MCMining LIMITED

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FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2019

CORPORATE DIRECTORY

REGISTERED OFFICE	Suite 8, 7 The Esplanade Mt Pleasant, Perth, WA 6153 Telephone: +61 8 9316 9100 Facsimile: +61 8 9316 5475 Email: perth@mcmining.co.za
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) An Chee Sin Andrew Mifflin Brian He Zhen Khomotso Mosehla Peter Cordin (retired 22 November 2019) Sebastiano Randazzo Shangren Ding Thabo Mosololi (resigned 31 December 2019) **Executive** David Brown (resigned 31 January 2020) 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

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

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The Directors of MC Mining Limited ("MC Mining" or "the Company") submit herewith the financial report of MC Mining and its subsidiaries ("the Group") for the half-year ended 31 December 2019. 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
Sebastiano Randazzo
Shangren Ding
Thabo Mosololi
David Brown*
Brenda Berlin*

* - Executive director

Peter Cordin retired on 22 November 2019, Thabo Mosololi resigned on 31 December 2019 and David Brown resigned on 31 January 2020 . 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, 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 seven lost time incidents ("LTI's") recorded during the six months under review (FY2019 H1: 1).

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 15 years remaining LOM. The LOM extension requires the development of a north adit (horizontal shaft) and the colliery has applied for an amendment to its authorisations prior to commencing this extension. This development is subject to receipt of the regulatory approvals, available funds and prevailing market conditions.

Uitkomst sells sized coal (peas) products and a 0 to 40mm product into the metallurgical domestic market for use as pulverised coal while the peas are supplied to local energy generation facilities. In the prior period an additional saleable product from Uitkomst's discard was identified resulting in an additional circa 14,500 tonnes of high-ash, coarse discard ("middlings") saleable coal per annum, thereby increasing the overall yield from Uitkomst's ROM coal.

Seven LTI's were recorded during the period.

Production tonnages for the period were 262,696 tonnes. Sales tonnages were 161,821 tonnes, consisting of 147,234 tonnes of Uitkomst ROM, and 14,587 tonnes of middlings. Revenue for the period was $11,359 thousand with a gross profit of $282 thousand.

Makhado Coking Coal Project (95% owned)

The MC Mining Board approved the revised evaluation plan for the Makhado project in phases accelerating the time to market compared to previous plans that envisaged initial development occurring on the eastern side of the project, achieving MC Mining's stated strategy of self-sufficiency while ensuring continued scalability. Phase 1 includes the construction of the west pit and modifications to the existing Vele processing plant while Phase 2 incorporates development of the Makhado processing plant and related infrastructure as well as mining of the east and central pits.

The construction of the Phase 1 pit, plant and infrastructure will take nine months, with the first coal sales in month ten. The west pit will generate approximately 3,000 thousand tonnes per annum of ROM coal that will be crushed, screened and scalped at Makhado and the residual circa 2,000 thousand tonnes of scalped ROM coal will be trucked to the Vele Colliery for final processing. Phase 1 will produce approximately 540 thousand tonnes per annum of hard coking coal and 570 thousand tonnes per annum of a thermal coal by-product that will be trucked to Musina siding for sale to the domestic and export customers, utililising previously tested road and rail logistics infrastructure.

In the prior period, the Company signed an off-take agreement with ArcellorMittal South Africa ("AMSA") for the purchase of between 350 thousand and 450 thousand tonnes of Phase 1 hard coking coal annually. An off-take agreement for the Phase 1 thermal coal by-product was also secured, with prices linked to the US dollar export prices.

The conclusion of the two off-take agreements allowed the Company to progress the Phase 1 composite debt/equity funding initiatives and resulted in the Industrial Development Corporation ("IDC") credit committee approval of a (ZAR245,000 thousand) term loan facility in July 2019 to fund the construction of the Project. The equity portion of the funding package is expected to be completed in H1 CY2020.

The Phase 2 east and central pits will be developed in *circa* CY2022 and the entire Makhado Project has a minimum LOM of 46 years. Phase 2 will produce approximately 4,000 thousand tonnes per annum of ROM coal that will yield some 1,700 thousand tonnes per annum of saleable hard coking coal and thermal coal.

In the prior period, a coal purchase agreement with Huadong Coal Trading Center Co., Ltd, a Chinese state-owned enterprise, for the off-take of up to 450,thousand tonnes per annum of hard coking coal to be produced by Phase 2, was signed.

