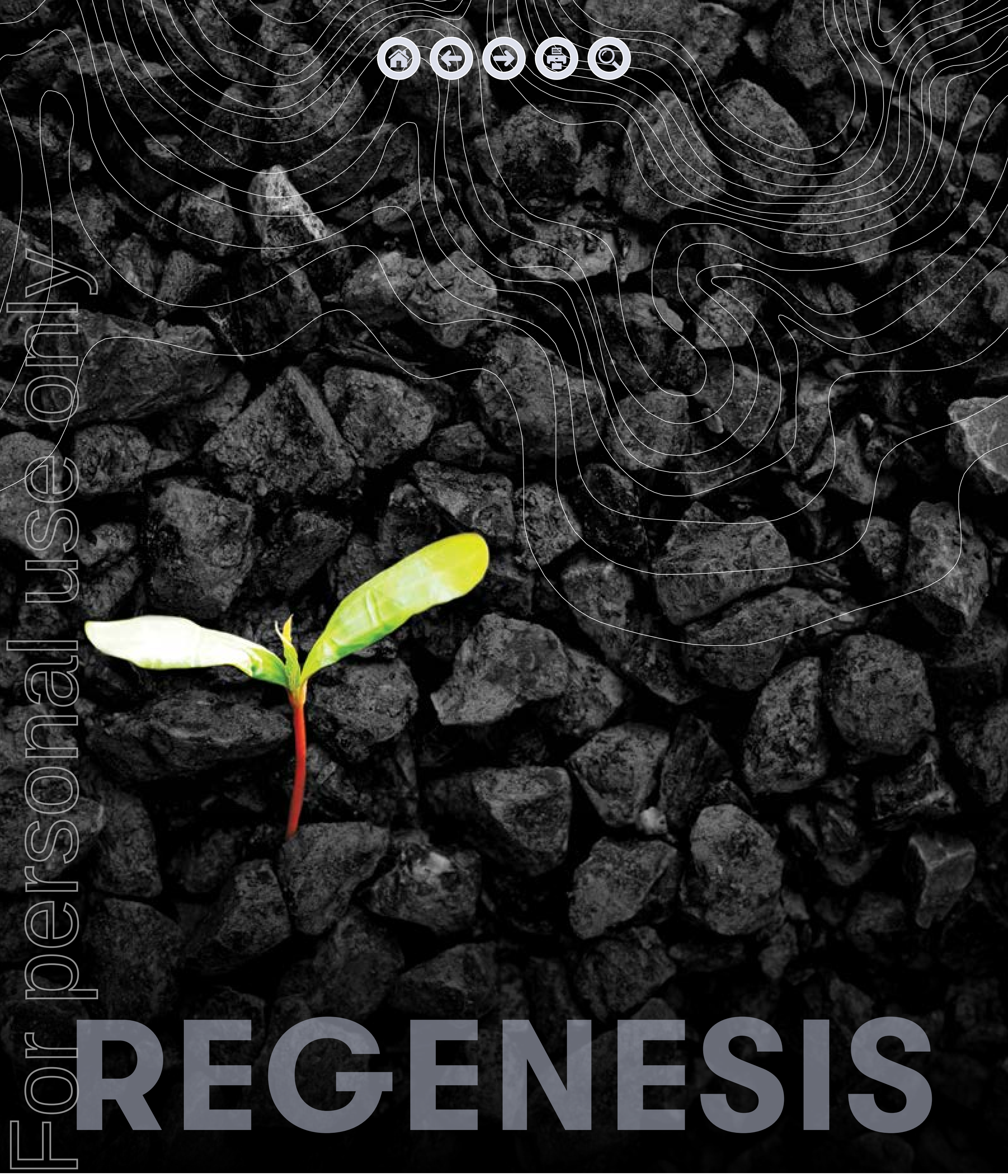

REGENESIS

MCMining LIMITED

ANNUAL REPORT 2022

SCOPE OF THE REPORT

MC Mining Limited (MC Mining or the Company) presents its annual report for the year ended 30 June 2022, in line with international trends and best practice. The contents of this report have been informed by regulatory obligations, our risk management processes and the stated interests of our stakeholders. The financial and non-financial activities and performance of MC Mining's colliery and projects are covered in this report.

In line with our commitment to mine responsibly, we have reported on our sustainability performance with the aim of incrementally improving both our performance and reporting in this area and, in this respect, our reporting is aligned with the principles of the International Council on Mining and Metals (ICMM).

Although the Company only operates in South Africa, our primary listing remains on the Australian Securities Exchange (ASX), with secondary listings on both the Alternative Investment Market (AIM) of the London Stock Exchange (LSE) and the Johannesburg Stock Exchange (JSE). This report complies with Australian Accounting Standards, the Corporations Act, 2001 and the International Financial Reporting Standards (IFRS). The compilation of the Reserves and Resources is according to the Australasian Joint Ore Reserves Committee (JORC) guidelines, carried out by the Company's Competent Person, Mr J.C.H.K. Sparrow and independent consultants Mr B.J. Bruwer and Mr C.W. Archer. The Resources and Reserves in the report are published with the Competent Persons' consent.

This report was compiled according to the ASX corporate governance principles.

All reference to $ is to United States dollar, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements which are not historical facts. Any statement that expresses or implies MC Mining's intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. Forward-looking statements involve inherent risks, uncertainties and assumptions including, without limitation, risks related to the timing or ultimate completion of any proposed transactions or projects, and the possibility that benefits may not materialise as expected. If such risks or uncertainties materialise or such assumptions prove incorrect, actual results could differ materially from those expressed or implied by such forward-looking statements and assumptions. The forward-looking statements in this report are made as of the date of this report, and MC Mining expressly disclaims any obligation to update or correct these statements due to events occurring after issuing this report. The financial information on which the forward-looking statements are based has not been audited nor reported on by the Company's independent external auditors.

ANY QUERIES REGARDING THIS REPORT OR ITS CONTENTS SHOULD BE ADDRESSED TO:

Stephen Rowse

MC Mining

Telephone: +27 10 003 8000

Email: stephen.rowse@mcmining.co.za

Address:
Ground Floor, Greystone Building,
Fourways Golf Park,
Roos Street,
Fourways, 2191,
South Africa

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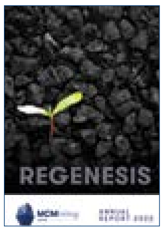

Scan this QR code to download the PDF of the report, alternatively, visit the website at ***www.mcmining.co.za***

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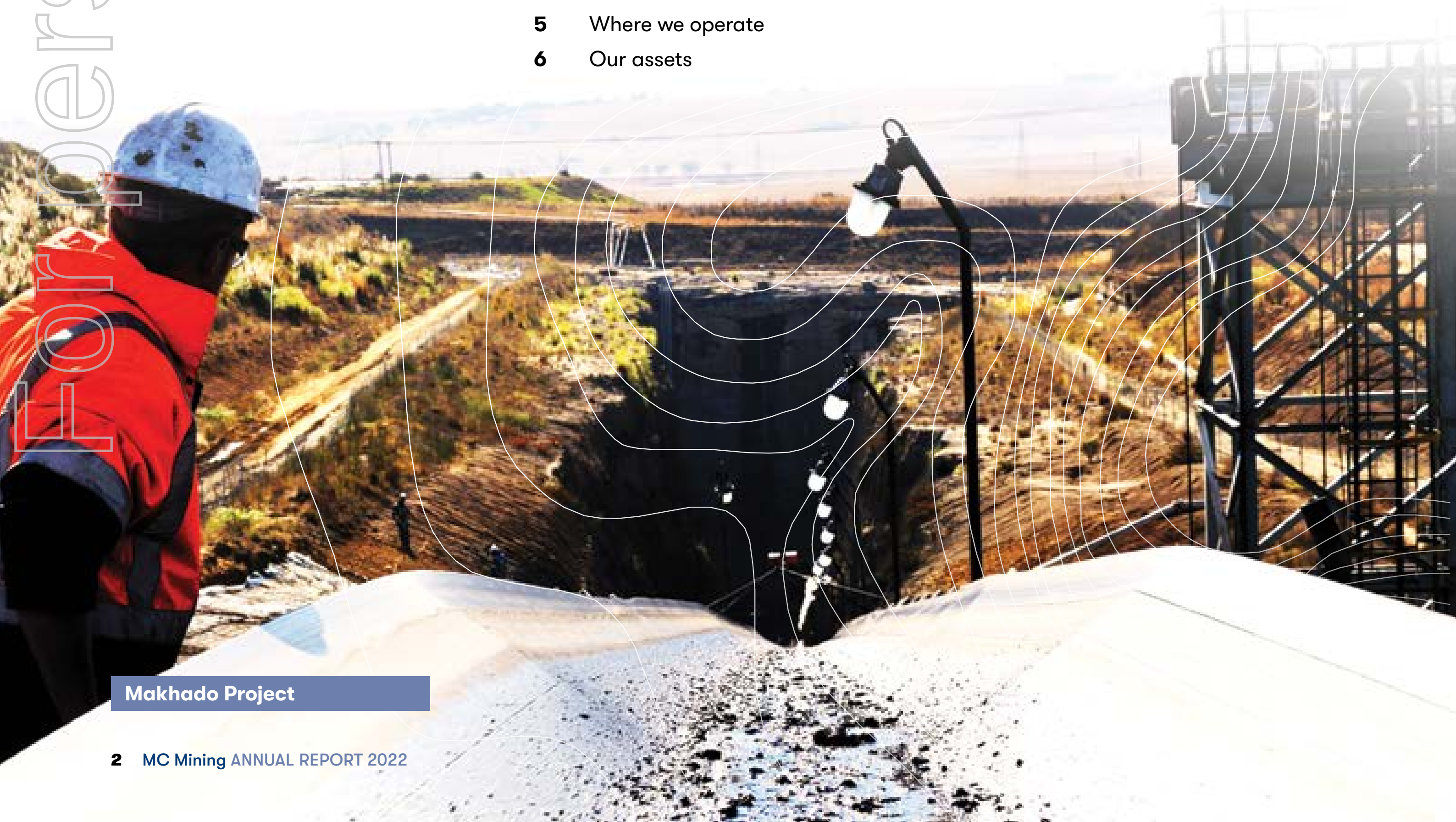
OVERVIEW

MC Mining's aim is to be the pre-eminent South African producer of metallurgical coal to create sustainable benefits through a shared value approach

IN THIS SECTION



Makhado Project

KEY HIGHLIGHTS

Revenue/t at Uitkomst improved by

49%

Sold 225,096t of Uitkomst coal generating

$23.5 million

Operating cash flows of **$3.6 million** (FY2021: $1.7 million) generated by the Uitkomst Colliery

Uitkomst production costs per saleable tonne reduced by **5%**

- Zero fatalities (FY2021: nil) and six lost-time injuries (FY2021: six)
- Entered into a Convertible Advance and Subscription Agreement with South African-based mining group, Senosi Group Investment Holdings (Proprietary) Limited (SGIH) and in terms of this agreement, received ZAR46.0 million ($3.0 million) in FY2022. This resulted in the issue of 38,363,909 ordinary shares to SGIH
- Payment of the final of ZAR35 million ($2.3 million) for two key Makhado properties and the Company now owns the surface rights for the project mining area
- Completion of the Makhado Project 'Base Case' Bankable Feasibility Study
- Integrated Water Use Licence applications granted for the Uitkomst Colliery and nearby Wykom siding
- Appointment of Mr Godfrey Gomwe as Managing Director and Chief Executive Officer (CEO)
- Secured a ZAR60 million ($3.5 million) Standby Loan Facility from Dendocept (Proprietary) Limited (Dendocept), a 1.4% shareholder in MC Mining
- The Industrial Development Corporation of South Africa Limited (IDC) agreed to extend the repayment date for the ZAR160 million ($9.8 million) loan plus accrued interest to 30 November 2022
- The terminal drawdown date of the additional ZAR245 million ($15.0 million) IDC term loan for the development of Makhado, was also extended to 30 November 2022, subject to the IDC re-affirming its financial due diligence and credit approval
- 22,169t (FY2021: 0t) of coal were at the Durban port at the end of June 2022 for export in terms of the Coal Sales & Marketing Agreement with Overlooked (Proprietary) Limited (Overlooked), announced by the Company in July 2022

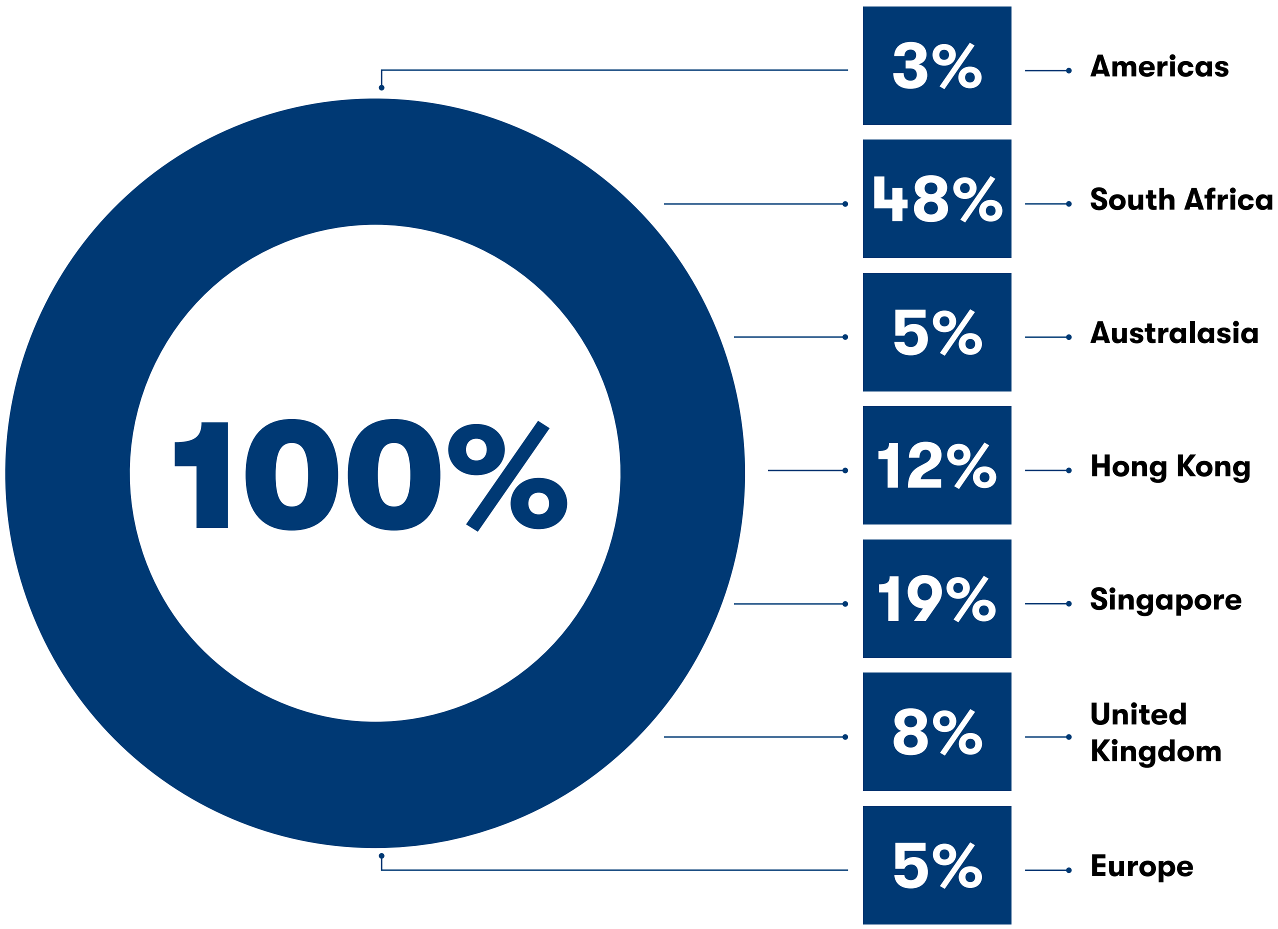
WHO WE ARE

MC Mining is a coal mining company whose high-quality South African metallurgical and thermal coal assets encompass long reserve life and excellent growth options.

The safety and health of our people takes precedence and a zero harm culture is embedded in all activities. We believe in shared value and strive to create and enhance sustainable value for stakeholders by maximising the benefits of mining for all stakeholders, including our host communities.

SHAREHOLDERS BY GEOGRAPHY

as at 30 September 2022:



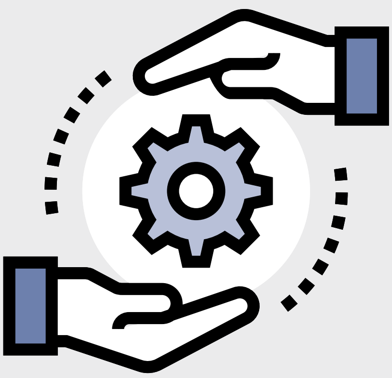
WHERE WE OPERATE

MC Mining has high-quality, metallurgical and thermal coal assets located in the Limpopo and KwaZulu-Natal provinces of South Africa.

- Uitkomst Colliery
- Makhado Project and GSP
- Vele Colliery
- City
- Advanced project
- Project
- Colliery
- Port
- Major railway

OUR ASSETS

PROJECT



THE COMPANY'S OPERATIONAL FOCUS

is the development and mining of high-quality metallurgical coal projects in South Africa

1

MAKHADO
FLAGSHIP PROJECT

Resources

303.2Mt
mineable tonnes *in situ*

Location

Soutpansberg Coalfield, Limpopo province

Product

Hard coking coal

Regulatory status

Fully compliant and execution ready

Status

Construction anticipated to commence in early CY2023, funding dependent

Mining method

Opencast

Number of employees and contractors

28
(650 in full operation)

BACKGROUND

Makhado is MC Mining's most advanced exploration project and a Bankable Feasibility Study (BFS) for the project was completed in April 2022. The 'Base Case' development plan in the BFS was designed to minimise the upfront capital expenditure by utilising the existing Vele Colliery infrastructure.

Following the BFS, additional alternative development scenarios were assessed. This resulted in MC Mining subsequently committing to the construction of the Makhado Coal Processing Plant (CPP). This plant will have the same processing capacity as the Vele CPP, namely 2.0Mt per annum. The construction of a new CPP at Makhado results in a significant reduction in logistics costs and provides similar results but has a peak funding of ZAR1.3 billion (equivalent to $82.1 million) due to the requirement to build the Makhado CPP.

OUR ASSETS continued

2 UITKOMST COLLIERY	3 VELE COLLIERY	4 GREATER SOUTPANSBERG PROJECT (GSP) (comprises Chapudi, Generaal and Mopane Projects)
Resources		
23.6Mt mineable tonnes *in situ*	**361.6Mt** mineable tonnes *in situ*	**>1bn** mineable tonnes *in situ*
Location		
Utrecht Coalfield, KwaZulu-Natal	**Tuli Coalfield, Limpopo province**	**Soutpansberg Coalfield, Limpopo province**
Product		
Metallurgical (pulverised coal injection)	Semi-soft coking and thermal coal	Metallurgical and thermal coal
Regulatory status		
Fully compliant	Fully compliant	Mining Rights granted for the Chapudi, Generaal and Mopane Projects
Status		
Cash generative, producing asset	On care and maintenance since 2013; outsourcing options being considered	Early stage exploration project
Mining method		
Underground operation with planned life-of-mine (LOM) extension	Opencast	Opencast and underground
Number of employees and contractors		
571	**54 (306 operational)**	–
FY2021 run-of-mine (ROM) production		
470,597t	–	–
FY2022 sales		
225,096t	–	–
FY2022 revenue generated		
$23.5m	–	–
FY2022 revenue/saleable tonne		
$104	–	–
FY2022 production cost/saleable tonne		
$85	–	–
DETAILS		
Uitkomst Colliery is a high-grade deposit for domestic and international metallurgical and thermal coal markets. The well established underground coal mine has three operating mine sections and an estimated 15-year LOM. The construction of an additional horizontal shaft (adit 2k) is expected to commence in H2 CY2023.	The Company previously indicated that when market conditions improve, the reopening of Vele would be considered. The options being evaluated include the possible outsourcing of operations at the Vele Colliery on potential partnerships in this regard.	The GSP is a significant resource base of metallurgical and thermal coal products and forms part of MC Mining's long-term strategy. The Company has secured mining rights for the all project areas.

YEAR IN REVIEW

We strive to create and enhance sustainable value through transformative and collaborative mining practices that are responsive to the needs of our stakeholders.

IN THIS SECTION

Vele Colliery

CHAIRMAN'S REPORT

Nhlanhla Nene
Chairman

REGENESIS

MC Mining has continued to operate in a period of uncertainty with various events impacting our operations.

Uncertainty was witnessed both domestically and internationally and included several days of suburban unrest and lawlessness in KwaZulu-Natal and parts of Gauteng in July 2021. The civil unrest threatened the homes and livelihoods of our Uitkomst Colliery staff as well as the Makhado fund raising initiatives, increasing South Africa's sovereign risk. It was, however, pleasing to see local communities and other stakeholders working together following this difficult time, reaching out and rebuilding areas following the damage and reinforcing the fact that we all have a shared future.

The increased global economic activity following the easing in the COVID 19 pandemic has exposed the global energy shortage, acutely experienced by South Africans during our multiple bouts of load shedding and has had a direct effect on our operations. This follows an extended period of underinvestment in the exploitation and development of non-renewable energy projects. While the development of renewable projects is critical, energy storage remains a challenge with technologies in this area lagging. This energy crisis was exacerbated following Russia's invasion of Ukraine in early CY2022. Russia is one of the world's largest coal and gas producers and the significant increases in energy prices has driven higher global inflation. This included thermal coal prices which increased during FY2022, particularly from January 2022 before softening subsequently somewhat in September 2022. MC Mining is well positioned to benefit from these elevated prices.

COVID-19 health and safety protocols continued during the year and our employees have overwhelmingly participated in vaccination programmes. Our integrated approach to health and safety is a critical pillar of our business strategy and we aim to achieve zero harm and are encouraged by the positive safety results reflected by many of our safety indicators. Responsible decision making and leadership are integrated into our operating models, processes and systems and our sustainability strategy is a key deliverable for a successful MC Mining. We are confident that we can continue down this path while we develop our projects, through constant vigilance and a continuous focus on improvement.

The regenesis of MC Mining commenced and the alignment of shareholder interests is critical to this. The Rights Issue, announced in September 2022, will recapitalise your company, providing the cornerstone funding required for our flagship Makhado hard coking coal project. This project is the catalyst to deliver long-term value, and this was reaffirmed by the independent bankable feasibility study completed during the year. We are confident that these initiatives will contribute to the successful conclusion of the funding required for the project, facilitating the construction of Makhado in early CY2023. The development of our high-quality metallurgical coal projects is a key differentiator and the execution of our strategy will create significant value for our stakeholders with coking coal remaining a key input in the manufacture of steel while thermal coal is likely to remain the dominant source of energy in the near term.

There were changes to the Company's board and executive management in April 2022. I thank my predecessor Bernie Pryor, and Sam Randazzo, for their many years of custodianship. I welcome Mathews Senosi and Godfrey Gomwe to the board and look forward to working together with my fellow directors who have committed their knowledge and skills to the sustainable development of MC Mining. On behalf of the board, I would like to thank shareholders for their support and I extend my appreciation to our employees for their continued commitment. I am confident that the initiatives underway will result in the fulfilment of the Company's potential.

CEO'S OPERATIONS REVIEW

Godfrey Gomwe
Chief executive officer

The first half of the financial year ended 30 June 2022 (FY2022) proved to be challenging following the COVID-19 pandemic and the continuing climate change debate, both of which impacted the Company's advancement.

MC Mining was able to navigate these despite human resources capacity constraints and working capital challenges that needed to be managed. However, I am pleased to report that FY2022 saw the regenesis of MC Mining. This was possible with support from existing as well as new shareholders and included repositioning the Uitkomst Colliery for exports and the fully underwritten Rights Issue announced in October 2022. The Rights Issue will provide the cornerstone funding for the Makhado Project, and I am confident that we will conclude the capital raising for the project, allowing for construction to begin early in CY2023.

The Company made significant funding and operational progress in the second half of FY2022. As a result, the Company attracted a new investor in February 2022 and the ZAR46.0 million ($2.8 million) investment from SGIH enabled the settlement of the remaining instalment for the purchase of two key farms required for the Makhado Project. Following this, the Company now owns the four farms comprising the mining area with the East and Central pits as well as the Makhado CPP to be located on the newly acquired properties.

The Standby Facility secured in June 2022 ensured that the Group had sufficient liquidity to fund the necessary build-up of stock to be able to access the lucrative export market and, at the end of June 2022, Uitkomst had 37,703t (FY2021: 4,553t) of API4 thermal coal stockpiled at the colliery and port. This enabled the conclusion of the Sales & Marketing Agreement with Overlooked during July 2022 and the commencement of export sales in August 2022.

The global energy shortage, particularly in the northern hemisphere, and the invasion of Ukraine led to a substantial increase in thermal coal prices, which in recent times have hit record high levels. The returns derived from other listed thermal coal companies appears to have refocused investor interest in funding coal exploration and mining companies. The increased global economic activity and reduced buying of coal and gas from Russia resulted in coal prices continuing to improve during this initial period and many market commentators anticipate that thermal coal prices will remain elevated for the next few years. This is due to supply limitations following an extended period of underinvestment in exploration as well as the limited development of new projects.

The completion of the BFS and a subsequent pre-feasibility study enabled a reassessment of the Makhado development strategy and the colliery will no longer be developed in line with a two-phased development plan. Rather than trucking crushed and screened coal to Vele Colliery for processing, the Makhado Project will now include construction of a bespoke central processing plant, increasing peak capital funding requirements but greatly improving the economics of the project. Furthermore, the outlook for the project has been boosted by expectations that the metallurgical coal market will remain robust for the foreseeable future due to supply-side constraints. When in operation, Makhado will be the only significant hard coking coal producer in South Africa, resulting in obvious advantages for domestic steel producers. The project is also expected to have a positive impact on employment and the general economy of Limpopo province.

CEO'S OPERATIONS REVIEW continued

METALLURGICAL AND THERMAL COALS

MC Mining has significant coal resources comprising various qualities of metallurgical and thermal coal.

Metallurgical coal or coking coal is a sedimentary rock found within the earth's crust and includes HCC (Makhado coal), semi-HCC, semi-soft coking coal (Vele Aluwani coal) and pulverised coal for injection (PCI) (Uitkomst quality coal). These categories are applied based on quality grades of the metallurgical coal, all of which are used to make steel. The property that really sets coking coals apart from other coals is its caking ability, specifically required to manufacture the coke used by blast furnaces in the steel making process. Metallurgical coal typically contains more carbon, less ash and less moisture than thermal coal, which is the coal predominantly produced in South Africa and used for electricity generation.

HCC represents the premium band of metallurgical coals and is a crucial input in the steel making process. It is characterised by its very high coke strength and other characteristics that optimise blast furnace performance. Makhado's HCC is classified as a 'mid-volatile' HCC, with its coking and plastic properties making it ideal for use in coal blends of different qualities.

Coke is produced by heating metallurgical coal above 1,000°C in a coking oven to create coke – a hard, porous lump. As the temperature of the coal increases, it becomes plastic, fusing together before resolidifying into coke particles, known as the caking process. High-quality coking coals are in demand by steel producers, who need these coals to make high-quality coke to maximise the productivity of their blast furnace operations. The coke is then added to a blast furnace with iron ore and hot air, converting the iron ore into molten metal. The impurities in this molten metal are removed and alloys added to make steel, one of the most widely used building materials on earth.

