



ANNOUNCEMENT

23 December 2022

OUTSOURCING OF THE VELE ALUWANI COLLIERY

MC Mining Limited (**MC Mining** or the **Company**) is pleased to announce that it has today signed a Contract Mining Agreement with Hlaethembeni Outsourcing Services (Pty) Ltd (**HOS**) to recommission, upgrade and operate the Company's Vele Aluwani Colliery (**Vele** or the **Vele Colliery**) coal processing plant (**CPP**) and undertake mining in terms of an agreed mine plan.

Background

The Vele Colliery is located in the Thuli coalfield and is owned by Limpopo Coal Company (Pty) Ltd (**LCC**), a 100% held subsidiary of MC Mining. Vele has a life of mine in excess of 40 years. Vele was placed on care and maintenance in 2013 due to weak thermal coal prices and the requirement for modifications to the colliery's CPP that would facilitate the extraction of the smaller coal fraction and the simultaneous production of semi-soft coking coal and thermal coal. The Vele Colliery incurred high logistics costs when operational during 2012/2013, as the nearest export terminal is Maputo, which is ~760km away. The colliery currently incurs care and maintenance costs of approximately R21 million (\$1.2 million) per year. The Vele plant modifications were anticipated to take place as part of the previously envisaged phased development of the Company's flagship Makhado hard coking coal project (**Makhado Project** or **Makhado**) and in terms of this development plan, Makhado's crushed and screened run of mine coal would be processed at Vele, producing hard coking coal and a thermal by-product.

However, and following completion of the Makhado Bankable Feasibility Study in April 2022 and subsequent alternative development scenario study completed in August 2022, the MC Mining Board approved the construction of a new CPP at Makhado, meaning that Makhado run-of-mine coal would no longer be processed at the Vele Colliery. This decision created optionality for the potential recommencement of operations at Vele, particularly given the improvement in coal prices during CY2022. The Vele CPP requires a fit-for-purpose new crushing circuit as well as a flotation circuit to extract the higher quality fine coal, with this equipment estimated to cost R158.4 million (\$9.1 million) (the **Equipment**) to optimise the CPP.

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Chairman Nhlanhla Nene **Chief Executive Officer and Managing Director** Godfrey Gomwe

Non-executive directors An Chee Sin, Andrew Mifflin, Brian He Zhen, Junchao Liu, Khomotso Mosehla, Mathews Senosi

MC Mining has evaluated the various options to recommence operations at Vele and, given the capital and working capital required, and particularly in the light of the Company's focus on the development of its flagship Makhado Project, the outsourcing of operations at the colliery was considered the optimal strategy.

Contract Mining Agreement

As a result of these strategic initiatives, the Company is pleased to announce that it has signed a Contract Mining Agreement (the **Agreement**) with Hlaletmbeni Outsourcing Services (Pty) Ltd (**HOS**), a company owned by Mzwandile Themba Masondo. Mr Masondo has a MSc. in Mining Engineering and over 30 years' experience in coal mining, with over twenty years at mine management and Chief Operating Officer level. The key terms of the Agreement are:

1. HOS will recommission, upgrade and operate the Vele Colliery CPP and undertake mining in terms of an agreed mine plan.
2. The Agreement is on an exclusive basis to produce thermal coal for an initial five-year period, until 22 December 2027. HOS undertakes to operate the Vele CPP at nameplate capacity.
3. HOS is targeting monthly production of 60,000 tonnes (**t**) of saleable thermal coal from Vele but there are no minimum or maximum coal production volumes.
4. LCC will earn R200/t (excluding VAT) (\$11/t) for each tonne of saleable coal produced.
5. HOS is responsible for all mining and processing costs at Vele while LCC remains responsible for the colliery's regulatory compliance, rehabilitation guarantees, relationships with authorities and communities as well as the supply of electricity and water.
6. HOS is entitled to subcontract operations at the Vele Colliery and JCI Mining Services (Pty) Ltd: Ingwenya Minerals Processing (Pty) Ltd, both reputable operators, have been appointed.
7. HOS will fund the acquisition of and install the Equipment and maintain the Vele CPP assets in line with recommended practice and, at the end of the contract period, LCC shall pay HOS a sum equivalent to these assets' 'value-in-use' to return exclusive use of them to LCC.

Godfrey Gomwe, Managing Director & Chief Executive Officer, commented:

“MC Mining has made significant progress in CY2022, advancing the development of our flagship Makhado Project. Any development of the Vele Colliery was originally planned to take place subsequent to the construction and ramp-up of Makhado. The Company has assessed various strategies to utilise the Vele asset or its processing plant as the colliery has been on care and maintenance for almost ten years. These assessments confirmed the significant capital and technical investment required to optimise production at the Vele Colliery and the outsourcing of operations at the colliery has been identified as the optimal strategy in the short and medium-term.

The outsourcing of Vele operations secures the necessary investment from a third party to modify the CPP and also removes a significant portion of the ongoing costs associated with Vele. The recommissioning will also add a further cash generating unit to MC Mining’s portfolio with limited financial or human capital contributions, delivering positive cash returns for shareholders.

We are proud to partner with HOS, a 100% black-owned firm, and look forward to utilising Mr Masondo’s extensive experience. HOS has commenced recommissioning the Vele CPP and first coal sales are expected in Q1 CY2023 with the ramp-up to full production during Q2 CY2023. The cash generated from Vele will be used for Group general working capital requirements and can also potentially contribute funding for the construction of Makhado. The recommissioning of Vele is expected to generate approximately 245 permanent job positions and will also alleviate any ‘use it or lose it’ risk associated with unutilised mining assets in South Africa.”

Godfrey Gomwe

Managing Director and Chief Executive Officer

This announcement has been approved by the Company’s Disclosure Committee.

All figures are in South African rand or United States dollars unless otherwise stated.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended).

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About MC Mining Limited:

MC Mining is an AIM/ASX/JSE-listed coal exploration, development and mining company operating in South Africa. MC Mining's key projects include the Uitkomst Colliery (metallurgical and thermal coal), Makhado Project (hard coking coal), Vele Colliery (semi-soft coking and thermal coal), and the Greater Soutpansberg Projects (coking and thermal coal).

All figures are denominated in United States dollars unless otherwise stated. A copy of this announcement is available on the Company's website, www.mcmining.co.za.

Forward-looking statements

This Announcement, including information included or incorporated by reference in this Announcement, may contain "forward-looking statements" concerning MC Mining that are subject to risks and uncertainties. Generally, the words "will", "may", "should", "continue", "believes", "expects", "intends", "anticipates" or similar expressions identify forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond MC Mining's ability to control or estimate precisely, such as future market conditions, changes in regulatory environment and the behaviour of other market participants. MC Mining cannot give any assurance that such forward-looking statements will prove to have been correct. The reader is cautioned not to place undue reliance on these forward-looking statements. MC Mining assumes no obligation and does not undertake any obligation to update or revise publicly any of the forward-looking statements set out herein, whether as a result of new information, future events or otherwise, except to the extent legally required.

Statements of intention

Statements of intention are statements of current intentions only, which may change as new information becomes available or circumstances change.