MCMining LIMITED

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FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2018

CORPORATE DIRECTORY

REGISTERED OFFICE

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SOUTH AFRICAN OFFICE

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BOARD OF DIRECTORS

Non-executive

Bernard Pryor (Chairman)
An Chee Sin
Andrew Mifflin
Brian He Zhen
Khomotso Mosehla
Peter Cordin
Shangren Ding
Thabo Mosololi

Executive

David Brown
Brenda Berlin

COMPANY SECRETARY

Tony Bevan

	AUSTRALIA	UNITED KINGDOM	SOUTH AFRICA
AUDITORS	**PricewaterhouseCoopers** Level 15 125 St Georges Terrace Perth WA 6000 Australia	**N/A**	**PricewaterhouseCoopers Inc.** 4 Lisbon Lane Waterfall City Jukskei View 2090 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	**N/A**	**Mirabaud Securities Limited** 5th Floor 10 Bressenden Place London SW1E 5DH United Kingdom **Peel Hunt LLP** Moor House 120 London Wall London EC2Y 5ET United Kingdom	**N/A**
LAWYERS	**Squire Patton Boggs (AU)** Level 21 300 Murray Street Perth WA 6000 Australia	**Squire Patton Boggs (UK) LLP** 2 Park Lane Leeds LS3 1 ES United Kingdom	**WHITE & CASE SA** 4th Floor, Tower 2 102 Rivonia Road Sandton Johannesburg 2196 South Africa
NOMAD/ CORPORATE SPONSOR	**N/A**	**Peel Hunt LLP** Moor House 120 London Wall London EC2Y 5ET United Kingdom	**Investec Bank Limited** 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 2018. 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)
An Chee Sin*
Andrew Mifflin*
Brian He Zhen*
Khomotso Mosehla
Peter Cordin*
Shangren Ding*
Thabo Mosololi*
David Brown**
Brenda Berlin**

* - Non-executive director
** - Executive director

All 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, an operating metallurgical coal mine ("Uitkomst");
- Makhado Project, a hard coking and thermal coal exploration and evaluation project ("Makhado Project" or "Makhado");
- Vele Colliery, on care and maintenance, a semi-soft 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 Projects").

The Company's focus on safety continued with 1 lost time incident ("LTI") recorded during the six months under review (FY2018 H1: nil).

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

Uitkomst comprises the existing underground coal mine with 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 and a 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.

One LTI was recorded during the period.

During the period, Uitkomst transitioned to an owner-operated colliery with the acquisition of the mining assets, assumption of certain liabilities and the operations of the underground mining contractor, Khethekile Mining (Pty) Ltd. Approximately 340 employees were transferred to the colliery.

Production tonnages for the period were 250,181 tonnes, consisting of 237,715 tonnes of Uitkomst tonnes and 12,466 tonnes of purchased run of mine ("ROM") to blend. Sales tonnages were 163,487 tonnes, consisting of 148,179 tonnes of Uitkomst ROM, 9,273 tonnes of slurry and 6,035 tonnes of purchased ROM coal. Revenue for the period was $15,201 thousand with a gross profit of $2,889 thousand.

During the period the colliery commenced plant modifications to facilitate the production of an additional high ash, coarse discard product.

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.

During the period an agreement was reached for the acquisition of the Lukin and Salaita properties, the remaining two key surface rights for the project. Subsequent to the reporting period, the acquisition of Lukin and Salaita was completed.

A large diameter borehole drilling programme on the Makhado Project to confirm the plant front-end engineering and design criteria was completed.

Approval during the period was also received for the amendment to the Environmental Authorisation for the project, allowing for the transport of coal by road rather than rail, which was subsequently appealed thereby automatically suspending the amendment.

Heads of Agreements were signed with China Railway International Group Co., Ltd ("CRIG"), for the facilitation of a funding package of up to 85% of the engineering, procurement and construction ("EPC") contract value for the Makhado Project and negotiation of the EPC contract and mining contract.

A coal purchase agreement with Huadong Coal Trading Center Co., Ltd, a Chinese state-owned enterprise, for the off-take of up to 450,000 tonnes per annum of hard coking coal to be produced by the Makhado Project, from the farms Lukin and Salaita, has been signed.

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

The Vele Colliery recorded no LTIs during the period.

The colliery remained on care and maintenance during the period.

Greater Soutpansberg Projects (Effectively 74% owned)

The GSP Projects recorded no LTIs during the period.

The South African Department of Mineral Resources ("DMR") granted a mining right for the Chapudi coking and thermal coal project during the period.

Corporate

During the period, the regulatory matters relating to the disposal of Mooiplaats thermal coal colliery were completed.

A $1,042 thousand (ZAR15,000 thousand) ABSA Bank Limited ("ABSA") revolving asset finance facility for the acquisition of additional mining equipment at the Uitkomst Colliery was finalised.

