding*
Thabo Mosololi*
David Brown**
DeWet Schutte**

* - Non-executive director
** - Executive director

DeWet Schutte resigned on 30 November 2017. All other directors held office during and since the end of the previous financial year.

Review of Operations

Principal activity and nature of operations

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

The Company's principal assets and projects include:

- Uitkomst Colliery, a high grade thermal colliery ("Uitkomst");
- Makhado Project, a coking and thermal coal exploration and evaluation project ("Makhado Project" or "Makhado"); and
- Vele Colliery, on care and maintenance, a coking and thermal colliery ("Vele Colliery"); and
- Three exploration stage coking and thermal coal projects, namely Chapudi, Generaal, and Mopane, in the Soutpansberg Coalfield (collectively the "GSP Project").

The Company's focus on safety continued and no lost time incidents ("LTIs") were recorded during the six months under review (FY2017 H1: nil).

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

Effective 30 June 2017, the Company acquired a 91% interest in Uitkomst, with the remaining 9% held by broad-based Black Economic Empowerment ("BEE") trusts, including employees and communities. The Uitkomst Colliery employs approximately 573 employees (including contractors) and reported no LTIs during the period.

Uitkomst comprises the existing underground coal mine and a planned life of mine ("LOM") extension directly to the north of current operations, totalling 16 years remaining LOM. The LOM extension requires the development of a north adit (horizontal shaft) and the colliery has applied for an amendment of its Integrated Water Use Licence ("IWUL") prior to commencing this expansion. Uitkomst sells sized coal (peas) products with the 0 to 40mm product sold into the domestic metallurgical market for use as pulverised coal while the peas are supplied to local energy generation facilities. Uitkomst's marketing strategy ensures that the colliery is positioned to take advantage of higher international coal prices with exposure to both South African rand and US dollar denominated sales.

Production tonnages for the period were 346,336 tonnes, consisting of 265,609 tonnes of Uitkomst tonnes and 80,727 tonnes of purchased run of mine ("ROM") to blend. Sales tonnages were 308,275 tonnes, consisting of 174,948 tonnes of Uitkomst ROM and 53,690 tonnes of slurry used for blending and 79,637 of purchased ROM coal to blend. Revenue for the period was $17 million with a gross profit of $2.7 million.

In order to meet the requirements of the South African Mining Charter, the Company is in the process of selling an additional 21% interest in Uitkomst to BEE shareholders on a vendor finance basis. The transaction is expected to be concluded prior to the 30 June 2018 financial year end.

Mooiplaats Thermal Coal Colliery – Ermelo Coalfield (sold during the period)

On 2 November 2017, the Mooiplaats Colliery ("Mooiplaats"), which was on care and maintenance, was sold to Mooiplaats Coal Holdings Proprietary Limited ("MCH").

The Mooiplaats Colliery recorded no LTIs prior to its sale (FY2017 H1: nil).

Mooiplaats, an underground colliery was developed by MC Mining with the first coal extracted in 2009 but due to the reduction in thermal coal prices, increasing logistics costs and sub-optimal production rates, was placed under care and maintenance in October 2013. During the period, the Company agreed to sell the Mooiplaats equity and claims to a consortium of investors, MCH, for $12.9 million (ZAR179.9 million). The purchase price will be settled as follows:

- $4.8 million (R67.0 million) paid on transaction closing date, namely 2 November 2017, of which $1.1 million (ZAR15.0 million) was paid to Mooiplaats' BEE partner, Ferret Mining & Environmental Services (Proprietary) Limited ("Ferret"), in full and final settlement of their equity; and

- The balance of the purchase price, being $8.1 million (ZAR112.9 million) to be settled in ten equal quarterly instalments (the "Deferred Payments"), subject to the timing of the incorporation of Portions 2, 3 and the remaining extent of the farm Klipbank 295 IT into the Mooiplaats Colliery New Order Mining Right ("NOMR").

The Deferred payments of $8.1 million (ZAR112.9 million) have been present valued to an amount of $6.6 million at 2 November 2017, to account for the time value of money.

The sale is a culmination of the Company's strategy to restructure its Statement of Financial Position and the proceeds will support MC Mining's project pipeline and develop its flagship Makhado Project and reduce overhead expenditure.

Makhado Coking Coal Project (95% owned)

The MC Mining Board approved the revised evaluation plan for the Makhado 'Lite' project in September 2017 facilitating the unlocking of near-term shareholder value from the Company's flagship project by reducing capital expenditure and shortening the construction period. The revised strategy anticipates that Makhado will be constructed in 12 months, with a 46 year LOM and potential for future expansion of mining and processing if appropriate. The project has all the regulatory permits required to commence mining and requires access to the key Lukin and Salaita farms to confirm geotechnical information prior to the construction of the Makhado colliery. These properties are subject to the South African government's land claims processes and final resolution of this matter remained outstanding at 31 December 2017 and, the Company anticipates that this will be resolved in H2 FY2018.

During the period, the Company engaged independent mining experts Minxcon (Pty) Ltd ("Minxcon") to complete a Competent Persons Report on the Makhado Project and the results received confirmed Makhado's significant near-term value. The Company also continued hard coking and export thermal coal off-take discussions with various parties and expects that a substantial portion of Makhado's hard coking coal will be sold locally with the balance sold on international markets.

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

The Vele Colliery recorded no LTIs during the period.

