

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

21 March 2024

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

Dear Manager

Goldway Capital Investment Limited - Third Supplementary Bidder's Statement

Goldway Capital Investment Limited (company registration number 3294426) (**Goldway**) refers to its bidder's statement dated 2 February 2024, first supplementary bidder's statement dated 15 February 2024 and second supplementary bidder's statement dated 14 March 2024 in relation to its off-market takeover offer for all of the ordinary shares in MC Mining Limited ACN 008 905 388 (ASX: MCM) (**MCM**).

In accordance with section 647(3)(a)(ii) of the *Corporations Act 2001* (Cth), a copy of Goldway's third supplementary bidder's statement dated 21 March 2024 (**Third Supplementary Bidder's Statement**) is enclosed.

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

Yours faithfully



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

Third Supplementary Bidder's Statement

ACCEPT

Offer by

Goldway Capital Investment Limited

CR No. 3294426

to acquire all of your ordinary shares in

MC Mining Limited ACN 008 905 388

for

A\$0.16 cash per MCM Share

TO ACCEPT THE OFFER YOU MUST

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

This is an important document and requires your immediate attention.

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

Third Supplementary Bidder's Statement

1. Introduction

This document is the third supplementary bidder's statement (**Third Supplementary Bidder's Statement**) to the bidder's statement dated and lodged with ASIC on 2 February 2024 (**Original Bidder's Statement**) and to the first supplementary bidder's statement dated and lodged with ASIC on 15 February 2024 (**First Supplementary Bidder's Statement**) and second supplementary bidder's statement dated and lodged with ASIC on 14 March 2024 (**Second Supplementary Bidder's Statement**), issued by Goldway Capital Investment Limited (company registration number 3294426) (**Goldway**) in relation to its off-market takeover bid for all of the ordinary shares in MC Mining Limited ACN 008 905 388 (**MCM**).

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

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

This Third Supplementary Bidder's Statement is dated 21 March 2024 and was lodged with ASIC and given to ASX on that date. Neither ASIC, nor the ASX, nor any of their respective officers takes any responsibility for the content of this Third Supplementary Bidder's Statement.

This is an important document and requires your immediate attention.

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

2. Observations on the Supplementary Target's Statement

Goldway has reviewed MCM's supplementary target's statement dated 18 March 2024 (**Supplementary Target's Statement**) including the independent expert's report (IER) issued by BDO Corporate Finance (WA) Pty Ltd ACN 124 031 045 (**BDO or Independent Expert**) and the independent specialist's report (**SRK Report**) issued by SRK Consulting (Australasia) Pty Ltd ACN 074 271 720 (**SRK**).

Goldway expresses its overall disappointment that the MCM Independent Board Committee (**IBC**) has decided not to recommend that MCM Shareholders accept Goldway's Offer. Goldway believes that the Offer represents an attractive, certain exit price, which MCM Shareholders should consider against several key points that call into question the Supplementary Target's Statement view, as well as that of the Independent Expert and SRK, on the value of MCM.

Goldway, having regard to the Supplementary Target's Statement, IER and SRK Report, confirms that the Offer is its best and final offer with no increase to the Offer Price (of A\$0.16 per MCM Share) or extension to the Offer Period in the absence of a competing proposal.

Responses to specific statements in the Supplementary Target's Statement, IER and SRK Report

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

2.1. The IER has ignored several key disadvantages for MCM Shareholders failing to accept the Offer

The Independent Expert has failed to address some key disadvantages or risks for shareholders not accepting the Offer, including:

- (a) **Solvency** – in the absence of accepting this Offer, MCM Shareholders face the imminent risk of insolvency of MCM. As announced on 15 March 2024 in the half yearly report for the period ended 31 December 2023, MCM reported cash and cash equivalents of \$2.0 million compared to cash and cash equivalents of \$7.5 million at 30 June 2023. Assuming the same level of cash utilisation over the next half year to 30 June 2024, MCM requires an immediate or imminent injection of capital to remain solvent. The prospect of an insolvency event should be a material consideration for MCM Shareholders in deciding whether to accept the Offer and this was not adequately highlighted in the IER. The IER acknowledged, on page 14, that **MCM's auditor "highlighted a material uncertainty that may cast significant doubt on [MCM's] ability to continue as a going concern**, in its audit reports for the years ended 30 June 2022 and 30 June 2023 and its review report for the half-year ended 31 December 2023". In addition, the IER noted that MCM's auditor outlined that the ability of MCM to continue as a going concern is dependent on **"securing future debt and equity funding at a level satisfactory to enable ongoing operations and future developments to be completed"**. To date, the major arrangers and underwriters of funding for MCM have been members of the Consortium including their underwriting of the mentioned A\$40 million rights issue announced in November 2022 which would otherwise have not been successful without the intervention of the Consortium members. On page 10 of the Supplementary Target's Statement, MCM

confirms that it is, once again, in discussions with the "Consortium Members regarding the provision of interim funding".