The global seaborne metallurgical coal market is dominated by the two leading producer countries, namely Australia (the Bowen Basin in Queensland) and Canada (the Elk Valley complex in British Columbia). Growth in new metallurgical coal supply globally faces many constraints including:

- Depleting resource quality
- Mining economics in existing major metallurgical coal basins
- Rail and port infrastructure capacity limitations
- Sovereign development and operating risk (e.g. Mozambique, Mongolia)
- Growing focus on sulphur content levels
- Lengthening permitting and approval timeframes


Vele Colliery plant area

CEO'S OPERATIONS REVIEW continued

UITKOMST COLLIERY

Background

Uitkomst Colliery is an owner-operated mine situated in the Utrecht coalfield of KwaZulu-Natal. It is a high-grade coal deposit which supplies the domestic metallurgical (PCI) and API4 export thermal coal markets. MC Mining holds a 70% interest in Uitkomst with the remaining 30% held by a black industrialist and two broad-based Black Economic Empowerment (BEE) trusts, one comprising employees and another host communities.

The colliery is a drill and blast underground coal mine with approximately 15 years remaining LOM. Uitkomst, which has established infrastructure that includes a processing plant, received approval from the DWAS during FY2022, extending its IWUL for the balance of its LOM. The colliery also secured an extension to the IWUL for the nearby Wykom rail siding which it rents from Transnet Freight Rail.

Uitkomst currently mines the south adit (horizontal shaft) and completed construction of a new vent shaft in early CY2022, facilitating the introduction of a third underground mining section. The development of an additional adit (Adit 2k) to the north is expected to commence in H2 CY2023, once the necessary regulatory approvals have been received. This initiative is expected to increase coal production due to the reduced distance to transport staff from the surface to the mining sections.

Health and safety

The health and safety of MC Mining's employees and contractors remains the prevailing priority. The Uitkomst Colliery employed approximately 516 employees (including contractors) and recorded five lost time injuries (LTIs) during FY2022 (FY2021: six LTIs). It has been fatality-free for seven years.

Uitkomst complied with government measures to prevent the spread of COVID-19 and included a vaccination programme. During FY2022, 18 Uitkomst employees tested positive for COVID-19 (FY2021: 38 positive tests) and approximately 82% of the staff at the colliery have been vaccinated.

Production and marketing

Historically, the Uitkomst Colliery sold its smaller 0 to 40mm coal product into the domestic metallurgical market for use as PCI coal while the larger sized product (peas) were purchased by local traders and private energy generation companies. The colliery also sells a high ash, coarse discard (middlings) coal. Uitkomst produced 470,597t (FY2021: 490,100t) of ROM coal during FY2022; 4% lower than in the comparative period due to the challenging geological conditions encountered during FY2022 as well as the loss of four production days in July 2021 due to civil unrest in KwaZulu-Natal. Major maintenance at the Uitkomst Colliery's largest customer curtailed their orders for premium quality coal in the final quarter of FY2022 and, following this, the colliery completed trial production of a low ash metallurgical coal as well as export quality API4 (6,000k/cal) thermal coal.

Russia's invasion of Ukraine early in H2 FY2022 led to significant changes to international coal prices and, combined with the global energy shortage, thermal coal prices were higher than premium HCC prices. As a result, the production of API4 thermal coal is the most commercially attractive option for Uitkomst but the colliery did not have a route-to-market to export coal. Subsequent to year-end, negotiations with Overlooked Collieries (Pty) Ltd yielded the conclusion of the Coal Sales and Marketing Agreement, facilitating the export of Uitkomst's API4 coal. The Marketing Agreement expires on 31 December 2022 and will facilitate the export of at least 20,000t of API4 coal from Uitkomst on a monthly basis, allowing the Company to take advantage of higher international coal prices. In anticipation of this agreement, the colliery had 22,169t (FY2021: 0t) of coal at the Durban port at the end of June 2022 with a further 15,534t (FY2021: 4,553t) of high-quality coal available for export at Uitkomst.

During FY2022, Uitkomst sold 225,096t of coal (FY2021: 292,261t), comprising 199,065t (FY2021: 265,879t) of premium duff and sized peas and 26,031t (FY2021: 26,382t) of high ash, coarse discard coal, generating sales revenue of $23.5 million (FY2021: $20.7 million). The increase in Uitkomst's revenue per tonne is attributable to the increase in international coal prices during the latter part of FY2022 while the higher cost per tonne is mainly due to the reduction in coal sales volume compared to the prior year.

Uitkomst's key production and financial metrics for FY2022 and FY2021 are detailed below.

	FY2022	FY2021	% change
Production tonnages			
Uitkomst ROM (t)	470,597	490,100	(4%)
Inventory volumes			
High-quality duff and peas at site (t)	15,534	4,553	241%
High-quality duff and peas at port (t)	22,169	–	N.M.
	37,703	**4,553**	**728%**
Sales tonnages			
Own ROM (t)	199,065	265,879	(17%)
Middlings sales	26,031	26,382	(2%)
	225,096	**292,261**	**(15%)**
Financial metrics			
Revenue/t ($)	104	70	49%
Production costs/saleable tonnes ($)^	85	60	41%

^ all costs are incurred in South African Rand

CEO'S OPERATIONS REVIEW continued

MAKHADO PROJECT

Background

MC Mining has a 67% interest in its flagship Makhado HCC project, which spans an area of over 60km^2 across five farms in the Soutpansberg coalfield in the Limpopo province. During 2015, the Company agreed to sell 20% of the project to the Makhado Colliery Community Development Trust, comprising seven beneficiary communities within the mine's footprints. An agreement was also signed with a black industrialist, facilitating his acquisition of a 6% interest in Makhado, and the IDC acquired a 6.7% shareholding in terms of its existing ZAR160 million ($9.7 million) loan facility.

No LTIs were recorded during the 12 months (FY2021: nil) and no positive COVID-19 cases (FY2021: nil). The 'shovel ready' Makhado Project has all of the regulatory permits required to commence mining operations. MC Mining paid the remaining ZAR35 million ($2.1 million) instalment for the two properties where the Makhado coal processing plant as well as the east and central pits will be located. Following this acquisition, the Company owns all of the required surface rights for the Makhado Project.

Makhado HCC

South Africa produces significant quantities of thermal coal but has a very limited domestic supply of high-quality metallurgical coal. Once developed, Makhado will be the only significant HCC mine in the country. The project will also provide direct and indirect benefits to communities located in an area with significant unemployment levels and is expected to create approximately 650 new permanent job opportunities once operational.

The limited production of high-quality metallurgical coal in South Africa results in AMSA and other coke producers having to import HCC for the manufacture of metallurgical coke, a key ingredient in the production of steel. HCC has historically attracted significantly higher sales prices compared to thermal coal. MC Mining has secured an off-take agreement with AMSA for the purchase of between 350,000t and 450,000t of HCC annually, with sales prices linked to a published, US dollar-denominated HCC64 (mid-volatile HCC) index.

Makhado Base Case BFS

The Makhado Project, MC Mining's most advanced exploration project, reached bankable feasibility in April 2022. The BFS was prepared by Minxcon, an independent mining industry consulting firm, and is a key milestone in securing the funding for the project. Seeking to unlock near-term shareholder value, the 'Base Case' development plan in the BFS was designed to minimise the upfront capital expenditure by utilising the existing Vele Colliery infrastructure.

This BFS is supported by a JORC-compliant Coal Resource. The Base Case assessed the mining of 3.2 million tonnes per annum (Mtpa) of ROM coal from the Makhado West Pit. Initially, the plan was for this coal to be crushed and screened at Makhado and the resulting 2.0Mtpa of <31.5mm coal transported 134km to the modified Vele Colliery CPP for processing. The Vele plant would yield an average of 0.5Mtpa of HCC and 0.6Mtpa of a 5,500kcal thermal coal by-product that would be transported 55km to the Musina railway siding for sale to customers.

The Base Case BFS produced favourable financial results. Salient features of the study include:

1. Coal Resources of 296 MTIS in the Measured and Indicated categories
2. Coal Reserves of 69.3Mt in the Proved and Probable categories
3. Overall stripping ratio over the LOM is 2.48:1.0 (bank cubic metres of waste: tonne of coal
4. 25.6Mt of saleable coal produced over the approximately 22-year LOM comprising:
   - 13.7Mt of HCC
   - 11.9Mt of 5,500kcal thermal coal
5. Outsourcing of mining and processing operations
6. Creation of an estimated 650 new permanent employment positions

Makhado Project area

CEO'S OPERATIONS REVIEW continued

Makhado – alternative development scenarios

Minxcon subsequently expanded the study during August 2022, assessing potential alternative development scenarios (at pre-feasibility level) as well as the advantages of BOOT (build, own, operate, transfer) funding for elements of the Makhado CPP. The potential alternative development scenarios were developed with a view to optimising capital expenditure and reducing operational costs, including possibly:

1. moving the Vele CPP and modifying this at Makhado; or
2. the construction of a bespoke CPP at Makhado.

Minxcon assessed the potential alternative development scenarios (to pre-feasibility level) entailing mining of the East Pit, followed by the Central and West Pits and the hauling of saleable coal only 72km from Makhado to the Musina siding. While the BFS Base Case is feasible and economically robust, the additional two scenarios resulted in improved project economics with higher NPV and IRR values, primarily due to the exclusion of the trucking of crushed and screened ROM coal 134km from Makhado to Vele over the LOM. While the peak funding requirements for both alternative scenarios are higher, the payback periods are slightly shorter due to the lower operating costs as detailed in the table below.

	Base Case	Scenario 1: Move Vele CPP to Makhado	Scenario 2: Build new CPP at Makhado
Construction capital	ZAR625m	ZAR1.1bn	ZAR1.2bn
Peak funding	ZAR727m	ZAR1.2bn	ZAR1.3bn
Construction period	~12 months	~12 months	~12 months [1]
Long-term ZAR:US$ exchange rate used [2]	ZAR15.47	ZAR15.47	ZAR15.47
Benchmark real long-term premium HCC price/t [3]	US$212	US$212	US$212
Benchmark real long term API4 (6,000k/cal) thermal coal price/t [4]	US$106	US$106	US$106
Post-tax IRR	39.6%	45.2%	41.0%
Post-tax $NPV_{(6.1\%)}$ [5]	ZAR4.0bn	ZAR5.9bn	ZAR5.8bn
Post-tax $NPV_{(10\%)}$	ZAR2.5bn	ZAR4.0bn	ZAR3.8bn
Average payback period (years)	3.8	3.2	3.5

[1] Timelines to be confirmed during detailed design phase

[2] Average of ZAR17.54:US$1.00 for September 2022

[3] Average of $266/t for September 2022

[4] Average of $295/t for September 2022

[5] The 6.1% (real, after tax/ 10.9% nominal) discount rate calculated by Minxcon was the optimal rate due to *inter alia*, the Company's financial position and macroeconomic factors.

Makhado Project area

CEO'S OPERATIONS REVIEW continued

The option of moving the Vele CPP (Scenario 1) provides the most attractive financial metrics but removes the Vele asset from MC Mining's portfolio and limits future exploitation of the Vele Colliery. Construction of a new plant at Makhado provides similar results but requires additional peak funding of ZAR145 million ($8.9 million) while keeping the Vele CPP intact for future exploitation.

The results of the additional scenario assessment resulted in MC Mining subsequently committing to a development strategy involving the construction of the Makhado CPP (Scenario 2). This plant will have the same processing capacity as the Vele CPP, namely 2.0Mt per annum. The construction of a new CPP at Makhado results in a significant reduction in logistics costs and provides similar results but has a peak funding of ZAR1.3 billion (equivalent to $82.1 million) due to the requirement to build the Makhado CPP.

In order to reduce the peak funding requirement, Minxcon further assessed opportunities for BOOT arrangements. The results were that while the NPV value remained similar, BOOT funding of up to ZAR653 million ($40.0 million) significantly increased Makhado's IRR – from 41.0% to 61.6%. The table below reflects the Minxcon assessment of the improved economics of BOOT funding the Makhado CPP.

	Base Case	Scenario 1: BOOT fund Vele CPP to Makhado	Scenario 2: BOOT fund new Makhado CPP
Construction capital	ZAR625m	ZAR1.1bn	ZAR1.2bn
Peak funding	ZAR727m	ZAR679m	ZAR653m
Modelled BOOT funding [1]	ZAR60m	ZAR514m	ZAR663m
Post-tax IRR	39.6%	62.5%	61.6%
Post-tax NPV(6.1%)	ZAR4.0bn	ZAR5.9bn	ZAR5.8bn
Post-tax NPV(10%)	ZAR2.5bn	ZAR4.0bn	ZAR3.9bn
Average payback period (years)	3.8	2.8	2.8

[1] Not necessarily indicative of finance to be secured (assumes 100%)

The BOOT (pre-feasibility level) funding options significantly reduce the funding requirement of both alternatives:

Scenario 1:

BOOT funding of ZAR514 million ($31.5 million) reduces the peak funding of moving the Vele CPP from ZAR1.2 billion (73.5 million), to ZAR679 million ($41.6 million).

Scenario 2:

BOOT funding of ZAR663 million ($40.6 million) reduces the peak funding for the construction of a new Makhado CPP from ZAR1.3bn ($82.1 million), to ZAR653 million ($40.0 million).

The NPV values for both scenarios remain similar, but the IRR increased significantly – from 45.2% to 62.5% for the move Vele CPP option and from 41.0% to 61.6% for the new Makhado CPP option. Accordingly, the new Makhado CPP option based on a BOOT financing arrangement remains the preferred option.

CEO'S OPERATIONS REVIEW continued

Makhado Project funding

The Company continued the Makhado Project composite debt/equity funding initiatives during FY2022. This included securing an extension for the repayment of the existing ZAR160.0 million ($9.8 million) IDC loan facility, to 30 November 2022. The terminal drawdown date of the new ZAR245 million ($15.0 million) IDC facility for the development of Makhado was also extended to 30 November 2022, subject to the IDC re-affirming its financial due diligence and credit approval. MC Mining has also secured an in-principle contractor BOOT funding arrangement of ZAR60.0 million ($3.7 million), subject to agreement of final documentation.

Subsequent to year-end, the Company announced a fully underwritten, renounceable A$40.0 million (ZAR451 million/$27.6 million) Rights Issue. This will be completed in early November 2022 and provides the cornerstone funding for Makhado. The Rights Issue satisfies a key condition for the drawdown of the new ZAR245 million IDC facility and the Company anticipates that the balance of the funding will be concluded in Q4 CY2022 with construction of Makhado commencing in early CY2023.

The potential funding scenarios for the development of Makhado are assessed in the table below.

	Construction of Makhado CPP (no BOOT funding)	BOOT fund new Makhado CPP
Peak funding	ZAR 1.3bn	ZAR 653m
Construction capital	ZAR 1.2bn	ZAR 1.2bn
Underwritten rights offer	(ZAR 451m)	(ZAR 451m)
Potential BOOT funding	(ZAR 60m) [1]	(ZAR 663m) [2]
Indicative IDC debt funding	(ZAR 245m)	(ZAR 245m)
Potential debt funding [3]	(ZAR 344m)	–
Working capital funding (to peak funding) [3]	(ZAR 200m)	–
Average payback period (years)	3.5	2.8

[1] In-principle BOOT funding proposal received.
[2] Not necessarily indicative of finance to be secured (assumes 100%).
[3] The Company is considering options in this regard.

Following Minxcon's pre-feasibility alternative scenario study exercise, MC Mining initiated discussions with potential additional BOOT funding providers. The Company has also approached potential service providers to complete the detailed study work that will allow for a full process plant design specifically for the Makhado CPP. Minxcon confirmed that this engineering design work could potentially materially reduce capital costs and consequently, the peak funding requirement.

Makhado Project drill core

CEO'S OPERATIONS REVIEW continued

VELE ALUWANI COLLIERY

Background

The 100%-owned Vele Aluwani Colliery in the Tuli coalfield of the Limpopo province recorded one LTI during the 12 months (FY2021: nil) and one COVID-19 case (FY2021: nil). Vele has maintained all of the regulatory approvals required to recommence operations and the Coal Resource comprises both SSCC and export quality thermal coal but the colliery's CPP does not have the requisite fines circuits that would allow for the simultaneous production of SSCC and thermal coal. Due to the global economic downturn and lower coal prices, the colliery was placed on care and maintenance in August 2013.

Compliance

Compliance with regulatory and licensing requirements at the colliery is monitored using various initiatives – internal inspections, external audits conducted by the Department of Human Settlements, Water & Sanitation (DHSWS), as well as inspections conducted by the Environmental Compliance Officer. Vele also participates in a Project Steering Committee in line with the historic October 2014 Biodiversity Offset Agreement (BOA) between the Company, the Department of Forestry, Fisheries & Environment (DFFE) and the South African National Parks (SANParks). The colliery also participates in the Environmental Management Committee (EMC), established as an oversight committee in terms of the colliery's Environmental Authorisation (EA). The EMC comprises various stakeholders from regulatory authorities, relevant organs of state, municipal representatives, civic society and stakeholders identified during the initial public process.

Operational opportunities

The previously envisaged phased approach to the development of Makhado Project would have resulted in the processing of Makhado's crushed and screened coal at the Vele CPP. This would have required modifications to the Vele CPP of approximately ZAR397 million ($23.9 million). Given the improved market conditions, the Board has approved the decision to build a new CPP at Makhado thus creating optionality for the potential recommencement of operations at Vele.

The Company has previously reported that when market conditions improve, the reopening of Vele would be considered. Options being evaluated include the possible outsourcing of operations at the colliery and the Company is assessing potential partnerships in this regard. Any Vele development model that includes elements of outsourcing will reduce the start-up working capital funding and prioritise resources on the development of the flagship Makhado Project, which remains the priority for MC Mining.

The Company impaired exploration assets located to the west of the Vele Colliery during FY2022. The charge of $4.3 million is for assets considered as having a low probability of being developed.

GREATER SOUTPANSBERG PROJECT

Background

The GSP is situated in the Soutpansberg coalfield in the Limpopo province, located within close proximity to the SEZ. The GSP comprises three project areas, namely the Mopane, Generaal and Chapudi project areas. The GSP is owned by MC Mining (74%) and its BEE partner, Rothe Investments (Pty) Ltd (26%). There were no LTIs recorded or positive COVID-19 cases in FY2022 (FY2021: nil).

Development

The exploration and development of the three GSP areas is the catalyst for MC Mining's long-term growth and the Company has secured mining rights for all three project areas. The granting of the mining rights was subsequently appealed and the DMRE is still considering the appeals. The GSP projects contain over 7.0 billion gross tonnes in situ of inferred coal resources, positioning the GSP to be a potential long-term coal supplier to the planned SEZ, as well as other markets. The Company anticipates commencing with the various studies required for the outstanding water and environmental regulatory approvals following the commissioning of the Makhado Project.

The Company impaired various GSP exploration assets during FY2022 that it does not expect to develop in the foreseeable future. The charge for FY2022 included an impairment of historical exploration costs of $0.2 million incurred on prospecting rights to the east of the Makhado Project that expired. The mining rights remain intact but an impairment expense of $10.3 million was recorded for accounting purposes for specific GSP prospects where the Company is uncertain about their development in the foreseeable future.

IN CONCLUSION

I would like to extend my appreciation to the Board and shareholders for their faith in appointing me as Managing Director and CEO. The Company has overcome numerous challenges and I am grateful for the on-going support of the IDC and other stakeholders. I am also very appreciative of the MC Mining team's hard work and continued loyalty and I thank the Company's directors for their contribution and entrusting me to guide the Company.

Godfrey Gomwe

Chief Executive Officer

REGULATORY COMPLIANCE

	MR granted by the DMRE			IWUL granted by the DHSWS			EA granted by the Environmental Departments			Access to surface rights secured
Project	Granted	Duration	Status	Granted	Duration	Status	Granted	Duration	Status	
Uitkomst (KwaZulu-Natal)	✓	Valid until October 2023	Fully compliant[1]	✓	20 years[2]	Granged in 2022; fully compliant	✓	LOM	Fully compliant	✓
Makhado Project (Limpopo)	✓	30 years	Granted in 2015; fully compliant	✓	20 years	Granted in 2015; fully compliant[3]	✓	LOM	Validity period amended and EA aligned with LOM	✓
Vele (Limpopo)	✓	30 years	Granted in 2010; fully compliant	✓	20 years	Granted in 2015; fully compliant	✓	LOM	Fully compliant[4]	✓
GSP (Limpopo)	Chapudi MR granted in December 2018, Generaal MR granted in November 2019, Mopane MR[5] granted in February 2021			No applications for IWULs submitted – will apply once production at the Makhado Project has commenced x			No applications for EAs submitted – will apply once production at the Makhado Project has commenced			X

Notes:

1 Extension Application submitted in late CY2019 to extend the MR for LOM

2 Extension approved in FY2022

3 Appeal lifted in FY2017 and will be assessed by the Water Tribunal once the South African Constitutional Court has ruled on the transferability of water rights

4 MC Mining committed to spending ZAR55 million over 25 years on biodiversity and cultural heritage in line with off-set agreement signed in 2014

5 The GSP MRs were subsequently appealed

DMRE	Department of Mineral Resources & Energy
DHSWS	Department of Human Settlements, Water and Sanitation
EA	Environmental Authorisation to undertake mining activities
IWUL	Integrated Water Use Licence – water use limits for construction and mining activities
LOM	Life-of-mine
MR	Mining Right – authorisation to mine resources in accordance with approved mine plan

Uitkomst Colliery

RESOURCES AND RESERVES STATEMENT

AS AT 30 JUNE 2022

INTRODUCTION

MC Mining reviews and reports its Mineral Resources annually to coincide with its financial year-end of 30 June.

If there are any material changes to the Mineral Resources over the course of the financial year, the Company is required to promptly report these changes. The Uitkomst Colliery was mined continuously during FY2022, and the Vele Colliery was continuously evaluated with no addition or reduction in the Mineral Resources or Reserves required. The Minxcon completed a BFS on the Makhado Project and the low capital 'Base Case' of the study assumed that the crushed and screened ROM coal would be transported to the Vele Colliery for processing.

Minxcon subsequently assessed potential alternative development scenarios for Makhado to optimise capital expenditure and reduce operational costs, including possibly moving the Vele coal processing plant (CPP) and modifying this at Makhado or, the construction of a bespoke CPP at Makhado. Both additional development scenarios were developed to pre-feasibility level and would require additional capital expenditure but would significantly reduce the transport costs when compared to the Base Case scenario. While the BFS Base Case is economically robust, the additional two scenarios resulted in improved project economics.

The prospecting right for two properties that comprised the Makhado Extension Project, namely Telema & Grey, lapsed during FY2022 and these prospects no longer form part of MC Mining's Mineral Resources and Reserves and they were not of economic significance.

The following Summary of the Resource and Reserve statement for MC Mining's operations and projects are compliant with the Committee for the Mineral Reserves International Reporting Standards (CRIRSCO) of November 2013, which is a requirement because MC Mining has its primary listing on the Australian Stock exchange (ASX: MCM:AU), with secondary listings on United Kingdom Alternative Investment Market (AIM: MCM:LN) and the Johannesburg Stock Exchange (JSE: MCZ:SJ).

Under the auspices of CRIRSCO, the reporting is required to be compliant to the relevant National Reporting Organisations (NROs) and are required to be founded on the Central Principles of Transparency, Materiality and Competence and are provided on an "if not, why not" basis.

The various projects are the subject of Competent Persons Reports (CPRs) that are all JORC 2012 and SAMREC 2016 compliant. The CPRs used in this report are:

1. the Makhado Project was evaluated by Minxcon and a BFS dated **1 April 2022** was prepared
2. the Uitkomst Colliery was evaluated by Minxcon and an independent report dated **28 February 2017** was presented
3. the Vele Colliery was evaluated by VBKom mining engineers and an independent report dated **1 March 2017** was presented
4. the Greater Soutpansberg Projects were evaluated by Venmyn Deloitte consultants and their report dated **1 February 2017** was presented

BY WHOM IS THIS STATEMENT PREPARED

The principle competent persons involved in this declaration are Mr J.C.H.K. Sparrow in terms of the Resource declaration. Mr B.J. Bruwer, Mr D. van Heerden and Mr C.W. Archer in terms of the Reserve declaration. Mr Sparrow is in the full time employ of MC Mining as the Group Geologist. Mr Bruwer, Mr van Heerden and Mr Archer are consultants to MC Mining. Mr Bruwer in terms of the Vele Colliery, Mr van Heerden in terms of the Makhado project and Mr Archer in terms of the Uitkomst Colliery.

Mr Sparrow is a registered professional scientist of good standing with the South African Council for Natural Scientific Professions (SACNASP) (400109/03).

Mr Bruwer is a qualified mining engineer and registered member of good standing with the SAIMM (South African Institute of Mining and Metallurgy) (701068).

Mr van Heerden is a qualified mining engineer and registered member of good standing with the SAIMM (37309).

Mr Archer is a qualified mining engineer and registered member of good standing with the SAIMM (706388).

All parties have consented to the inclusion of the Mineral Resources and Reserves in the FY2022 Integrated Report.

The units of measure in this report are metric, with 1 tonne (t) = 1,000kg.

This report includes technical information that requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur MC Mining does not consider them to be material.

Terminology used herein is English, with English spellings utilised throughout.

BACKGROUND

MC Mining has a number of operations and projects that will be at different stages of exploration, development and production.

OPERATING COLLIERY

Uitkomst Colliery, Amajuba Magisterial District, KwaZulu-Natal Province, Republic of South Africa (GPS Coordinates, Lat: 27° 36'02.99"S, and Long: 30°08'06.51"E)

RESOURCES AND RESERVES STATEMENT continued

AS AT 30 JUNE 2022

OPERATION ON CARE AND MAINTENANCE

Vele Colliery, Vhembe Magisterial District, Limpopo Province, Republic of South Africa (GPS Coordinates Lat: 22° 9'29.28"S, and Long: 29°38'41.24"E) – on care and maintenance since October 2013.

PROJECTS AT VARIOUS STAGES OF DEVELOPMENT

Makhado Project, Vhembe Magisterial District, Limpopo Province, Republic of South Africa (GPS Coordinates Lat: 22°48'13.44"S, and Long: 29°57'44.52"E). Mining Right granted May 2015.

Chapudi Project, Vhembe Magisterial District, Limpopo Province, Republic of South Africa (GPS Coordinates Lat: 22°52'52.36"S, and Long: 29°39'41.72"E). Mining Right application submitted in June 2013 and granted in December 2018. The project consists of the Chapudi, Chapudi West and Wildebeesthoek Sections

Generaal Project, Vhembe Magisterial District, Limpopo Province, Republic of South Africa (GPS Coordinates Lat: 22°40'34.46"S, and Long: 30° 8'51.19"E). Mining Right application submitted April 2013 and the project consists of the Generaal and Mount Stuart sections.

Mopane Project, Vhembe Magisterial District, Limpopo Province, Republic of South Africa (GPS Coordinates Lat: 22°32'42.06"S, and Long: 29°48'51.40"E). Mining Right application submitted March 2013 and the Project consists of the Voorburg and Jutland Sections.

SUMMARY OF MC MINING'S RESOURCES AND RESERVES

Extract from the Mineral Resource and Reserve Statement

The Mineral Resource and Reserves statement has been extracted from the independent technical reports compiled by Minxcon, VB Kom Consulting Engineers and Venmyn Deloitte. These technical reports can be viewed at *www.mcmining.co.za/investors-and-media/technical-reports*.

The Mineral Resources and Reserves are as at 30 June 2022 for all assets. The statement below is relevant to the Mineral Assets under MC Mining's control on this date. They have been based on reliable exploration and mining results (where appropriate) and accurately estimated using industry best practice standards of modelling. The Resources and Reserves have been correctly classified according to the JORC Code (2012). The relevant Competent Persons in the employ of or consultants to the Company: Mr Bruwer, Mr Sparrow and Mr Archer consent to the inclusion of this extract of the Mineral Resources and Reserves into the 2022 MC Mining Integrated Report.