The project has all the regulatory permits required to commence mining.

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.

The Colliery's processing plant will be modified as part of the Phase 1 of the Makhado Project and Vele's regulatory authorisations accommodates the requirements of the modifications.

The recommencement of mining at the Vele Colliery is aligned with the timing of the government gazetted Musina-Makhado Socio Economic Zone. Compliance with regulatory and licensing requirements at the Colliery is monitored through internal inspections, external audits conducted by the Department of Water and Sanitation ("DWS"), as well as audits conducted by the Environmental Compliance Officer. Vele also participates in the Project Steering Committee in line with the historic October 2014 Biodiversity Off-take Agreement between the Company, the Department of Environmental Affairs (DEA) and the South African National Parks (SANParks).

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 prior period.

In the current period, the DMR granted a mining right for the Generaal Project.

The Mopane Project Mining Right application is at an advanced stage and the Company anticipates that this will be granted in the near future, resulting in the commencement of the various studies required for the outstanding water and environmental regulatory approvals.

Corporate

Approval by the IDC Credit Committee of a term loan facility of $17,439 thousand (ZAR245,000 thousand), the initial step in the composite debt and equity funding package for the construction of Phase 1 of Makhado.

The second tranche ($8,542 thousand (ZAR120,000 thousand)) of the existing IDC facility to MC Mining's subsidiary, Baobab Mining and Exploration (Pty) Ltd was extended for a further 6 months.

Financial review

The loss for the six months under review was $7,059 thousand or 4.95 cents per share compared to a loss of $3,612 thousand, or 2.49 cents per share for the prior corresponding period.

The loss for the period under review of $7,059 thousand (FY2019 H1: $3,612 thousand) includes:

- revenue of $11,359 thousand (FY2019 H1: $15,201 thousand) and cost of sales of $11,077 thousand (FY2019 H1: $12,312 thousand), resulting in a gross profit of $282 thousand (FY2019 H1: $2,889 thousand);
- a net impairment of $1,237 thousand consisting of the impairment of the Freewheel Trade and Invest 37 (Pty) Ltd ("Freewheel") amount recognised on acquisition ($1,804 thousand) of Freewheel which was liquidated and impairment reversals for the Harissia properties sold during the current period ($529 thousand) and certain components of the Vele plant that was also sold during the period ($38 thousand) that were previously impaired;
- income tax credit of $256 thousand (FY2019 H1: expense of $628 thousand);
- net foreign exchange loss of $180 thousand (FY2019 H1: gain of $81 thousand) arising from the translation of borrowings and cash due to changes in the ZAR:USD and ZAR:AUD exchange rates during the period as well as the realisation of the foreign currency translation reserve relating to the Freewheel liquidation. The prior period also includes exchange differences on inter-group loan balances denominated in ZAR and converted to AUD for MC Mining whose functional currency was AUD and changed to ZAR as of 1 July 2019 ;
- employee benefit expense of $2,998 thousand (FY2019 H1: $2,568 thousand) in administrative expenses;
- other expenses of $2,179 thousand (FY2019 H1: $2,131 thousand);
- depreciation of $238 thousand (FY2019 H1: $127 thousand) in administrative expenses.

As at 31 December 2019, the Company had cash and cash equivalents of $3,820 thousand compared to cash and cash equivalents of $8,811 thousand at 30 June 2019.

Authorised and issued share capital

MC Mining had 140,879,585 fully paid ordinary shares in issue as at 31 December 2019. 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.

Basis of preparation

The attached interim financial statements for the half-year ended 31 December 2019 contains an independent auditor's review report which includes an emphasis of matter paragraph with regards to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

For further information, refer to note 2 of the interim financial statements together with the auditor's review report.

Events after the reporting period

Sale of Bakstaan properties
Subsequent to the period end, the Company finalised the sale of land and buildings held by its subsidiary Bakstaan. These land and buildings are classified as assets held for sale at 31 December 2019. The assets were sold for $214 thousand (ZAR3,000 thousand) inclusive of Value Added Tax at 15%.