ACCEPTING the Offer is advantageous to MCM Shareholders in light of the potential solvency risk of MCM.

- (b) **Dilution risk** – it is highly likely that MCM will require equity financing in the near term to remain solvent. It will additionally require considerable future equity financing to develop its projects. The last announced Life of Mine plan of the "shovel ready" Makhado Project, issued on 30 June 2023, indicated peak funding requirements for that asset alone of US\$96 million,¹ approximately 2.2 times the current market capitalisation of MCM. In such event, MCM Shareholders would need to invest more capital into MCM to avoid being diluted and face further price uncertainty depending on the outcome of the long-planned commissioning of the Makhado mine.

ACCEPTING the Offer is advantageous to MCM Shareholders who wish to avoid the risk of dilution and continued company performance risk.

- (c) **Financing Risk** – the IER highlighted that MCM shareholders may "forego the opportunity to participate in any potential upside of MC Mining's mineral assets" by accepting the Offer. Any future upside is predicated on MCM financing its assets into production. MCM's flagship project and largest contributor to the theoretical value proposed in the IER, Makhado, has been unable to attract project finance capable of being drawn to commence operations for over a decade. The second most valuable asset in the portfolio (in terms of the IER), the Vele Aluwani Colliery (**Vele**), has failed to operate profitably, ostensibly due to logistics and operating challenges that have not been overcome for over a decade.

ACCEPTING the Offer is advantageous to MCM Shareholders who wish to avoid exposure to MCM's financing risk.

- (d) **Liquidity risk** – MCM is an illiquid security which is subject to minimal trading volumes. The IER, on page 36, has noted that 1.23% of MCM's current issued capital has been traded in the twelve month period to 3 February 2024. There is no guarantee that MCM Shareholders will have the opportunity to access another liquidity event where they can exit for a certain price and for cash.

ACCEPTING the Offer provides certain liquidity at no cost to MCM Shareholders.

2.2. An investment in MCM remains subject to a number of significant risks and uncertainties

The Independent Expert notes that a disadvantage of accepting the Offer is that MCM Shareholders will "forego the opportunity to participate in any potential upside of MC Mining's mineral assets". Nonetheless, an investment in MCM remains subject to a number of significant risks and uncertainties.

¹ MCM ASX Announcement dated 30 June 2023.

Most importantly, despite several capital raising rounds over an extended period of time in excess of a decade, there is no certainty of MCM, in its current form, being in a position to deliver on the upside potential referred to.

Additionally, MCM is a high-cost coal producer that faces coal price volatility. Operational challenges are compounded by power, rail and logistical issues.² MCM's undeveloped coal reserves and resources face the same challenges and are reliant on the same infrastructure as the South African coal market. There are considerable risks relating to MCM's ambition to economically produce coal.

In addition, as highlighted in the Second Supplementary Bidder's Statement, Goldway reiterates that:

- (a) Due to its underperformance, Vele has been under care and maintenance since January 2024. It was only recommissioned in December 2022 after having been put under care and maintenance previously in 2013.
- (b) The Makhado Project has been in definitive feasibility study (DFS) status and "shovel ready" for over a decade and has never produced any coal.
- (c) The Uitkomst Colliery has been unable to consistently produce positive cash flow for MCM. When cashflow positive, the cash generated from Uitkomst is immaterial and insufficient to cover the excessive administrative and corporate costs of MCM.
- (d) Since acquiring the Greater Soutpansberg Project (GSP) in 2012, the assets have remained dormant and subject to on-going impairments by MCM.

2.3. The methodology in the SRK Report does not take into account the level of coal production by MCM

SRK has relied upon previous transaction values of ZAR/t gross in situ resource in South Africa (per Appendix A of the SRK Report). The vast majority of these previous transactions involve productive and profitable mines. The SRK Report, at page 92, acknowledges that their valuation does "not attempt to estimate or reflect the coal likely to be recovered as required under the JORC Code (2012)". Accordingly, the methodology used by SRK does not reflect the fact that MCM's coal mines have been uneconomic and undeveloped despite multiple attempts to commercially produce coal.

For example, Vele's valuation of approximately ZAR584 million (approximately A\$47.1 million) in the SRK Report is based on its existing coal resources. Due to its poor financial performance, Vele was put on care and maintenance in 2013 and recommissioned in December 2022. Notwithstanding the stated vast resource base and return potential that underpins the valuation of Vele, the asset only managed to produce 119,799 tonnes of saleable thermal coal in H12024³ before being forced to return on care and maintenance in January 2024 after being recommissioned in December 2022. For over 10 years, Vele has incurred considerable losses and will remain a cost centre as MCM retains the asset on care and maintenance for the foreseeable future.