The original Vele Colliery IWUL was renewed in January 2016 for a further 20 years, and also amended in line with the requirements for the Plant Modification Project ("PMP") at the colliery.

Post the period end, in February 2018, the South African Department of Water and Sanitation granted the IWUL amendment, completing the suite of regulatory authorisations required for the Vele Colliery. The final decision on whether to proceed with the PMP will be placed before the Company's Board, which will include an assessment of long term pricing as well as logistics considerations.

As at the end of December 2017, given the changes in certain macroeconomic conditions (the ZAR / USD exchange rate) the carrying value of the asset was assessed. In terms of AASB 136 – *Impairment of Assets*, management have identified this as an indicator that the Vele assets may be impaired and have performed a formal impairment assessment. Furthermore, the shift in the Company's strategic focus to prioritise the Makhado project and to delay the redevelopment of the Vele project to better align with the timing of the South African Government gazetted Musina-Makhado Special Economic Zone ("SEZ") in Limpopo. This has resulted in the forecast production date for the Vele project being delayed by two years.

Management have adopted the fair value less costs of disposal approach to estimate the recoverable amount of the project, before comparing this amount with the carrying value of the associated assets and liabilities in order to assess whether an impairment of the carrying value is required under AASB 136. Due to the carrying amount being greater than the recoverable value of the Vele Colliery, an impairment charge of $87.5 million has been recognised during the half year ended 31 December 2017. Refer to note 13 for details of the impairment assessment.

Greater Soutpansberg Project (MbeuYashu) (74% owned)

The GSP Project recorded no LTIs during the period.

Corporate

MC Mining has made significant progress in the restructuring of its Statement of Financial Position, positioning the Company to unlock shareholder value. At the November 2017 Annual General Meeting ("AGM") shareholders approved, by special resolution requiring at least 75% support, the re-naming of the Company to reflect its potential growth, particularly of its hard coking (metallurgical) coal prospects and as a result, the Company changed its name to 'MC Mining Limited'. The change of name appropriately recognises the Company's geographic and operational focus, namely the development and mining of high quality metallurgical coal projects in Southern Africa.

The settlement of all material legacy issues resulted in MC Mining's Directors assessing the disproportionately large number of shares in issue due to historical equity-based capital raisings and shareholders approved a 20 for one consolidation of the Company's issued capital at the AGM, presenting an opportunity to better endorse the MC Mining to the wider investment community.

The change of name and share consolidation were completed in December 2017 and resulted in a change in the Company's ticker on the Australian Securities Exchange and AIM Market of the London Stock Exchange to 'MCM', while the Company's shares trade under the MCZ ticker on the Johannesburg Stock Exchange ("JSE"), all utilising International Securities Identification Number AU000000MCM9.

Financial review

The loss for the six months under review was $97.33 million or 78.39 cents per share compared to a loss of $12.97 million, or 0.68 cents per share for the prior corresponding period.

The loss for the period under review of $97.33 million (2016: $12.97 million) includes:

- revenue of $17.0 million (2016: NIL) and cost of sales of $14.36 million (2016: NIL), resulting in a gross profit of $2.7 million (2016: NIL)
- an impairment of the Vele assets of $87.5 million
- reversal of prior year impairments on the sale of Mooiplaats of $3.1 million
- in the comparative period, intangible assets were impaired by $10.6 million due to the Company deciding not to renew its agreement with Terminal de Carvao da Matola ("TCM"), the entity that granted the Company port capacity through the Matola terminal until 2028
- de-recognition of the deferred tax asset relating to Vele of $5.6 million and income tax expense of $1.3 million
- net foreign exchange losses of $1.3 million (2016: gain of $2.9 million) arising from the translation of inter-group loan balances, borrowings and cash due to changes in the ZAR:USD and AUD:USD exchange rates during the period;
- employee benefit expense of $3.9 million (2016 expense: $2.5 million)
- other expenses of $2.7 million (2016: $2.3 million)
- depreciation of $0.2 million (2016: $0.2 million) and amortisation of NIL (2016: $0.4 million).

As at 31 December 2017, the Company had cash and cash equivalents of $10.2 million compared to cash and cash equivalents of $9.6 million at 30 June 2017.

Authorised and issued share capital

MC Mining finalised a share consolidation of 20:1 on 6 December 2017 reducing the number of shares to 140,879,585 post consolidation. The holders of ordinary shares are entitled to one vote per share and are entitled to receive dividends when declared.

Dividends

No dividends were declared or paid during the six months.

Highlights and events after the reporting period

No events occurred after the reporting period.

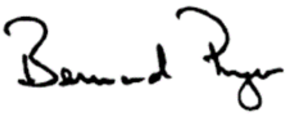
Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100, date 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 28 of the half-year report.

The half-year report set out on pages 8 to 26, which has been prepared on a going concern basis, was approved by the board on 15 March 2018 and was signed on its behalf by:



Bernard Robert Pryor
Chairman
15 March 2018

David Hugh Brown
Chief Executive Officer
15 March 2018

Dated at Johannesburg, South Africa, this 15th day of March 2018.