David Brown resignation
David Brown resigned as Chief Executive Officer and Executive director on 31 January 2020. In lieu of his six-month notice period, 208,537 shares have been issued to him, being one-third of the 2017 performance rights granted to him. These shares issued cannot be disposed of for a period of one year until 31 January 2021. The balance of his performance rights (2,211,214) have been forfeited.

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 28 of the half-year report.

The half-year report set out on pages 8 to 27, which has been prepared on a going concern basis, was approved by the board on 13 March 2020 and was signed on its behalf by:

Bernard Robert Pryor
Chairman
13 March 2020

Brenda Berlin
Acting Chief Executive Officer
13 March 2020

Dated at Johannesburg, South Africa, this 13th day of March 2020.

MC MINING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	Six months ended 31 Dec 2019 $'000	Six months ended 31 Dec 2018 $'000
Continuing operations			
Revenue	4	11,359	15,201
Cost of sales	5	(11,077)	(12,312)
Gross profit		282	2,889
Other operating income	6	145	1,331
Other operating gains	7	319	15
Impairment	8	(1,237)	(132)
Administrative expenses	9	(5,415)	(4,844)
Operating loss		(5,906)	(741)
Interest income		159	508
Finance costs		(1,568)	(2,751)
Loss before tax		(7,315)	(2,984)
Income tax credit/(charge)	10	256	(628)
LOSS AFTER TAX		(7,059)	(3,612)
Other comprehensive profit/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		57	(7,965)
Total comprehensive loss for the period		(7,002)	(11,577)
Loss for the period attributable to:			
Owners of the parent		(6,980)	(3,512)
Non-controlling interests		(79)	(100)
		(7,059)	(3,612)
Total comprehensive loss attributable to:			
Owners of the parent		(6,923)	(11,477)
Non-controlling interests		(79)	(100)
		(7,002)	(11,577)
Loss per share	12		
Basic and diluted (cents per share)		(4.95)	(2.49)

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 2019

	Note	31 Dec 2019 $'000	30 June 2019 $'000
ASSETS			
Non-current assets			
Exploration and evaluation assets	13	94,513	94,871
Development assets	13	25,877	26,919
Property, plant and equipment		31,803	32,713
Right-of-use assets	14	1,154	-
Other receivables		-	219
Other financial assets		4,525	5,006
Restricted cash	15	68	68
Total non-current assets		157,940	159,796
Current assets			
Inventories		926	1,042
Trade and other receivables		3,372	2,996
Tax receivable		200	201
Other financial assets		-	23
Cash and cash equivalents	15	5,153	8,811
Total current assets		9,651	13,073
Assets classified as held for sale		209	939
Total assets		167,800	173,808
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	1,647	689
Deferred consideration	17	2,664	2,665
Borrowings	18	808	898
Provisions		5,967	6,564
Deferred tax liability		5,495	5,750
Total non-current liabilities		16,581	16,566
Current liabilities			
Lease liabilities	16	287	312
Deferred consideration	17	288	1,406
Borrowings	18	14,866	13,401
Trade and other payables		8,413	8,850
Provisions		454	536
Other liabilities		-	176
Overdraft	15	1,333	-
Current tax liabilities		421	420
Total current liabilities		26,062	25,101
Total liabilities		42,643	41,667
NET ASSETS		125,157	132,141
EQUITY			
Issued capital	19	1,040,950	1,040,950
Accumulated deficit		(890,324)	(884,297)
Reserves		(24,904)	(24,601)
Equity attributable to owners of the parent		125,722	132,052
Non-controlling interests		(565)	89
TOTAL EQUITY		125,157	132,141

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 2019

	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 2019	1,040,950	(884,297)	2,234	91	1,134	(28,060)	132,052	89	132,141
Total comprehensive profit/(loss) for the period	-	(6,980)	-	-	-	256	(6,724)	(654)	(7,378)
Loss for the period – continuing operations	-	(6,980)	-	-	-	-	(6,980)	(79)	(7,059)
Freewheel NCI de-recognised	-	-	-	-	-	-	-	(575)	(575)
Other comprehensive loss, net of tax	-	-	-	-	-	57	57	-	57
	-	-	-	-	-	199	199	-	199
Share based payments	-	-	466	-	-	-	466	-	466
Performance rights forfeited	-	754	(754)	-	-	-	-	-	-
Performance rights expired	-	-	(72)	-	-	-	(72)	-	(72)
Balance at 31 December 2019	1,040,950	(890,523)	1,874	91	1,134	(27,804)	125,722	(565)	125,157
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)
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