The Uitkomst Colliery has been unable to consistently produce positive cashflow for MCM.

² Refer to MCM Quarterly Activities Reports including the report announced on 31 January 2024.

³ MCM Half Year Results for the Period ended 31 December 2023.

Additionally, the GPS and Makhado Projects remain undeveloped and subject to considerable financing and development risks. The SRK methodology only takes into account an assumed confidence level of the coal resource and not its earnings potential as a profitable operation. For over 10 years, the Makhado Project has been at DFS status and has failed to produce any coal. Since 2012, the GSP asset has been dormant and subject to on-going impairments by MCM. Like the Makhado Project and Vele, the GSP is a considerable distance from the nearest port and its future viability is adversely impacted by persistent power and rail issues.

2.4. The Independent Expert's Valuation Methodology does not take into account the considerable administrative overhead costs of MCM

The approach taken by the Independent Expert was to adopt the flawed sum of the parts valuation methodology (as discussed more fully in section 2.3) in relation to the in situ, largely non-operational, assets of the Makhado Project and simply deduct the current net liabilities as at 31 December 2023 (please refer to paragraph 10.1 of the Independent Expert's Report). THIS IS MISLEADING AND IGNORES THE CONSIDERABLE IMMEDIATE CONTINUED OVERHEAD CASH COSTS OF MCM AS AN ENTITY LISTED ON THREE MAJOR EXCHANGES WITH AN ATTENDANT LARGE HEAD OFFICE INFRASTRUCTURE. This cash cost is evidenced by the extremely rapid reduction of MCM's cash and cash equivalents as mentioned in section 2.1(a) above. It is common market practice in undertaking such a valuation that appropriate deductions are made for the head office overhead in addition to the net liabilities.

2.5. The Basis of the Independent Expert's opinion that the Offer is Unreasonable is Perplexing and Difficult to Comprehend Given the Weight of Evidence in the Valuation Report

The Independent Expert only provides two disadvantages that they have considered in arriving at their conclusion that the Offer is "unreasonable". In relation to the point regarding "Shareholders will forego the opportunity to participate in any potential upside of MC Mining's mineral assets" – The overwhelming challenges of the high operational risks and significant capital required in realising the "potential upside" referred to by MCM is discussed in detail in the Bidder's Statement, Supplementary Bidder's Statement, Second Supplementary Bidder's Statement and summarised in section 2.2.

The Independent Expert goes on to mention the announced Vulcan Resources non-binding, indicative offer which was withdrawn and by their own admission they state they are "unaware of any other alternative proposal that might offer Shareholders a premium over the value resulting from the Offer". In their analysis of the share price trends from trading, they conclude that they "consider it possible that there may be a decline in MC Mining's share price if the minimum subscription level of the Offer is not reached", it being accepted that the Share price has only recently seen recovery as a result of the premium offered by the Goldway Offer. Finally MCM also concedes that "as detailed in Section 13.1.2 of our Report, we consider the Offer Consideration to provide certainty of value to Shareholders". The opinion of unreasonableness was therefore based on a flawed valuation reflecting an unrealistic transaction price that Vulcan Resources was

ostensibly not willing to pursue with no material disadvantages capable of being identified.

3. Proposal for conditional extension of the Offer Period

The Offer contains a condition (which cannot be waived) that Goldway needs to have received acceptances for at least 50.1% or more of the MCM Shares that it does not have a relevant interest at the commencement date of the Offer (**Minimum Acceptance Condition**).

If the Minimum Acceptance Condition is satisfied by 5 April 2024, Goldway's present intention is to declare the Offer unconditional on the date that Goldway notifies the market that the Minimum Acceptance Condition has been satisfied (**Unconditional Date**). Upon the Offer being declared unconditional, Goldway intends to extend the Offer for 10 Business Days from the Unconditional Date.

If the Minimum Acceptance Condition is not satisfied by 5 April 2024, then the Offer will not be extended and will lapse on close of the Offer Period.

4. Consents and approval of the Third Supplementary Bidder's Statement

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

A copy of this document was lodged with ASIC on 21 March 2024. This Third Supplementary Bidder's Statement prevails to the extent of any inconsistency with the Original Bidder's Statement, the First Supplementary Bidder's Statement or the Second Supplementary Bidder's Statement. Neither ASIC nor any of its officers takes any responsibility for the contents of this Third Supplementary Bidder's Statement.

Authorisation

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

Signed for on behalf of
Goldway Capital Investment Limited



Mr Jun Liu
Sole Director

Date: 21 March 2024