The $8,336 thousand (ZAR120,000 thousand) facility from the Industrial Development Corporation of South Africa Limited ("IDC") to MC Mining's subsidiary, Baobab Mining and Exploration (Pty) Ltd was extended for a further 6 months.

A $1,389 thousand (ZAR20,000 thousand) ABSA primary lending facility was secured by Uitkomst Colliery.

Financial review

The loss for the six months under review was $3,612 thousand or 2.49 cents per share compared to a loss of $97,338 thousand, or 69.04 cents per share for the prior corresponding period.

The loss for the period under review of $3,612 thousand (FY2018 H1: $97,338 thousand) includes:

- revenue of $15,201 thousand (FY2018 H1: $17,036 thousand) and cost of sales of $12,312 thousand (FY2018 H1: $14,358 thousand), resulting in a gross profit of $2,889 thousand (FY2018 H1: $2,678 thousand);
- an impairment of $132 thousand for vehicles at Uitkomst Colliery (FY2018 H1: $87,475 thousand impairment of the Vele Colliery assets);
- no profit or loss from operations classified as held for sale (FY2018 H1: a $3,162 thousand reversal of prior year impairments on the sale of Mooiplaats);
- income tax expense of $628 thousand (FY2018 H1: de-recognition of the deferred tax asset relating to Vele Colliery of $5,575 thousand and income tax expense of $1,294 thousand);
- net foreign exchange gain of $81 thousand (FY2018 H1: loss of $1,329 thousand) 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 $2,568 thousand (FY2018 H1: $3,852 thousand) in administrative expenses;
- other expenses of $2,131 thousand (FY2018 H1: $2,686 thousand);
- depreciation of $127 thousand (FY2018 H1: $248 thousand) in administrative expenses.

As at 31 December 2018, the Company had cash and cash equivalents of $5,493 thousand compared to cash and cash equivalents of $10,931 thousand at 30 June 2018. Amongst other things, cash was depleted by $3,230 thousand for the upfront payment of the Lukin and Salaita farms.

Authorised and issued share capital

MC Mining had 140,879,585 fully paid ordinary shares in issue as at 31 December 2018. 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 by or paid by MC Mining Limited during the six months.

Highlights and events after the reporting period

Lukin and Salaita

Subsequent to the reporting date, the Company's subsidiary, Baobab Mining and Exploration (Pty) Ltd, completed the acquisition of the properties Lukin and Salaita, the key surface rights required for its Makhado hard coking and thermal coal project.

Tshipise Energy Investment Proprietary Limited

In February 2019, the Company sold its 50% shareholding in Tshipise Energy Investment Proprietary Limited and existing claims for $0.07 (ZAR1.00).

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Legislative Instrument 2016/191, and in accordance with that Instrument 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 30 of the half-year report.

The half-year report set out on pages 8 to 28, which has been prepared on a going concern basis, was approved by the board on 14 March 2019 and was signed on its behalf by:

Bernard Robert Pryor
Chairman
14 March 2019

David Hugh Brown
Chief Executive Officer
14 March 2019

Dated at Johannesburg, South Africa, this 14th day of March 2019.

MC MINING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Six months ended 31 Dec 2018 $'000	Six months ended 31 Dec 2017 $'000
Continuing operations			
Revenue	4	15,201	17,036
Cost of sales	5	(12,312)	(14,358)
Gross profit		2,889	2,678
Other operating income	6	1,331	734
Other operating gains/(losses)	7	15	(992)
Impairment	13	(132)	(87,475)
Administrative expenses	8	(4,844)	(6,786)
Operating loss		(741)	(91,841)
Interest income		508	376
Finance costs		(2,751)	(1,664)
Loss before tax		(2,984)	(93,129)
Income tax charge	9	(628)	(6,869)
Net loss for the period from continuing operations		(3,612)	(99,998)
Operations held for sale/discontinued operations			
Profit for the period from operations classified as held for sale	10	-	2,660
LOSS AFTER TAX		(3,612)	(97,338)
Other comprehensive profit/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(7,965)	13,358
Total comprehensive loss for the period		(11,577)	(83,980)
Loss for the period attributable to:			
Owners of the parent		(3,512)	(97,259)
Non-controlling interests		(100)	(79)
		(3,612)	(97,338)
Total comprehensive loss attributable to:			
Owners of the parent		(11,477)	(83,901)
Non-controlling interests		(100)	(79)
		(11,577)	(83,980)
Loss per share	12		
From continuing operations and operations held for sale			
Basic and diluted (cents per share)		(2.49)	(69.04)*
From continuing operations			
Basic and diluted (cents per share)		(2.49)	(70.93)*

*restated (refer note 12)