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 2019

	Note	Six months ended 31 Dec 2019 $'000	Six months ended 31 Dec 2018 $'000
Cash Flows from Operating Activities			
Receipts from customers		12,188	20,529
Payments to employees and suppliers		(15,510)	(24,129)
Cash used in operations		(3,322)	(3,600)
Interest received		159	285
Interest paid		(18)	(20)
Tax paid		-	(331)
Dividend paid		-	(49)
Net cash used in operating activities		(3,181)	(3,715)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(368)	(505)
Payments for exploration and evaluation assets	13	(1,293)	(70)
Proceeds on disposal of property, plant and equipment		1,641	-
Bio-diversity off-set agreement payment		(89)	-
Sale of Opgoedenhoop mining right		-	1,174
Net proceeds from sale of Mooiplaats Colliery		-	1,594
Khethekile acquisition – consideration paid	20	-	(521)
Khethekile acquisition - deferred consideration payment	17	(119)	(99)
PAN deferred consideration payment	17	(1,063)	-
Decrease/(increase) in other financial assets		542	(2,690)
Payments for development assets	13	(4)	(2)
Net cash used in investing activities		(753)	(1,119)
Cash Flows from Financing Activities			
Lease repayments		(561)	(60)
Borrowings repayments	18	(297)	(154)
Net cash used in financing activities		(858)	(214)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,792)	(5,048)
Cash and cash equivalents at the beginning of the half-year		8,811	10,931
Foreign exchange differences		(199)	(390)
Cash and cash equivalents at the end of the half-year	15	3,820	5,493

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 2019 annual financial report for the financial year ended 30 June 2019, 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. The group has adopted AASB 16 *Leases* retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 12%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.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.

(i) Practical expedients applied
In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- The low value lease exemption - the group has elected to take the low value exemption with a value of $5 thousand for the individual leased asset value

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Adjustments recognised in the Statement of Financial Position on 1 July 2019
The change in accounting policy affected the following items in the Statement of Financial Position on 1 July 2019:

- property, plant and equipment – decrease by $75 thousand
- right-of-use assets – increase by $1,453 thousand
- lease liabilities – increase by $1,378 thousand.

2. GOING CONCERN

The Consolidated Entity has incurred a net loss after tax for the half year ended 31 December 2019 of $7,059 thousand (31 December 2018: loss of $3,612 thousand). During the six-month period ended 31 December 2019 net cash outflows from operating activities were $3,181 thousand (31 December 2018 net outflow: $3,715 thousand). As at 31 December 2019 the Consolidated Entity had a net current liability position of $16,202 thousand (30 June 2019: net current liability position of $11,089 thousand).

The current liability position as at 31 December 2019 is primarily a result of borrowings of $14,397 thousand payable to the Industrial Development Corporation of South Africa ("IDC") during May 2020.

The directors have prepared a cash flow forecast for the twelve-month period ended 31 March 2021, taking into account available facilities, additional funding that is expected to be raised and expected cash flows to be generated by Uitkomst, which indicates that the Consolidated Entity will have sufficient cash to fund their operations for at least the twelve-month period from the date of signing this report.

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

- A settlement in full of the currently utilised IDC facility which is due in May 2020 (refer note 18). The settlement could potentially be in equity;
- A drawdown of the new IDC term facility of $17,439 thousand (ZAR245,000 thousand)), subject to the finalisation of securing not less than $17,083 thousand (ZAR240,000 thousand) additional funding and settlement of the current IDC facility;
- In addition to the $17,083 thousand (ZAR240,000 thousand) referred to above, further funding of approximately $3,559 thousand (ZAR50,000 thousand) is required, giving a total additional funding required of $20,000 thousand (ZAR290,000 thousand).

The Company is exploring and progressing a number of alternatives to raise the additional funding of $20,000 thousand including, but not limited to:

- The issue of new equity for cash in the Company to certain current as well a potential new shareholders;
- The issue of new equity for cash in the corporate entities holding the Makhado project;
- Debt funding;
- Contractor funding such as build, own, operate, transfer ("BOOT") arrangements.

The conclusion of the debt and equity raise is by its nature an involved process and is subject to successful negotiations with the external funders and shareholders. An equity raise may be subject to a due diligence process.