MC Mining Limited Resources[1]

Project\Operation	Resource Category[2]	Gross Tonnes *in situ* (GTIS) Mt	Total Tonnes *in situ* (TTIS) Mt	Mineable Tonnes *in situ* (MTIS) Mt	Attributable Interest %	Attributable MTIS resource
Vele Colliery	Measured	148.166	133.349	86.112	100	86.112
Uitkomst Colliery[7]		15.474	14.700	13.926	70	9.748
Mopane Project[3]		109.435	98.492	94.916	74	70.238
Makhado Project[8]		387.340	367.970	227.400	67	153.108
Total Measured Resources		**660.415**	**614.511**	**422.354**		**319.206**
Vele Colliery	Indicated	426.854	362.826	200.303	100	200.303
Uitkomst Colliery[7]		4.650	4.185	3.953	70	2.767
Mopane Project[3]		125.034	106.279	100.507	74	74.375
Makhado Project		254.000	233.680	68.600	67	46.188
Total Indicated Resources		**810.538**	**706.970**	**373.363**		**323.634**
Vele Colliery	Inferred	218.932	175.145	75.154	100	75.154
Uitkomst Colliery[7]		7.100	6.035	5.680	70	3.976
Mopane Project[3]		36.239	28.991	24.001	74	17.761
Makhado Project		116.200	104.600	7.200	67	4.848
Generaal Project[4]		407.163	325.730	55.511	74	41.078
Chapudi Project[5]		6 399.023	5 119.219	1 318.481	74	975.676
Total Inferred Resources		**7 184.657**	**5 759.721**	**1 486.027**		**1 118.492**
Grand Total Resources[2]		**8 655.610**	**7 081.202**	**2 281.743**		**1 761.332**

Notes

1 http://www.mcmining.co.za/technical-reports

2 The JORC and SAMREC compliant coal resource is at the 30th June 2022 and is inclusive of reserves

3 Mopane Project – Consists of the Voorburg and Jutland sections

4 Generaal Project – Consists of the Generaal and Mount Stuart Sections

5 Chapudi Project – Consists of the Chapudi, Chapudi West and Wildebeesthoek Sections

6 MC Mining Limited does not own the surface rights to all farms over which it has rights

7 Uitkomst Colliery – This operation has undergone detailed reassessment of resources at the edges of the deposit.

8 Makhado Project – This Project has been extensively re-evaluated by Minxcon in the June 2022 Bankable Feasibility Study

MC Mining Limited Reserves[1]

Operation	Reserve Category	Mineable Tonnes in situ Reserve Mt	Run of Mine Tonnes (ROM) Mt[3]	Saleable Primary Product Tonnes Mt	Saleable Secondary Product Tonnes Mt	Attributable Interest %
Vele Colliery		23.806	25.280	4.666	9.68	100
Makhado Project[2]	Proved	227.400	62.800	12.400	10.90	
Uitkomst Colliery[5]		9.456	5.884	3.730		70
Total Proven		**260.662**	**93.964**	**20.795**	**20.582**	
Vele Colliery		301.371	266.115	47.848	117.751	100
Makhado Project[2]	Probable	68.600	6.500	1.300	1.000	67
Uitkomst Colliery[5]		2.125	1.237	0.813		70
Total Probable		**372.097**	**273.851**	**49.960**	**118.751**	
Grand Total Reserves[3]		**632.759**	**367.816**	**70.756**	**139.334**	

Notes
[1] http://www.mcmining.co.za/technical-reports/
[2] The Makhado Project has been the target with a bankable feasibility report based on an a Phase 1 mining plan.
[3] The declared coal reserves are based upon the Measured and Indicated Coal Resources only.
[4] Tonnages reported in Millions of tonnes and rounding of weighted averages may have occurred.
[5] Uitkomst colliery reserves are based on a detailed Life of Mine layout (1st July 2022).

MINERAL RESOURCE AND RESERVE STATEMENT COMPARISON

A depletion model based on the footprint of the mined out areas of Uitkomst Colliery and calculation considering the production for the 2021/2022 financial year. The Makhado Project has undergone a detailed mining re-evaluation resulting from the bankable feasibility study of the Phase 1 option, resulting in the upgrade of significant Mineral Reserves from Probable to Proved.

MC Mining Limited Resources[1]

Project\Operation	Resource Category	Gross Tonnes *in situ* (GTIS) Mt	Total Tonnes *in situ* (TTIS) Mt	Mineable Tonnes *in situ* (MTIS) Mt	Attributable Interest %	Attributable MTIS resource
Uitkomst Colliery	Measured	(0.237)	(0.225)	(0.213)	70	(0.149)
Makhado Project		(15.441)	5.467	(37.625)	67	(25.333)
Total Measured Resources		**(15.677)**	**5.243**	**(37.837)**		**(25.482)**
Uitkomst Colliery	Indicated	(0.237)	(0.225)	(0.213)	70	(0.149)
Makhado Project		(44.595)	(20.126)	(8.143)	67	(5.483)
Total Indicated Resources		**(44.831)**	**(20.350)**	**(8.356)**		**(5.632)**
Uitkomst Colliery	Inferred	0.404	0.343	0.323	70	0.226
Makhado Project		21.968	29.214	4.202	67	2.829
Total Inferred Resources		**21.968**	**29.214**	**4.202**		**2.829**
Grand Total Resources		**(38.541)**	**14.107**	**(41.991)**		**(28.284)**

MC Mining Limited Reserves[1]

Operation	Resource Category	Mineable Tonnes *in situ* Reserve Mt	Run of Mine Tonnes (ROM) Mt	Saleable Primary Product Tonnes Mt	Saleable Secondary Product Tonnes Mt	Attributable Interest %
Uitkomst Colliery	Proven	(1.397)	(0.339)	(0.194)		70
Makhado Project		227.400	62.800	12.400	10.900	67
Total Proven		**226.003**	**62.461**	**12.206**	**10.900**	
Uitkomst Colliery	Probable	(0.464)	(0.195)	(0.102)		70
Makhado Project		(119.650)	(166.257)	(24.337)	(43.536)	67
Total Probable		**(120.114)**	**(166.452)**	**(24.439)**	**(43.536)**	
Grand Total Reserves		**105.888**	**(103.992)**	**(12.233)**	**(32.636)**	

Notes
[1] http://www.mcmining.co.za/technical-reports/
[2] The declared coal reserves are based upon the Measured and Indicated Coal Resources only.
[3] Tonnages reported in Millions of tonnes and rounding of weighted averages may have occurred.

GOVERNANCE ARRANGEMENT AND INTERNAL CONTROLS

MC Mining has ensured that the Mineral Resources quoted are subject to good governance arrangements and internal control. The Company has engaged external independent consultants to update the Mineral Resource in accordance with the JORC Code 2012 and SAMREC 2016.

SUSTAINABILITY REVIEW

Our approach to sustainability continues to evolve as the challenges of poverty, inequality and weak economic growth continue to plague our communities.

IN THIS SECTION

Makhado – housing

INTRODUCTION

Sustainability is a priority at MC Mining and we believe that when our resources are developed sustainably, we can change the lives of the people in our areas of our operation for the better. It is fundamental to delivering on our corporate strategy, and we actively engage all our partners to support this. Our values of integrity, leading by example, and care, respect and trust are the guiding principles for how we implement our strategy.

During the period under review, the Corporate Affairs Department was restructured and further resourced, and repurposed as the Sustainability Department.

Our sustainability strategy is aligned to the UN Sustainable Development Goals (SDGs), and we contribute to these goals by upholding the internationally recognized standards and principles on human rights, labour, the environment, and the economy.

This report will consider our interactions with our people, our communities, our environment and society. Through our operations we strive to build sustainable communities through creating local jobs, empowering and investing in local communities. We actively promote enterprise and supplier development through our supply chain processes, and implement a number of training and development initiatives to build capacity within the society in which we operate.

SUSTAINABLE DEVELOPMENT GOALS

Our sustainability strategy is aligned with the United Nation's SDGs.

Introduced in 2015, these 17 goals and their related targets are a universal call to action to end poverty and protect the plant by ensuring that, by 2030, all people enjoy peace and prosperity.

We have interrogated the SDGs and, through our business, we are working towards this global challenge by focusing initially on eight of the SDGs. This year we added SDG 10 – Reduced Inequalities to those selected.

The eight SDGS on which we are currently focused are:

OUR VALUES

SAFETY	INTEGRITY	CARE, RESPECT AND TRUST	PROFESSIONALISM	ENTREPRENEURIAL SPIRIT	LEAD BY EXAMPLE
We put safety first in all we do	We are honest, fair, ethical and transparent	We always treat people with respect, dignity and common courtesy regardless of background, lifestyle or position	We maintain high professional standards in all that we do	We continue to find innovative ways to create value for all our stakeholders	We lead other by our actions, not words

INTRODUCTION continued

FOUR PILLARS OF SUSTAINABILITY

Our sustainability strategy is premised on four pillars:

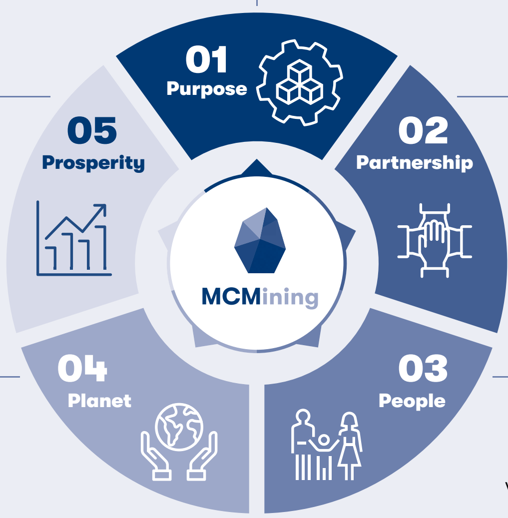
There is a renewed focus on four all pillars as we strive for the sustainable use of resources.

SUSTAINABILITY FRAMEWORK

Our framework guides our journey towards sustainable development and enables us to operate in the best interests of our shareholders and our communities, while minimising our impact on the environment.

Purpose
Creating sustainable benefits for all our stakeholders through a shared value approach

Prosperity
- Shared prosperity for all
- Generating sustainable returns for shareholders
- Earning revenue responsibly and respectedly
- Driving transformation in our areas of operation



Partnership
Creating sustainable benefits for all our stakeholders through a shared value approach

Planet
Managing, Minimising and Mitigating our impact on the environment.

People
Our culture and our people are fundamental to our success. Build a inclusive, diverse and engage workforce who are connected to our purpose and whose actions are guided by our values.

EMBED A CULTURE OF ZERO HARM

INTRODUCTION continued

SUSTAINABILITY

These pillars are being integrated into the operations across the Group in the following manner:

Sustainability pillars	Environmental	Social	Economic	Human
Creating sustainable benefits for all our stakeholders through a shared value approach				
Theme	Beyond compliance approach Preserve the environment through a more rational use of natural resources	Shared purpose to transform our areas of operation Contribute to general social development in the areas in which we operate	Generate sustainable returns for shareholders Earn revenue responsibly and repeatedly	Shared prosperity for all As MC Mining thrives so must our people Nurturing and developing the human component of man and society
Purpose	Direct all our efforts to deliver positive and long-lasting environmental outcomes and a sustainable legacy	Build trust and co-operation with communities across our differences by: • building sustainable communities • fostering social cohesion • creating meaningful jobs • developing skills and capacity	Embed sustainability into all elements of the business	Build an inclusive, diverse and engaged workforce who are connected to our purpose and whose actions are guided by our values
Legal framework	MPRDA NEMA, NWA, National Waste Act	MPRDA	ASX, AIM, JSE King IV Code	MHSA Labour Relations Act, BCA, EEA
Intervention	Minimise our impact on: • land (culture, heritage, biodiversity) • water (clean water and sanitation) • air (climate change) through an ESG approach	• Implement Social and Labour Plan projects • Undertake corporate social investment	Unlock value through optimised operations and lower production costs	Attract, retain and develop skills by : • promoting diversity and inclusion • building capacity • managing talent • engaging employees


Makhado Centre of Learning

SAFETY AND HEALTH

We are committed to ensuring the safety, health and wellbeing of our employees, contractors, suppliers and communities. We continue to develop our safety and health culture as our business continues to growth, working together to achieve the goal of Zero Harm.

Our safety targets are reviewed annually, and stringent systems and process are applied.

SAFETY PERFORMANCE HIGHLIGHTS – UITKOMST COLLIERY

1. 7 years' fatality-free operations at Uitkomst. (since 15 January 2015)
2. LTIFR 0.95 per 200,000 hours worked (FY2021 – 1.12)
3. 5 LTIs
4. Safety campaigns:
   - SLAM
   - Silly Season
5. Number of people vaccinated: 82%

During FY2022, our LTIFR was 0.95 per 200,000 hours worked, improving on our safety performance of FY2021 when an LTIFR of 1.12 was recorded. This was a result of our changed leadership approach, a strengthening of our culture, and by implementing a range of targeted safety interventions. Our safety target for FY2023 is an LTIFR of 1.11.

South Africa's Mine Health and Safety Act, 1996 (Act 29 of 1996) sets out the minimum requirements to ensure the safety of employees by mining companies.

OUR APPROACH

Our approach is aligned with UN SDG 3 and aimed at ensuring the good health and wellbeing of our people, and executed within the internal health and safety performance standards outlined in our Sustainability Policy.

We focus on:

LEAD BY EXAMPLE

Highly engaged, visible and accountable leadership who lead by example is essential to ensuring that all our people are safe. There is ongoing engagement with mine management and their respective departments on health and safety risk management, and our continually updated operational procedures

ENHANCE CAPACITY

Our goal is to enhance the capacity of our employees to manage health and safety risks. We strive for continuous improvement by learning lessons from incidents and events, to ensure that these are preventable in future. Our training programmes focus on creating a mind-set shift so that all employees embrace our ultimate objective of zero harm and work together to create an incident and injury free environment.

MANAGE RISK

We manage our health and safety risk through risk management process which are central to our operational and project management. Through these processes, we identify, assess, analyse and address or mitigate risks associated with our business and operational activities. Our safety approach is reviewed regularly to ensure that it remains relevant and is aligned with global best practice.

Our communication and awareness programmes focus on ensuring that all our people are aware of our safety targets, strategies and gaps in developing leadership skills in safety.

IMPROVING PERFORMANCE

We continually strive to improve our performance against global best practice. This is done through our awareness campaigns, dialogue sessions, accountability training, and ongoing assessment and review.

SAFETY AND HEALTH continued

OCCUPATIONAL HEALTH

An independent occupational hygienist is employed at Uitkomst to conduct regular monitoring at our operations and projects, thus ensuring compliance with airborne pollutants, thermal stress and occupational noise requirements.

	FY 2022	FY 2021	FY 2020
HIV/ AIDS			
Number of tests	24	137	93
New positive diagnoses	2	3	0
Employees on treatment	77	70	67
Mortalities	0	0	0
TUBERCULOSIS			
Number of cases	1	1	0
Mortalities	0	0	0
DIABETES			
Number of cases	15	14	12
HYPERTENSION			
Number of cases	53	53	53
PNEUMACONIOSIS			
Suspected cases	1	0	2
NOISE INDUCED HEARING LOSS			
Number of cases	0	1	0
COVID -19			
Positive cases	0	39	23
Recoveries	0	38	22
Deaths	0	1	

ENSURING SAFE OPERATIONS DURING COVID-19

As we press ahead with our post COVID-19 recovery, the challenges posed by the disease were less impactful on operations during FY2022.

Our strategy to manage the impacts of COVID-19 on our business was dynamic, and in line with changing government guidelines and the spread relative to each site.

We continued to uphold our health and safety protocols of wearing masks, and other health and hygiene controls.

STAKEHOLDER ENGAGEMENT

17 PARTNERSHIPS FOR THE GOALS

MAXIMISING THE BENEFITS OF OUR MINING ACTIVITIES FOR OUR STAKEHOLDERS

Our shared value model recognises that the priorities and values of all our stakeholder groups, in particular our communities, have an impact on our decision-making processes.

Striving to earn and maintain our social licence to operate, we engage with our stakeholders regularly to build enduring, inclusive and mutually beneficial relationships. We recognise that the continued successful existence of our company requires the ongoing support and collaboration of our stakeholders. We always seek to maximise the benefits for society through our activities.

We operate in complex, multi-stakeholder environments with massive challenges of poverty, high unemployment, low skills levels and few opportunities. There are high expectations of our operations and projects to address these challenges rapidly and exclusively. Our stakeholder engagement processes focus on capacity building to develop a shared understanding and purpose to work together to change the lives of our communities for the better.

STAKEHOLDER ENGAGEMENT STRATEGY

Our stakeholders are defined as those interested in and potentially affected by our operations and projects. A stakeholder engagement strategy is key to building and securing the trust of our stakeholders. Our engagement strategy is directly managed through our Sustainability Department at a corporate and mine site level.

The vision of the strategy is to build social cohesion and social capital within communities in order to develop sustainable communities through inclusive, transparent and regular engagement.

Through our community engagement, we aim to understand and skilfully manage community expectations and challenges, and work collaboratively with them to create social, environmental and economic value.

Our stakeholder groups include:

- Shareholders and investors
- Our employees, organised labour structures and contractors
- Local communities and traditional leadership
- Regulatory authorities at a national, provincial and local level
- Landowners and neighbours
- Civic society partners

Our stakeholder strategy seeks to:

1. **Identify** stakeholders, their needs, challenges and expectations
2. **Engage** with stakeholders, regularly and proactively, to share relevant and empowering information, and to seek mutual understanding and **shared purpose**
3. **Integrate** information into decision-making processes at all levels
4. **Create and enhance** value for all
5. **Review, assess and report** value progress

STAKEHOLDER ENGAGEMENT continued

UITKOMST COLLIERY

The Uitkomst Colliery, located on Farm Uitkomst and leased from the Qophumlando Community Property Association, comprises 57 beneficiary families who reside on the farm. We have conducted a door-to-door survey to develop a demographic analysis of our directly affected communities. Through the Uitkomst Community Trust, these communities hold an 8% shareholding in the Colliery.

MCMining LIMITED

100%

Pan African Resources Coal Holdings (Pty) Ltd

70%

Uitkomst Colliery (Pty) Ltd

14% Mcijo Trust

8% Uitkomst Colliery Employee Trust

8% Uitkomst Colliery Community Trust

Uitkomst Colliery

STAKEHOLDER ENGAGEMENT continued

Engagement structures

Structure	Stakeholder group	Mandate	Meeting frequency
Qophumlando Community Property Association	Community	Legal entity to enter into agreements: • Lease agreement • Ownership agreement	Quarterly, and when required
Various community structures	Community	General community issues: • Employment • ESDP • Community benefit • Social and labour plan	As and when required
AMCU FALWUSA	Organised labour	Employee matters	Quarterly
Programme for Women in Mining (ProWiM)	Employees (Employment Equity Act)	Attract women into mining and retain in the Colliery	Quarterly
Emadlangeni Municipality	Local government	Social and labour plan Socio-economic benefits	Quarterly
Regulatory authorities	**National:** DMRE, DHSWS, DRDLR **Provincial:** DHSWS, DAFF	Compliance and legislative framework	Annually **Individual departments:** quarterly

DEPARTMENTAL ACRONYMS

AMCU	Association of Construction and Union
DAFF	Department of Agriculture, Forestry and Fisheries
DEFF	Department of Environment, Forestry and Fisheries
DHSWS	Department of Human Settlements, Water and Sanitation
DDMRE	Department of Mineral Resources and Energy
DoA	Department of Agriculture
DRDLR	Department of Rural Development and Land Reform
FALWUSA	Free at Last Workers Union of South Africa
LEDET	Limpopo Economic Development, Environment and Tourism

MAKHADO PROJECT

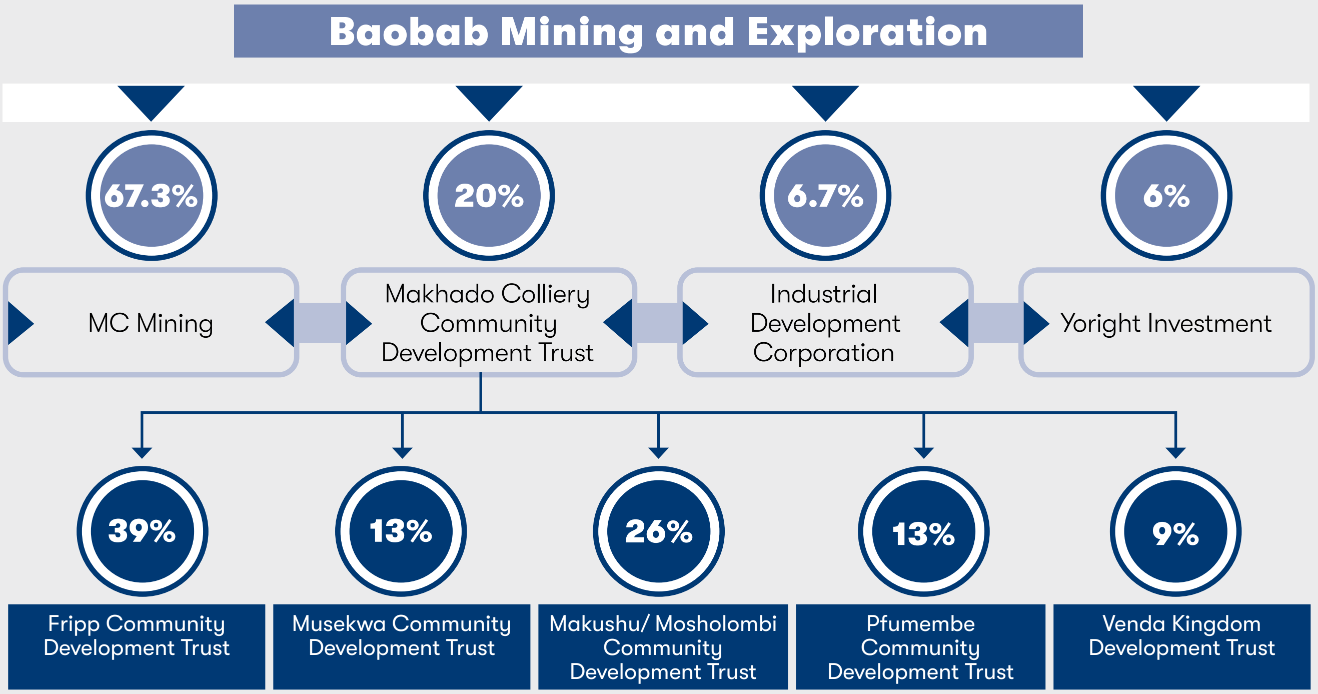
The Makhado Project is located within a complex, multi-stakeholder environment. It stretches across five farms, with seven beneficiary communities.

Community	Location	Category	Households	Population
Mudimeli	Fripp Farm	Host community	985	6,400
Mulambwane				
Nekuvule				
Moshomlombi	Telema/Grey	Neighbouring communities	280	1,680
Makushu			320	1,920
Pfumembe			141	846
Musekwa	4 main villages	Land claimants	2,750	16,500
Totals			**4,476**	**27,346**

STAKEHOLDER ENGAGEMENT continued

Ownership

The Makhado Colliery Community Development Trust owns a 20% stake in Baobab Mining and Exploration, split equally across the communities.



As we continue to advance the Makhado Project, we have resumed more frequent engagement through established stakeholder engagement structures:

Structure	Stakeholder groups	Mandate	Meeting frequency
King's Advisory Forum	Traditional leadership	Structure for sharing of information regarding development in the Venda area	As and when required
Makhado Chiefs Forum	Traditional leadership	To deal with traditional and ancestral matters	Quarterly
Makhado Colliery Community Consultative Forum	Community	Structure to share information on Makhado, and to deal with community issues	Quarterly
Communities	Community	Engagement with communities through mass meeting to share information	Annually
Integrated Government Forum (IGF)	**National:** DMRE, DHSWS, DFFE, DRDLR **Provincial:** LEDET, DAFF **Local:** Makhado and Musina municipalities	Compliance and legislative framework	Annually Individual departments quarterly

STAKEHOLDER ENGAGEMENT continued

VELE COLLIERY

The stakeholder groups of the Vele Colliery are varied, due in part to the proximity of the mine to the Mapungubwe World Heritage Site. These include Land Claimant communities, authorities at a national, provincial and local level, neighbouring landowners, the Save Mapungubwe Coalition (representing several statutory bodies like Birdlife South Africa, Endangered Wildlife Trust, the Association of Southern African Professional Archaeologists (ASAPA) and UNESCO, among others.

The Vele Environmental Management Committee (EMC), an oversight committee in terms of Vele's Environmental Authorisation, was established in 2012. The membership of the EMC includes representatives from relevant organs of state at a national, provincial and local level, civic society (represented by the Save Mapungubwe Coalition), the farmers' forum and other stakeholder groups identified during the EIA process. Quarterly meetings are well attended and are characterised by robust debate and constructive discussion on global best practice. There is a shared mindset to ensure improved levels of compliance at the colliery.

In October 2014, MC Mining, the Department of Environmental Affairs and South African National Parks (SANParks) signed an historic Biodiversity Offset Agreement (BoA) to strengthen co-operation between the three parties towards the conservation and sustainable development of the Mapungubwe World Heritage Site to protect the outstanding universal value of the Mapungubwe Cultural Landscape.

A Project Steering Committee was instituted to implement and manage the BoA and to deliver on its objectives. Throughout FY2022, this committee continued to oversee implementation of the BoA and related projects.

Community stakeholder

Structure	Stakeholder groups	Mandate	Meeting frequency
Environmental Management Committee (EMC)	MC Mining, DMRE, DFEE, DHSWS, Capricorn and Blouberg Municipalities, Weipie Farmers Association, Coalition	Established in terms of the EA to monitor environmental compliance	Quarterly
Heritage Sub-Committee	DFFE, SAHRA, SANParks, Coalition, ASAPA, MC Mining	Sub-committee of the EMC to monitor compliance within the approved Heritage Management Plan	Quarterly
Water Sub-Committee	DHSWS, Farmers Association, Coalition MC Mining	Sub-committee of the EMC to monitor compliance within the approved IWUL	Quarterly
Project Steering Committee	DFFE, SANParks, MC Mining	Established in terms of the Biodiversity Offset Agreement	Quarterly
Vele Community Forum	Land claimant communities Tshivhula, Machete and Leshivha	To provide updates to community on the project and the SVM	Bi-annual
Authorities	**National:** DMRE, DHSWS, DFFE, DRDLR **Provincial:** LEDET, DAFF, DoA, **Local:** Musina and Vhembe municipalities	Compliance Legislative framework Socio-economic transformation	

PEOPLE AND CULTURE

CREATING AN INCLUSIVE WORKPLACE WHERE OUR PEOPLE ARE EMPOWERED, ENGAGED AND CONNECTED TO OUR PURPOSE

Our culture and our people are fundamental to our success. We are committed to building an inclusive, diverse and engaged workforce who are connected to our purpose and whose actions are guided by our values. We believe that an environment which enhances employee wellbeing will also enhance performance.

We strive to change the way our employees and stakeholders experience our business by creating an inclusive workplace in which:

- Our people live our values in the day-to-day operations of the business
- They are empowered to reach their full potential
- Every person feels that their contribution to our business performance is recognised and valued
- There is a shared commitment to growth and continual improvement
- Employees advocate for each other
- Diverse views and cultures are celebrated and valued

OUR APPROACH

Attract, retain and develop

Our workforce is becoming increasingly more diverse – 18% of our employees are female and 25% from the areas surrounding our operations. We believe that our workforce must reflect the communities and societies where we operate. We are committed to promoting a workplace culture and environment in which every individual feels that they belong, and their contribution to the success of the company is recognised.

Our safety, respect and integrity values underpin how we interact and engage with each other, and enable us to attract and retain a talented, diverse and inclusive workforce.

We continually review and redesign our policies and procedures to harness the full potential of employees, enabling them to thrive and to make a difference in their work environment.

We employ over 637 people at our three operations and we make every effort to create an environment to drive higher levels of engagement, performance and profit.

Our approach is premised on the following areas:

PEOPLE AND CULTURE continued

1 Diversity and inclusion

We are committed to building an inclusive workforce and a workplace culture in which every individual feels supported and valued. We continue to train our leadership to support diversity, and have developed structures and policies that promote and prioritise inclusion and the protection of our employees. Our goal is to promote an environment in which both management and employees consistently advocate for one another, and remain accountable in their efforts.