MC MINING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Six months ended 31 Dec 2017 $'000	Six months ended 31 Dec 2016 $'000
Continuing operations			
Revenue	4	17,036	-
Cost of sales	5	(14,358)	-
Gross profit		2,678	-
Other operating income		734	254
Other operating (losses)/gains	6	(992)	2,912
Impairment	13/7	(87,475)	(10,620)
Administrative expenses	8	(6,786)	(5,056)
Operating loss		(91,841)	(12,510)
Interest income		376	149
Finance costs		(1,664)	(595)
Loss before tax		(93,129)	(12,956)
Income tax (charge)/credit	9	(6,869)	148
Net loss for the period from continuing operations		(99,998)	(12,808)
Operations held for sale/discontinued operations			
Profit/(loss) for the period from operations classified as held for sale	10	2,660	(159)
LOSS AFTER TAX		(97,338)	(12,967)
Other comprehensive profit/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		13,358	8,422
Total comprehensive loss for the period		(83,980)	(4,545)
Loss for the period attributable to:			
Owners of the parent		(97,259)	(12,967)
Non-controlling interests		(79)	-
		(97,338)	(12,967)
Total comprehensive loss attributable to:			
Owners of the parent		(83,901)	(4,545)
Non-controlling interests		(79)	-
		(83,980)	(4,545)
Loss per share	12		
From continuing operations and operations held for sale			
Basic and diluted (cents per share)		(78.39)	(13.68)
From continuing operations			
Basic and diluted (cents per share)		(80.54)	(13.51)

The accompanying notes are an integral part of these condensed consolidated financial statements
The prior period comparatives have been reclassified (refer note 1)

MC MINING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	31 Dec 2017 $'000	30 June 2017 $'000
ASSETS			
Non-current assets			
Development, exploration and evaluation assets	13	154,236	232,822
Property, plant and equipment		31,634	30,531
Other receivables		249	237
Other financial assets		7,593	9,171
Loan receivable	10	5,811	-
Restricted cash	14	55	52
Deferred tax assets	15	-	5,713
Total non-current assets		199,578	278,526
Current assets			
Inventories		1,020	1,688
Trade and other receivables		8,301	6,107
Loan receivable	10	1,825	-
Tax receivable		277	326
Other financial assets		4	5
Cash and cash equivalents	14	10,173	9,624
		21,600	17,750
Assets classified as held for sale	10	107	9,791
Total current assets		21,707	27,541
Total assets		221,285	306,067
LIABILITIES			
Non-current liabilities			
Deferred consideration	16	2,129	1,916
Borrowings	17	10,029	8,197
Provisions		5,923	7,468
Deferred tax liability		6,414	6,087
Other liabilities		200	-
Total non-current liabilities		24,695	23,668
Current liabilities			
Trade and other payables		5,212	4,224
Provisions		574	597
Current tax liabilities		1,788	1,290
		7,574	6,111
Liabilities associated with assets held for sale	10	-	3,414
Total current liabilities		7,574	9,525
Total liabilities		32,269	33,193
NET ASSETS		189,016	272,874
EQUITY			
Issued capital	18	1,040,950	1,040,950
Accumulated deficit		(847,359)	(750,100)
Reserves		(5,055)	(18,535)
Equity attributable to owners of the parent		188,536	272,315
Non-controlling interests		480	559
TOTAL EQUITY		189,016	272,874

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

MC MINING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Issued capital	Accumulated deficit	Share based payment reserve	Capital profits reserve	Warrants reserve	Foreign currency translation reserve	Attributable to owners of the parent	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017	1,040,950	(750,100)	713	91	1,134	(20,473)	272,315	559	272,874
Total comprehensive profit/(loss) for the period	-	(97,259)	-	-	-	13,358	(83,901)	(79)	(83,980)
Loss for the period – continuing operations	-	(99,919)	-	-	-	-	(99,919)	(79)	(99,998)
Profit for the period – operations held for sale	-	2,660	-	-	-	-	2,660	-	2,660
Other comprehensive loss, net of tax	-	-	-	-	-	13,358	13,358	-	13,358
Share based payments	-	-	283	-	-	-	283	-	283
Share options forfeited	-	-	(161)	-	-	-	(161)	-	(161)
Share options expired	-	-	-	-	-	-	-	-	-
Balance at 31 December 2017	1,040,950	(847,359)	835	91	1,134	(7,115)	188,536	480	189,016
Balance at 1 July 2016	1,006,435	(736,403)	2,274	91	-	(36,530)	235,867	575	236,442
Total comprehensive loss for the period	-	(12,967)	-	-	-	8,422	(4,545)	-	(4,545)
Loss for the period – continuing operations	-	(12,808)	-	-	-	-	(12,808)	-	(12,808)
Loss for the period – operations held for sale	-	(159)	-	-	-	-	(159)	-	(159)
Other comprehensive loss, net of tax	-	-	-	-	-	8,422	8,422	-	8,422
Share based payments	-	-	174	-	-	-	174	-	174
Share options cancelled or forfeited	-	-	(117)	-	-	-	(117)	-	(117)
Share options expired	-	-	-	-	-	-	-	-	-
Balance at 31 December 2016	1,006,435	(749,370)	2,331	91	-	(28,108)	231,379	575	231,954

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

MC MINING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Six months ended 31 Dec 2017 $'000	Six months ended 31 Dec 2016 $'000
Cash Flows from Operating Activities			
Receipts from customers		19,384	73
Payments to employees and suppliers		(22,615)	(5,300)
Cash used in operations		(3,231)	(5,227)
Interest received		296	214
Interest paid		(102)	(14)
Tax paid		(802)	-
Net cash used in operating activities		(3,839)	(5,027)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(511)	(179)
Payments for exploration and evaluation assets		(226)	(314)
Net proceeds from sale of Mooiplaats Colliery		2,315	-
Decrease/(increase) in other financial assets		1,946	(703)
Payments for development assets		(2)	-
Net cash generated/(used in) investing activities		3,522	(1,196)
Cash Flows from Financing Activities			
Repayment of deferred consideration		-	(6,274)
Net cash used in financing activities		-	(6,274)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(317)	(12,497)
Cash and cash equivalents at the beginning of the half-year		9,646	19,742
Foreign exchange differences		844	39
Cash and cash equivalents at the end of the half-year	9	10,173	7,248

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

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

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

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2017 annual financial report for the financial year ended 30 June 2017, except for the impact of the Standard and Interpretations described below. These accounting policies are consistent with the Australian Accounting Standards and with International Financial Reporting Standards ("IFRS").