Subject to raising the additional funding, the development of Phase 1 of the Makhado project will subsequently commence within the twelve months following the signing of these interim financial statements. If the currently utilised IDC facility is not settled in equity, the Consolidated Entity would explore alternative measures to satisfy its obligations under the arrangements. In addition, the Consolidated Entity's ability to continue as a going concern for the twelve months following the signing of these interim financial statements is dependent on the raising of the above-mentioned additional funding of $20,000 thousand. The Consolidated Entity's ability to continue as a going concern beyond the twelve months following the signing of these interim financial statements is dependent on the successful development of Phase 1 of the Makhado project and its subsequent ramp-up to planned levels of production.

2. GOING CONCERN (CONTINUED)

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

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

The Group has a history of successful capital raisings to meet the Consolidated Entity’s funding requirements. The directors believe that at the date of signing the interim financial statements there are reasonable grounds to believe that they will be successful in achieving the matters set out above and that the Consolidated Entity will have sufficient funds to meet their obligations as and when they fall due, and are of the opinion that the use of the going concern basis remains appropriate.

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.

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 2019, 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, and 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 2019, 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 the 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.

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 2019

	$'000	$'000	$'000	$'000
	Exploration	**Development**	**Mining**	**Total**
Revenue	-	-	11,359	11,359
Cost of sales	-	-	(11,077)	(11,077)
Gross Profit	-	-	282	282
Other operating income	71	20	21	112
Other operating gains/(losses)	375	(124)	-	251
Administrative expenses	(619)	(434)	(233)	(1,286)
(Impairment)/impairment reversal	(1,804)	38	-	(1,766)
Profit and loss before interest	**(1,977)**	**(500)**	**70**	**(2,407)**
Interest income	8	-	6	14
Finance costs	(1,176)	(190)	(202)	(1,568)
Loss before tax	**(3,145)**	**(690)**	**(126)**	**(3,961)**

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)**

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

	31 Dec 2019	**30 June 2019**
	$'000	**$'000**
Exploration	100,390	99,931
Development	27,256	27,029
Mining	33,722	31,601
Total segment assets	161,368	158,561

3. SEGMENT INFORMATION (continued)

Reconciliation of segment information to the consolidated financial statements:

	31 Dec 2019 $'000	31 Dec 2018 $'000
Total loss for reportable segments	(3,961)	(1,389)
Other operating gains/(losses)	68	42
Administrative expenses	(4,128)	(3,316)
Other operating income	32	1,280
Impairment reversal	529	-
Interest income	145	500
Finance costs	-	(101)
Loss before tax	(7,315)	(2,984)

	31 Dec 2019 $'000	30 June 2019 $'000
Total segment assets	161,368	158,561
Unallocated property, plant and equipment	297	2,178
Other financial assets	3,897	4,403
Unallocated current assets	2,238	8,666
Total assets	167,800	173,808

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.

5. COST OF SALES

Cost of sales consists of:

	31 Dec 2019 $'000	31 Dec 2018 $'000
Salaries and wages	(4,238)	(4,007)
Mining contractor	-	(1,311)
Underground mining	(1,493)	(2,120)
Depreciation and amortisation	(1,266)	(919)
Logistics	(345)	(453)
Other direct mining costs	(3,461)	(3,533)
Coal purchases	-	(358)
Inventory adjustment	(187)	496
Other	(87)	(107)
	(11,077)	(12,312)

6. OTHER OPERATING INCOME

Other operating income includes:

	31 Dec 2019 $'000	31 Dec 2018 $'000
Profit on sale of Opgoedenhoop mining right	-	1,174
Rental income	35	92
Other	110	65
	145	1,331

7. OTHER OPERATING GAINS OR (LOSSES)

Other operating gains or losses include:

	31 Dec 2019 $'000	31 Dec 2018 $'000
Foreign exchange (loss)/profit		
Unrealised	8	5
Realised	11	76
Foreign currency translation reserve realised on liquidation of Freewheel	(199)	-
Loss on sale of assets	(124)	-
De-recognition of Freewheel non-controlling interest	575	-
Other	48	(66)
	319	15

8. IMPAIRMENT

The impairment charge of $1,237 consists of the following:

	31 Dec 2019 $'000	31 Dec 2018 $'000
Impairment of Freewheel at acquisition asset recognised[1]	(1,804)	-
Harrisia Investment Holdings (Pty) Ltd properties sold[2]	529	-
Vele plant sale[2]	38	-
Vehicle impairment	-	(132)
	(1,237)	(132)

[1] - Impairment arose on liquidation of Freewheel Trade and Invest 37 (Pty) Ltd.