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

MC MINING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 Dec 2018 $'000	30 June 2018 $'000
ASSETS			
Non-current assets			
Exploration and evaluation assets	13	111,494	116,889
Development assets	13	27,441	28,033
Property, plant and equipment		33,655	29,452
Other receivables		215	226
Other financial assets		6,738	4,324
Loan receivable	10	2,521	3,946
Restricted cash	14	64	84
Total non-current assets		182,128	182,954
Current assets			
Inventories		1,414	730
Trade and other receivables		4,144	5,496
Loan receivable	10	3,137	3,290
Tax receivable		252	36
Other financial assets		4	4
Cash and cash equivalents	14	5,493	10,931
Total current assets		14,444	20,487
Total assets		196,572	203,441
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	16	862	-
Deferred consideration	17	271	-
Borrowings	18	12,140	10,191
Provisions		6,202	5,458
Deferred tax liability		6,224	5,991
Other liabilities		-	181
Total non-current liabilities		25,699	21,821
Current liabilities			
Finance lease liabilities	16	369	-
Deferred consideration	17	2,314	2,017
Borrowings	18	907	-
Trade and other payables		6,886	6,845
Provisions		367	569
Other liabilities		173	1,024
Current tax liabilities		411	431
Total current liabilities		11,427	10,886
Total liabilities		37,126	32,707
NET ASSETS		159,446	170,734
EQUITY			
Issued capital	19	1,040,950	1,040,950
Accumulated deficit		(854,452)	(851,535)
Reserves		(27,346)	(19,075)
Equity attributable to owners of the parent		159,152	170,340
Non-controlling interests		294	394
TOTAL EQUITY		159,446	170,734

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 2018

	Issued capital $'000	Accumulated deficit $'000	Share based payment reserve $'000	Capital profits reserve $'000	Warrants reserve $'000	Foreign currency translation reserve $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2018	**1,040,950**	**(851,535)**	**2,052**	**91**	**1,134**	**(22,352)**	**170,340**	**394**	**170,734**
Total comprehensive profit/(loss) for the period		**(3,512)**				**(7,965)**	**(11,477)**	**(100)**	**(11,577)**
Loss for the period – continuing operations	**-**	**(3,512)**	**-**	**-**	**-**	**-**	**(3,512)**	**(100)**	**(3,612)**
Profit for the period – operations held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other comprehensive loss, net of tax	**-**	**-**	**-**	**-**	**-**	**(7,965)**	**(7,965)**	**-**	**(7,965)**
Dividends paid by subsidiary	**-**	**(11)**	**-**	**-**	**-**	**-**	**(11)**	**-**	**(11)**
Share based payments	**-**	**-**	**300**	**-**	**-**	**-**	**300**	**-**	**300**
Share options expired	**-**	**606**	**(606)**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2018	**1,040,950**	**(854,452)**	**1,746**	**91**	**1,134**	**(30,317)**	**159,152**	**294**	**159,446**
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**

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 2018

		Six months ended 31 Dec 2018 $'000	Six months ended 31 Dec 2017 $'000
Cash Flows from Operating Activities			
Receipts from customers		20,529	19,384
Payments to employees and suppliers		(24,129)	(22,615)
Cash used in operations		(3,600)	(3,231)
Interest received		285	296
Interest paid		(20)	(102)
Tax paid		(331)	(802)
Dividend paid		(49)	-
Net cash used in operating activities		(3,715)	(3,839)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(505)	(511)
Payments for exploration and evaluation assets	13	(70)	(226)
Sale of Opgoedenhoop mining right		1,174	-
Net proceeds from sale of Mooiplaats Colliery		1,594	2,315
Khethekile acquisition – consideration paid	20	(521)	-
Khethekile acquisition - deferred consideration payment	17	(99)	-
(Increase)/decrease in other financial assets		(2,690)	1,946
Payments for development assets	13	(2)	(2)
Net cash (used in)/generated in investing activities		(1,119)	3,522
Cash Flows from Financing Activities			
Finance lease repayments		(60)	-
Borrowings repayments	18	(154)	-
Net cash used in financing activities		(214)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(5,048)	(317)
Cash and cash equivalents at the beginning of the half-year		10,931	9,646
Foreign exchange differences		(390)	844
Cash and cash equivalents at the end of the half-year	14	5,493	10,173

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 and the half-year financial 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 2018 annual financial report for the financial year ended 30 June 2018, except for the impact of the Standards 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. AASB9 *Financial instruments* and AASB15 *Revenue from contracts with customers* were adopted in the current period. Refer to notes 4 and 24.

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated half-year report.