Women make up 18% of our workforce. Our women in mining initiative aims to identify and attract more women into our organisation, while we retain talented women through our integrated approach to culture.

2 Capacity building

We encourage a life-long approach to learning, and we offer opportunities for our people to grow. Our consistent approach to training focuses on developing skills and competencies in leadership, sustainability and compliance. Leadership training remains a key focus.

During FY2022, we invested over ZAR9 million on employee development initiatives.

3 Talent management

Fundamental to the success of our business strategy is our ability to identify, attract, support and retain talented individuals. Our talent management strategy aims to develop and advance talented people within the organisation and provide opportunities which challenge their abilities

We facilitate leadership training, formal studies, mentorship and internships for our people to build leadership, management and technical competencies.

4 Employee engagement

Engaging with our people regularly in an honest and transparent manner enables us to identify what works well in the workplace and what needs to be improved. We believe that people who are engaged contribute to the success of our business.

5 Performance management

Our performance management system aims to not just reward our employees for exceptional performance, but also retain them by continuous planning for career development and growth.

EMPLOYMENT BY ENTITY

	Employees		Contractors	
	FY 2022	FY 2021	FY 2022	FY 2021
Uitkomst	453	437	72	79
Makhado	18	19	12	10
Vele	32	25	32	16
Corporate Office	18	13	0	0
	521	**494**	**116**	**105**

OUR ENVIRONMENTAL COMMITMENTS

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND

Our principal environmental impacts are:

Land disturbance	Fossil-fuel-generated energy consumption and GHG emissions	Water consumption and pollution	Waste generation	Air quality pollution

MC Mining fully recognises and appreciates the impact of our activities, not only on the natural environment, but also on our surrounding communities.

Our environmental management activities are guided by the Guidelines of our Environmental Policy. Our policy is flexible, and adaptable to the various contexts of geography, operations, and regulation. We are stewards of the land and ecosystems in which we operate. Our goal is to maintain a healthy environment and minimise our footprint.

To that end, we have implemented a risk-based approach to environmental management which focuses on the key areas of water stewardship, responsible resource consumption, proactive forward-planning for sustainable mine closure, biodiversity, and heritage management.

All our efforts are directed to not only minimise our impact, but to deliver positive and long-lasting environmental outcomes and a sustainable legacy for the local community.

Our goal is to reduce the biodiversity impacts of our operations through improving land management practices and enhancing conservation efforts.

We aim to minimise harm to the environment whilst economically mining the mineral resource by designing the operations and the closure thereof responsibly. Compliance with the applicable legislation and regulations is embedded in the approach.

The philosophy is based on the mitigation hierarchy. The mitigation hierarchy in general consists of the following in order of which impacts should be mitigated:

1. **Avoid/prevent impact:**
Can be done through utilising alternative sites, technology and scale of projects to prevent impacts. In some cases, if impacts are expected to be too high, the "no project" option should also be considered, especially where it is expected that the lower levels of mitigation will not be adequate to limit impacts.

2. **Minimise (reduce) impact:**
Can be done through utilisation of alternatives that will ensure that impacts on the environment and eco-services provision are reduced. Impact minimisation is considered an essential part of any development project.

3. **Manage (restore) impact:**
Applicable to aspects where impact avoidance and minimisation are not feasible or unsuccessful. Restoration / rehabilitation must be implemented to re-instate impacted aspects and return them to conditions which are similar to the pre-project conditions or an agreed post-project state.

4. **Offset (compensate) impact:**
Compensating for latent or unavoidable negative impacts on the physical and socio-economic environment. Offsetting should take place to address any impacts deemed to be unacceptable which cannot be mitigated through the other mechanisms in the mitigation hierarchy.

The Environmental Management Strategy and System (EMS) adopted at the Vele and Uitkomst Collieries has been developed as the formal tool for environmental management. These systems are independently audited every quarter, and reports are submitted to the regulatory authorities.

Continuous monitoring is implemented at the mining sites to assess the effectiveness of controls with regular analysis and reporting, and action management on failures. Monitoring data is reviewed by the Environmental Management Committee (EMC) on a quarterly basis, and the monitoring programme and/or protocols revised where necessary.

OUR ENVIRONMENTAL COMMITMENTS continued

Our environmental goals are based on the following considerations:

<table>
<tr><th>Consideration</th><th>Goal</th><th>Current Activities</th><th>Future Outlook/Plans</th></tr>
<tr>
<td>Water Management</td>
<td>• To minimise our dependence on water due to the water scarcity in our asset locations
• To minimise freshwater usage
• To prevent the deterioration of water resource quality</td>
<td>The water management systems at the operations have been designed to operate a closed water system with zero discharge to the natural environment. MC Mining's operations strive, through the implementation of continued improvement projects, to reduce water consumption by increasing the use of wastewater in the processing of coal.

We employ the latest water management technology at our operations. Clean and dirty water facilities are monitored regularly to ensure compliance with the IWUL requirements. Action is taken in the event of any exceedances.

<table>
<tr><th></th><th>FY2021</th><th>FY2022</th></tr>
<tr><td>Water used for primary activities</td><td>1.5 Mm^3</td><td>2.3 Mm^3</td></tr>
<tr><td>Non-potable water from external sources</td><td>0.3 Mm^3</td><td>19.7 Mm^3</td></tr>
<tr><td>Water recycled in process</td><td>1.2 Mm^3</td><td>12.8 Mm^3</td></tr>
<tr><td>Water usage per ROM tonne</td><td>3.1 Mm^3</td><td>5.1 Mm^3</td></tr>
<tr><td>Water usage per sales tonnages</td><td>5.1 Mm^3</td><td>8.7 Mm^3</td></tr>
</table>
</td>
<td>To improve site-specific and regional water balances for the active operations.

Assess opportunities to reduce freshwater consumption by replacing freshwater with non-freshwater sources.

Assess opportunities to reduce regional water losses in conjunction with the relevant Water Boards / local municipalities.

Ongoing water monitoring.</td>
</tr>
<tr>
<td>Biodiversity and Land Use</td>
<td>• To minimise our land usage and promoting conservation and biodiversity
• To invest in biodiversity stewardship</td>
<td>The EMS system adopted at Vele and Uitkomst Collieries are utilised for ecological, environmental and ecosystem management at the operations. The EMS system will be rolled-out at Makhado Colliery upon commencement of construction.

Alien Vegetation Eradication Programmes are in place at the active operations.

<table>
<tr><th></th><th>FY2021</th><th>FY2022</th></tr>
<tr><td>Total land managed</td><td>15 889 ha</td><td>15 889 ha</td></tr>
<tr><td>Total land disturbed – opening balance</td><td>367 ha</td><td>367 ha</td></tr>
<tr><td>Total newly disturbed areas</td><td>2 ha</td><td>0 ha</td></tr>
<tr><td>Total area of rehabilitated</td><td>2 ha</td><td>0 ha</td></tr>
<tr><td>Total area disturbed – closing balance</td><td>347 ha</td><td>347 ha</td></tr>
</table>
</td>
<td>Implement a Rescue and Relocation Plan at the active operations prior to ground clearance.

Develop and implement a Biodiversity Offset strategy for Makhado Colliery once operational.

Ongoing rehabilitation as disturbed areas become available.</td>
</tr>
<tr>
<td>Energy Use</td>
<td>• To ensure resource efficiency in respect of energy consumption
• To invest in renewable energy sources where possible</td>
<td>Monitoring our energy usage from the national grid and energy produced using diesel generators allows MC Mining to identify any potential opportunity for energy savings.

<table>
<tr><th></th><th>FY2021</th><th>FY2022</th></tr>
<tr><td>Energy from electricity purchased (Eskom)</td><td>8 861 MWh</td><td>9 029 MWh</td></tr>
<tr><td>Diesel used</td><td>196 kL</td><td>524 kL</td></tr>
<tr><td>Petrol used</td><td>3 kL</td><td>5 kL</td></tr>
<tr><td>Total energy generated from hydrocarbons</td><td>7 627 GJ</td><td>20 279 GJ</td></tr>
</table>
</td>
<td>Ongoing monitoring of energy usage to identify potential opportunities for energy savings.

Identify renewable energy opportunities in partnership with regional stakeholders.</td>
</tr>
</table>

OUR ENVIRONMENTAL COMMITMENTS continued

<table>
<tr><th>Consideration</th><th>Goal</th><th>Current Activities</th><th>Future Outlook/Plans</th></tr>
<tr><td>Climate Change</td><td>• To manage and reduce our greenhouse gas emissions
• To guard against the impact of climate change on our business and communities</td><td>A climate change impact assessment was conducted for the Makhado and Vele Collieries. A continuous weather station is situated at Vele Colliery, with the results analysed internally.
<table>
<tr><th></th><th>FY2021</th><th>FY2022</th></tr>
<tr><td>Scope 1 emissions (direct: diesel usage)</td><td>585 tCO_2e</td><td>1 568 tCO_2e</td></tr>
<tr><td>Scope 1 emissions (direct: diesel usage)</td><td>9 393 tCO_2e</td><td>9 570 tCO_2e</td></tr>
<tr><td>Total emissions (Scope 1 and 2)</td><td>9 977 tCO_2e</td><td>11 138 tCO_2e</td></tr>
</table></td><td>Develop an actionable climate strategy for the operations.

Set carbon reduction targets at operations and identify feasible carbon abatement strategies and projects to help achieve the targets.</td></tr>
<tr><td>Air quality</td><td>• To manage air quality emissions to an acceptable standard
• To minimise the impact of dust on our surrounding communities and the environment</td><td>Ongoing air quality monitoring is conducted at the active operations. Dust fallout monitoring is conducted monthly. Action is taken in the event of any exceedances from the National Standards. Vele Colliery has an active Particulate Matter (PM_{10}) monitoring station and weather station.</td><td>Identification of air quality offset projects in the communities most affected by poor air quality. Potential offset projects identified include using alternative fuels for cooking, paving unpaved roads, and waste management to reduce illegal burning of waste.

Improved dust alleviation to improve on dust fallout results.

Ongoing air quality monitoring.</td></tr>
<tr><td>Waste management</td><td>• To eliminate unnecessary wastage and waste to landfill by implementing waste reduction, reuse, and recycling initiatives in support of circular economies where practical</td><td>Waste is separated at source on operating sites, with waste bins placed strategically in the plant and mining areas according to the colour codes. All the hazardous waste is stored in bunded facilities to prevent and minimise possible pollution.
<table>
<tr><th></th><th>FY2021</th><th>FY2022</th></tr>
<tr><td>General waste to landfill</td><td>11 t</td><td>42 t</td></tr>
<tr><td>Hazardous to landfill</td><td>0 t</td><td>0 t</td></tr>
<tr><td>Hazardous to incineration</td><td>32 t</td><td>30 t</td></tr>
<tr><td>Scrap metal (recycled)</td><td>103 t</td><td>96 t</td></tr>
</table></td><td>Implement improved waste monitoring programmes at the operational mines.

Identify waste reduction, reuse, and recycling opportunities in conjunction with surrounding communities.</td></tr>
<tr><td>Rehabilitation and closure provision</td><td>• To reduce our environmental footprint through concurrent and final rehabilitation
• To ensure sustainable and appropriate post-mining land use</td><td>Vele Colliery:
Current Lombard Guarantee with DMRE: ZAR62 000 000, 00
Liability assessed and submitted to DMRE: ZAR61 745 763.60

Uitkomst Colliery:
Current Lombard Guarantee with DMRE: ZAR26 954 900.80
Liability assessed and submitted to DMRE: ZAR28 053 313.60

Makhado Colliery:
Current Lombard Guarantee with DMRE: ZAR77 400 000
Liability assessed and submitted to DMRE: No liability assessed as mining has not commenced</td><td>Develop a Rehabilitation, Decommissioning and Closure Plan for each of the operations in line with the requirements of the Regulations pertaining to the Financial Provision for Prospecting, Exploration, Mining or Production Operations (GN1147).</td></tr>
</table>

OUR ENVIRONMENTAL COMMITMENTS continued

CASE STUDY

VELE PLANT RESCUE AND RELOCATION

The Limpopo province, north of the Soutpansberg, is host to several protected and endemic tree and shrub species, most notably the Baobab tree (Adansonia digitata).

Other plants that are protected under different acts and regulations include the Shepherds Tree (Boschia albitrunca), Leadwood (Combretum imberbe), Apple Leaf (Philenopera violaea), Marula (Sclerocarya birrea ssp. Caffra) and Elephant's Foot (Adenia spinosa).

Some of the tree and shrub species can be transplanted successfully under favourable conditions and MC Mining is committed to salvaging as many plants (trees, shrubs and herbs) as possible to prevent them from being destroyed during the mining process. To facilitate this, MC Mining developed a Plant Relocation Procedure to provide the operations with detailed guidelines on how to deal with each of the species growing within their mining area, such as which trees need to be transplanted or can be used for firewood, poles, furniture, chipping, mulching and composting.

Before mining begins or any vegetated area is disturbed, a thorough survey of the plants present will be undertaken to identify all the protected plants, succulents and other transplantable plants. Permits to remove (transplantable protected trees) and/or destroy (non-transplantable protected trees) will be obtained as stipulated by the applicable regulations.

In addition to transplanting the larger plants, MC Mining has established a nursery at its Vele Colliery where tree and shrub species can be propagated for revegetation of areas denuded by mining. A dedicated seed collecting programme will be established for the production of seedlings that can be used to rehabilitate mined-out areas, including seeds of indigenous and protected trees and shrubs, and local medicinal plants. Marula trees and other indigenous fruit trees such as Parinari, Strychnos, Ximenia can be made available for use by local communities for their gardens or in open spaces to harvest the fresh fruit and benefit from the by-products. Local ornamental plants can be grown in the gardens around the nursery and prominent buildings at the operations.

A certain percentage of the non-transplantable plants will be chipped to get rid of the excess material. Some of these chips will be composted but the bulk will be used as a mulch when revegetation takes place. The remainder of the non-transplantable plants will be made available to people in the surrounding communities for building purposes or as firewood. It may even offer entrepreneurs the opportunity to start small businesses.

SOCIAL COMMITMENTS

3 GOOD HEALTH AND WELL-BEING | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES | 17 PARTNERSHIPS FOR THE GOALS

INVESTING IN OUR COMMUNITIES

MAXIMISING THE BENEFITS OF MINING FOR ALL OUR STAKEHOLDERS THROUGH A SHARED VALUE APPROACH

We believe that the communities residing within and around our areas of operation should be the main beneficiaries of our activities. In line with the goals of the National Development Plan (NDP), and the UN's Sustainable Development Goals, we collaborate with our social partners and local and provincial government to create an enabling environment in which we can reduce inequalities and alleviate poverty. We view our obligation to drive economic and social transformation in the society in which we operate and change the lives of those who live in it for the better, very seriously.

The impacts of COVID-19, increased inflation, and corresponding increase in the cost of living have been significant for our communities. The needs of our community are extensive – jobs, access to basic services, quality education, decent housing amongst others. We recognise the potential of our shared value approach to address the societal and economic challenges in our areas of operation.

While the State is the primary enabler of inclusive, sustainable development, and the provision of basic services, we acknowledge that partnerships between communities, government and private sector are key to achieving the goals of the NDP of reducing poverty and inequality, raising economic growth, increasing employment, building skills, developing capabilities, amongst others.

Through our Social and Labour Plan, we build partnerships with communities and local and regional government structures to improve the well-being of our communities. We carefully select the projects in which we invest through a prioritisation of the challenges as we evolve from compliance to sharing value.

We aim to maximise the opportunities for local communities to benefit from our activities through:

1

Investment in Education

The MC Mining Educational Support programme invests in various high schools to prepare the Grades 10 -12 learners for tertiary education. The Makhado Centre of Learning, accredited by merSETA and MICSETA has provided various training programmes to more than 300 members of the various communities.

2

Investment in Enterprise and Supplier Development

The MC Mining Enterprise and Supplier Development Programme (ESDP) is a strategic mechanism to create jobs, build capacity and diversify the local economy.

3

Investment in Infrastructure

Our investment in roads, water facilities, health and emergency services benefit our communities and will continue to do for years to come

4

Creating decent and stable employment opportunities

We are committed to hiring local people – 100% of our unskilled workforce and 65% of our semi and skilled employees come from our local communities. We embrace the philosophy of a living wage to ensure that our employees are able to provide for their basic needs.

5

Investment in Training and Capacity Building

The MC Mining Bursary Fund, Artisan Programme and other training initiatives continues to build the base of local transferable skills and addresses the huge skills gap within our communities.

SOCIAL COMMITMENTS continued

ENTERPRISE AND SUPPLIER DEVELOPMENT AT UITKOMST COLLIERY

Contributing to local prosperity and sustainability

The annual procurement spend at Uitkomst Colliery is just under ZAR250 million rand, of which 25% is spent on community Small and Medium Enterprises (SMEs). Through our Enterprise and Supplier Development Programme (ESDP), we have established seven companies, and created 45 jobs.

This incubation-based approach aims to systematically provide holistic support over a five year period. This includes support and assistance to develop business plans, develop tender responses and budgeting processes. Additionally, the project provides administrative and financial and other support which may be required.

The programme provides monthly training programmes to build capacity and develop business skills, computer skills, entrepreneurship, technical and portable skills like brick making, welding, plumbing and carpentry.

Our ESDP aims to:

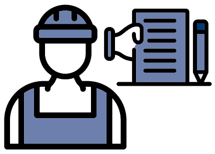
Identify aspiring and existing entrepreneurs	**Innovate and create** procurement opportunities, and establish local companies where none exist.	**Invest** time and capital to develop and capacitate entrepreneurs	**Incubate** entrepreneurs through this programme over a five-year period	**Inter-connect** entrepreneurs with procurement opportunities offered by the Uitkomst Colliery

We are in the process of establishing a Business Support Centre which will be run from the Community Multi-Purpose Centre, one of our Social and Labour Plan projects. A full time Administrator, recruited from the local community, operates from the mine to provide on-going administrative and other support to these companies.

In addition, our ESDP provides :

- Start-up funding for newly established SMEs
- Interest-free loans to purchase capital equipment
- Payment of invoices within seven days of receipt
- Assistance with legal compliance – compilation and submission of reports

TRAINING AND DEVELOPMENT AT THE MAKHADO PROJECT



Artisan programme

Three artisan trainees from the Musekwa Community completed their trade tests :

- Zwothe Muthambi – diesel mechanic
- Rendani Phaswana – boiler maker
- Tendo Rangu – fitter and turner

They have been seconded to Uitkomst Colliery to gain further experience.

Bursary fund

Zelda Radzuma, a mining engineering graduate from the Mudimeli Community, is doing an internship at Uitkomst Colliery. She is attending the Colliery Training Centre in Mpumalaga to do her blasting certificate.

We have recruited two of our Bursary Alumni to work at MC Mining:

- Tshilidzi Mudimeli (Musekwa Community) has been employed as a GIS Modeller.
- Eulenda Mukwevho (Mudiemli Community) employed as an Administrator within the Sustainability Department.

Makhado Artisan Programme

Makhado Project

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2022

(Expressed in United States dollars unless otherwise stated)

IN THIS SECTION

DIRECTORS' REPORT

The directors of MC Mining submit herewith the annual report of the Company and the entities controlled by the Company (its subsidiaries), collectively referred to as the "Group", for the financial year ended 30 June 2022. All balances are denominated in United States dollars, unless otherwise stated.

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

1. INFORMATION ABOUT THE DIRECTORS AND KEY MANAGEMENT PERSONNEL

The names and particulars of the directors of the Company during or since the end of the financial year are set out below. Unless otherwise stated, the directors held office during the whole of the financial year:

Nhlanhla Musa Nene	**Independent Non-Executive Chairman** Appointed: 11 April 2022	Mr Nene holds a B Comm. (Hons) University of the Western Cape, Certificate in Economics (UNISA) and a Certificate in Macro and Microeconomics (University of London). He is a former Minister of Finance, in the Republic of South Africa. Previously, he served as Deputy Minister of Finance and Chairman of the Public Investment Corporation, the largest institutional investor in South Africa. During his years in public office, he represented South Africa at a number of Multilateral Institutions (IMF, World Bank, G20, BRICS, Commonwealth and the AfDB). Prior to this, he held senior positions in financial services at Metropolitan Life. He is currently Chairman of the Supervisory Board of Arise BV (Dutch based investment company with a focus on Africa), Non- executive Chairman of Thebe Investment Corporation & director of Access Bank. He also served as Interim Director and Head of Wits Business School as well as Honorary Adjunct Professor: Wits Business School.
Godfrey Gomwe	**Managing Director and Chief Executive Officer** Appointed: 11 April 2022	Mr Gomwe holds the qualifications of CA (Zimbabwe), B Acc (UZ), MBL (UNISA). He is a businessman with over 30 years' experience in metals and mining industries. He is the former Chief Executive Officer of Anglo American Plc's global Thermal Coal business, whose responsibilities included oversight over Anglo's manganese interests in the joint venture with BHP. He served as Executive Director of Anglo American South Africa until August 2012, his career included roles as Head of Group Business Development Africa, Finance Director and Chief Operating Officer of Anglo American South Africa. Previously, Mr Gomwe was Executive Chairman and Chief Executive of Anglo American Zimbabwe Limited. He also served on a number of Anglo American Operating Boards and Executive Committees including Kumba Iron Ore, Anglo American Platinum, Highveld Steel & Vanadium and Mondi South Africa, the latter two in the capacity of Chairman. Prior to joining Anglo American in 1999, Mr Gomwe held many leadership positions and directorships in listed and unlisted companies.
Andrew David Mifflin	**Independent Non-Executive Director**	Mr Mifflin obtained his BSc. (Hons) Mining Engineering from Staffordshire University and has a Master's Degree in Business Administration. Mr Mifflin has over 30 years' experience specifically in the coal mining arena. His experience spans across various organisations such as British Coal Corporation, Xstrata and more recently GVK Resources. He has gained in depth knowledge in coal operations, both thermal and hard coking coal as well as in project development.

DIRECTORS' REPORT continued

1. INFORMATION ABOUT THE DIRECTORS AND KEY MANAGEMENT PERSONNEL continued

Brian He Zhen	Non-executive Director	Mr Zhen holds a Bachelor's degree in Business Administration from Sichuan University and is currently Marketing and Public Relations Executive for Pan African Mining Pvt. Ltd. Between 2012 and 2015, Mr Zhen worked as Managing Director of Real Gain Investment Pvt. Ltd and was responsible for infrastructure and construction market development, as well as overseas market investments. He has previously served as Construction Manager for CRI – Eagle Investments (Pty) Ltd and Eagle Canyon Investments (Pty) Ltd.
Khomotso Brian Mosehla	Independent Non-Executive Director	Mr Mosehla is a CA (SA) and completed his articles with KPMG. Khomotso worked at African Merchant Bank Limited for five years where he gained a broad range of experience, including management buy-out, leveraged buy-out and capital restructuring/raising transactions. In 2003, he established Mvelaphanda Corporate Finance for the development of Mvelaphanda's mining and non-mining interests. Mr Mosehla served as a director on the boards of several companies, including Mvelaphanda Resources Limited and was the CFO of The Housing Development Agency until March 2021. Mr Mosehla served as a Chairman of Northam Platinum Limited as well as Zambezi Platinum Limited until June 2021.
An Chee Sin	Non-Executive Director	Mr Chee Sin is an Accredited Tax Practitioner with the Singapore Institute of Accredited Tax Professionals and is also a Chartered Accountant with the Institute of Singapore Chartered Accountants. He has more than 17 years of extensive experience in international and local corporate taxation and co-founded Pinnacle Tax Services Pty Ltd (Pinnacle Tax) in 2004. Prior to joining Pinnacle Tax, he held the position of Director of Corporate Tax with KPMG and has coordinated various advisory projects, including cross-border fund structures, corporate restructurings, treasury and mergers and acquisitions.
Junchao Liu	Non-Executive Director Appointed 14 December 2021	Mr Junchao Liu has a Bachelor of Arts and postgraduate training in international finance and trade from Beijing Foreign Studies University. He is the Deputy Director of Business Development of Beijing Haohua Energy Resource Co. Ltd (BHE) and Deputy General Manager of Haohua Energy International (Hong Kong) Co. Ltd (HEI). Mr Liu, by invitation, has regularly attended past board meetings of the Company and is very familiar with the Company's activities. HEI is MC Mining's second largest shareholder and Mr Liu is their representative on the board.
Ontiretse Mathews Senosi	Non-Executive Director Appointed: 28 April 2022	Mr Senosi is a qualified mining engineer (University of the Witwatersrand) with over 25 years' experience in mining and project execution. He gained experience at Anglo Coal before successfully pursuing personal business interests in mining, engineering and consulting as well as civil and construction projects, and was a key contributor in the successful execution of numerous coal mining projects. Mr Senosi has extensive experience in opencast and underground coal mining and is the CEO of the Overlooked Mining Group which produces over 7.5 million tonnes per annum of thermal coal for the export and domestic markets. He represents the Senosi Group Investment Holdings (Pty) Ltd, MC Mining's largest shareholder.

DIRECTORS' REPORT continued

1. INFORMATION ABOUT THE DIRECTORS AND KEY MANAGEMENT PERSONNEL continued

Bernard Robert Pryor	**Independent Non-Executive Chairman** Resigned:11 March 2022	Mr Pryor is a Chartered Engineer and currently the chief executive officer of Alufer Mining Limited and was previously the CEO of African Minerals Limited and prior to that the Chief Executive of Q Resources Plc. He is also a director of Petra Diamonds Limited. Between 2006 and 2010, he held senior executive positions within Anglo American Plc as Head of Business Development, and CEO of Anglo Ferrous Brazil Inc.
Sebastiano (Sam) Randazzo	**Executive Director, Interim Chief Executive Officer** Resigned: 8 April 2022	Mr Randazzo was appointed as an Executive Director and Interim CEO of MC Mining on 15 February 2021. He began his career with Arthur Young (predecessor firm to Ernst & Young) before working as a consultant across a variety of projects in the USA, Australia, Canada, Africa and South America and is a member of Chartered Accountants Australia and New Zealand. He has over 25 years' experience in the international mining industry with extensive public company management expertise from roles as chairman, director, chief executive officer, chief financial officer, company secretary and executive director positions of ASX, TSX and AIM listed mineral resource companies. Mr Randazzo has completed numerous feasibility studies, mergers and acquisitions and capital-raisings and has operational management experience in Australia, South America, USA, Canada and the UK.
Shangren Ding	**Non-executive Director** Retired: 14 December 2021	Mr Ding is an experienced professional engineer and has worked for a number of mining and energy companies as well as acting as a consultant to government geological bureaus. Shangren has over 30 years' experience predominantly in the coal mining sector and has gained extensive operational coal mining knowledge through chief operating roles at a number of mines in the Heilongjiang province in the People's Republic of China. Since 2014, Mr Ding has worked in a number of senior roles for BHE.

2. DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by the directors in the three years immediately before the end of the financial year are as follows:

Director	Company	Period of directorship
Nhlanhla Nene	None	
Godfrey Gomwe	AECI Limited	2015 - Present
	Econet Wireless Zimbabwe Limited	2013 – Present
	Orion Minerals Limited	2019 – Present
An Chee Sin	None	
Andrew Mifflin	None	
Brian He Zhen	None	
Khomotso Mosehla	Northam Platinum Limited	2015 – 2021
	Zambezi Platinum Limited	2015 – 2021
Junchao Liu	None	
Mathews Senosi	None	

DIRECTORS' REPORT continued

3. DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares or options in shares or debentures of the Company as at the date of this report.

Director	Ordinary shares	Performance rights	Unlisted options
N Nene	–	–	–
G Gomwe	–	–	–
A Chee Sin	–	–	–
A Mifflin	–	–	–
H Zhen	–	–	–
J Liu	–	–	–
K Mosehla	–	–	–
M Senosi	38,363,909	–	–
	38,363,909	–	–

4. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Information about the remuneration of directors is set out in the remuneration report of this directors' report, on pages 52 to 57. Shareholder nominee non-executive directors are not remunerated. During the reporting period, no senior management satisfy the criteria of "key management personnel".

5. SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

During and since the end of the financial year, share options and performance rights were granted to Directors of the Company and of its controlled entities as part of their remuneration. Details of options and performance rights granted to Directors and senior management are set out on page 56.

6. COMPANY SECRETARY

Mr Tony Bevan, a Chartered Accountant with over 25 years' experience, is the Company Secretary and works with Endeavour Corporate Pty Ltd, the Company engaged to provide contract secretarial, accounting and administration services to MC Mining.

7. PRINCIPAL ACTIVITIES

The Company is a limited company incorporated in Australia. Its common shares are listed on the ASX, the AIM of the LSE and the JSE in South Africa. The principal activities of the Company and its subsidiaries are the acquisition, exploration, development and operation of metallurgical (coking) and thermal coal projects in South Africa.

The Group's principal assets and projects include:

- The Uitkomst Colliery, an operating metallurgical and thermal coal mine with a circa 15-year LOM;
- Makhado Project;
- The Vele Colliery, a semi-soft coking and thermal coal mine, which was on care and maintenance during FY2022. Improved market conditions and construction of a new coal processing plant at Makhado creates optionality for the potential recommencement of operations at Vele. Options being evaluated, include the possible outsourcing of operations at the colliery; and
- Three exploration and development stage coking and thermal coal projects, namely Chapudi, Generaal and Mopane in the Soutpansberg Coalfield, collectively the GSP.

8. REVIEW OF OPERATIONS – SALIENT FEATURES

- No fatalities (FY2021: nil) and six LTIs (FY2021: six);
- A COVID-19 vaccination programme was implemented at the high grade Uitkomst Colliery during the year and resulted in over 82% of Uitkomst's employees being vaccinated;
- The Uitkomst Colliery produced 470,597t (FY2021: 490,100t) of ROM coal during the twelve months to 30 June 2022;
- 22,169t (FY2021: 0t) of coal were at the Durban port at the end of June 2022 for export under the terms of the Marketing Agreement with Overlooked, announced by the Company in July 2022;
- Uitkomst sold 225,096t of coal in FY2022 (FY2021: 292,261t) comprising 199,065t (FY2021: 265,879t) of premium duff and sized peas and 26,031t (FY2021: 26,382t) of high ash, coarse discard coal – generating sales revenue of $23.5 million (FY2021: $20.7 million);

DIRECTORS' REPORT continued

8. REVIEW OF OPERATIONS – SALIENT FEATURES continued

- Thermal coal prices increased significantly during FY2022 due to the energy shortage and geopolitical events in the northern hemisphere, increasing from $115/t in July 2021 to $327/t at the end of the financial year 2022;
- Granting of the IWUL applications by the DHSWS for the Uitkomst Colliery and nearby Wykom siding;
- Payment of the final instalment of ZAR35 million (approximately $2.3 million) for the key Lukin and Salaita properties, ensuring MC Mining owns that of the surface rights required for the Makhado Project mining area;
- Makhado Project composite debt/equity funding initiatives continued, including detailed due diligence processes by potential funders and included the completion of the Makhado Project BFS 'Base Case' by independent mining consultancy firm, Minxcon. The Base Case scenario confirms the project's robust economic fundamentals, a key input in the due diligence process for potential funders;
- Limited activities at the Company's Makhado Project, Vele Colliery and GSP during FY2022;
- The IDC agreed to extend the repayment date for the R160 million ($9.8 million) loan plus accrued interest to 30 November 2022; and
- The terminal drawdown date of the additional R245 million ($15.0 million) IDC term loan for the development of Makhado, was also extended to 30 November 2022, subject to the IDC re-affirming its financial due diligence;

9. CORPORATE SALIENT FEATURES

- MC Mining entered into the CAS Agreement with South African-based mining group, SGIH, and under the terms of the CAS Agreement, received ZAR46.0 million ($3.0 million) in FY2022. This resulted in the issue of 38,363,909 ordinary shares to SGIH;
- Appointment of shareholder representative Non-Executive Director Mr Junchao Liu, following the retirement of Mr Shangren Ding;
- Resignation of long standing non-executive Chairman Mr Bernard Pryor;
- Appointment of Mr Nhlanhla Nene as Non-Executive Director and Chairman of MC Mining;
- Appointment of Mr Godfrey Gomwe as Managing Director and CEO and resignation of Mr Sam Randazzo as Director and Interim CEO;
- Appointment of Mr Matthews Senosi of SGIH as a Non-Executive Director of the Company;
- Securing of a ZAR60 million ($3.5 million) Standby Facility from Dendocept, a 1.4% shareholder in MC Mining.

10. SUBSEQUENT EVENTS

- MC Mining shareholders voted against the issue of a further 33,333,333 new Ordinary Shares to SGIH and the Company repaid the ZAR10 million ($0.6 million) already advanced by SGIH, subsequent to year-end, with the balance due in October 2022;
- Marketing Agreement entered into with Overlooked, expiring on 31 December 2022 which facilitates the export of at least 20,000t of API4 (6,000k/cal) coal from Uitkomst on a monthly basis, allowing the Company to take advantage of improved international coal prices;
- Completion of a study by Minxcon assessing potential alternative development scenarios for Makhado to optimise capital expenditure and reduce operational costs. The scenarios assessed included possibly moving the Vele CPP and modifying this at Makhado or, the construction of a bespoke CPP at Makhado. Both additional development scenarios were developed to pre-feasibility level and would require additional capital expenditure but would significantly reduce the transport costs when compared to the Base Case scenario. While the BFS Base Case is feasible and economically robust, the additional two scenarios resulted in improved project economics.
- Commencement of a fully underwritten 1.012 for 1 renounceable Rights Offer of new ordinary shares of no par value in MC Mining (each, a New Share) at an issue price of A$0.20 ($0.14) per New Share for Eligible Shareholders in Australia (and New Zealand) and ZAR2.36 per New Share for eligible shareholders in South Africa. The rights issue will raise gross proceeds of A$40 million (equivalent to approximately ZAR451 million/ $27.6 million) via the issue of approximately 200,026,728 New Shares (subject to rounding). The funds raised under the Rights Issue will be used by the Company;
  - to meet the Company's equity contribution required for the IDC's proposed debt funding, in relation the development of the Makhado Project;
  - fund the continued development of the Makhado Project;
  - repay as much as possible of the total amount outstanding (which is approximately $3.7 million (equivalent to ZAR60 million)) under the Standby Facility; and
  - for general working capital (including to pay the costs of the Rights Issue) purposes. The Rights Issue is expected to be completed in early November 2022.

DIRECTORS' REPORT continued

11. FINANCIAL REVIEW

- ROM coal production at Uitkomst were impacted by challenging geological conditions during FY2022. The colliery also lost four days' of production in July 2021 due to civil unrest in KwaZulu-Natal.
- Maintenance at the Uitkomst Colliery's largest customer resulted in no orders for premium quality of coal in the final quarter of FY2022. This led to the signing of the Sales & Marketing Agreement with Overlooked in July 2022;
- Operating cash flows of $3.6 million (FY2021: $1.7 million) generated by the Uitkomst Colliery;
- Continued support from the IDC Facility during the year resulted in the extension of the repayment of this facility as well as an extension of the drawdown of the New Facility;
- Global geopolitical events and rising global inflation resulted in a volatile ZAR/US$ exchange rate and gains/losses from these elements are unpredictable;
- Contributing to the net loss after tax of $20.8 million (2021: $11.8 million) were non-cash charges of $19.1 million (FY2021: $9.5 million) which includes the following:
  - Net impairment expense of $14.9 million (FY2021: $6.8 million)
  - Depreciation and amortisation of $2.6 million (FY2021: $2.6 million)
  - Share based payment expense of $0.8 million (FY2021: $0.2 million)
  - Total unrestricted cash balances at year-end of $3.0 million (FY2021: $3.2 million).

12. GOING CONCERN

Attention is drawn to the disclosure in the annual financial statements on the going concern assumption (refer note 1), noting that there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are satisfied however, at the date of signing the financial report, that there are reasonable grounds to believe that the Group will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis. The directors have based this on a number of assumptions which are set out in detail in note 1 to the financial report. In order to meet its working capital requirements, the Group is exploring and progressing several alternative strategies to raise additional funding including, but not limited to:

- The issue of new equity for cash in the Company to current and new shareholders, of which the Group has a demonstrated history of success in this regard. On 27 September 2022, the Company commenced with a fully underwritten, renounceable Rights Offer that will raise gross proceeds of A$40 million (equivalent to approximately ZAR451 million/$27.6 million) (refer to 'Subsequent events' in Note 10 of this report);
- The issue of new equity for cash in the subsidiary company that owns the Makhado project;
- Further debt funding;
- Cash generated from the Company's collieries; and
- Further contractor BOOT funding arrangements.

The Group also has the capacity, if necessary, to reduce its operating cost structure in order to minimise its working capital requirements and defer the timing of any future capital raising.

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. Any equity raise is likely to be subject to a due diligence process. The Group has a history of successful capital raisings to meet the Group's funding requirements. The directors believe that at the date of signing the annual financial statements there are reasonable grounds to believe that they will be successful in achieving the matters set out above and that the Group will therefore have sufficient funds to meet their obligations as and when they fall due.

13. FUTURE DEVELOPMENTS

MC Mining aims to become the pre-eminent HCC producer in South Africa and will continue to build on the progress made during FY2022. The main focus for FY2023 will be to conclude the funding for the construction of Makhado and commence construction in early CY2023.

The Makhado Project is fully permitted and has 344.8 MTIS. The Company completed the Makhado BFS during FY2022.

DIRECTORS' REPORT continued

13. FUTURE DEVELOPMENTS continued

The salient features of the Makhado Project are:

- Coal Resources of 296 MTIS in the Measured and Indicated categories
- Coal Reserves of 69.3 million tonnes (Mt) in the Proved and Probable categories
- Overall stripping ratio over the LOM is 2.48:1.0 (bank cubic metres of waste: tonne of coal)
- 25.6Mt of saleable coal produced over the LOM comprising:
- 3.7Mt of HCC
- 11.9Mt of 5,500kcal thermal coal
- Approximately 22 years LOM
- Outsourcing of mining and processing operations
- Creation of an estimated 650 permanent employment positions

The Base Case BFS produced favourable financial results. Following the BFS, Minxcon was commissioned to assess potential alternative development scenarios for Makhado. This assessment was completed with a view to optimise capital expenditure and reduce operational costs at Makhado, including possibly:

- moving the Vele CPP and modifying this at Makhado; or
- the construction of a bespoke CPP at Makhado

Both additional development scenarios were assessed at to pre-feasibility level and would result in the mining of the East Pit, followed by the Central and West Pits and the hauling of saleable coal only 72km from Makhado to the Musina siding. These two scenarios would require additional capital expenditure but would significantly reduce the transport costs when compared to the Base Case scenario. While the BFS Base Case is feasible and economically robust, the additional two scenarios resulted in improved project economics.

	Base	Scenario 1: Move Vele CPP to Makhado	Scenario 2: Build new CPP at Makhado
Construction capital	ZAR625m	ZAR1.1bn	ZAR1.2bn
Peak funding	ZAR727m	ZAR1.2bn	ZAR1.3bn
Construction period	~12 months	~12 months	~12 months[1]
Long term ZAR:US$ exchange rate used[2]	ZAR15.47	ZAR15.47	ZAR15.47
Benchmark real long term premium HCC price/t[3]	US$212	US$212	US$212
Benchmark real long term AP14 (6,000k/cal) thermal coal price/t[4]	US$106	US$106	US$106
Post-tax IRR	39.60%	45.20%	41%
Post-tax NPV(6.1%)[5]	ZAR4.0bn	ZAR5.9bn	ZAR5.8bn
Post-tax NPV(10%)	ZAR2.5bn	ZAR4.0bn	ZAR3.8bn
Average payback period (years)	3.8	3.2	3.5

1 Timelines to be confirmed during detailed design phase [2]Average of ZAR16.80:US$1.00 for July 2022
3 Average of $254/t for July 2022
4 Average of $342/t for July 2022
5 The 6.1% (real, after tax/ 10.9% nominal) discount rate calculated by Minxcon was the optimal rate due to inter alia, the Company's financial position and macroeconomic factors.

Both of the alternative scenarios result in a significant value improvement to Makhado compared to the Base Case, with increased net present values ('NPV') and internal rates of return ('IRR') values. This is primarily due to reduced transportation costs over the LOM, which improves operational margins and generates long-term value for shareholders. Whilst the peak funding requirements for both scenarios are higher, the payback periods are slightly shorter due to the lower operating costs.

The option of moving the Vele CPP provides the most attractive financial metrics but removes the Vele asset from MC Mining's portfolio and limits future exploitation of the Vele Colliery. The construction of a new plant at Makhado provides similar results but requires additional peak funding of ZAR145m while also keeping the Vele CPP intact for future exploitation. The increased peak funding requirement for both scenarios resulted in Minxcon assessing the option of reducing the Makhado peak funding requirements through a BOOT arrangement.

DIRECTORS' REPORT continued

13. FUTURE DEVELOPMENTS continued

	Base Case	Scenario 1: BOOT fund Vele CPP to Makhado	Scenario 2: BOOT fund new Makhado CPP
Construction capital	ZAR625m	ZAR1.1bn	ZAR1.2bn
Peak funding	ZAR727m	ZAR679m	ZAR653m
Modelled BOOT funding[1]	ZAR60m	ZAR514m	ZAR663m
Post-tax IRR	39.60%	62.50%	61.60%
Post-tax NPV(6.1%)	ZAR4.0bn	ZAR5.9bn	ZAR5.8bn
Post-tax NPV(10%)	ZAR2.5bn	ZAR4.0bn	ZAR3.9bn
Average payback period (years)	3.8	2.8	2.8

[1] Not necessarily indicative of finance to be secured (assumes 100%)

The BOOT (pre-feasibility level) funding options significantly reduce the funding requirement of both alternatives:

- Scenario 1: BOOT funding of ZAR514m reduces the peak funding of moving the Vele CPP from ZAR1.2bn, to ZAR679m.
- Scenario 2: BOOT funding of ZAR663m reduces the peak funding for the construction of a new Makhado CPP from ZAR1.3bn, to ZAR653m.

The NPV values for both scenarios remain similar but the IRR increased significantly - from 45.2% to 62.5% for the move Vele CPP option and from 41.0% to 61.6% for the new Makhado CPP option. Accordingly, the new Makhado CPP option utilising a BOOT financing arrangement is considered to be the preferred option as it provides similar results while keeping the Vele CPP intact for future exploitation of that Coal Resource. Furthermore, both alternative scenarios improved the Makhado Project's economics due to the lower operating costs achieved. Further, the Project's Coal Reserve base and LOM should increase following further study work as deeper material becomes available.

As a result of this pre-feasibility exercise, MC Mining has initiated discussions with potential BOOT funding providers. The Company has also approached potential service providers to complete the detailed study work that will allow for a full process plant design specifically for the Makhado CPP to be undertaken. Minxcon confirmed that this engineering design work could potentially materially reduce capital costs and consequently, the peak funding requirement. The Company is also progressing discussions with potential debt and equity providers and expects to conclude these arrangements in Q4 CY2022.

The Vele Coal Resource comprises both SSCC and export quality thermal coal. However, the Vele's CPP does not have the requisite fines circuits that would allow for the simultaneous production of SSCC and thermal coal. The Company has previously reported that due to the global economic downturn and lower coal prices, the colliery was placed on care and maintenance from August 2013.

The option of building a CPP at Makhado has resulted in the assessment of potential alternative exploitative scenarios for the Vele Colliery. The previously envisaged phased approach to the development of Makhado Project would have resulted in the processing of Makhado's crushed and screened coal at the Vele CPP, requiring modifications to the Vele CPP of approximately ZAR397million.

The improved market conditions and construction of a new CPP at Makhado creates optionality for the potential recommencement of operations at Vele. Options being evaluated include the possible outsourcing of operations at the colliery and the Company is currently assessing potential partnerships in this regard. Any Vele development model that includes elements of outsourcing will reduce the start-up working capital funding and prioritise resources on the development of the flagship Makhado Project, which remains the priority for the Company.

The exploration and development of MC Mining's three Soutpansberg coalfield projects namely the Chapudi, Mopane and Generaal project areas, is the catalyst for the long-term growth of the Company. The DMRE has granted mining rights for all three project areas, and the GSP collectively comprises over 7.1bn tons of coal.

DIRECTORS' REPORT continued

14. ENVIRONMENTAL REGULATIONS

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation and there has consequently been no breach. The Group is subject to numerous environmental regulations in South Africa, including:

- National Environmental Management Act, 1998 (No. 107 of 1998): Amendment to the Environmental Impact assessment regulations 2014;
- National Water Act, 1998 (No.36 of 1998);
- National Heritage Resources Act, 1999 (Act 25 of 1999); and
- National Environmental Management Air Quality Act, 2004 (No. 39 of 2004).

The Board believes that there are adequate systems in place for the management of its environmental impacts but from time to time statutory non-compliances may occur. The Board takes these seriously and continues to monitor compliance.

15. CORPORATE GOVERNANCE

The Group recognises the need for the highest standards of corporate behaviour and accountability. The Directors have accordingly followed, where possible, the recommendations set by the ASX Corporate Governance Council. For further information on corporate governance policies adopted by MC Mining, refer to the Company's website.

16. DIVIDENDS

No dividend has been paid or proposed for the financial year ended 30 June 2022 (FY2021: nil).

17. SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS OR PERFORMANCE RIGHTS

There are no unissued shares under option as at the date of this report. Details of unissued performance rights granted as at the date of this report are:

	Number of shares under performance rights	Class of shares	Exercise price	Expiry period
Performance rights	1,545,459	Ordinary	Nil	Nov-22
Performance rights	1,602,393	Ordinary	Nil	Dec-22
Performance rights	1,164,240	Ordinary	Nil	Nov-23
Total performance rights	**4,312,092**			

No other shares or interests were issued during or since the end of the financial year as a result of the exercising of options or meeting of performance rights criteria.

18. INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium of $0.2 million (FY2021: $0.1 million) in respect of a contract insuring the directors of the Company, the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred by such an officer or auditor.

19. PROCEEDINGS ON BEHALF OF THE COMPANY

No persons applied for leave to bring or intervene in proceedings on behalf of the Company during or since the end of the financial year.

20. NON-AUDIT SERVICES

No non-audit services were provided during the current financial year. Details of amounts paid or payable to the auditor are outlined in note 24 to the consolidated financial statements.

21. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 64 of these consolidated financial statements.

DIRECTORS' REPORT continued

22. DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, a total of four scheduled and fifteen unscheduled board meetings were held as well as three Nomination and Remuneration Committee, three Safety and Health Committee meetings and three Audit and Risk Committee meetings were held.

	Board Meetings[1]		Audit and Risk Committee Meetings		Nomination and Remuneration Committee Meetings		Safety, Health and Environment Committee Meetings	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
N Nene[1]	3	3	–	–	–	–	–	–
G Gomwe[2]	3	3	–	–	–	–	–	–
A Chee Sin	19	17	5	5	–	–	–	–
A Mifflin	19	18	–	–	–	–	3	3
H Zhen[3]	19	8	–	–	–	–	–	–
J Liu[4]	15	13	–	–	–	–	–	–
K Mosehla	19	15	5	5	3	3	–	–
M Senosi[5]	2	2	–	–	–	–	–	–
S Ding[6]	4	4	–	–	–	–	–	–
B Pryor[7]	14	14	–	–	3	3	3	3
S Randazzo[8]	15	15	–	–	3	3	–	–

[1] Appointed Non-Executive Director on 11 April 2022 and Chairman on 28 April 2022.
[2] Appointed Non-Executive Director on 11 April 2022 and Managing Director and CEO on 28 April 2022.
[3] Mr Zhen did not attend 10 Board meetings due to a conflict of interest. He is a related party in relation to Dendocept (Pty) Ltd.
[4] Appointed Non-Executive Director on 14 December 2021.
[5] Appointed Non-Executive Director on 28 April 2022.
[6] Retired as a Non-Executive Director on 14 December 2021.
[7] Resigned as Chairman on 11 March 2022.
[8] Resigned as Executive Director on 8 April 2022 and Interim CEO on 27 April 2022.

23. REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the Directors report, sets out information about the remuneration of MC Mining's Directors and its senior management for the financial year ended 30 June 2022. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director details;
- Remuneration policy;
- Relationship between the remuneration policy and company performance;
- Remuneration of Directors and senior management; and
- Key terms of employment contracts.

The Board is responsible for establishing remuneration packages applicable to the Board members of the Company. The policy adopted by the Board is to ensure that remuneration properly reflects an individual's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest calibre.

Directors' remuneration packages are also assessed in the light of the condition of markets within which the Company operates, the Company's financial condition and the individual's contribution to the achievement of corporate objectives. Executive Directors are remunerated by way of a salary commensurate with their required level of service.

Total remuneration for all Non-Executive Directors, excluding share-based payments, as approved by shareholders at the December 2010 General Meeting, is not to exceed AUD1,000,000 per annum (USD725,284).

The Board has a Nomination and Remuneration Committee which was made up as follows: Mr Liu (Chairman), Mr Nene and Mr Mosehla. The Company does not have any scheme relating to retirement benefits for Executive or Non-Executive Directors.

DIRECTORS' REPORT continued

24. DIRECTOR AND KEY MANAGEMENT PERSONNEL DETAILS

The following persons acted as directors of the Company during or since the end of the financial year:

• N Nene[1]	Independent Chairman
• G Gomwe[2]	Managing Director and CEO
• A Chee Sin	Non-Executive Director
• A Mifflin	Independent Non-Executive Director
• H Zhen	Non-Executive Director
• J Liu[3]	Non-Executive Director
• K Mosehla	Independent Non-Executive Director
• M Senosi[4]	Non-Executive Director
• S Ding[5]	Non-Executive Director
• B Pryor[6]	Independent Chairman
• S Randazzo[7]	Interim Chief Executive Officer and Executive Director

[1] Appointed Non-Executive Director on 11 April 2022 and Chairman on 28 April 2022.
[2] Appointed Non-Executive Director on 11 April 2022 and Managing Director and CEO on 28 April 2022.
[3] Appointed Non-Executive Director on 14 December 2021.
[4] Appointed Non-Executive Director on 28 April 2022.
[5] Retired as a Non-Executive Director on 14 December 2021.
[6] Resigned as Chairman on 11 March 2022.
[7] Resigned as Executive Director on 8 April 2022 and as Interim CEO on 27 April 2022.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Apart from the Executive Directors, no employees satisfy the definition of 'key management' to be separately disclosed in this remuneration report.

25. REMUNERATION POLICY

The remuneration policy of MC Mining has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of MC Mining believes the remuneration policy to be appropriate and effective in its ability to attract and retain management personnel to run and manage the Group, as well as create goal congruence between Directors, management and shareholders.

The Board's policy for determining the nature and amount of remuneration for management personnel of the Group is as follows:

- The remuneration structure is developed by the Nomination and Remuneration Committee and approved by the Board after professional advice is periodically sought from independent external consultants.
- Management personnel receive a base salary (based on factors such as length of service and experience), performance rights and performance incentives.
- Incentives paid in the form of cash and performance rights are intended to align the interests of the Directors, management and the Company with those of the shareholders.

The Nomination and Remuneration Committee reviews senior management personnel packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of senior management personnel is measured against criteria agreed annually with each executive and bonuses and incentives are linked to predetermined performance criteria. The performance criteria vary and are determined in line with each individual's performance contract. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, options or performance rights, and can recommend changes to the Nomination and Remuneration Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

DIRECTORS' REPORT continued

25. REMUNERATION POLICY continued

All remuneration paid to management personnel is valued at the cost to the Company and expensed.

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. Shareholder nominee Non-Executive Directors are not remunerated. The Nomination and Remuneration Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees, excluding share-based payments that can be paid to Non-Executive Directors is AUD1,000,000 (USD725,284).

To assist Directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chairman for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Options granted under the Employee Share Option Plan do not carry dividend or voting rights. Options are valued using a binomial option pricing model and the Black-Scholes option pricing model was used to validate the price calculated.

The Company has a shareholder approved performance rights plan (the Plan) to assist in the reward, retention and motivation of eligible employees and to align the interest of eligible employee with the shareholders of the Company. Prior to a performance right being exercised, the performance grants do not carry any dividend or voting rights. Performance rights are granted for no consideration and no exercise price is payable upon exercise of the performance rights

Apart from the special incentive performance rights, the performance rights proposed to be granted are subject to the following vesting conditions:

- Vesting of the performance rights will be subject to a hurdle rate based the South African Consumer Price Index plus five percent (Hurdle Rate).
- The Hurdle Rate will be compounded annually over the three-year period but will be measured annually to determine whether one third of the performance grants are cancelled or earned.
- The Hurdle Rate is a measure of the increase in the Company's share price and is a target for the total shareholders return (TSR).
- The base price for the TSR calculation will be the volume weighted average price (VWAP) of shares over the 30 days prior to the grant date.
- The end price for the TSR calculation will be the VWAP over the last 30 days of the Performance Period.

The special incentive performance rights were granted to certain employees of the Company in the form of MC Mining shares. The incentive shares will vest in full on the hot commissioning of the Vele Colliery plant. If the hot commissioning does not take place before 31 December 2022, the incentive shares will lapse.

26. PERFORMANCE-BASED REMUNERATION

The key performance indicators (KPIs) are set annually, which includes consultation with management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential to position the Group for future expansion and profit, covering financial and non-financial as well as short and long-term goals.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved.

27. HEDGING OF MANAGEMENT REMUNERATION

No member of executive management entered into an arrangement during or since the end of the financial year to limit the risk relating to any element of that person's remuneration.

DIRECTORS' REPORT continued

28. RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2022.

	Year ended 30 June 2022 $'000	Year ended 30 June 2021 $'000	Year ended 30 June 2020 $'000	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Revenue	23,511	20,702	17,155	26,403	32,693
Net loss before tax	20,719*	12,107*	12,850	33,522*	97,043*
Net loss after tax	20,835	11,837	12,190	33,726	103,763
Share price at start of year[1]	A$0.10	A$0.13	A$0.67	A$0.36	A$0.05
Share price at end of year	A$0.10	A$0.10	A$0.13	A$0.67	A$0.36
Basic and diluted loss per share ($ cents) from continuing operations	12.65*	7.76*	8.55*	23.72*	73.54*

* includes net impairment expense of $14.9 million (2021: includes at $6.8 million impairment expense) (2019: includes the $23.3 million impairment of the Makhado Project consolidated exploration asset) (2018: includes the $87.5 million impairment of the Vele Colliery assets)

[1] The share price at the start of the 2018 year is prior to the share consolidation that took place in December 2017.

29. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each major element of the remuneration of each director are:

	Short term employee benefits			Post-employment benefits		Share-based payments	Total	Share based % of Total
2022	Salary and fees $	Bonus $	Non-monetary benefits $	Super-annuation $	Termination benefits $	Performance rights $	$	%
Non-Executive Directors								
N Nene[1]	14,060	–	–	–	–	–	14,060	–
A Chee Sin[2,3]	18,958	–	–	–	–	83,211	102,169	81
A Mifflin[2,3]	46,405	–	–	–	–	83,211	129,616	64
H Zhen[2]	–	–	–	–	–	83,211	83,211	100
J Liu[2]	–	–	–	–	–	83,211	83,211	100
K Mosehla[2,3]	49,979	–	–	–	–	83,211	133,190	62
M Senosi	–	–	–	–	–	–	–	–
S Ding	–	–	–	–	–	–	–	–
B Pryor[4]	51,933	–	–	–	–	83,211	135,144	62
Executive Directors								
G Gomwe[5]	67,415	–	–	–	–	–	67,415	–
S Randazzo[6]	407,173	–	–	–	–	405,353	812,526	50
	655,923	**–**	**–**	**–**	**–**	**904,619**	**1,560,542**	**58**

[1] Mr Nene was appointed Non-Executive Director on 11 April 2022 and Chairman on 28 April 2022 and all of Mr Nene's salary and fees were accrued at 30 June 2022.