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

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Restatement

Change in classification of expenses

During the half year, the Group has changed the method of classification of expenses within the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Expenses previously classified using the nature of the expenses are now classified using the function of the expenses.

With the acquisition of the Uitkomst colliery effective 30 June 2017, this method will provide more relevant information to users of the financial statements and align the Group with common practice within the industry. Prior year comparatives at 31 December 2016 have been reclassified on this basis with additional information about the nature of expenses disclosed in note 8.

2. GOING CONCERN

The Consolidated Entity has incurred a net loss after tax for the half year ended 31 December 2017 of $97.3 million (31 December 2016: loss of $12.97 million). The current period loss included a non-cash impairment expense of $87.5 million relating to the Vele Colliery (2016: nil). During the six month period ended 31 December 2017 net cash outflows from operating activities were $3.8 million (31 December 2016 net outflow: $5.0 million). As at 31 December 2017 the Consolidated Entity had a net current asset position of $14.1 million (30 June 2017: net current asset position of $18 million).

The directors have prepared a cash flow forecast for the period ended 31 March 2019, taking into account available facilities and expected cash flows to be generated by Uitkomst, which indicates that the Consolidated Entity will have sufficient cash flow to fund their operations for at least the twelve month period from the date of signing this report.

3. SEGMENT INFORMATION

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

Information reported to the Group's Chief Executive Officer ("CEO") for the purposes of resource allocation and assessment of performance is more specifically focused on the stage within the mining pipeline that the operation finds itself in. During the period, the CEO determined that it was more appropriate to review the operating results of the identified segments and make decisions about resources to be allocated to the segment and assess its performance from an entity perspective rather than a consolidated perspective. Accordingly, the presentation of the information has changed from the prior period for total assets. The prior period total assets have been restated to reflect the change.

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

- Exploration
- Development
- Mining

The Exploration segment is involved in the search for resources suitable for commercial exploitation, and the determination of the technical feasibility and commercial viability of resources. As of 31 December 2017, projects within this reportable segment include three exploration stage coking and thermal coal complexes, namely the Chapudi Complex (which comprises the Chapudi project, the Chapudi West project and the Wildebeesthoek project), the Soutpansberg Complex (which comprises the Voorburg project, the Mount Stuart project and the Jutland project) and the Makhado Complex (comprising the Makhado project, the Makhado Extension project and the Generaal project).

The Development segment is engaged in establishing access to and commissioning facilities to extract, treat and transport production from the mineral reserve, and other preparations for commercial production. As at 31 December 2017, projects included within this reportable segment includes the Vele Colliery, in the early operational and development stage and, Klipspruit which is included in Uitkomst Colliery.

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

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

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

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

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

In order to reconcile the segment results with the consolidated statement of profit or loss and other comprehensive income the operations held for sale should be deducted from the segment total and the corporate results (as per the reconciliation later in the note should be included).

3. SEGMENT INFORMATION (continued)

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

For the six months ended 31 December 2017

	Exploration	Development	Mining	Total
Revenue	-	-	17,036	17,036
Cost of sales	-	-	(14,358)	(14,358)
Gross Profit			2,678	2,678
Other income	-	90	583	673
Administrative expenses	(433)	(450)	(275)	(1,158)
Impairment (refer note 13)	-	(87,475)	-	(87,475)
Profit and loss before interest	(433)	(87,835)	2,986	(85,282)
Interest income	10	-	66	76
Finance costs	(1,269)	(256)	(39)	(1,564)
(Loss)/profit before tax	(1,692)	(88,091)	3,013	(86,770)

For the six months ended 31 December 2016

	Exploration	Development	Mining	Total
Revenue	-	-	-	-
Cost of sales	-	-	-	-
Gross loss	-	-	-	-
Other operating gains/(losses)	1,076	-	-	1,076
Administrative expenses	(186)	(563)	-	(749)
Other income	-	33	-	33
Profit and loss before interest	890	(530)	-	360
Interest income	-	7	-	7
Finance costs	(534)	(59)	-	(593)
Profit/(loss) before tax	356	(582)	-	(226)

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

	31 Dec 2017 $'000	30 June 2017 $'000
Exploration	130,111	124,216
Development	30,609	120,406
Mining	33,048	31,016
Total segment assets	193,768	275,638

3. SEGMENT INFORMATION (continued)

Reconciliation of segment information to the consolidated financial statements:

	31 Dec 2017 $'000	31 Dec 2016 $'000
Total loss for reportable segments	(86,770)	(226)
Impairment of intangible asset	-	(10,620)
Other operating (losses)/gains	(992)	1,836
Administrative expenses	(5,627)	(4,307)
Other income	61	221
Interest income	300	143
Finance costs	(101)	(3)
Loss before tax	(93,129)	(12,956)

	31 Dec 2017 $'000	30 June 2017 $'000
Total segment assets	193,768	275,638
Unallocated property, plant and equipment	4,124	4,118
Other financial assets	5,562	7,311
Long term receivable	5,811	-
Unallocated cash and cash equivalents	9,422	
Unallocated current assets	2,598	9,310
Assets classified as held for sale	-	9,690
Total assets	221,285	306,067

The reconciling items relate to corporate assets.