[2] – Impairment reversals for assets previously impaired.

9. ADMINISTRATIVE EXPENSES

	31 Dec 2019 $'000	31 Dec 2018 $'000
Employee costs	(2,998)	(2,586)
Depreciation and amortisation	(238)	(127)
Other	(2,179)	(2,131)
	(5,415)	(4,844)

10. INCOME TAX CHARGE

The tax charge relates to the following

	31 Dec 2019 $'000	31 Dec 2018 $'000
Current income tax expense	-	(109)
Deferred tax current year	256	(519)
	256	(628)

11. DIVIDENDS

No dividend has been paid by MC Mining Limited or is proposed in respect of the half-year ended 31 December 2019 (FY 2019 H1: Nil).

12. LOSS PER SHARE

12.1 Basic loss per share

	31 Dec 2019	31 Dec 2018
	Cents per share	**Cents per share**
Basic loss per share		
From continuing operations	(4.95)	(2.49)
	$'000	**$'000**
Loss for the period attributable to owners of the parent	(6,980)	(3,512)
	31 Dec 2019	**31 Dec 2018**
	'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

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, the diluted potential ordinary shares 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 2019 was based on the headline loss attributable to ordinary equity holders of the Company of $5,994 thousand (FY 2019 H1: $4,591 thousand) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2019 of 140,879,585 (FY 2019 H1: 140,879,585).

12. LOSS PER SHARE (continued)

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

	31 Dec 2019 $'000	31 Dec 2018 $'000
Loss for the period attributable to ordinary shareholders	(6,980)	(3,512)
Adjust for:		
Impairment	1,804	95
Asset held for sale impairment reversal	(567)	-
Profit on sale of assets	125	(1,174)
De-recognition of Freewheel non-controlling interest	(575)	-
Foreign currency translation reserve realised on liquidation of Freewheel	199	-
Headline loss	(5,994)	(4,591)
Headline loss per share (cents per share)	**(4.25)**	**(3.26)**

13. DEVELOPMENT, EXPLORATION AND EVALUATION ASSETS

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

Exploration and evaluation assets

	31 Dec 2019 $'000	30 June 2019 $'000
Balance at beginning of period	94,871	116,889
Additions	1,293	5,819
Movement in rehabilitation asset	(40)	19
Disposals	-	(570)
Impairment	(1,804)	(23,309)
Foreign exchange differences	193	(3,977)
Balance at end of period	94,513	94,871

Development assets

	31 Dec 2019 $'000	30 June 2019 $'000
Balance at beginning of period	26,919	28,033
Additions	4	5
Disposals	(502)	(1,880)
Movement in rehabilitation asset	(562)	802
Reversal of impairment(1)	-	1,277
Transfer to assets classified as held for sale	-	(607)
Foreign exchange differences	18	(711)
Balance at end of period	25,877	26,919

The reversal of impairment in the in the prior period relates to the sale of land that had previously been impaired.

13. DEVELOPMENT, EXPLORATION AND EVALUATION ASSETS (continued)

As of 31 December 2019 the net book value of the following project assets were included in Exploration and evaluation assets:

- Vele Colliery: $927 thousand
- Baobab: $34,637 thousand
- GSP: $58,619 thousand
- Uitkomst: $330 thousand

As of 31 December 2019 the net book value of the following project assets were included in Development assets:

- Vele Colliery: $25,877 thousand

Management have identified no indicators that the assets may be impaired. Accordingly, as no indicators were noted, management have not performed an impairment assessment at 31 December 2019.