[2] Performance rights approved by shareholders in December 2021, expired in June 2022 and were cancelled.

[3] All of Mr Chee Sin and Mr Mosehla's salary and fees were accrued at year-end and $10,949 of Mr Mifflin's salary and fees were accrued at 30 June 2022.

[4] Mr Pryor resigned as Chairman on 11 March 2022 and the 1,000,000 Performance rights granted were forfeited.

[5] Mr Gomwe was appointed Non-Executive Director on 11 April 2022 and Managing Director and CEO on 28 April 2022.

[6] Mr Randazzo resigned as Executive Director on 8 April 2022 and Interim CEO on 27 April 2022, was deemed a 'good leaver' and all Performance Rights vested.

No director appointed during the period received a payment as part of his consideration for agreeing to hold the position.

DIRECTORS' REPORT continued

29. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL continued

	Short term employee benefits			Post-employment benefits		Share-based payments	Total	Share based % of Total
	Salary and fees	Bonus	Non-monetary benefits	Super-annuation	Termination benefits	Performance rights		
2021	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Non-Executive Directors								
B Pryor[1]	74,112	–	–	–	–	–	74,112	–
A Chee Sin	–	–	–	–	–	–	–	–
A Mifflin[1]	46,490	–	–	–	–	–	46,490	–
H Zhen	–	–	–	–	–	–	–	–
K Mosehla[1]	47,142	–	–	–	–	–	47,142	–
S Randazzo[1 2]	30,069	–	–	2,778	–	–	32,847	–
S Ding	–	–	–	–	–	–	–	–
Executive Directors								
S Randazzo[2]	133,531	–	–	–	–	–	133,531	–
B Berlin[3]	255,461	–	–	–	–	(241,845)	13,616	–
	586,805	**–**	**–**	**2,778**	**–**	**(241,845)**	**347,738**	**–**

[1] The second, third and fourth quarter fees were accrued but not paid in the 2022 financial year

[2] Mr. Randazzo was appointed as Interim Chief Executive Officer and Executive Director on 15 February 2021

[3] Ms. Berlin resigned on 15 February 2021 and all performance rights granted were forfeited.

No director appointed during the period received a payment as part of his consideration for agreeing to hold the position.

30. SHARE-BASED PAYMENTS GRANTED AS COMPENSATION FOR THE CURRENT FINANCIAL YEAR

The following grants of share-based payment compensation to directors relate to the current financial year:

			During the financial year				
Name	**Option series**	**Number granted**	**Number vested**	**% of grant vested**	**Number forfeited**	**% of grant forfeited**	**% of compensation for the year consisting of options**
Non-Executive Directors							
A Chee Sin	Performance grant	1,000,000	–	–	(1,000,000)	100%	81
A Mifflin	Performance grant	1,000,000	–	–	(1,000,000)	100%	64
H Zhen	Performance grant	1,000,000	–	–	(1,000,000)	100%	100
J Liu	Performance grant	1,000,000	–	–	(1,000,000)	100%	100
K Mosehla	Performance grant	1,000,000	–	–	(1,000,000)	100%	62
B Pryor	Performance grant	1,000,000	–	–	(1,000,000)	100%	62
Executive Director							
S Randazzo[1]	Performance grant	4,871,406	4,871,406	100%	–	–	50
		10,871,406	**4,871,407**	**–**	**(6,000,000)**	**–**	**58**

[1] The Board approved the vesting of Mr Randazzo's Performance Rights payments following his resignation on 8 April 2022. No share-based payment arrangements existed during the prior financial period.

DIRECTORS' REPORT continued

31. KEY TERMS OF EMPLOYMENT CONTRACTS

The Company has entered into formal contractual employment agreements with the CEO who is the Managing Director of the Company. There are no formal contractual employment agreements with any other member of the Board. The employment conditions of the Managing Director and Chief Executive Officer are:

Mr Gomwe was appointed as Non-Executive Director on 11 April 2022 and Managing Director and CEO on 28 April 2022. Subsequent to year-end, Mr Gomwe concluded his employment agreement (the Employment Agreement) with the Company. In terms of the Employment Agreement, Mr Gomwe will receive an annual remuneration of ZAR4.0 million ($0.3 million) and has a six-month notice period. Mr Gomwe is also entitled to receive a short-term incentive or bonus of up to 200% of annual salary, subject to meeting performance objectives determined by the Board, with 50% paid in cash and the balance in shares. As a long-term incentive, Mr Gomwe is entitled to receive Performance Rights . The Performance Rights are intended to align the interests of shareholders and management and to conserve cash resources.

The 7.9 million Performance Rights are subject to shareholder approval and vest in three equal tranches on 30 June 2023, 30 June 2024 and 30 June 2025 if the target benchmark share price for that specific tranche is obtained. The target benchmark share prices for the respective dates are ZAR1.89, ZAR3.22 and ZAR4.55 based on the 30-day volume weighted average price on the JSE at the vesting date.

32. LOANS FROM KEY MANAGEMENT PERSONNEL

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2022.

33. OTHER TRANSACTIONS

No other transactions were entered into with any member of Key Management Personnel other than those detailed in this Remuneration Report.

34. DIRECTOR EQUITY HOLDINGS

Option holdings

No options exist as at 30 June 2022.

The movement during the reporting period in the number of performance grants over ordinary shares potentially vesting before 30 June 2023 subject to performance criteria, held directly, indirectly or beneficially by each director including their personally-related entities, is as follows:

	Held at 1 July 2021	Granted as remuneration	Exercised	Expired/Other changes	Held at 30 June 2022
Non-Executive Directors					
N Nene	–	–	–	–	–
A Chee Sin[1]	–	1,000,000	–	(1,000,000)	–
A Mifflin[1]	–	1,000,000	–	(1,000,000)	–
H Zhen[1]	–	1,000,000	–	(1,000,000)	–
J Liu[1]	–	1,000,000	–	(1,000,000)	–
K Mosehla[1]	–	1,000,000	–	(1,000,000)	–
M Senosi	–	–	–	–	–
S Ding	–	–	–	–	–
B Pryor[2]	–	1,000,000	–	(1,000,000)	–
Executive Director					
G Gomwe	–	–	–	–	-
S Randazzo[3]	–	4,871,406	–	(4,871,406)	-
	–	10,871,406	–	(10,871,406)	-

[1] All performance rights granted during the year expired.

[2] All performance rights granted to Mr Pryor were forfeited due to his resignation on 11 March 2022.

[3] All performance rights granted to Mr Randazzo vested on his resignation on 8 April 2022.

DIRECTORS' REPORT continued

34. DIRECTOR EQUITY HOLDINGS continued

The movement during the reporting period in the number of ordinary shares held, directly, indirectly or beneficially by each director including their personally-related entities, is as follows:

	Held at 1 July 2021	Granted as remuneration	Exercised	Expired/Other changes	Held at 30 June 2022
Non-Executive Directors					
N Nene	–	–	–	–	–
A Chee Sin	–	–	–	–	–
A Mifflin	–	–	–	–	–
H Zhen	–	–	–	–	–
J Liu	–	–	–	–	–
K Mosehla	–	–	–	–	–
M Senosi	–	–	–	38,363,909	38,363,909
S Ding	–	–	–	–	–
B Pryor[1]	7,500	–	–	7,500	–
Executive Director					
G Gomwe	–	–	–	–	–
S Randazzo	–	–	–	–	–

[1] Resigned on 11 March 2022.

This marks the end of the remuneration report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s298(2) of the Corporations Act 2001.

Nhlanhla Nene
Chairman

30 September 2022

Godfrey Gomwe
Managing Director and Chief Executive Officer

30 September 2022

DIRECTORS' DECLARATION

The directors declare that:

a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

b) in the directors' opinion, the attached consolidated financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1.1 to the consolidated financial statements;

c) in the directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity; and

d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Nhlanhla Nene
Chairman

30 September 2022

Godfrey Gomwe
Managing Director and Chief Executive Officer

30 September 2022

INDEPENDENT AUDITOR'S REPORT

mazars

TO THE MEMBERS OF MC MINING LIMITED

Report on the audit of the financial report

We have audited the accompanying financial report of MC Mining Limited ("Company"), and its subsidiaries ("Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of MC Mining Limited is in accordance with the Corporations Act 2001, including:

i. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and

the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which describes several matters concerning the Group's ability to continue as a going concern. The Group's ability to continue as a going concern is dependent on the deferral and settlement of debt relating existing borrowing facilities and cash inflows from capital raising or other funding arrangements. These circumstances indicate that a material inherent uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Mazars Assurance Pty Ltd (ABN 13 132 902 188)
Authorised Audit Company: 338599
Liability limited by a scheme approved under Professional Standards Legislation

INDEPENDENT AUDITOR'S REPORT continued

Key audit matter	How we addressed the key audit matter
Impairment of assets (Notes 3, 5, 6, and 7) At 30 June 2022, the Group's consolidated statement of financial position included $116.8 million in non-current assets, comprising primarily of property, plant and equipment, development assets, and exploration and evaluation assets. At the end of each reporting period, the Group exercises judgement in determining whether there is any indication of impairment of its cash-generating units (CGUs) as disclosed in Note 3 to the financial statements. If any such indicators exist, the Group estimates the recoverable amount of the non-current assets in the relevant CGU. During the 2022 financial year and as at 30 June 2022, the Group assessed there were: • Indicators of impairment for the Greater Soutpansberg Projects (GSP) CGU and Vele Colliery CGU; and • No indicators of impairment for other CGUs. Based on the impairment assessment performed for the Greater Soutpansberg Projects CGU and Vele Colliery CGUs, an impairment of $14.9 million was identified at 30 June 2022. The nature of impairment assessments involves the use of estimates and judgements and the uncertainty associated with these estimates and judgements means that there is a significant chance of a material adjustment to the reported value of the related items in the next financial year and therefore the related items may be realised at amounts that differ from the estimates recorded at 30 June 2022. As a result, we considered the impairment testing and the related disclosures to be a key audit matter.	Our procedures included, but were not limited to: a) Assessed whether the Group's determination of CGUs was in accordance with Australian Accounting Standards. b) Considered the Group's process for identifying and considering external and internal information which may be an indicator of impairment and evaluated the completeness of the factors identified. c) Compared the Group's market capitalisation relative to its net assets. d) Performing analytical procedures and obtaining explanations from management. e) For the Greater Soutpansberg Projects CGU and Vele Colliery CGU: • Assessed whether the valuation methodology applied by the Group to measure the recoverable amount of the CGU met the requirements of Australian Accounting Standards. • Tested the mathematical accuracy of the impairment model. • Involved our valuation experts to assess the key cashflow forecast assumptions such as commodity price, discount rates, and foreign exchange rates with reference to external observable market data. • Compared future production forecasts in the impairment models to published reserves and resources estimates, and understood the Group's reserve estimation processes, including assessing the qualifications, competence, and objectivity of the Group's internal experts and the scope and appropriateness of their work. • Assessed the operating and capital expenditure included in the impairment model with reference to approved budgets and forecasts and results of the current and previous periods. • Performed sensitivity analysis to evaluate the effect on the CGU's recoverable amount of reasonably possible changes in key forecast assumptions. • Recalculated the carrying amounts of the Greater Soutpansberg Projects CGU and Vele Colliery CGU and compared the carrying amount to the recoverable amount to determine the estimated impairment charge. • Assessed the adequacy of the disclosures in the financial report.

INDEPENDENT AUDITOR'S REPORT continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the entity to express an opinion on the group financial report. The auditor is responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT continued

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the remuneration report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of MC Mining Limited, for the year ended 30 June 2022, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Mazars

MAZARS ASSURANCE PTY LTD AUTHORISED AUDIT COMPANY: 338599

MJ Green
Director

Brisbane, 30 September 2022

AUDITOR'S INDEPENDENCE DECLARATION

mazars

TO THE DIRECTORS OF MC MINING LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Mazars Assurance Pty Limited
Authorised Audit Company: 338599

MJ Green
Director

Brisbane, 30 September 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in US$'000	Notes	Group 2022	Group 2021
ASSETS			
Non-current assets			
Property, plant and equipment	5	**23,475**	27,370
Right-of-use assets	17	**3,132**	2,588
Development assets	6	**17,739**	19,055
Exploration and evaluation assets	7	**67,839**	93,467
Other financial assets	11	**4,599**	4,708
Restricted cash	12	**100**	95
Total non-current assets		**116,884**	147,283
Current assets			
Inventories	8	**4,445**	834
Trade and other receivables	9	**1,093**	3,430
Current tax assets		**–**	4
Cash and cash equivalents	12	**2,993**	3,226
Total current assets		**8,531**	7,494
Total assets		**125,415**	154,777
EQUITY AND LIABILITIES			
Equity			
Issued capital	13	**1,045,395**	1,041,884
Retained income / (accumulated loss)		**(926,245)**	(907,202)
Reserves	14	**(41,190)**	(27,437)
Total equity attributable to owners of the parent		**77,960**	107,245
Non-controlling interests		**(824)**	(721)
Total equity		**77,136**	106,524
Liabilities			
Non-current liabilities			
Provisions	15	**8,048**	6,689
Deferred tax liabilities	10	**4,232**	4,669
Lease liabilities	17	**2,057**	1,557
Borrowings	18	**–**	251
Total non-current liabilities		**14,337**	13,166
Current liabilities			
Provisions	15	**203**	195
Trade and other payables	16	**9,307**	9,394
Current tax liabilities		**362**	413
Lease liabilities	17	**885**	855
Borrowings	18	**21,656**	19,231
Deferred consideration	19	**–**	2,796
Bank overdraft	12	**1,529**	2,203
Total current liabilities		**33,942**	35,087
Total liabilities		**48,279**	48,253
Total equity and liabilities		**125,415**	154,777

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Figures in US$'000	Notes	Group 2022	Group 2021
Revenue	20	**23,511**	20,702
Cost of sales	21	**(20,999)**	(20,302)
Gross profit		**2,512**	400
Other operating income	22	**293**	176
Expected credit losses	23	**(331)**	–
Administrative expenses	24	**(6,840)**	(5,250)
Impairment expense	25	**(14,851)**	(6,759)
Other gains and (losses)	26	**63**	757
Loss from operating activities		**(19,154)**	(10,676)
Finance income	27	**147**	187
Finance costs	28	**(1,712)**	(1,618)
Loss before tax		**(20,719)**	(12,107)
Income tax (expense)/credit	29	**(116)**	270
Loss for the year		**(20,835)**	(11,837)
Loss for the year attributable to:			
Owners of Parent		**(20,732)**	(11,744)
Non-controlling interest		**(103)**	(93)
		(20,835)	(11,837)
Other comprehensive income net of tax			
Components of other comprehensive income that will be reclassified to profit or loss			
(Losses)/gains on exchange differences on translation		**(12,346)**	18,404
Total Exchange differences on translation		**(12,346)**	18,404
Comprehensive income attributable to:			
Comprehensive income, attributable to owners of parent		**(33,078)**	6,660
Comprehensive income, attributable to non-controlling interests		**(103)**	(93)
Total comprehensive income for the year		**(33,181)**	6,567
Earnings per share attributable to owners of the parent during the year			
Basic earnings per share			
Basic loss per share	31	**(12.65)**	(7.76)
Total basic loss per share (cents)		**(12.65)**	(7.76)
Diluted earnings per share			
Diluted loss per share	31	**(12.65)**	(7.76)
Total diluted loss per share (cents)		**(12.65)**	(7.76)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures in US$'000	Issued capital	Capital profit reserve	Foreign currency translation reserve	Warrant reserve	Share-based payment reserve	Retained income/ (accumulated loss)	Retained income/ (accumulated loss)	Attribuable to owners of the parent	Total
Balance at 1 July 2020	**1,041,081**	**91**	**(48,602)**	**1,134**	**1,460**	**(895,591)**	**99,573**	**(628)**	**98,945**
Changes in equity									
Loss for the year	–	–	–	–	–	(11,744)	(11,744)	(93)	(11,837)
Other comprehensive income	–	–	18,404	–	–	–	18,404	–	18,404
Total comprehensive income for the year	–	–	18,404	–	–	(11,744)	6,660	(93)	6,567
Issue of equity	868	–	–	–	–	–	868	–	868
Warrants issued to IDC	–	–	–	43	–	–	43	–	43
Share issue costs	(65)	–	–	–	–	–	(65)	–	(65)
Performance grants issued	–	–	–	–	589	–	589	–	589
Performance rights expired	–	–	–	–	(133)	133	–	–	–
Performance rights forfeited	–	–	–	–	(423)	–	(423)	–	(423)
Balance at 30 June 2021	**1,041,884**	**91**	**(30,198)**	**1,177**	**1,493**	**(907,202)**	**107,245**	**(721)**	**106,524**
Balance at 1 July 2021	**1,041,884**	**91**	**(30,198)**	**1,177**	**1,493**	**(907,202)**	**107,245**	**(721)**	**106,524**
Changes in equity									
Loss for the year	–	–	–	–	–	(20,732)	(20,732)	(103)	(20,835)
Other comprehensive income	–	–	(12,346)	–	–	–	(12,346)	–	(12,346)
Total comprehensive income for the year	–	–	(12,346)	–	–	(20,732)	(33,078)	(103)	(33,181)
Issue of equity	3,523	–	–	–	–	–	3,523	–	3,523
Warrants expired	–	–	–	(1,177)	–	1,177	–	–	–
Share issue costs	(12)	–	–	–	–	–	(12)	–	(12)
Performance grants issued	–	–	–	–	1,186	–	1,186	–	1,186
Performance rights forfeited	–	–	–	–	(7)	–	(7)	–	(7)
Performance rights expired[1]	–	–	–	–	(1,016)	512	(504)	–	(504)
Shares vested	–	–	–	–	(393)	–	(393)	–	(393)
Balance at 30 June 2022	**1,045,395**	**91**	**(42,544)**	**–**	**1,263**	**(926,245)**	**77,960**	**(824)**	**77,136**
Notes	13	14	14	14	14				

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

[1] This amount includes the performance incentive which expired in the same financial year in which it was issued, and has been derecognised through the Statement of Profit and Loss.

CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in US$'000	Notes	Group 2022	Group 2021
Cash flows from operating activities			
Receipts from customers		**21,174**	21,983
Payments to suppliers and employees		**(23,335)**	(23,400)
Net cash flows used in operations	37	**(2,161)**	(1,417)
Dividends received		**48**	–
Interest paid		**(254)**	(240)
Interest received		**9**	122
Income taxes refunded		**–**	182
Net cash used in operating activities		**(2,358)**	(1,353)
Cash flows (used in)/from investing activities			
Proceeds from sales of property, plant and equipment		**–**	487
Purchase of property, plant and equipment		**(1,015)**	(246)
Investment in development assets	6	**(5)**	(4)
Investment in exploration assets	7	**(134)**	(99)
Proceeds from the disposal of other financial assets	11	**4**	16
Purchase of other financial assets	11	**(378)**	–
Cash flows (used in)/from investing activities		**(1,528)**	154
Cash flows from financing activities			
Repayment of deferred consideration	19	**(2,670)**	–
Proceeds from issuing shares	3,511	**804**	
Proceeds received from borrowings	4,927	**2,347**	
Repayments of borrowings	18	**(644)**	(457)
Repayments of leases	17	**(864)**	(1,039)
Cash flows from financing activities		**4,260**	1,655
Net increase in cash and cash equivalents before effect of exchange rate changes		**374**	456
Effect of exchange rate changes on cash and cash equivalents		**67**	103
Net increase in cash and cash equivalents		**441**	559
Cash and cash equivalents at beginning of the year		**1,023**	464
Cash and cash equivalents at end of the year		**1,464**	1,023

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

MC Mining is a limited company incorporated in Australia. Its common shares are listed on the ASX, the LSE's AIM and the JSE in South Africa. The addresses of its registered office and principal places of business is Suite 8, 7 The Esplanade, Mt Pleasant, Perth, Western Australia 6000.

The principal activities of the Company and its subsidiaries (the Group or the Consolidated Entity) are the acquisition, exploration, development and operation of metallurgical and thermal coal projects in South Africa.

The Group's principal assets and projects include:

- The operating mine, Uitkomst Colliery;
- The Makhado hard coking coal project that has been granted an MR, an IWUL and an environmental authorisation;
- The Vele Colliery, a semi soft coking and thermal coal mine, currently under care and maintenance.
- Three exploration and development stage coking and thermal coal projects, namely Chapudi, Generaal and Mopane, all of which have been granted MR's and together form the Greater Soutpansberg Project.

Going Concern

The Consolidated Group has incurred a net loss after tax for the year ended 30 June 2022 of $20.8 million (30 June 2021: loss of $11.8 million). During the year ended 30 June 2022, net cash outflows from operating activities were $2.5 million (30 June 2021 net outflow: $1.4 million). As at 30 June 2022 the Consolidated Group had a net current liability position of $25.4 million (30 June 2021: net current liability position of $27.6 million).

During January 2022, the termination/ settlement date of the $9.8 million (ZAR160 million) IDC loan facility has been extended to 30 November 2022. The IDC also agreed to extend the terminal drawdown date in respect of the conditional $15.0 million (ZAR245.0 million) term loan agreed to partially finance the development of the Makhado Project, also to 30 November 2022, subject to the satisfaction of the outstanding conditions, including the IDC reaffirming its financial due diligence.

The Directors have prepared a cash flow forecast for the eighteen-month period ended 31 December 2023, taking into account available facilities, the fully underwritten Rights Issue that commenced on 27 September 2022, additional debt funding that although not yet concluded (is expected to be raised), and expected cash flows to be generated by Uitkomst and the potential outsourcing of the Vele Colliery. On the basis of these equity and debt funding initiatives being successfully implemented, the forecast indicates that the Group 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:

- Meeting commitments to creditors arising from continuing operations;
- Deferring the settlement of the existing IDC loan (plus accrued interest) to when Makhado is at steady state production as opposed to being payable in November 2022 (refer note 18) and/or converting this facility to equity;
- Continued favorable coal prices and utilization of cash generated by the Company's collieries;
- A drawdown of the new IDC term facility of $15.0 million (ZAR245.0 million);
- Contractor funding including a build, own, operate, transfer ('BOOT') arrangement of $3.7 million (ZAR60.0 million);
- The issue of new equity for cash in the Company to current & new shareholders in terms of the fully underwritten rights offer, raising approximately $27.6 million (approximately ZAR451 million); and
- In addition to the $15.0 million (ZAR245.0 million) new IDC term loan facility and $3.7 million (ZAR60.0 million) BOOT arrangement referred to above, securing additional funding of approximately $29,9 million (ZAR428 million) required (Additional Funding) to finance the development of the Makhado Project, through either a debt or equity.

The Group is still in negotiations with the IDC on the deferral of the existing loan repayment, which may have an impact on its ability to draw down on the new facility. This is due to the new facility being subject to certain conditions precedent which are still to be met, one of which is the settlement of the current facility. In addition, draw down on the conditional $15.0 million (ZAR245.0 million) term loan is subject to successful conclusion of a due diligence exercise and credit approval.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. GENERAL INFORMATION continued

The Group is exploring and progressing several alternatives to raise the Additional Funding including, but not limited to:

- The issue of new equity for cash in the Company to current and new shareholders via the fully underwritten Rights Issue (refer to 'Events after reporting date' in Note 34 of this report);
- The issue of new equity for cash in the subsidiary company that owns the Makhado project;
- Further debt funding;
- Cash generated by the Company's Collieries;
- Further contractor BOOT funding arrangements; and
- The sale of a minority stake in the subsidiary companies holding the Makhado Project.

The conclusion of the debt and equity raise funding initiatives as included in the cash flow forecast and for purposes of obtaining the Additional Funding as outlined above, and renegotiations with the IDC on current and further funding, is by its nature an involved process subject to successful negotiations with the external funders and shareholders. In addition, any equity or debt raised is likely to be subject to a due diligence process.

These conditions create a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Directors are of the opinion that the going concern basis remains appropriate as a result of the following considerations:

- The Group is already in discussions with the IDC on the deferral of the settlement of the existing loan and the restructuring of the conditions precedent in relation to the new facility;
- The Rights Issue is fully underwritten and the Group has a history of successful capital raisings to meet the Group's funding requirements; and
- The Group has the capacity if necessary to reduce its operating cost structure in order to minimise its working capital requirements and defer the timing of any future capital raising.

Subject to raising the required funding noted above, the development of the Makhado project will subsequently commence within the twelve months following the signing of these annual financial statements.

Based on the above, the directors are satisfied at the date of signing the annual financial statements that there are reasonable grounds to believe that they will be successful in obtaining the required funding and that the Group will have sufficient funds to meet its obligations as and when they fall due and are of the opinion that the use of the going concern basis remains appropriate

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

Basis of presentation

1.1 Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Company. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of the Company and the Group comply with IFRS as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Directors on 30 September 2022.

1.2 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

All amounts are presented in United States dollars, and rounded to nearest thousand unless otherwise noted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or fair value less costs to sell in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2. ACCOUNTING POLICIES

2.1 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

A list of controlled entities is contained in note 40 to the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All inter-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. ACCOUNTING POLICIES continued

2.1 Basis of Consolidation continued

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non- controlling interests.

2.2 Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with AASB 112 'Income Taxes';
- assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 119 'Employee Benefits';
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that represent ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. Non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a financial asset or liability is remeasured at subsequent reporting dates in accordance with AASB 9 'Financial Instruments', or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2.3 Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency which is South African Rand and/or Australian Dollar). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United States dollars ('$'), which is the presentation currency for the consolidated financial statements.

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment in the foreign operation.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into United States dollars using the spot rate of exchange ruling at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange ruling at the reporting date. Exchange differences arising are recognised in other comprehensive income, accumulating through the foreign exchange translation reserve.

2.4 Exploration and evaluation expenditure

(i) Pre-licence costs

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

(ii) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

(i) Researching and analysing historical exploration data
(ii) Gathering exploration data through geophysical studies
(iii) Exploratory drilling and sampling
(iv) Determining and examining the volume and grade of the resource
(v) Surveying transportation and infrastructure requirements
(vi) Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group conclude that a future economic benefit is more likely than not to be realised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. ACCOUNTING POLICIES continued

2.4 Exploration and evaluation expenditure continued

(ii) Exploration and evaluation expenditure continued

Capitalised expenditure includes costs directly related to exploration and evaluation activities in the relevant area of interest, including materials and fuel used, surveying costs, drilling costs and payments made to contractors. General and administrative costs are allocated to an exploration or evaluation area of interest and capitalised as an asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest.

Exploration and evaluation assets acquired in a business combination are initially recognised at fair value, including resources and exploration potential that are valued beyond proven and probable reserves. Similarly, the costs associated with acquiring an exploration and evaluation asset (that does not represent a business) are also capitalised. They are subsequently measured at cost less accumulated impairment.

All capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied, and assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.10.

Exploration and evaluation expenditure that has been capitalised is reclassified to development assets when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Prior to such reclassification, exploration and evaluation expenditure capitalised is tested for impairment.

2.5 Development assets

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure. No depreciation is recognised in respect of development assets.

Development assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.10.

A development asset is transferred as a 'mining property' at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management. Immediately prior to such transfer, development assets are tested for impairment.

2.6 Property, plant and equipment - Mining property

Mining property includes expenditure that has been incurred through the exploration and development phases, and, in addition, further development expenditure that is incurred in respect of a mining property after the commencement of production, provided that, in all instances, it is probable that additional future economic benefits associated with the expenditure will flow to the Group. Otherwise such expenditure is classified as cost of sales.

Mining property includes plant and equipment associated with the mining property.

When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

Depreciation on plant and equipment included within mining property is computed on a straight-line basis over ten years. Depreciation on other components of mining property, is charged using the units-of-production method, with separate calculations being made for each area of interest. The units-of-production basis results in a depreciation charge proportional to the depletion of proved and probable and unclassified reserves.

Mining property is assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.10.

2.7 Property, plant and equipment – Mining Rights

Mining rights are classified as property plant and equipment on commencement of commercial production. Depreciation is charged using the units-of-production method. The units-of-production basis results in a depreciation charge proportional to the depletion of proved and probable and unclassified reserves.