4. REVENUE

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

5. COST OF SALES

Cost of sales consists of:

	31 Dec 2017 $'000	31 Dec 2016 $'000
Salaries and wages	(1,532)	-
Mining contractor	(5,757)	-
Depreciation and amortisation	(600)	-
Logistics	(1,340)	-
Other direct mining costs	(2,545)	-
Coal purchases	(1,738)	-
Inventory adjustment	(732)	-
Other	(114)	-
	(14,358)	-

6. OTHER OPERATING GAINS OR (LOSSES)

Other operating gains or losses include:

	31 Dec 2017 $'000	31 Dec 2016 $'000
Foreign exchange (loss)/profit		
Unrealised	(1,643)	3,009
Realised	314	(97)
Other	337	-
	(992)	2,912

7. INTANGIBLE ASSETS

In August 2008 the Company entered into a throughput agreement with TCM, a subsidiary of Grindrod, the operator of the Matola Terminal, and CMR Engineers & Project Managers Proprietary Limited.

This agreement granted the Company one million tonnes per annum ("mtpa") of port capacity through the Matola terminal commencing 1 January 2009, for an initial term of five years. This capacity was increased to approximately three mtpa in March 2011 and the Company had the right to renew the agreement (subject to certain conditions) at the end of the initial term, for further periods of three successive periods of five years each for a total of 15 years.

MC Mining decided not to renew the take or pay obligation beyond 31 December 2016 to avoid any further liabilities until production can be forecast with certainty, and as a result impaired the intangible asset.

New terms can be negotiated if required to facilitate any production by its Vele Colliery and Makhado Project.

8. ADMINISTRATIVE EXPENSES

	31 Dec 2017 $'000	31 Dec 2016 $'000
Employee costs	(3,852)	(2,541)
Depreciation and amortisation	(248)	(168)
Transaction costs	(601)	(403)
Other	(2,085)	(1,944)
	(6,786)	(5,056)

9. INCOME TAX (CHARGE)/CREDIT

The tax (charge)/ credit relates to the following

	31 Dec 2017 $'000	31 Dec 2016 $'000
Current income tax expense	(1,306)	-
Deferred tax current year	12	148
Deferred tax asset written-off (refer note 15)	(5,575)	-
	(6,869)	148

10. ASSETS CLASSIFIED AS HELD FOR SALE

	31 Dec 2017 $'000	30 June 2017 $'000
Carrying amounts of		
Uitkomst Colliery building held for sale	107	101
Assets classified as held for sale		
Uitkomst Colliery building held for sale	107	101

Uitkomst

Uitkomst has signed an offer to purchase for the sale of a building for $0.1 million (ZAR1.3 million).

Mooiplaats - discontinued operation

During the period, the Company as well as it's BEE partner Ferret, entered into a sale of shares and claims agreement ("the Agreement") with MCH and Mooiplaats Mining Limited ("Mooiplaats Mining"). In terms of the Agreement, MC Mining and Ferret disposed of 100% of their shares in Mooiplaats Mining and the Group disposed of its respective claims against Mooiplaats Mining and its wholly-owned subsidiary Langcarel Proprietary Limited ("the Transaction"), the owner of the Mooiplaats Colliery. The sale was finalized on 2 November 2017 for an aggregate purchase price of $12.9 million (ZAR179.9 million). The purchase price will be settled as follows:

- an initial tranche of $4.8 million (ZAR 67 million) on the effective date of sale ($3.7 million (ZAR52 million) to the Group and $1.1 million (ZAR15 million) to Ferret for full and final settlement of their equity),
- the balance of $8.1 million (ZAR112.9 million) to be settled in not more than 10 quarterly instalments, with the first Deferred Payment expected to be due in August 2018, to coincide with the timing of the incorporation of Portions 2, 3 and the remaining extent of the farm Klipbank 295 IT into the Mooiplaats Colliery NOMR.

The Deferred Payments of $8.1 million (ZAR 112.9 million) have been present valued to an amount of $6.6 million at 2 November 2017, to account for the time value of money.

Mooiplaats was classified as held for sale as at 30 June 2017 given the plans to dispose of the operations.

The profit/(loss) for the period until the sale of Mooiplaats is analysed as follows:

	Period ended 2 Nov 2017 $'000	Six month period ended 31 Dec 2016 $'000
Other gains	3,162	-
	-	-
Expenses	(502)	(159)
Profit/(loss) before tax	2,660	(159)
Profit/(loss) for the period from operations held for sale (attributable to owners of the parent)	2,660	(159)

Included in other gains is the reversal of prior year asset impairments of $3.1 million

10. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Cash flows from discontinued operations held for sale

	2 Nov 2017 $'000	Six months ended 31 Dec 2016 $'000
Net cash outflows from operating activities	(483)	(410)
Net cash inflows/(outflows) from investing activities	1,451	(274)
Net cash inflows from financing activities	513	638
Net cash inflows/(outflows)	1,481	(46)