2. GOING CONCERN

The Consolidated Entity has incurred a net loss after tax for the half year ended 31 December 2018 of $3,612 thousand (31 December 2017: loss of $97,338 thousand). The prior period loss included a non-cash impairment expense of $87,475 thousand relating to the Vele Colliery. During the six-month period ended 31 December 2018 net cash outflows from operating activities were $3,715 thousand (31 December 2017 net outflow: $3,839 thousand). As at 31 December 2018 the Consolidated Entity had a net current asset position of $3,017 thousand (30 June 2018: net current asset position of $9,601 thousand).

The directors have prepared a cash flow forecast for the period ending 31 March 2020, 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.

3. SEGMENT INFORMATION (continued)

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 2018, projects within this reportable segment include four exploration stage coking and thermal coal complexes, namely the Chapudi Complex (which comprises the Chapudi project, the Chapudi West project and the Wildebeesthoek project), Generaal (which comprises the Generaal Project and the Mount Stuart Project), Mopane (which comprises the Voorburg Project and the Jutland Project) and Makhado (comprising the Makhado project, the Makhado Extension 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 2018, projects included within this reportable segment includes the Vele Colliery, in the early operational and development stage but currently on care and maintenance 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.

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 2018

	$'000	$'000	$'000	$'000
	Exploration	**Development**	**Mining**	**Total**
Revenue	-	-	15,201	15,201
Cost of sales	-	-	(12,312)	(12,312)
Gross Profit	-	-	2,889	2,889
Other operating income	33	-	19	52
Other operating losses	(27)	-	-	(27)
Administrative expenses	(791)	(483)	(387)	(1,661)
Profit and loss before interest	**(785)**	**(483)**	**2,521**	**1,253**
Interest income	9	-	-	9
Finance costs	(2,416)	(164)	(71)	(2,651)
(Loss)/profit before tax	**(3,192)**	**(647)**	**2,450**	**(1,389)**

3. SEGMENT INFORMATION (continued)

For the six months ended 31 December 2017

	$'000	$'000	$'000	$,000
	Exploration	**Development**	**Mining**	**Total**
Revenue	-	-	17,036	17,036
Cost of sales	-	-	(14,358)	(14,358)
Gross Profit	-	-	2,678	2,678
Other operating 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)**

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

	31 Dec 2018	**30 June 2018**
	$'000	**$'000**
Exploration	119,921	122,175
Development	27,685	28,180
Mining	34,168	30,821
Total segment assets	181,774	181,176

Reconciliation of segment information to the consolidated financial statements:

	31 Dec 2018 $'000	**31 Dec 2017 $'000**
Total loss for reportable segments	(1,389)	(86,770)
Other operating gains/(losses)	42	(992)
Administrative expenses	(3,316)	(5,627)
Other operating income	1,280	61
Interest income	500	300
Finance costs	(101)	(101)
Loss before tax	(2,984)	(93,129)

	31 Dec 2018 $'000	**30 June 2018 $'000**
Total segment assets	181,774	181,176
Unallocated property, plant and equipment	2,517	2,688
Other financial assets	3,663	3,574
Other receivables	2,521	7,645
Unallocated current assets	6,097	8,358
Total assets	196,572	203,441

The reconciling items relate to corporate assets.

4. REVENUE

Revenue consists of the sale of coal by the Uitkomst Colliery. All coal sales during the period were made to customers in South Africa, mainly in the steel industry. Prior year sales included $3,564 thousand to foreign customers.

Adoption of AASB 15 Revenue from Contracts with Customers

(This standard replaces *AASB 118, Revenue*).

In accordance with the transition provisions in AASB 15, the new rules were applied to open, unfulfilled customer contracts on 1 July 2018 and, as the effect of the adoption was immaterial, no adjustment to opening retained earnings has been effected. The Group's accounting policy has been revised to align with AASB 15, but had no material impact on revenue recognition. Additional disclosures have been introduced, particularly on geography and nature of customers.

The group derives revenue from contracts with customers for the supply of goods (namely coal). The Group recognises revenue on inventory sold to a customer on delivery to the contractually agreed upon delivery point. This is the point at which the performance obligation is satisfied and the receivable is recognised as the consideration is unconditional and only the passage of time is required before payment is due. No element of financing is present due to the short term nature of Group contracts and credit terms are consistent with market practice. The total sales consideration is in the sales contract. Variable consideration is included in the calculation of revenue where it is highly probable that a significant revenue reversal will not occur.