14. RIGHT-OF-USE ASSETS

The Group leases various assets including land, buildings, plant and machinery and vehicles. The movement in the right-of-use assets is as follows:

	31 Dec 2019 $'000	30 Jun 2019 $'000
Balance at beginning of the period	-	-
Impact of adopting AASB16 – 1 July 2019	1,378	-
Transfer from Property plant and equipment	75	-
Additions	66	-
Depreciation	(358)	-
Foreign exchange differences	(7)	-
Balance at end of period	1,154	-

15. CASH AND CASH EQUIVALENTS

	31 Dec 2019 $'000	30 Jun 2019 $'000
Bank balances	5,153	8,811
Bank overdraft	(1,333)	-
	3,820	8,811
Restricted cash	68	68
	68	68

The overdraft facility was provided by ABSA Bank in the prior period for $1,424 thousand (ZAR20,000 thousand). Contract debtors are pledged as security for overdraft facilities.

16. LEASES

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

In addition, Uitkomst Colliery also entered into 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% per annum) plus 0.5% and is secured by the mining equipment purchased.

In the previous year, the group only recognised lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 *Leases*. The assets were presented in property, plant and equipment. In the current period previously classified "operating leases" have been classified in terms of AASB 16 as disclosed in note 1.

The movement in the lease liabilities is as follows:

	31 Dec 2019 $'000	30 Jun 2019 $'000
Balance at beginning of the period	1,001	-
Acquired on acquisition of Khethekile (note 20)	-	92
Impact of adopting AASB16 – 1 July 2019	1,378	-
Additions	66	960
Interest	61	328
Repayments	(561)	(378)
Foreign exchange differences	(11)	(1)
Balance at end of period	1,934	1,001

The maturity of the Group's undiscounted lease payments is as follows:

	31 Dec 2019 $'000	30 Jun 2019 $'000
Not later than one year	1,022	312
Later than one year and not later than five years	1,336	941
Later than five years	125	-
	2,483	1,253
Less future finance charges	(549)	(252)
Present value of minimum lease payments	1,934	1,001

Reconciliation between lease commitments as at 30 June 2019 and IFRS 16 lease liability as at 1 July 2019:

	31 Dec 2019 $'000
Lease commitments as at 30 June 2019	1,876
Short term leases	(145)
Low value leases	(4)
Discounting of lease liabilities	(345)
	(4)
Impact of adopting IFRS 16 – 1 July 2019	1,378

17. DEFERRED CONSIDERATION

	31 Dec 2019 $'000	30 Jun 2019 $'000
Opening balance	4,071	2,017
Deferred consideration on Khethekile acquisition	-	629
Deferred consideration on the acquisition of Lukin and Salaita	-	2,527
Interest accrued	102	162
Repayments	(1,182)	(239)
Deferred finance charges	-	(33)
Fair value adjustment	-	(839)
Foreign exchange differences	(39)	(153)
	2,952	4,071
Current	288	1,406
Non-current	2,664	2,665
	2,952	4,071

Included in the prior year balance is the deferred consideration for the acquisition of PAR Coal from Pan African Resources Plc ("Pan African") on 30 June 2017. The final amount was settled on 1 July 2019.

Khethekile acquisition deferred consideration

During the prior 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.

Lukin and Salaita deferred consideration

In the prior year, the Company's subsidiary, Baobab Mining and Exploration (Pty) Ltd ("Baobab"), completed the acquisition of the properties Lukin and Salaita, the key surface rights required for its Makhado hard coking and thermal coal project for an acquisition price of $4,982 thousand (ZAR70,000 thousand). $2,491 thousand (ZAR35,000 thousand) of the acquisition price has been deferred to the earlier of:

- the third anniversary of the transfer of the properties; or
- the first anniversary of production of coal underlying the properties; or
- completion of a potential land claims and expropriation process. In terms of current legislation, this will result in Baobab receiving market related compensation and will be followed by negotiations with the Minister of Land Affairs and the successful claimants, who are shareholders in Baobab, for long-term access to the properties.

The deferred consideration accrues interest at the South African prime interest rate (currently 10%) less 3.0%.

18. BORROWINGS

	31 Dec 2019 $'000	30 Jun 2019 $'000
Opening balance	14,299	10,191
Loan advanced		
- PARMS* loan acquired	-	1,550
- Enprotec	-	579
Interest accrued	1,580	2,981
Repayments		
- Enprotec	(148)	(461)
- PARMS*	(149)	(231)
Deferred finance charges	-	(1)
Foreign exchange differences	92	(309)
	15,674	14,299

	31 Dec 2019 $'000	30 Jun 2019 $'000
Non-current	808	898
Current	14,866	13,401
	15,674	14,299

* - Pan African Resources Management Services (Pty) Ltd ("PARMS")

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 $17,083 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 $8,542 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 $8,542 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 $4,271 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 $854 thousand (ZAR12,000 thousand) shall be paid to the IDC by Baobab

18. BORROWINGS (continued)

PARMS

As part of the acquisition of the underground mining equipment and liabilities of Khethekile (refer note 20), the Group assumed a loan of $1,462 thousand (ZAR20,539 thousand) from PARMS. The loan bears interest at the South African Prime rate and is compounded monthly. It is repayable in 48 monthly instalments of approximately $39 thousand (ZAR543 thousand) per month and commenced in January 2019.