The major classes of assets and liabilities of Mooiplaats at the effective date of sale were as follows:

	2 Nov 2017 $'000	30 June 2017 $'000
Assets classified as held for sale		
Property, plant and equipment	8,332	9,407
Other financial assets	-	239
Inventories	1	1
Trade and other receivables	234	21
Cash and cash equivalents	1,403	22
	9,970	9,690
Liabilities classified as held for sale		
Provisions	2,744	2,937
Trade payables and accrued expenses	30	477
	2,774	3,414
Net assets classified as held for sale	7,196	6,276
Impairment reversal	3,160	-
Net assets of Mooiplaats	10,356	6,276

Consideration received or receivable:

	2 Nov 2017 $'000	30 June 2017 $'000
Cash	3,718	-
Receivable	6,638	-
Total disposal consideration	10,356	-
Carrying value of net assets sold	(10,356)	-
Gain on sale	-	-

	31 Dec 2017 $'000	30 June 2017 $'000
Present value of loan receivable at 2 November 2017	6,638	-
Unwinding of interest	121	-
Foreign exchange difference	877	-
	7,636	-
Current portion of receivable at 31 December 2017	(1,825)	-
Long term portion of receivable at 31 December 2017	5,811	-

11. DIVIDENDS

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2017 (2016: Nil).

12. LOSS PER SHARE

12.1 Basic (loss)/profit per share

	31 Dec 2017	31 Dec 2016
	Cents per share	Cents per share
Basic (loss)/profit per share		
From continuing operations	(80.54)	(13.51)
From discontinued operations	2.15	(0.17)
	(78.39)	(13.68)
	$'000	$'000
Loss for the period attributable to owners of the parent	(97,259)	(12,967)
(Profit)/loss for the period from operations held for sale	(2,660)	159
Loss used in the calculation of basic loss per share from continuing operations	(99,919)	(12,808)

	31 Dec 2017	31 Dec 2016
	'000 shares	'000 shares
Weighted number of ordinary shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	124,068	94,821

The comparative loss per share has been adjusted to reflect the share consolidation completed during the current period (refer note 18).

12.2 Diluted loss per share

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

As at 31 December 2017, 1,250,000 options (2016 – 99,385,85 options) were excluded from the computation of the loss per share as their impact is anti-dilutive.

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

The calculation of headline loss per share at 31 December 2017 was based on the headline loss attributable to ordinary equity holders of the Company of $12.9 million (2016: $2.3 million) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2017 of 124,068,424 (2016: 94,820,621 shares post consolidation).

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

	31 Dec 2017 $'000	31 Dec 2016 $'000
Loss for the period attributable to ordinary shareholders	(97,259)	(12,967)
Adjust for:		
Impairment	87,475	10,620
Asset held for sale impairment reversal	(3,160)	-
Headline loss	(12,944)	(2,347)
Headline loss per share (cents per share)	(10.43)	(2.48)

13. DEVELOPMENT, EXPLORATION AND EVALUATION ASSETS

	31 Dec 2016 $'000	30 June 2017 $'000
Development, exploration and evaluation assets comprise:		
Exploration and evaluation assets	123,888	118,652
Development assets	30,348	114,170
Balance at end of period	154,236	232,822

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

Exploration and evaluation assets

	31 Dec 2017 $'000	30 June 2017 $'000
Balance at beginning of period	118,652	104,893
Additions	226	430
Adjustment to rehabilitation asset	-	(37)
Transfer from development assets	-	2,342
Acquisition of Uitkomst	-	249
Foreign exchange differences	5,010	10,775
Balance at end of period	123,888	118,652

Development assets

	31 Dec 2017 $'000	30 June 2017 $'000
Balance at beginning of period	114,170	103,030
Additions	2	6
Adjustment to rehabilitation asset	(2,037)	2,004
Transfer to exploration and evaluation assets	-	(2,342)
Impairment	(87,475)	-
Foreign exchange differences	5,688	11,472
Balance at end of period	30,348	114,170

As of 31 December 2017 the net book value of the following project assets post impairment were included in Development assets:

- Vele Colliery: $30.3 million

During the half year, the Group made the decision to prioritise the Makhado Project and consequently to delay the redevelopment of the Vele Colliery to better align with the timing of the Musina-Makhado SEZ in Limpopo. This has resulted in the forecast production date for the Vele Colliery being delayed with production now expected to commence in July 2021. In terms of AASB 136 – Impairment of Assets, management have identified this as an indicator that the Vele assets may be impaired and have performed a formal impairment assessment.

The recoverable value of the project has been calculated using the fair value less costs of disposal approach to estimate the recoverable amount of the project, before comparing this amount with the carrying value of the associated assets and liabilities in order to assess whether an impairment of the carrying value is required under AASB 136. Due to the recoverable value being less than the carrying value, an impairment charge of $87.5 million has been recognised during the half year ended 31 December 2017.

13. DEVELOPMENT, EXPLORATION AND EVALUATION ASSETS (continued)

In calculating fair value less costs of disposal, management have forecast the cash flows associated with the project over its expected life of 15 years until 2037 based on the current life of mine model. The cash flows are estimated for the assets of the colliery in its current condition together with capital expenditure required for the colliery to resume operations, discounted to its present value using a post-tax discount rate that reflects the current market assessments of the risks specific to the Vele Colliery. The identification of impairment indicators and the estimation of future cash flows require management to make significant estimates and judgments. Details of the key assumptions used in the fair value less costs of disposal calculation at 31 December 2017 are included below.