5. COST OF SALES

Cost of sales consists of:

	31 Dec 2018 $'000	31 Dec 2017 $'000
Salaries and wages	(4,007)	(1,532)
Mining contractor	(1,311)	(5,757)
Underground mining	(2,120)	-
Depreciation and amortisation	(919)	(600)
Logistics	(453)	(1,340)
Other direct mining costs	(3,533)	(2,545)
Coal purchases	(358)	(1,738)
Inventory adjustment	496	(732)
Other	(107)	(114)
	(12,312)	(14,358)

6. OTHER OPERATING INCOME

Other operating income includes:

	31 Dec 2018 $'000	31 Dec 2017 $'000
Profit on sale of Opgoedenhoop mining right	1,174	-
Rental income	92	107
Transport income	-	323
Diesel recoupment	-	119
Other	65	185
	1,331	734

7. OTHER OPERATING GAINS OR (LOSSES)

Other operating gains or losses include:

	31 Dec 2018 $'000	31 Dec 2017 $'000
Foreign exchange (loss)/profit		
Unrealised	5	(1,643)
Realised	76	314
Other	(66)	337
	15	(992)

8. ADMINISTRATIVE EXPENSES

	31 Dec 2018 $'000	31 Dec 2017 $'000
Employee costs	(2,586)	(3,852)
Depreciation and amortisation	(127)	(248)
Transaction costs	-	(601)
Other	(2,131)	(2,085)
	(4,844)	(6,786)

9. INCOME TAX CHARGE

The tax charge relates to the following

	31 Dec 2018 $'000	31 Dec 2017 $'000
Current income tax expense	(109)	(1,306)
Deferred tax current year	(519)	12
Deferred tax asset written-off (refer note 15)	-	(5,575)
	(628)	(6,869)

10. OPERATIONS CLASSIFIED AS HELD FOR SALE

Mooiplaats - discontinued operation

During the prior period, the Company as well as it's BEE partner Ferret, entered into a sale of shares and claims agreement ("the Agreement") with Mooiplaats Coal Holdings Proprietary Limited 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 finalised on 2 November 2017 for an aggregate purchase price of $12,864 thousand (ZAR179,900 thousand). The purchase price was agreed to be settled as follows:

- an initial tranche of $4,791 thousand (ZAR 67,000 thousand) on the effective date of sale ($3,718 thousand (ZAR52,000 thousand) to the Group and $1,073 (ZAR15,000 thousand) to Ferret for full and final settlement of their equity),
- the balance of $8,073 thousand (ZAR112,900 thousand) 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 New Order Mining Right ("NOMR").

The Deferred Payments of $8,073 thousand (ZAR 112,900 thousand) have been present valued to an amount of $6,639 thousand at 2 November 2017, to account for the time value of money.

10. OPERATIONS CLASSIFIED AS HELD FOR SALE (continued)

The profit for the period from 1 July 2017 until the sale of Mooiplaats is analysed as follows:

	Period ended 2 Nov 2017 $'000
Other gains	3,162
Expenses	(502)
Profit before tax	2,660
Profit for the period from operations held for sale (attributable to owners of the parent)	2,660

Cash flows from discontinued operations held for sale

	2 Nov 2017 $'000
Net cash outflows from operating activities	(483)
Net cash inflows from investing activities	1,451
Net cash inflows from financing activities	513
Net cash inflows	1,481

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

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

Consideration received or receivable:

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

11. DIVIDENDS

No dividend has been paid by MC Mining Limited or is proposed in respect of the half-year ended 31 December 2018 (FY 2018 H1: Nil).

12. LOSS PER SHARE

12.1 Basic loss per share

	31 Dec 2018	31 Dec 2017
	Cents per share	**Cents per share** (restated*)
Basic loss per share		
From continuing operations	(2.49)	(70.93)
From discontinued operations	-	1.89
	(2.49)	(69.04)
	$'000	**$'000**
Loss for the period attributable to owners of the parent	(3,512)	(97,259)
(Profit) for the period from operations held for sale	-	(2,660)
Loss used in the calculation of basic loss per share from continuing operations	(3,512)	(99,919)

	31 Dec 2018	31 Dec 2017
	'000 shares	**'000 shares**
Weighted number of ordinary shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	140,880	140,880*

* - The prior period loss per share from continuing operations and continuing operations and operations held for sale was previously disclosed as 80.54 cents and 78.39 cents, respectively. These amount have been recalculated for an error in the weighted average number of shares. The number of shares was previously disclosed as 124,068,424.

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 dilutive ordinary share that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

As the Company is in a loss position, no diluted loss per share has been calculated due to the impact of dilutive potential ordinary shares being anti-dilutive.

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

The calculation of headline loss per share at 31 December 2018 was based on the headline loss attributable to ordinary equity holders of the Company of $4,591 thousand (FY 2018 H1: $12,944 thousand) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2018 of 140,879,585 (FY 2018 H1: 140,879,585 restated, refer to 12.1).