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

In the prior 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 $620 thousand (ZAR8,717 thousand). This was to facilitate the production of an additional high ash, coarse discard product. The purchase price was payable over 12 instalments of $52 thousand (ZAR726 thousand), which commenced in September 2018. This was settled in full during the period.

19. ISSUED CAPITAL

During the reporting period, there were no shares issued.

	31 Dec 2019 $'000	30 June 2019 $'000
140,879,585 (FY 2019 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 2019.

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 22 November 2019, 3,722,907 performance rights were issued to senior management. On 29 November 2019 1,082,875 performance rights expired.

20. BUSINESS COMBINATIONS

Effective from 1 August 2018, the underground operations at Uitkomst Colliery, which were historically undertaken by an independent mining contractor, Khethekile Mining (Pty) Ltd ("Khethekile") were acquired by Uitkomst. Uitkomst acquired all of Khethekile's mining equipment, loans, trade payables, accrued expenses and took transfer of the Khethekile employees that worked 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	5,008
Non-current liabilities	
Loans	1,263
Finance lease liabilities	11
Current liabilities	
Trade and other liabilities	1,479
Loans	1,024
Finance lease liabilities	81
	1,150

Purchase consideration

	1 August 2018 $'000
Cash consideration paid	521
Cash consideration deferred	629
	1,150

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

Sale of Bakstaan properties

Subsequent to the period end, the Company finalised the sale of land and buildings held by its subsidiary Bakstaan. These land and buildings are classified as assets held for sale at 31 December 2019. The assets were sold for $214 thousand (ZAR3,000 thousand) inclusive of Value Added Tax at 15%.

David Brown resignation

David Brown resigned as Chief Executive Officer and Executive director on 31 January 2020. In lieu of his six-month notice period, 208,537 shares have been issued to him, being one-third of the 2017 performance rights granted to him. These shares issued cannot be disposed of for a period of one year until 31 January 2021. The balance of his performance rights (2,211,214) have been forfeited.

23. KEY MANAGEMENT PERSONNEL

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

24. FINANCIAL INSTRUMENTS

Fair value of financial assets and liabilities

The fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties in an arm's length transaction. The fair values of the Group's financial assets and liabilities approximate their carrying values, as a result of their short maturity or because they carry floating rates of interest.

All financial assets and liabilities recorded in the consolidated financial statements approximate their respective fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3, based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities. The balances classed here are financial assets comprising deposits and listed securities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The financial assets classed as Level 2 comprise of investments with investment firms. These investments serve as collateral for rehabilitation guarantees. The fair value has been determined by the investment firms' fund statement .

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

There were no assets reclassified into / out of fair value through profit and loss ("FVTPL") during the year nor were any assets transferred between levels.

As at 31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	-	4,111	-	**4,111**

As at 30 June 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	23	4,581	-	**4,604**

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 2019 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
13 March 2020

Brenda Berlin
Acting Chief Executive Officer
13 March 2020

Dated at Johannesburg, South Africa, this 13th day of March 2020.

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Auditor's Independence Declaration

As lead auditor for the review of MC Mining Limited for the half-year ended 31 December 2019, 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

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
13 March 2020

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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) and the entities it controlled during the half-year (together the Group), which comprises the Condensed consolidated statement of financial position as at 31 December 2019, 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.

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 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 2019 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*.

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 2019 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*.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of US$7,059,000 during the half year ended 31 December 2019 and a net cash outflow from operating activities of US$3,181,000. The Group is dependent on the settlement in full of the existing IDC term facility, obtaining additional financing or raising additional capital to enable it to continue its normal business activities, including the commencement of the development of Phase 1 of the Makhado project. These conditions, along with other matters set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
13 March 2020