Key assumptions

	2018	2019	2020	2021	LT
Thermal coal price (USD, nominal)[1]	80	75	69	69	70[2]
Hard coking coal price (USD, nominal)[3]	153	135	129	125	129[4]
Exchange rate (USD / ZAR, nominal)	12.7	12.5	13.2	14.3	15.0[5]
Discount rate[6]					16.75%
Inflation rates USD					2.1%
ZAR					5.1%
Production start date[7]					FY 2022

(1) Management's assumptions reflect the Richards Bay export thermal coal (API4) price.

(2) Long-term thermal coal price equivalent to USD 65 per tonne in 2017 dollars.

(3) Management's assumption of the hard coking coal price was made after considering relevant broker forecasts.

(4) Long-term hard coking coal price equivalent to USD 120 per tonne in 2017 dollars.

(5) From 2022, the exchange rate is derived with reference to the 2021 assumption, and inflated by the compounding differential between USD and ZAR inflation rates. The comparative discount rate applied at 30 June 2017 is 16.1%.

(6) Management prepared a nominal ZAR-denominated, post-tax discount rate, which was calculated with reference to the Capital Asset Pricing Model (CAPM).

(7) The production start date assumes that sufficient project finance is able to be raised by management in order to commence production in July 2021. Management is in the early stages of considering the financing options available.

13. DEVELOPMENT, EXPLORATION AND EVALUATION ASSETS (continued)

Impairment Assessment

	USD million
Carrying Value of Vele Cash Generating Unit	117.8
Recoverable value	30.3
Impairment expense (allocated to development assets)	(87.5)

Sensitivity Analysis

Changes in key assumptions in the table below would have the following approximate impact on the recoverable amount of the Vele Colliery as calculated using the discounted cash flow method and excluding the value attributable to resources outside the LOM.

Sensitivity	Change in variable	Effect on fair value less costs of disposal
Long term coal prices	+10.0%	21
	-10.0%	(24)
Long term exchange rate	+10.0%	25
	-10.0%	(29)
Discount rate	+1.0%	(2)
	-1.0%	2
Operating costs	+10.0%	(14)
	-10.0%	14
Delays in production start date	+12 months	(4)

14. CASH AND CASH EQUIVALENTS

	31 Dec 2017 $'000	30 Jun 2017 $'000
Bank balances	10,173	9,624
Bank balances associated with discontinued operations (refer Note 5)	-	22
	10,173	9,646
Restricted cash	55	52
	55	52

15. DEFERRED TAX ASSETS

The deferred tax asset balance at 30 June 2017 of $5.7 million, relating to the Vele Colliery, has been derecognised with no additional deferred tax assets being recognized during the period, due to the increased risk of recoverability of the deferred tax asset through future taxable earnings. This arises from the later commencement date of the Vele mine due to management's view of development of the SEZ and the prioritization of the Makhado project. The charge to profit and loss was $5.6 million as a result of foreign exchange differences.

16. DEFERRED CONSIDERATION

The deferred consideration relates to an amount of $2 million (R25 million) included in the acquisition price of $22.2million (ZAR275 million), payable to Pan African Resources Plc ("Pan African") for the acquisition by the Company of Pan African Resources Coal Holdings Proprietary Limited, the owner of Uitkomst. The amount bears interest at the South African prime rate and will be settled on 30 June 2019. The Company is entitled to prepay any amounts in respect of the deferred consideration at any time until 30 June 2019. To the extent that certain coal buy-in opportunities are not secured by or with the assistance of Pan African, by 30 June 2019, which could result in MC Mining suffering a lower economic benefit, the deferred consideration can be reduced by such value, subject to a maximum of $1.2 million (ZAR15 million).

Interest of $0.1 million accrued on the deferred consideration during the period.

17. BORROWINGS

Industrial Development Corporation of South Africa Limited

The Company has a loan agreement (the "Loan Agreement") with the Industrial Development Corporation of South Africa Limited ("IDC") and Baobab Mining and Exploration Proprietary Limited ("Baobab"), a subsidiary of MC Mining and owner of the NOMR for the Makhado Project. In terms of the Loan Agreement, the IDC will advance loan funding up to $19.4 million (ZAR240 million) to Baobab to advance the operations and implementation of the Makhado Project. The loan funding is to be provided in two equal tranches of $9.7 million (ZAR120 million) upon written request from Baobab. The first tranche was drawn down in May 2017.

The loan is repayable on the third anniversary of each advance. On the third anniversary, the Company is required to repay the loan amount plus an amount equal to the after tax internal rate of return equal to 16% of the amount of each advance.

MC Mining is also required to issue warrants, in respect of MC Mining shares, to the IDC pursuant to each advance date as soon as the relevant shareholder approval is obtained. The warrants for the first draw down equated to 2.5% (equating to 48,175,033 shares pre the share consolidation (refer note 18) (the post consolidation warrants equate to 2,408,752 warrants)) of the entire issued share capital of MC Mining as at 5 December 2016. The price at which the IDC shall be entitled to purchase the MC Mining shares is equal to a thirty percent premium to the 30 day volume weighted average price of the MC Mining shares as traded on the JSE as at 5 December 2016 (ZAR0.60 per share). The IDC is entitled to exercise the warrants for a period of five years from the date of issue.