12. LOSS PER SHARE (continued)

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

	31 Dec 2018 $'000	31 Dec 2017 $'000
Loss for the period attributable to ordinary shareholders	(3,512)	(97,259)
Adjust for:		
Impairment	95	87,475
Asset held for sale impairment reversal	-	(3,160)
Profit on sale of Opgoedenhoop mining right	(1,174)	-
Headline loss	(4,591)	(12,944)
Headline loss per share (cents per share)	**(3.26)**	**(9.19)***

* restated due to an error in the weighted average number of shares used in the prior year calculation (previously stated as a headline loss per share of (10.43) cents)(refer 12.1)

13. DEVELOPMENT, EXPLORATION AND EVALUATION ASSETS

	31 Dec 2018 $'000	30 June 2018 $'000
Development, exploration and evaluation assets comprise:		
Exploration and evaluation assets	111,494	116,889
Development assets	27,441	28,033
Balance at end of period	138,935	144,922

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

Exploration and evaluation assets

	31 Dec 2018 $'000	30 June 2018 $'000
Balance at beginning of period	116,889	118,652
Additions	70	3,801
Adjustment to rehabilitation asset	16	(79)
Foreign exchange differences	(5,481)	(5,485)
Balance at end of period	111,494	116,889

Development assets

	31 Dec 2018 $'000	30 June 2018 $'000
Balance at beginning of period	28,033	114,170
Additions	2	4
Adjustment to rehabilitation asset	710	(2,323)
Impairment	-	(87,475)
Foreign exchange differences	(1,304)	3,657
Balance at end of period	27,441	28,033

13. DEVELOPMENT, EXPLORATION AND EVALUATION ASSETS (continued)

As of 31 December 2018 the net book value of the following project assets were included in Development assets:

- Vele Colliery: $27,441 thousand

Management have identified no indicators that the Vele Colliery assets may be impaired. Accordingly, as no indicators were noted, management have not performed an impairment assessment at 31 December 2018.

During the prior 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 Special Economic Zone ("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 had identified this as an indicator that the Vele Colliery assets may be impaired and performed a formal impairment assessment.

The recoverable value of the project was 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 was required under AASB 136. Due to the recoverable value being less than the carrying value, an impairment charge of $87,475 thousand was recognised during the half year ended 31 December 2017.

In calculating fair value less costs of disposal, management had 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 were 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 reflected the current market assessments of the risks specific to the Vele Colliery. The identification of impairment indicators and the estimation of future cash flows required 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 thousand
Carrying Value of Vele Colliery Cash Generating Unit	117,805
Recoverable value	30,330
Impairment expense (allocated to development assets)	(87,475)

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)

The impairment charge of $132 thousand in the Condensed Consolidated Statement of Profit and Loss and other Comprehensive income, in the current period, relates to vehicles that were impaired at Uitkomst Colliery.

14. CASH AND CASH EQUIVALENTS

	31 Dec 2018 $'000	30 Jun 2018 $'000
Bank balances	5,493	10,931
	5,493	10,931
Restricted cash	64	84
	64	84

15. DEFERRED TAX ASSETS

The deferred tax asset balance at 30 June 2017 of $5,713 thousand, relating to the Vele Colliery, was derecognised in the prior period with no additional deferred tax assets being recognized 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.

16. LEASES

During the period, as part of the acquisition of Khethekile (refer note 20), Uitkomst Colliery assumed certain vehicle finance leases.

In addition, Uitkomst Colliery also entered in to an asset financing arrangement with ABSA Bank Limited for the acquisition of new underground mining equipment. The rolling five-year facility is subject to a floating coupon at the South African prime rate (currently 10.25% per annum) plus 0.5% and is secured by the mining equipment purchased.

	31 Dec 2018 $'000	30 Jun 2018 $'000
Not later than one year	501	-
Later than one year and not later than five years	1,106	-
Later than five years	-	-
	1,607	-
Less future finance charges	(376)	-
Present value of minimum lease payments	1,231	-

17. DEFERRED CONSIDERATION

	31 Dec 2018 $'000	30 Jun 2018 $'000
Opening balance	2,017	1,916
Deferred consideration on Khethekile acquisition	717	-
Interest accrued	101	374
Repayments of deferred consideration on Khethekile acquisition	(99)	-
Foreign exchange differences	(151)	(273)
	2,585	2,017

Pan African Resources Plc

Deferred consideration relates to an amount of $1,737 thousand (ZAR25,000 thousand) included in the acquisition price of $19,104 thousand (ZAR275,000 thousand), 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 $1,042 thousand (ZAR15,000 thousand).

Interest of $101 thousand accrued on the deferred consideration during the period.

Khethekile acquisition deferred consideration

During the period, as part of the acquisition of Khethekile (refer note 20), the transaction included a deferred consideration of $717 thousand (ZAR9,500 thousand) of the acquisition price. This amount is payable in monthly instalments of $24 thousand (ZAR350 thousand) over 27 months. There is no interest payable on the outstanding balance.