Furthermore, upon each advance date, Baobab shall be required to issue new ordinary shares in Baobab to the IDC equivalent to 5% of the entire issued share capital of Baobab at such time. As a result of the first draw down, 5% of Baobab's equity was issued to the IDC during the period under review.

If the second tranche of $9.7 million (ZAR120 million) is not required by Baobab and therefore not advanced to Baobab, the IDC may elect to exercise one of the following rights:

- Baobab shall issue new ordinary shares in Baobab equivalent to 5% of the entire issued share capital of Baobab to the IDC for an aggregate subscription price of $4.9 million (ZAR60 million); or
- MC Mining shall issue ordinary shares in the Company equivalent to 1% of its entire issued share capital to the IDC for an aggregate share price of $0.08 (ZAR1); or
- A penalty fee of $1 million (ZAR12 million) shall be paid to the IDC by Baobab

17. BORROWINGS (continued)

	31 Dec 2017 $'000	30 Jun 2017 $'000
Opening balance	8,197	-
Loan advanced	-	9,004
Debt issuance costs capitalised – cash based	-	(91)
Debt issuance costs – capitalised warrants	-	(1,096)
Interest accrued	1,268	212
Foreign exchange differences	564	168
	10,029	8,197

18. ISSUED CAPITAL

During the reporting period, there were no shares issued, however the Company implemented a share consolidation of 20 to 1, resulting in a post consolidation number of shares of 140,879,585.

	31 Dec 2017 $'000	30 June 2017 $'000
140,879,585 (2017: 2,817,587,529 pre-consolidation) fully paid ordinary shares	1,040,950	1,040,950
Movements in issued capital		
Opening balance	1,040,950	1,006,435
Shares issued, net of costs	-	34,515
	1,040,950	1,040,950

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

Options

The following unlisted options to subscribe for ordinary fully paid shares were included in the implementation of the share consolidation. As a result, the options outstanding at 31 December 2017 are as follows:

Pre-consolidation

Number Issued	Exercise Price	Expiry Date
20,000,000*	ZAR1.32	21 October 2018
5,000,000	GBP0.055	26 November 2018

Post-consolidation

Number Issued	Exercise Price	Expiry Date
1,000,000	ZAR26.40	21 October 2018
250,000	GBP1.10	26 November 2018

18. ISSUED CAPITAL (continued)

Performance Rights

The November 2015 and November 2016 performance rights were also subject to the share consolidation as follows:

Pre-consolidation

Number Issued	Issue Date	Expiry Date
20,544,116	27 November 2015	1 December 2018
21,657,462	30 November 2016	29 November 2019

Post-consolidation

Number Issued	Issue Date	Expiry Date
1,027,209	27 November 2015	1 December 2018
1,082,875	30 November 2016	29 November 2019

On 24 November 2017, 1,722,383 Performance Rights were issued to senior management. During the period, 13,433,659 pre-consolidation Performance Rights were forfeited from the 27 November 2015 and 30 November 2016 issues.

19. CONTINGENCIES AND COMMITTMENTS

The Group has contingent liabilities as listed below:

Makhado Water Commitment

MC Mining has agreed to acquire water allocation for the Makhado Project from water users situated near the proposed colliery and the Company has undertaken to increase supply assurance without impacting negatively on the water available for agriculture. The parties have in principle agreed to avoid endangering local agriculture by 'creating new water', primarily by reducing losses, improving distribution and countering leakages and evaporation. The creation of new water will be financed either through Mc Mining's funds, outside funding or a Public-Private-Partnership with one or more organs of State or other appropriate entities.

The overall objective is the co-existence of mining and agriculture and includes a feasibility study and the completion of projects identified in the study which will facilitate the creation of new water. In terms of the agreement, the Company will be required to pay a total of $7.9 million. The first payments of $1.8 million are due 90 and 180 days after the granting of the unencumbered IWUL, a further $0.6 million is payable eight months after the IWUL is granted and the balance within five years of the granting.

Commitments

In addition to the commitments of the parent entity, subsidiary companies have financial commitments in terms of the NOMR granted by the South African DMR. The commitments are based on the revenue generated by the colliery during the financial year, and/or quantities of coal sold by the colliery during the financial year.

There are no other significant contingent liabilities as at 31 December 2017.

20. EVENTS SUBSEQUENT TO REPORTING DATE

No events subsequent to reporting date.

21. KEY MANAGEMENT PERSONNEL

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

22. FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

		31 Dec 2017	30 Jun 2017				
1.	Other financial assets – Unlisted Investments	Assets - $5.8m	Assets - $7.5m	Level 2	Value certificate obtained from investment institution	N/A	N/A

The Directors declare that in the directors' opinion,

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

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

   b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.

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

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

On behalf of the Directors

Bernard Robert Pryor
Chairman
15 March 2018

David Hugh Brown
Chief Executive Officer
15 March 2018

Dated at Johannesburg, South Africa, this 15th day of March 2018.

Deloitte.

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The Board of Directors
MC Mining Limited
Suite 8, 7 The Esplanade
Mount Pleasant WA 6153

15 March 2018

Dear Directors,

Auditor's Independence Declaration to MC Mining Limited (formerly Coal of Africa Limited)

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of MC Mining Limited.

As lead audit partner for the review of the financial statements of MC Mining Limited for the half year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Review Report to the members of MC Mining Limited (formerly Coal of Africa Limited)

We have reviewed the accompanying half-year financial report of MC Mining Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MC Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of MC Mining Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

DNewman

David Newman
Partner
Chartered Accountants
Perth, 15 March 2018