18. BORROWINGS

	31 Dec 2018 $'000	30 Jun 2018 $'000
Opening balance	10,191	8,197
Loan advanced		
- PARMS loan acquired	1,510	-
- Enprotec	594	-
Interest accrued	1,509	2,439
Repayments		
- Enprotec	(154)	-
Foreign exchange differences	(603)	(445)
	13,047	10,191

	31 Dec 2018 $'000	30 Jun 2018 $'000
Non-current	12,140	10,191
Current	907	-
	13,047	10,191

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 $16,673 thousand (ZAR240,000 thousand) to Baobab to advance the operations and implementation of the Makhado Project. The loan funding is to be provided in two equal tranches of $8,336 thousand (ZAR120,000 thousand) 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 2,408,752 shares) 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 (ZAR12.00 after the premium and the 20:1 share consolidation in December 2017)). 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 $8,336 thousand (ZAR120,000 thousand) 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 $4,168 thousand (ZAR60,000 thousand); 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 $0.07 (ZAR1); or
- A penalty fee of $834 thousand (ZAR12,000 thousand) shall be paid to the IDC by Baobab

18. BORROWINGS (continued)

Pan African Resources Management Services (Pty) Ltd

As part of the acquisition of the underground mining equipment and liabilities of Khethekile (refer note 20), the Group assumed a loan of $1,510 thousand (ZAR20,370 thousand) from Pan African Resources Management Services (Pty) Ltd ("PARMS"). The loan bears interest at the South African Prime rate and is compounded monthly. It is repayable in 48 monthly instalments of approximately $38 thousand (ZAR543 thousand) per month, commencing in January 2019.

Environmental and Process Technologies (Pty) Ltd ("Enprotec")

During the period, Uitkomst Colliery entered into an agreement with Enprotec for the supply and installation of an upgrade to modify its plant for the purchase price of $594 thousand (ZAR8,717 thousand). This was to facilitate the production of an additional high ash, coarse discard product. The purchase price is payable over 12 instalments of $50 thousand (ZAR726 thousand), commencing in September 2018.

19. ISSUED CAPITAL

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

	31 Dec 2018 $'000	30 June 2018 $'000
140,879,585 (FY 2018 H1: 140,879,585) fully paid ordinary shares	1,040,950	1,040,950

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

Options

There were no options outstanding at 31 December 2018.

On 21 October 2018 1,000,000 options granted to Investec expired.

On 27 November 2018 250,000 options granted to non-executive directors expired.

Performance Rights

On 23 November 2018, 3,465,558 performance rights were issued to senior management. On 1 December 2018 1,027,209 performance rights expired.

20. BUSINESS COMBINATIONS

The underground operations at Uitkomst Colliery were historically undertaken by an independent mining contractor, Khethekile Mining (Pty) Ltd ("Khethekile"). During the period, Uitkomst acquired all of Khethekile's mining equipment, loans, trade payables, accrued expenses and took transfer of the Khethekile employees working at Uitkomst Colliery.

The acquisition of the Khethekile business was agreed to be settled as follows:

- A cash consideration of $1,238 thousand (ZAR16,400 thousand) of which $521 thousand (ZAR6,900 thousand) was payable on closing and the balance, $717 thousand (ZAR9,500 million) payable in 27 monthly instalments

20. BUSINESS COMBINATIONS (continued)

Fair value of assets and liabilities acquired:

	1 August 2018 $'000
Non-current assets	
Plant and equipment	5,055
Non-current liabilities	
Loans	1,223
Finance lease liabilities	11
Current liabilities	
Trade and other liabilities	1,479
Loans	1,023
Finance lease liabilities	81
	1,238

At the time the financial statements were authorised for issue, the fair value of the assets and liabilities disclosed above have been determined provisionally.

Purchase consideration

	1 August 2018 $'000
Cash consideration paid	521
Cash consideration deferred	717
	1,238

Goodwill

No goodwill arose on the acquisition of the assets as the fair value of the assets were equivalent to the acquisition value of the assets.

21. CONTINGENCIES AND COMMITTMENTS

Contingent liabilities

The Group has no significant contingent liabilities at reporting date.

Commitments

In addition to the commitments of the parent entity, subsidiary companies have typical financial commitments associated with their NOMRs granted by the South African Department of Mineral Resources.

22. EVENTS SUBSEQUENT TO REPORTING DATE

Lukin and Salaita

Subsequent to the reporting date, the Company's subsidiary, Baobab Mining and Exploration (Pty) Ltd, completed the acquisition of the properties Lukin and Salaita, the key surface rights required for its Makhado hard coking and thermal coal project.

Tshipise Energy Investment Proprietary Limited

In February 2019, the Company sold its 50% shareholding in Tshipise Energy Investment Proprietary Limited and existing claims for $0.07 (ZAR1.00).

23. KEY MANAGEMENT PERSONNEL

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

24. FINANCIAL INSTRUMENTS

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. AASB 9 brings together all aspects of accounting for financial instruments that relate to the recognition, classification and measurement, derecognition, impairment and hedge accounting. The adoption of AASB 9 from 1 July 2018 did result in changes to accounting policies and, as the impact was immaterial, no adjustments were made to the amounts recognised in the financial statements. The new accounting policies are set out below. Comparative information has not been restated.

The following financial instruments were impacted by the implementation of AASB 9:

Trade and other receivables, cash and cash equivalents, loans and other receivables

Reclassification to amortised cost:

Held-to-maturity financial assets and loans and receivables (including cash and cash equivalents) carried at amortised cost were reclassified to financial assets at amortised cost. This reclassification had no impact on the measurement of these financial assets. The Group intends to hold the assets to maturity, to collect contractual cash flows that consists solely of payments of principal and interest on the outstanding amount.

Equity investments:

The Group continues to classify equity investments as fair value through profit and loss, whereby fair value gains and losses are recognised in profit or loss.

Other receivables:

The group continues to classify other receivables at amortised cost, with no change to the measurement basis.

Impairment of financial assets

AASB 9 replaces the "incurred loss" model in AASB 139 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, but not to investments in equity investments that are carried at fair value through profit and loss. Under AASB 9, credit losses (impairments) are recognised earlier than under AASB 139. Under AASB 9, expected credit loss allowances are measured on either of the following basis:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

24. FINANCIAL INSTRUMENTS (continued)

The group has three types of financial assets that are subject to AASB 9's new ECL model, namely:

- Trade receivables for sale of coal;
- Other receivables; and
- Financial assets carried at amortised cost.

The expected credit loss model was applied to the outstanding trade receivable balances at 1 July 2018 which resulted in a negligible amount of impairment. The company has a strong historic track record of recovering all trade receivables.

The group's cash and cash equivalents are also subject to the impairment requirements of AASB 9. The Group's cash is held at investment grade financial institutions, which are considered to have a low credit risk and the expected credit losses was immaterial.

The group's other receivables and other financial assets at amortised cost are considered to have low credit risk, and the expected credit loss allowance recognised during the period was therefore limited to 12 months expected losses. These instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The outcome of the 12 month expected credit loss model assessments on the above financial assets was immaterial at 1 July 2018, therefore no adjustment was made to opening retained earnings. At 31 December 2018 the expected credit losses were reassessed and no material provisions were required.

Financial liabilities

All non-derivative financial liabilities will continue to be measured at amortised cost.

Accounting policies

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contract. Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities other than financial assets and financial liabilities at fair value through profit or loss are added to, or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Classification

The group classifies its financial assets in the following categories on the basis of both the group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets:

- financial assets at amortised cost; and
- financial assets at fair value through profit or loss

Purchases and sales of investments are recognised on the trade date, being the date on which the Group commits to purchase or sell the asset. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the Group transfers the contractual rights to receive the cash flows of the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Financial asset measured at amortised cost

Assets that are held for collecting contractual cash flows where those cash flows are comprised solely of payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income on the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented separately in the statement of profit or loss. These assets are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

24. FINANCIAL INSTRUMENTS (continued)

Financial assets measured at fair value through profit and loss

Financial assets that are not measured at amortised cost are classified as measured at fair value through profit and loss.

Impairment of financial assets

The expected credit losses associated with its debt instruments carried at amortised cost are assessed by the group on a forward looking basis. The impairment methodology applied is determined by whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery, among others, include the failure of a debtor to engage in repayment agreement with the group.

The 12 month ECL model is applied to other receivables and financial assets at amortised cost. The expected credit loss allowance recognised during the period is therefore limited to 12 months expected losses. These instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

When financial assets at amortised cost (other than trade receivables) have an increase in credit risk, the lifetime ECL model, which is the result of all possible default events over the expected life of the financial instrument, is used to impair the asset.

The calculation of the loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group applies judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group’s historical information, existing market conditions and forward looking estimates at the end of each reporting period.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss.

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 2018 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	**David Hugh Brown**
Chairman	Chief Executive Officer
14 March 2019	14 March 2019

Dated at Johannesburg, South Africa, this 14th day of March 2019.

Auditor's Independence Declaration

As lead auditor for the review of MC Mining Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of MC Mining Limited and the entities it controlled during the period.

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
14 March 2019

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Independent auditor's review report to the members of MC Mining Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MC Mining Limited (the Company), which comprises the Condensed consolidated statement of financial position as at 31 December 2018, the Condensed consolidated statement of changes in equity, Condensed consolidated statement of cash flows and Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration for the MC Mining Limited Group. The Group comprises the Company and the entities it controlled during that 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 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 Australian 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 Group's financial position as at 31 December 2018 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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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:

1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
14 March 2019