Mining rights are assessed for impairment if facts and circumstances indicate that an impairment may exist.

2.8 Property, plant and equipment (excluding development assets, mining property and mining rights)

Freehold land is stated at cost and is not depreciated.

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where items of property, plant and equipment contain components that have different useful lives to the main item of plant and equipment, these are capitalised separately to the plant and equipment to which the component can be logically assigned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a right of use asset is disclosed as part of property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right of use assets are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and the useful lives. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The annual depreciation rates applicable to each category of property, plant and equipment are as follows:

Furniture, fittings and office equipment	13% - 50%
Buildings	5% - 20%
Plant and equipment	10% - 50%
Motor vehicles	20% – 33%
Computer equipment	17% - 33%
Leased assets	Shorter of lease term and useful lives

2.9 Intangible assets

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the Group and the cost can be reliably measured. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised on a straight-line basis over their estimated useful lives based on the unit of production method. The amortisation method used and the estimated remaining useful lives are reviewed at least annually.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Intangible assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.10.

2.10 Impairment of tangible and intangible assets

The carrying amounts of the Group's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing fair value less costs of disposal, the estimated future cash flows were discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted due to a market price not being available.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. ACCOUNTING POLICIES continued

2.11 Leasing

At inception of a contract, the Group assessed whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

As a lessee

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and

The exercise price under a purchase option that the Group is reasonably certain to exercise, lease

- payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in separately in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases.

The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Cost is determined by using the weighted-average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity.

Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.13 Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of AASB 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets

- Amortised cost
- Fair Value Through Profit or Loss

Financial liabilities

- Amortised cost

When a financial liability is contingent consideration in a business combination, the Group classifies it as a financial liability at fair value through profit or loss.

Financial assets at amortised cost

The following financial assets are classified as financial assets at amortised cost:

- Trade and other receivables
- Cash and cash equivalents
- Other financial assets

Classification

Assets are classified in this category because the contractual terms give rise, on specific dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and it is the Group's business model to collect the contractual cash flows on these assets.

Measurement

Financial assets at amortised cost are recognised when the Group becomes a party to the contractual provisions of the asset. These financial assets are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at the transaction price. These financial assets are subsequently measured at amortised cost. The amortised cost is the amount recognised on the receivable, minus principal repayments, plus cumulative amortisation (interest) using the effective interest rate method, of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Interest income is calculated using the effective interest rate method, and is included in profit or loss in interest income.

The application of the effective interest method to calculate interest income on a receivable is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the financial asset, provided it is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a financial asset was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the financial asset in the determination of interest. If, in subsequent periods, the financial asset is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

When a financial asset is denominated in a foreign currency, the carrying amount of the financial asset is determined in the foreign currency. The carrying amount is then translated to using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains/(losses).

Impairment

The Group assesses on a forward-looking basis the Expected Credit Losses (ECLs) associated with its financial assets carried at amortised cost. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. ACCOUNTING POLICIES continued

2.13 Financial instruments continued

Expected credit loss allowances are measured on either of the following bases:

- 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.

The Group considers a financial asset to be in default when contractual payment term has lapsed. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Financial assets at Fair Value Through Profit or Loss

The following financial assets are classified at Fair Value Through Profit or Loss:

- Other Financial Assets
- Restricted cash

Classification

Investments held by the Group as equity securities in investment funds are classified as Fair Value Through Profit or Loss. Assets are classified in this category because the Group does not hold these investments solely to collect payments of principal and interest on the principal outstanding, and the Group manages these investments based on their fair value.

Measurement

Financial assets at Fair Value Through Profit or Loss are recognised when the Group becomes a party to the contractual provisions of the investment. These financial assets are recognised initially at fair value. These financial assets are subsequently re-measured at fair value with all gains or losses recognised directly in profit or loss.

Financial liabilities at amortised cost

Classification

The following financial liabilities are classified as financial liabilities at amortised cost:

- Bank overdraft
- Borrowings
- Lease liabilities
- Trade and other payables

Measurement

Liabilities at amortised cost are recognised when the Group becomes a party to the contractual provisions of the liability. The liabilities are initially measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating an interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs.

When financial liabilities are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset/liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Trade receivables

The Group makes use of a simplified approach as a practical expedient to the determination of expected credit losses on trade receivables. The Group applies the AASB 9 simplified approach to measure expected credit losses, which uses a lifetime expected credit loss allowance, for trade receivables. Trade receivables that are more than 30 days past-due are assessed to have an increase in credit risk. The simplified approach is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade receivables through use of a loss allowance account. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due date. Expected credit losses are disclosed separately on the consolidated statement of profit and loss and other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits. Cash and cash equivalents are accounted for at amortised cost.

Restricted cash comprise cash balances which are encumbered and the Group does therefore not have unrestricted access to these funds.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The increase in provisions due to the passage of time is included in the finance cost line item in the consolidated statement of profit or loss and other comprehensive income.

Rehabilitation provision

A provision for rehabilitation is recognised when there is a present obligation as a result of exploration, development or production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably.

The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas.

The provision for future rehabilitation costs is the best estimate of the present value of the expenditure required to settle the rehabilitation obligation at the reporting date, based on current legal and other requirements and technology. Future rehabilitation costs are reviewed annually and any changes in the estimate are reflected in the present value of the rehabilitation provision at each reporting date.

The initial estimate of the rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and depreciated or amortised on the same basis as the related asset. Changes in the estimate of the provision are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. ACCOUNTING POLICIES continued

2.15 Taxation

The income tax expense or income for the period represents the sum of the tax currently payable or recoverable and deferred tax.

Current taxation

The tax currently payable or recoverable is based on taxable profit or loss for the year. Taxable profit or loss differs from profit or loss as reported in the consolidated statement of profit or loss and other comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date in countries where the Group operates and generates taxable income.

Deferred taxation

Deferred taxation is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit or loss. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if a taxable temporary difference arises from the initial recognition of goodwill or any temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax balances are calculated using the tax rates that are expected to apply to the reporting period or periods when the temporary difference reverse, based on tax rates and tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.16 Revenue from contracts with customers

Revenue is recognised at the transaction price an entity expects to be entitled to net of the amount of applicable sales tax.

Sale of coal – AASB 15: Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over coal sold to a customer at a point in time, which is generally indicated as follows:

- The entity has a present right to payment for the coal sold
- The customer has legal title to the coal sold
- The entity has transferred physical possession of the coal sold
- The customer has the significant risks and rewards of ownership of the coal sold
- The customer has accepted the coal sold and no discounts are provided for coal sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2.17 Share-based payments

Equity-settled

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value or the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on the straight- line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate with a corresponding adjustment to the equity- settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

2.18 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

2.19 Segment information

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's executive committee.

Management has determined the reportable segments of the Group based on the reports reviewed by the Company's executive committee that are used to make strategic decisions. The Group has three reportable segments: Exploration, Development and Mining (see note 32).

3. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The primary areas in which estimates and judgements are applied are discussed below.

Asset carrying values and impairment charges

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using fair value less cost of disposal calculations, which incorporate various key assumptions. Key assumptions include future coal prices, future operating costs, discount rates, foreign exchange rates and coal reserves.

Exploration and evaluation assets

Determining the recoverability of exploration and evaluation expenditure capitalised requires judgement and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. The Group applies the principles of AASB 6 and recognises exploration and evaluation assets when the rights of tenure of the area of interest are current, and the exploration and evaluation expenditures incurred are expected to be recouped through successful development and exploitation of the area. If, after having capitalised the expenditure under the Group's accounting policy, a judgment is made that recovery of the carrying amount is unlikely, an impairment loss is recorded in profit or loss.

Development expenditure

Development activities commence after the commercial viability and technical feasibility of the project is established. Judgment is applied by management in determining when a project is commercially viable and technically feasible. Any judgments may change as new information becomes available. If, after having commenced the development activity, a judgment is made that a development asset is impaired, the appropriate amount will be written off to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

3. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS continued

Development expenditure continued

The Company considers the following items as pre-requisites prior to concluding on commercial viability:

- All requisite regulatory approvals from government departments in South Africa have been received and are not subject to realistic legal challenges;
- The Company has the necessary funding to engage in the construction and development of the project as well as general working capital until the project is cash generative;
- A JORC compliant resource proving the quantity and quality of the project as well as a detailed Mine Plan reflecting that the colliery can be developed and will deliver the required return hurdle rates
- The Company has secured off-take and/or logistics agreements for a significant portion of the product produced by the mine and the pricing has been agreed; and
- The Company has the appropriate skills and resources to develop and operate the project.

Impairment assessment

Long-term mining assets forming part of board-approved projects are valued based on estimates of future discounted cash flows (DCFs) of the latest board-approved business forecasts regarding production volumes, costs of production, capital expenditure, coal prices and market forecasts for foreign exchange rates. The discount rate is a risk adjusted discount rate, taking into account specific risks relating to the Cash Generating Unit (CGU) where cash flows have not been adjusted for the risk. This methodology is typically applied to CGUs classified as Development Assets (e.g. Vele Colliery) and as Property, Plant and Equipment (e.g. Uitkomst Colliery).

Coal resources outside approved mine plans are valued based on an in situ resource multiple based value. Comparable market transactions are used as a source of evidence. This methodology is typically applied to CGUs classified as Exploration and Evaluation assets (e.g. Greater Soutpansberg Project – Vele Extension, Makhado Project). For Exploration and Evaluation projects that are at an advanced stage of evaluation and conditionally approved by the Board (e.g. Makhado Project), DCFs are also used and validated by *in situ* resource multiple based values.

The key financial assumptions used in the current year's impairment calculations are:

Hard coking coal (HCC) price (real US$ per ton)	$212
Thermal coal price (real US$ per ton)	$155
Rand/US$ exchange rate	15.80
Real discount rates	12.1% – 13.34%
In situ resource multiple valuation range (Rand per tonne)	ZAR4 – ZAR8

(i) Estimated with reference to the short-term future quotes for hard coking coal free-on-board Australia. Management's models considered a HCC price range of between $191 per tonne and $240 per tonne, with a base case of $220 per tonne.

((ii) Estimated with reference to the forward curve for API4 thermal coal free-on-board Richards Bay. Management's models considered a real long-term thermal coal price range of between $140 per tonne and $170 per tonne, with a base case of $155 per tonne.

(iii) Estimated with reference to the prevailing exchange rates and consensus outlooks. Management's models considered a Rand vs US Dollar exchange rate range of between R15.33 and R16.75 with a base case of R15.80.

(iv) Post-tax real discount rates that reflect management's assessments of market conditions and risks specific to the various projects. Management's models considered between 10% and 12% for established and producing projects and between 12% and 14% for developing and future projects, with a base case of 12.1% for established and producing projects and between 13% and 14% for developing and future projects.

(v) Based on historic thermal and premium coal transactions in South Africa a weighted range of between R3 and R8 per gross tonne *in situ* was determined reasonable for the Group's impairment assessment purposes. The carrying values of the Group's exploration and evaluation projects were comfortably supported within this range after adjusting for project risk factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Sensitivity analysis for DCF calculations

		Effect on estimated recoverable amount US$ million		
Sensitivity	Change	Uitkomst Colliery	Vele Colliery	Makhado Project
Long-term HCC prices	+10%	N/A	11	39
	-5%	N/A	(5)	(19)
Long-term thermal prices	+7.5%	13	22	22
	-7.5%	(13)	(22)	22
Long-term exchange rate	+6%	9	24	40
	-3%	(3)	(12)	(20)
Discount rate	+1%	(1)	(6)	(12)
	-1%	2	7	13

(i) Keeping all other inputs constant, this sensitivity scenario would not result in an impairment charge for the Makhado Project or the Vele Colliery.

(ii) Keeping all other inputs constant, this sensitivity scenario would result in an impairment charges of $10.4 million for the Uitkomst Colliery and no impairment charges for the Vele Colliery or the Makhado Project. However, Uitkomst will re-assess its marketing strategy if API4 prices reduced significantly.

(iii) Keeping all other inputs constant, this sensitivity scenario would result in an impairment charge of $0.6 million for the Uitkomst Colliery, with no impairment charges for the Vele Colliery or the Makhado Project.

(iv) Keeping all other inputs constant, this sensitivity scenario would result in no impairment charges for the Uitkomst Colliery, Vele Colliery or the Makhado Project

The key financial assumptions used in the prior year's impairment calculations were:

Hard coking coal (HCC) price (real US$ per ton)	$125
Thermal coal price (real US$ per ton)	$70
Rand/US$ exchange rate	15.06
Real discount rates	10% – 14%
In situ resource multiple valuation range (SA Rand per tonne)	ZAR1 – ZAR5

(i) Estimated with reference to the short-term future quotes for hard coking coal free-on-board Australia. Management's models considered a HCC price range of between $115 per tonne and $135 per ton, with a base case of $125 per tonne.

(ii) Estimated with reference to the forward curve for API4 thermal coal free-on-board Richards Bay. Management's models considered a real long-term thermal coal price range of between $60 per tonne and $80 per tonne, with a base case of $70 per tonne.

(iii) Estimated with reference to the prevailing exchange rates and consensus outlooks. Management's models considered a Rand vs US Dollar exchange rate range of between R14.30 and R15.80 with a base case of R15.06.

(iv) Post-tax real discount rates that reflect management's assessments of market conditions and risks specific to the various projects. Management's models considered between 10% and 12% for established and producing projects and between 12% and 14% for developing and future projects, with a base case of 10.7% for established and producing projects and between 12% and 14% for developing and future projects.

(v) Based on historic thermal and premium coal transactions in South Africa a weighted range of between R1 and R5 per mineable ton *in situ* was determined reasonable for the Group's impairment assessment purposes. The carrying values of the Group's exploration and evaluation projects were comfortably supported within this range after adjusting for project risk factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

3. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS continued

Sensitivity analysis for DCF calculations (prior year)

		Effect on estimated recoverable amount US$ million		
Sensitivity	Change	Uitkomst Colliery	Vele Colliery	Makhado Project
Long-term HCC prices	+10%	N/A	4	41
	-5%	N/A	(2)	(21)
Long-term thermal prices	+7.5%	5	6	16
	-7.5%	(5)	(6)	(16)
Long-term exchange rate	+6%	4	7	35
	-3%	(2)	(4)	(18)
Discount rate	+1%	(1)	(2)	(13)
	-1%	1	3	15

(i) Keeping all other inputs constant, this sensitivity scenario would not result in an impairment charge for the Makhado Project but the Vele Colliery would incur an impairment charge of $1,8 million.

(ii) Keeping all other inputs constant, this sensitivity scenario would result in an impairment charges of $1,5 million for the Uitkomst Colliery and $6,3 million for the Vele Colliery with no impairment charge for the Makhado Project.

(iii) Keeping all other inputs constant, this sensitivity scenario would result in an impairment charge of $3,6 million for the Vele Colliery, with no impairment charges for the Uitkomst Colliery or the Makhado Project.

(iv) Keeping all other inputs constant, this sensitivity scenario would result in an impairment charge of $2,3 million for the Vele Colliery, with no impairment charges for the Uitkomst Colliery or the Makhado Project.

Coal reserves

Economically recoverable coal reserves relate to the estimated quantity of coal in an area of interest that can be expected to be profitably extracted, processed and sold.

The Group determines and reports coal reserves under the Australasian Code of Reporting of Mineral Resources and Ore Reserves (the 'JORC Code'). This includes estimates and assumptions in relation to geological, technical and economic factors, including: quantities, grades, production techniques, recovery rates, production costs, transport costs, exchange rates and expected coal demand and prices.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations and mining operations conducted, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected due to changes in estimated future cash flows; and
- depreciation and amortisation charges may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

Rehabilitation and restoration provisions

Certain estimates and assumptions are required to be made in determining the cost of rehabilitation and restoration of the areas disturbed during mining activities and the cost of dismantling of mining infrastructure. The amount the Group is expected to incur to settle its future obligations includes estimates regarding:

- the future expected costs of rehabilitation, restoration and dismantling;
- the expected timing of the cash flows and the expected life of mine (which is based on coal reserves noted above);
- the application of relevant environmental legislation; and
- the appropriate rate at which to discount the liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Changes in the estimates and assumptions used could have a material impact on the carrying value of the rehabilitation provision and related asset. The provision is reviewed at each reporting date and updated based on the best available estimates and assumptions at that time. The carrying amount of the rehabilitation provision is set out in note 15.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the consolidated statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes and operating costs. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the consolidated statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to profit or loss.

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific judgements estimates.

Residual value and useful life of property, plant and equipment

The Group depreciates its assets over their estimated useful lives, as more fully described in the accounting policies for property, plant and equipment.

The estimation of useful lives of assets are based on historical performance as well as expectations about future use and therefore require a significant degree of judgement to be applied by management. Judgement is applied by management in determining the residual values for property, plant and equipment. When determining the residual value for property, plant and equipment, the following factors are taken into account:

- External residual value information (if available); and
- Internal technical assessments for specialised mining equipment.

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of approval of the financial statements of the Group for the year ended 30 June 2022, the following Standards and Interpretations were issued but not yet early adopted. They will be adopted on the respective effective dates as indicated in the table below:

- AASB 2020-3 Amendments to AASB 116 – Property, Plant and Equipment: Proceeds before Intended Use
- AASB 2020-1 Amendments to AASs – Classification of Liabilities as Current or Non-current
- AASB 2021-2 Amendments to AASB 108 – Definition of Accounting Estimates
- AASB 2020-3 Amendments to AASB 137 – Onerous Contracts – Cost of Fulfilling a Contract
- AASB 2021-5 Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the Group).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

AASB 2020-8 Amendments to AASs – Interest Rate Benchmark Reform – Phase 2, AASB 2020-3 Amendment to AASB 9 – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Part of Annual Improvements 2018–2020 Cycle), AASB 2014-10 Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 17 Insurance Contracts, AASB 2020-5 Amendments to AASs – Insurance Contracts, AASB 2022-1 Amendments to AASs – Initial Application of AASB 17 and AASB 9 – Comparative Information, AASB 2021-3 Amendments to AASs – COVID-19-Related Rent Concessions beyond 30 June 2021, AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities, AASB 2022-2 Amendments to AASs – Extending Transition Relief under AASB 1, AASB 2020-3 Amendment to AASB 1 –Subsidiary as a First-time Adopter (Part of Annual Improvements 2018–2020 Cycle), AASB 2021-2 Amendments to AASB 7, AASB 101, AASB 134 Interim Financial Reporting and AASB Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies, AASB 2021-6 Amendments to AASs – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards, AASB 2020-3 Amendments to AASB 3 – Reference to the Conceptual Framework, AASB 2020-3 Amendment to AASB 141 –Taxation in Fair Value Measurements, AASB 2022-3 Amendments to AASs – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15 and AASB 2022-4 Amendments to AASs – Disclosures in Special Purpose Financial Statements (SPFS) of Certain For-Profit Private Sector Entities are not applicable to the business of the Group and will therefore have no impact on future financial statements.

Standards, interpretations and amendments to published standards effective for the year ended 30 June 2022

During the financial year, no new standards or interpretations were adopted by the Group.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that apply to the Group's accounting period beginning on 1 July 2022 or later periods, but have not been early adopted by the Group. The standards, amendments and interpretations that are relevant to the Group is:

Standard(s) Amendment(s) Interpretation(s)	Nature of the change	Salient features of the changes	Effective date*
AASB 2021-2 Amendments to AASB 108 – Definition of Accounting Estimates	Amendment	The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged. The impact of the amendment has been determined to not be material.	1-Jul-22
AASB 2020-3 Amendments to AASB 116 – Property, Plant and Equipment: Proceeds before Intended Use	Amendment	The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The impact of the amendment has been determined to not be material.	1-Jul-22

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Standard(s) Amendment(s) Interpretation(s)	Nature of the change	Salient features of the changes	Effective date*
AASB 2020-3 Amendments to AASB 137 – Onerous Contracts – Cost of Fulfilling a Contract	Amendment	The amendments apply a 'direct related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulful the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The impact of the amendment has been determined to not be material.	1-Jul-22
AASB 2020-1 Amendments to AASs – Classification of Liabilities as Current or Non-current	Amendment	Amendment: Classification of Liabilities as Current or Non-current: • Classification to be based on whether the right to defer settlement by at least twelve months exists at the end of the reporting period; • Classification is unaffected by expectation of settlement; • Settlement refers to transfer of cash equity instruments, other assets or services; and • That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The impact of the amendment has been determined to not be material.	1-Jul-23
AASB 2021-5 Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Amendment	The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and provisions. The amendments apply for annual reporting periods beginning on or after 1 July 2023. For lease liabilities and provisions, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The amendments also apply to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognised as assets at the beginning of the earliest comparative period presented. The Group accounts for deferred tax on leases and provisions applying the 'integrally linked' approach, resulting in a similar outcome to the amendments and as a result there will be no significant impact on the Group.	1-Jul-23

* Effective date refers to annual period beginning on or after the said date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5. PROPERTY, PLANT AND EQUIPMENT

Balances at year end and movements for the year

Reconciliation for the year ended 30 June 2022 – Group	Land and buildings	Leasehold improvement	Mining property, plant and equipment	Motor vehicles	Mining rights	Other	Total
Balance at 1 July 2021							
At cost	8,681	117	7,618	1,052	18,481	1,599	37,548
Accumulated depreciation	(1,585)	(117)	(2,259)	(801)	(3,842)	(1,574)	(10,178)
Carrying amount	**7,096**	**–**	**5,359**	**251**	**14,639**	**25**	**27,370**
Movements for the year ended 30 June 2022							
Additions	435	–	318	131	–	170	1,054
Depreciation	(237)		(674)	(75)	(968)	(29)	(1,983)
Rehabilitation asset	–	–	502	–	–	–	502
Exchange differences relating to:	(891)	–	(784)	(37)	(1,745)	(11)	(3,468)
– Cost	(1,096)	(40)	(1,053)	(126)	(2,287)	(440)	(5,042)
– Accumulated depreciation	205	40	269	89	542	429	1,574
Property, plant and equipment at the end of the year	**6,403**	**–**	**4,721**	**270**	**11,926**	**155**	**23,475**
Closing balance at 30 June 2022							
At cost	8,020	77	7,386	1,058	16,194	1,330	34,065
Accumulated depreciation	(1,617)	(77)	(2,665)	(788)	(4,268)	(1,175)	(10,590)
Carrying amount	**6,403**	**–**	**4,721**	**270**	**11,926**	**155**	**23,475**
Reconciliation for the year ended 30 June 2021 – Group							
Balance at 1 July 2020							
At cost	7,511	100	6,050	830	15,257	1,323	31,071
Accumulated depreciation	(1,127)	(100)	(1,297)	(579)	(2,291)	(1,281)	(6,675)
Carrying amount	6,384	–	4,753	251	12,966	42	24,396
Movements for the year ended 30 June 2021							
Additions	68	–	136	43	–	–	247
Depreciation	(219)	–	(637)	(93)	(991)	(23)	(1,963)
Rehabilitation asset	–	–	133	–	–	–	133
Impairment	(421)	–	–	–	–	–	(421)
Exchange differences relating to:	1,304	–	974	50	2,664	6	4,998
– Cost	1,557	17	1,299	179	3,224	277	6,553
– Accumulated depreciation	(253)	(17)	(325)	(129)	(560)	(271)	(1,555)
Disposals	(20)	–	–	–	–	–	(20)
Property, plant and equipment at the end of the year	7,096	–	5,359	251	14,639	25	27,370
Closing balance at 30 June 2021							
At cost	8,681	117	7,618	1,052	18,481	1,599	37,548
Accumulated depreciation	(1,585)	(117)	(2,259)	(801)	(3,842)	(1,574)	(10,178)
Carrying amount	7,096	–	5,359	251	14,639	25	27,370

No impairment charge was required for property, plant and equipment during the 2022 financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

6. DEVELOPMENT ASSETS

6.1 Balances at year end and movements for the year

Figures in US$'000	Group 2022	Group 2021
Reconciliation for the year		
Balance at the beginning of the year	19,055	20,720
Movements for the year		
Additions	5	4
Disposals	–	(466)
Movement in Rehabilitation asset	1,115	36
Reversal of impairment	–	158
Impairment	–	(6,497)
Foreign exchange differences	(2,436)	5,100
Development assets at the end of the year	**17,739**	**19,055**

The discount between the Group's market capitalisation and net asset value at 30 June 2022, prompted management to perform an impairment assessment. Details of the key assumptions used in the impairment assessment are set out in note 3.

The Vele Project was impaired by $6.5 million in FY2021. The redevelopment of the Vele Colliery is aligned with the potential outsourcing of operations at the colliery as well as the timing of the Musina-Makhado SEZ in Limpopo and the forecast production date for the colliery is expected to commence in FY2028. In terms of AASB 136 – Impairment of Assets, management identified this as an indicator that the Vele assets may be impaired.

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 $6.5 million was recognised during the year ended 30 June 2021. An assessment was performed for the 2022 financial year and no impairment was recognised for the year ended 30 June 2022.

FY2021 impairment asessment

In calculating the fair value less costs of disposal, management forecasted the cash flows associated with the project over its expected life of 18 years until 2040 based on the current life of mine model. The cash flows are estimated for the assets of the colliery in its current condition together with capital expenditure required for the colliery to resume operations, discounted to its present value using a post-tax discount rate that reflects the current market assessments of the risks specific to the Vele Colliery. The identification of impairment indicators and the estimation of future cash flows required management to make significant estimates and judgments. Details of the key assumptions used in the fair value less costs of disposal calculation at 30 June 2021 have been included in 6.2 below.

6.2 FY2021 Assumptions

	Long-term (real)
Thermal coal price (USD per tonne)[1]	70
Hard coking coal price (USD per tonne)[2]	125
Exchange rate (USD:ZAR)	15.06
Discount rate[3]	14%
Production start date[4]	FY2030

[1] Management's assumptions of the Richards Bay export thermal coal (API4) price was made after considering relevant broker forecasts
[2] Management's assumption of the hard coking coal price was made after considering relevant broker forecasts
[3] Management prepared a real Rand-denominated, post-tax discount rate, which was calculated with reference to the Capital Asset Pricing Model
[4] The production start date assumes that sufficient project finance is able to be raised by management in order to commence production in July 2029.

6.2 FY2021 Impairment assessment

	US$'000
Carrying value of Vele cash generating unit	25,552
Recoverable value	(19,055)
Impairment expense (allocated to development assets)	6,497

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

6. DEVELOPMENT ASSETS continued

6.3 FY2021 Sensitivity analysis

Sensitivity	Change in variable %	Effect on fair value less costs of disposal (US$'000)
Long-term HCC coal prices	10%	3,618
	(5%)	(1,824)
Long-term thermal coal prices	7.5%	5,988
	(7.5%)	(6,296)
Long-term exchange rates	6%	6,927
	(3%)	(3,573)
Discount rate	1%	(2,324)
	(1%)	2,713

7. EXPLORATION AND EVALUATION ASSETS

Reconciliation of changes in exploration and evaluation assets

	Exploration and evaluation assets	Total
Reconciliation for the year ended 30 June 2022 – Group		
Balance at 1 July 2021		
At cost	93,467	93,467
Accumulated amortisation and impairment losses	–	–
Carrying amount	**93,467**	**93,467**
Movements for the year ended 30 June 2022		
Additions	134	134
Increase (decrease) through net exchange differences	(11,000)	(11,000)
Movement in rehabilitation asset	88	88
Impairment	(14,850)	(14,850)
Exploration and evaluation assets at the end of the year	**67,839**	**67,839**
Closing balance at 30 June 2022		
At cost	82,689	82,689
Accumulated amortisation and impairment losses	(14,850)	(14,850)
Carrying amount	**67,839**	**67,839**
Reconciliation for the year ended 30 June 2021 – Group		
Balance at 1 July 2020		
At cost	78,714	78,714
Accumulated amortisation and impairment losses	–	–
Carrying amount	**78,714**	**78,714**
Movements for the year ended 30 June 2021		
Additions	451	451
Increase (decrease) through net exchange differences	14,285	14,285
Movement in rehabilitation asset	17	17
Exploration and evaluation assets at the end of the year	**93,467**	**93,467**
Closing balance at 30 June 2021		
At cost	93,467	93,467
Accumulated amortisation and impairment losses	–	–
Carrying amount	**93,467**	**93,467**

The Company impaired various exploration assets during FY2022 that it does not expect to develop in the foreseeable future. The charge for FY2022 included:

- $4.3 million relating to Exploration assets situated to the west of the Vele Colliery that have a low probability of being developed;
- The impairment of historical exploration costs of $0.2 million incurred on prospecting rights to the east of the Makhado Project that expired; and
- An impairment expense of $10.3 million for specific prospects that form part of the GSP that MC Mining with uncertainty over their development in the foreseeable future, but the MRs remain intact.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

8. INVENTORIES

Inventories comprise:

Figures in US$'000	Group 2022	Group 2021
Consumable stores	580	508
Finished goods	3,910	385
Other	8	3
Provision for obsolete inventory	(53)	(62)
	4,445	**834**

The cost of inventories recognised as an expense during the year was $3.8 million (2021 expense: $0.3 million).

9. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise:

Figures in US$'000	Group 2022	Group 2021
Trade receivables	941	3,098
Expected credit loss allowances	(616)	(351)
Trade receivables – net balance	325	2,747
Other receivables	768	683
	1,093	**3,430**

The carrying amount of trade and other receivables approximate their fair value due to their short-term maturity.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as disclosed above. Trade receivables are pledged as security for the bank overdraft as disclosed in note 12.

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due. In order to mitigate the risk of financial loss from defaults, the Group only deals with reputable customers with consistent payment histories. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Customer credit limits are in place and are reviewed on a regular basis. The exposure to credit risk and the creditworthiness of customers are continuously monitored.

A loss allowance is considered for all trade receivables, in accordance with AASB 9 Financial Instruments, and is monitored at the end of each reporting period. The Group measures the possible loss allowance for trade receivables by applying the simplified approach which is prescribed by AASB 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses (ECLs) on trade receivables. To measure the ECLs, trade receivables are grouped based on shared credit risk characteristics and the days past due to identify non-performing receivables. In addition, forward-looking macro-economic conditions and factors are considered when determining the ECLs for trade receivables, namely trading conditions in the regional coal user markets, as well as economic growth and inflationary outlook in the short-term. Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 30 days past due. Based on the year-end ECL assessment performed, a provision of $0.6 million was required at the end of the financial year.

All trade receivables at the end of the current and previous financial year are denominated in South African Rand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10. DEFERRED TAX

10.1 The analysis of deferred tax assets and deferred tax liabilities is as follows:

Figures in US$'000	Group 2022	Group 2021
Deferred tax liability	(4,232)	(4,669)
Net deferred tax liabilities	**(4,232)**	**(4,669)**
The deferred tax balances at year-end are represented by:		
Provision	893	373
Balance at end of year	**893**	**373**
Capital allowances on property plant and equipment	(5,082)	(5,042)
Prepayments	(43)	–
Balance at end of year	**(5,125)**	**(5,042)**

10.2 Reconciliation of deferred tax movements

Group	Deferred tax	Total
Opening balance at 1 July 2021	(4,669)	**(4,669)**
Provisions	388	**388**
Capital allowances	(2,219)	**(2,219)**
Prepayments	(46)	**(46)**
Foreign Exchange	2,314	**2,314**
Closing balance at 30 June 2022	**(4,232)**	**(4,232)**
Opening balance at 1 July 2020	(4,079)	**(4,079)**
Provisions	14	**14**
Capital allowances	183	**183**
Prior year adjustment	27	**27**
Foreign Exchange	(814)	**(814)**
Closing balance at 30 June 2021	**(4,669)**	**(4,669)**

Deferred income tax assets are recognised for tax losses carried-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of

$21.5 million (2021: $45.6 million) in respect of losses amounting to $4.5 million (2021: $13.2 million) and unredeemed capital expenditure of $21.5 million (2021: $45.6 million) that can be carried forward against future taxable income.

Change in South African Corporate Income Tax rate

On 23 February 2022, the South African Minister of Finance announced a change in the corporate tax rate from 28% to 27% for the years of assessment ending on or after 31 March 2023.

Linked to the corporate tax rate change certain measures were put in place by the Minister to broaden the tax base to ensure the rate change is fiscally neutral. The measures that were promulgated on 19 January 2022 relate to limiting the assessed losses that are set off against taxable income to the higher of R1 million or 80% of the taxable income and further limiting of interest deductions in respect of debts owed to persons not subject to tax.

The impact of the 1% decrease in the corporate tax rate (and limiting assessed losses and interest deductions) is expected to have an impact on the unrecognised deferred tax balance recognised as at 30 June 2022. The Group is in the process of estimating the financial effect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

11. OTHER FINANCIAL ASSETS

11.1 Other financial assets incorporates the following balances:

Figures in US$'000	Group 2022	Group 2021
Unlisted securities	4,580	4,687
– Equity securities in investment funds*	19	21
Deposits**	**4,599**	**4,708**

Fair value movements in other financial assets are recognised in other (losses)/gains in the consolidated statement of profit or loss. Refer to note 26.

* Listed investments are carried at the market value as at the reporting date and unlisted investments are valued with reference to the investment company's fund statement.

** Deposits are classified as financial assets at amortised cost.

The equity securities in investment funds are for the rehabilitation provisions and Eskom payment guarantees.

11.2 Movements in other financial assets

Figures in US$'000	Group 2022	Group 2021
At the beginning of the year	4,708	3,743
Revaluations	71	502
Interest received	131	104
Disposal of investment	(4)	(837)
Acquisition of investments	378	393
Foreign exchange differences	(685)	803
At the end of the year	**4,599**	**4,708**

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Figures in US$'000	Group 2022	Group 2021
Balances with banks	2,993	3,226
Bank overdrafts	(1,529)	(2,203)
	1,464	**1,023**
Restricted cash	100	95
	100	**95**

The bank overdraft relates to an ABSA facility that was secured during the 2020 financial year, from ABSA Bank for $1.5 million (ZAR24.9 million). The facility is for short-term working capital requirements and potential expansion opportunities. It has a floating coupon at the South African Prime rate (currently 9.75% per annum) plus 3.0%, with the operating mine, Uitkomst Colliery, trade receivables ceded as security. The facility is subject to annual review.

The short-term working facility was increased by an additional $1.4 million (ZAR20 million) in May 2020 to alleviate the financial challenges during the COVID-19 period. Repayment of the facility commenced and the balance outstanding at year-end was $0.8 million. The same interest rate applies and the balance was payable by 30 June 2022 and the Company awaits the bank's payment instruction. The additional facility is secured by a general notarial bond over Uitkomst assets.

The restricted cash balance of $0.1 million (FY2021: $0.1 million) is held on behalf of subsidiary companies mainly in respect of the rehabilitation guarantees issued to the DMRE in respect of environmental rehabilitation costs of $5.8 million (FY2021: $5.4 million). This cash is not available for use other than for those specific purposes.

Credit risk

Cash at bank earns interest at a floating rate based on daily bank deposit rates. Cash is deposited at highly reputable financial institutions of a high quality credit standing within Australia and the Republic of South Africa.

The fair value of cash and cash equivalents equates to the values as disclosed in this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

13. ISSUED CAPITAL

13.1 Authorised and issued share capital

Number of shares	Group 2022	Group 2021
Issued		
197,654,870 (2021: 154,419,555) fully paid ordinary shares	1,045,395	1,041,884
Share reconciliation		
Shares outstanding – beginning of the period	154,419,555	141,088,122
Issued	43,235,315	13,331,433
Shares outstanding – closing	**197,654,870**	**154,419,555**

13.2 Additional disclosures

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Share options granted

Share options granted under the Company's employee share option plan and performance rights carry no rights to dividends and no voting rights. Further details of the employee share option plan are provided in note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

14. RESERVES

14.1 Classification of reserves

Figures in US$'000	Group 2022	Group 2021
Capital profit reserves	91	91
Share based payment reserve	1,263	1,493
Warrant reserve	–	1,177
Foreign currency translation reverse	(42,544)	(30,198)
Total reserves	**(41,190)**	**(27,437)**

14.2 Detailed analysis of reserves

	Capital profit reserve	Foreign currency translation reserve	Share based payment reserve	Warrant reserve	Total
2022					
Opening balance	91	(30,198)	1,493	1,177	(27,437)
Performance grants issued	–	–	1,186	–	1,186
Performance rights forfeited	–	–	(7)	–	(7)
Shares vested	–	–	(393)	–	(393)
Exchange differences on translating foreign operation	–	(12,346)	–	–	(12,346)
Performance rights expired	–	–	(1,016)	–	(1,016)
Warrants expired	–	–	–	(1,177)	(1,177)
Total reserves for the year	**91**	**(42,544)**	**1,263**	**–**	**(41,190)**
2021					
Opening balance	91	(48,602)	1,460	1,134	(45,917)
Performance grants issued	–	–	589	–	589
Performance rights expired	–	–	(133)	–	(133)
Performance rights forfeited	–	–	(423)	–	(423)
Exchange differences on translating foreign operation	–	18,404	–	–	18,404
Warrants issued	–	–	–	43	43
Total reserves for the year	**91**	**(30,198)**	**1,493**	**1,177**	**(27,437)**

14.3 Nature and purpose of reserves

Capital reserve

The capital profits reserve contains capital profits derived during previous financial years.

Share-based payment reserve

Share based payment reserve represent the value of unexercised share options and performance rights to directors and employees. It also includes IFRS2 Black Economic Empowerment charges.

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations.

Warrants reserve

The warrants reserve relates to the warrants issued to the IDC in terms of the Loan Agreement to advance funding to Baobab. Refer note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

15. PROVISIONS

15.1 Provisions comprise:

Figures in US$'000	Group 2022	Group 2021
Provisions for employee benefits	203	195
Other provisions	8,048	6,689
	8,251	**6,884**
Other provisions	8,048	6,689
Non-current portion	**8,048**	**6,689**
Provisions for employee benefits	203	195
Current portion	**203**	**195**
	8,251	**6,884**

15.2 Other provisions

Figures in US$'000	Biodiversity offset provision	Rehabilitation provision	Total
Balance at 1 July 2021	**2,357**	**4,332**	**6,689**
Unwinding of discount	135	402	537
Change in assumptions on rehabilitation provisions	–	1,257	1,257
Foreign Exchange	(301)	(688)	(989)
Additions	–	554	554
Balance at 30 June 2022	**2,191**	**5,857**	**8,048**
Balance at 1 July 2020	**1,834**	**3,163**	**4,997**
Unwinding of discount	126	345	471
Change in assumptions on rehabilitation provisions	–	120	120
Foreign Exchange	397	704	1,101
Balance at 30 June 2021	**2,357**	**4,332**	**6,689**

15.3 Details of other provisions

Employee provisions

The provision for employees represents unused annual leave entitlements.

Biodiversity offset provision

The Biodiversity Offset Agreement (BOA) was signed by the Department of Environmental Affairs (DEA), South African National Parks Board and the Company to the value of $3,4 million (ZAR55 million) over a 25-year period. The BoA commits the Company to pay $3,4 million (ZAR55 million) to the South African National Parks Board over a period of 25 years. The following payment arrangement has been agreed:

Phase 1 – ZAR2 million paid in 2015

Phase 2 – ZAR15 million from year 2016 to 2021 (*ZAR2,5 million annually)

Phase 3 – ZAR13 million from year 2022 to 2028 (*ZAR1,8 million annually)

Phase 4 – ZAR13 million from 2029 to 2033 (*ZAR2,6 million annually)

Phase 5 – ZAR12 million from 2034 to 2038 (*ZAR2,4 million annually)

* For the purpose of the present value calculation, these payments per phase has been estimated as annual payments and discounted at a rate of 6%.

Rehabilitation provision

The rehabilitation provision represents the current cost of environmental liabilities as at the respective year end. An annual estimate of the quantum of closure costs is necessary in order to fulfil the requirements of the DMRE, as well as meeting specific closure objectives outlined in the mine's Environmental Management Programme (EMP).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Although the ultimate amount of the obligation is uncertain, the fair value of the obligation is based on information that is currently available. This estimate includes costs for the removal of all-current mine infrastructure and the rehabilitation of all disturbed areas to a condition as described in the EMP.

The period assumed in the calculation of the present value of the obligation is the shorter of the remaining period of the mining license and the aggregate of the construction period of the mine and the total estimated LOM.

The current estimate available is inflated by the long-term South African inflation rate of 7.4% annually and the discount rates applied to establish the current obligations are the annual 10 year South Africa government bond rate at 30 June 2022 of 10.50% (2021: 8.91%) and 2 year South Africa government bond rate at 30 June 2022 of 5.9% for the new provision raised during the year.

Due to the changes in assumptions the Vele Colliery, the Makhado Project, Uitkomst Colliery and Klipspruit had an increase in the present value of the environmental obligation.

The GSP is still in Exploration phase and no formal decision to mine is currently in place.

16. TRADE AND OTHER PAYABLES

Trade and other payables comprise:

Figures in US$'000	Group 2022	Group 2021
Trade creditors	2,788	2,412
Accrued liabilities	4,233	5,110
Other payables	2,286	1,872
Total trade and other payables	**9,307**	**9,394**

The average credit period is 30 days.

17. LEASE LIABILITIES

As part of the historical acquisition of Khethekile, 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 9.75% per annum) plus 0.5% to 2.75% and is secured by the mining equipment purchased.

17.1 Lease liabilities comprise:

Figures in US$'000	Group 2022	Group 2021
Lease obligation	2,942	2,412
Non-current liabilities	2,057	1,557
Current liabilities	885	855
	2,942	**2,412**
The movement in the lease liabilities is as follows:		
Balance at beginning of the year	2,412	1,835
Modification	1,339	858
Additions	119	102
Interest	281	202
Repayments	(864)	(1,038)
Foreign exchange differences	(345)	453
Balance at end of year	**2,942**	**2,412**
The maturity of the Group's undiscounted lease payments is as follows:		
Not later than one year	885	885
Later than one year and not later than five years	2,707	2,068
Later than five years	332	113
	3,924	3,036
Less future finance charges	(982)	(624)
Present value of minimum lease payments	**2,942**	**2,412**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

17. LEASE LIABILITIES continued

17.2 Amounts recognised in the consolidated statement of financial position

The Group leases various assets including land, buildings, plant and machinery and vehicles.

Figures in US$'000	Group 2022	Group 2021
Right-of-use assets		
Land	89	183
Buildings	149	96
Machinery	1,144	1,042
Motor vehicles	1,750	1,267
Balance at end of the year	3,132	2,588
The movement in the right-of-use assets is as follows:		
Balance at beginning of the year	2,588	1,819
Additions	119	95
Depreciation	(637)	(660)
Modification	1,462	922
Foreign exchange differences	(400)	412
Balance at end of the year	**3,132**	**2,588**

18. BORROWINGS

18.1 Borrowings comprise:

Figures in US$'000	Group 2022	Group 2021
Pan African Resources Management Services (Pty) Ltd	270	935
Industrial Development Corporation of South Africa Limited	16,796	18,547
Dendocept (Pty) Ltd	3,368	–
Senosi Group Investment Holdings (Pty) Ltd	1,222	–
	21,656	**19,482**
Balance at beginning of the year	19,482	13,595
IDC Loan acquired during the year	–	2,347
Loans acquired during the year	7,953	–
Transfer to share capital	(3,024)	–
Repayments – PARMS	(644)	(340)
Interest accrued	537	617
Warrant issued to IDC	–	(43)
Foreign exchange differences	(2,648)	3,306
Balance at end of year	**21,656**	**19,482**
Non-current portion of borrowings	–	251
Current portion of borrowings	21,656	19,231
	21,656	**19,482**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

18.2 Additional disclosures

Senosi Group Investment Holdings (Pty) Ltd

During February 2022, MC Mining's and its subsidiary, Limpopo Coal, entered into a staged ZAR86 million Convertible Advance and Subscription Agreement (the SGIH Agreement) with Senosi Group Investment Holdings Proprietary Limited (SGIH). In terms of the Agreement, SGIH paid ZAR46 million ($3.0 million) and 38.3 million new MC Mining shares were issued to SGIH on 6 April 2022.

SGIH also conditionally agreed to subscribe for a further 33.3 million new MC Mining shares, raising an additional ZAR40.0million, conditional on shareholder approval. The Company's shareholders declined to approve the issue of the shares to SGIH at a meeting on 15 July 2022. As a result, the two tranches of R10.0 million paid by SGIH during April and May 2022, plus interest, are due to be repaid. This ZAR20.0 million ($1.2 million) loan from SGIH attracts interest at the South African prime interest rate (currently 9.75%) and the loan and outstanding interest will be repaid in two tranches during September and October 2022.

Industrial Development Corporation of South Africa Limited

The IDC has provided longstanding financial support for the development of the Makhado Project and in March 2017 granted MC Mining a facility of which ZAR160.0 million ($9.8 million) was drawn to progress Makhado to its fully-permitted status and to partially fund the acquisition of the surface rights over the project area. 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 This resulted in IDC becoming a 6.7% shareholder in MC Mining subsidiary, Baobab, the owner of the Makhado Project. The IDC has extended the date for repayment date for the ZAR160.0 million (plus accrued interest) to 30 November 2022.

The IDC also agreed to extend the terminal draw down date in respect of the conditional July 2019 ZAR245.0 million ($15.0 million) new facility for the development of the Makhado Project, to 30 November 2022, which facility is still subject to successful conclusion of a due diligence exercise and credit approval. The ZAR245.0 million new facility remains part of the composite Makhado funding package, subject to the repayment of the March 2017 facility, along with accrued interest thereon.

MC Mining is required to issue warrants, in respect of MC Mining shares, to the IDC on the drawdown of the March 2017 facility. The warrants for the first $7.3 million (ZAR120 million) 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 was entitled to purchase the MC Mining shares was 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 was entitled to exercise the warrants for a period of five years from the date of issue and these warrants expired on 16 June 2022. The warrants for the second draw down of ZAR40 million equate to 0.833% of the entire share capital of MC Mining as at 1 October 2020, and it is not known if or precisely when these warrants will be issued. Furthermore, upon each advance, Baobab is required to issue new ordinary shares in Baobab to the IDC equivalent to 5% of the entire issued share capital of Baobab if the drawdown was ZAR120.0 million. Following the total drawdowns of ZAR160.0 million, the IDC is a 6.7% shareholder in Baobab.

Pan African Resources Management Services (Pty) Ltd

As part of the acquisition of the underground mining equipment and liabilities of Khethekile, the Group assumed a loan of $1.4 million (ZAR21.0 million) from Pan African Resources Management Services (Pty) Ltd (PARMS). The loan bears interest at the South African Prime rate plus two percent and is compounded monthly. It is repayable in 48 monthly instalments of approximately $0.1 million (ZAR1.0 million) per month.

Dendocept (Pty) Ltd

The standby loan facility obtained from Dendocept (Pty) Ltd is unsecured and bears interest at the South African Prime interest rate plus 3% with a maturity date of June 2023.The outstanding balance on the final maturity date is payable in cash or convertible to MC Mining equity at a price per share calculated as the prevailing 30-day Volume Weighted Average Price minus 15% on the date of conversion. Payment in MC Mining equity is at the sole discretion of MC Mining and is subject to all required shareholder and regulatory approvals, including South African exchange control approval.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

19. DEFERRED CONSIDERATION

19.1 Deferred consideration comprise:

Figures in US$'000	Group 2022	Group 2021
Deferred consideration	–	2,796
Balance at beginning of year	2,796	2,321
Repaid during the year	(2,670)	(117)
Interest accrued	39	103
Foreign exchange differences	(165)	489
Balance at end of year	**–**	**2,796**
Current liabilities	–	2,796
	–	**2,796**

19.2 Details of deferred consideration

During FY2019, the company's subsidiary, 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 $4,9 million (ZAR70 million). $2.4 million (ZAR35 million) 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 accrued interest at the South African prime interest rate (currently 9.75%) less 3.0%. Due to the deferred consideration not being fully paid on 10 January 2022 when it became due, interest was charged at $986 (R15,000) per day from 10 January until 1 March 2022 when the deferred consideration was paid in full.

20. 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.

20.1 Revenue comprises:

Figures in US$'000	Group 2022	Group 2021
Sale of coal	23,511	20,525
Transport and other	–	177
Total revenue	**23,511**	**20,702**

20.2 Disaggregation of revenue from contracts with customers

	Sale of coal	Transport and other	Total
Revenue per geographical region			
2022 – South Africa	23,511	–	**23,511**
2021 – South Africa	20,525	177	**20,702**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

21. COST OF SALES

Cost of sales comprise:

Figures in US$'000	Group 2022	Group 2021
Employee costs	9,161	7,936
Security	311	275
Inventory	(3,820)	308
Underground mining	4,657	3,637
Human Resources	1,105	886
Training	204	41
Wash plant	337	288
Administration	1,974	1,101
Environmental	177	4
Logistics	858	266
Utilities	877	748
Engineering	2,186	1,870
Safety	308	269
Depreciation	2,511	2,533
Royalties	153	140
Total cost of sales	**20,999**	**20,302**

22. OTHER INCOME

Other income comprises:

Figures in US$'000	Group 2022	Group 2021
Rental income	–	4
Scrap sales	22	33
Sundry income	271	139
Total other income	**293**	**176**

23. EXPECTED CREDIT LOSSES

Expected credit losses comprise:

Figures in US$'000	Group 2022	Group 2021
Expected credit losses on trade receivables	**331**	**–**

The expected credit loss amounting to $0.3 million relates to trade receivables. Refer to note 9 for further detail.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24. ADMINISTRATIVE EXPENSES

Administrative expenses comprise:

Figures in US$'000	Group 2022	Group 2021
Employee expense	2,698	2,315
Professional fees	1,082	208
Legal expenses	256	166
Other overheads	2,718	2,472
Depreciation	86	89
Total administrative expenses	**6,840**	**5,250**

Included in administrative expenses is auditors' remuneration as follows:

Remuneration for audit and review of the financial report:

Figures in US$'000	Group 2022	Group 2021
Mazars (2021: PWC – Australia)	–	72
Mazars (2021: PWC – South Africa))	156	283
	156	**355**

25. IMPAIRMENT EXPENSE

The net impairment expense includes:

Figures in US$'000	Group 2022	Group 2021
Impairment of assets	**14,851**	**6,759**

The impairment of assets in the 2022 year arose from the impairment of identified areas of the GSP and Vele prospecting rights amounting to $14.9 million. Refer to note 7 for further detail.

The impairment in the 2021 year arose from the impairment of the Vele Colliery of $6.5 million and $0.5 million relates to the impairment of a property held by Fumaria Property Holdings (Pty) Ltd following the granting of a call option for the purchase of the property. The option was granted to Dendocept (Pty) Ltd. FY2021 also includes a gain on disposal of $0.2 million relating to the sale of a property held by Harrisia Investment Holdings (Pty) Ltd that was previously impaired.

26. OTHER GAINS AND (LOSSES)

Other gains and (losses) comprise:

Figures in US$'000	Group 2022	Group 2021
Foreign exchange (loss)/gain		
– Unrealised	(103)	255
– Realised	(26)	(65)
Fair value adjustments	71	502
Other	121	65
Total other gains and (losses)	**63**	**757**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

27. FINANCE INCOME

Finance income comprises:

Figures in US$'000	Group 2022	Group 2021
Investment income	**147**	**187**

28. FINANCE COSTS

Finance costs included in profit or loss:

Figures in US$'000	Group 2022	Group 2021
Interest on borrowings	638	621
Unwinding of discount from provisions	537	470
Interest on leases	281	188
Other	256	339
Total finance costs	**1,712**	**1,618**

29. INCOME TAX EXPENSE / (CREDIT)

29.1 Income tax recognised in profit or loss:

Figures in US$'000	Group 2022	Group 2021
Deferred tax		
Current year deferred tax	116	(234)
Prior year deferred tax	–	(36)
Total deferred tax	**116**	**(270)**
Total income tax expense / (credit)	**116**	**(270)**

The Group's effective tax rate for the year was 0.6% (2021: 5.1%). The tax rate used for the 2022 and 2021 reconciliations below is the corporate tax rate of 30% for Australian companies.

29.2 The income tax for the year can be reconciled to the accounting loss as follows:

Figures in US$'000	Group 2022	Group 2021
Loss before tax from operations	(20,719)	(12,107)
Income tax calculated at 30.0%	(6,216)	(3,632)
Tax effect of		
– Expenses that are not deductible for tax purposes	2,325	3,044
– Differences in tax rates	87	109
– Income not taxable	(660)	(228)
– Other temporary differences not recognized	4,531	603
– Other	(150)	(130)
– Prior year adjustments	199	(36)
Tax charge	**116**	**(270)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

30. SHARE-BASED PAYMENTS

Employee share option plan

The Group maintains certain Employee Share Option Plans ('ESOPs') for executives and senior employees of the Group as per the rules approved by shareholders on 30 November 2009. In accordance with the terms of the schemes, eligible executives and senior employees may be granted options to purchase ordinary shares.

There were no share-based payments existing at 30 June 2022.

Performance Rights Plan

The Performance Rights factor in a hurdle rate based on the compound annual growth rate of total shareholder return across the period from the grant date. The Performance Rights were valued using a hybrid employee share option pricing model to simulate the total shareholder return of MC Mining at the expiry date using a Monte-Carlo model.

2019 Performance Rights

On 22 November 2019, 1,143,660 performance rights were issued to senior management. The number of rights are split into three tranches. The market based vesting conditions are to be measured over the one-year period from 22 November 2019 to 21 November 2020 for Tranche 1, the two-year period from 22 November 2019 to 21 November 2021 for Tranche 2 and the three-year period from 22 November 2019 to 21 November 2022 for Tranche 3. Tranche 1 and Tranche 2 did not attain and the performance criteria were cancelled.

Inputs into the model were as follows:

	Tranche 1	Tranche 2	Tranche 3
Number of rights	381,220	381,220	381,220
22 November 2019 closing price	ZAR3.20	ZAR3.68	ZAR3.93
Exercise price	Nil	Nil	Nil
Vesting date	21-Nov-20	21-Nov-21	21-Nov-22
Performance period (years)	1	2	3
Risk free interest rate	7.42%	7.42%	7.42%

381,220 (Tranche 1) of Performance Rights issued on 22 November 2019 expired on 21 November 2020.

2020 Performance Rights

On 20 November 2020, 3,492,720 performance rights were issued to senior management. The number of rights are split between three tranches. The market based vesting conditions are to be measured over the one-year period from 20 November 2020 to 19 November 2021 for Tranche 1, the two-year period from 20 November 2021 to 19 November 2022 for Tranche 2 and the three-year period from 20 November 2022 to 19 November 2023 for Tranche 3. Tranche 1 performance rights did not vest and were cancelled.

Inputs into the model were as follows:

	Tranche 1	Tranche 2	Tranche 3
Number of rights	1,164,240	1,164,240	1,164,240
19 November 2020 closing price	ZAR2.20	ZAR2.20	ZAR2.20
Exercise price	Nil	Nil	Nil
Vesting date	19-Nov-21	19-Nov-22	19-Nov-23
Performance period (years)	1	2	3
Risk free interest rate	6.94%	6.94%	6.94%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Special Incentive Performance Rights

On 24 September 2020, 1,602,393 Performance Rights were issued to senior management as a special incentive. These were granted to certain employees of the Company in the form of MC Mining Limited shares. The Incentive Shares will vest in full on the hot commissioning of the Vele Colliery plant. If the hot commissioning does not take place before 31 December 2022, the Incentive Shares will lapse. As at 31 March 2022, the commissioning of the Vele plant did not occur. A directors resolution was passed on 22 March 2022 to extend the expiry date of the special incentive to 31 December 2022.

Inputs into the model were as follows:

	Performance rights
24 September 2020 closing price	ZAR1.47
Exercise price	Nil
Vesting date	31-Mar-22
Risk free interest rate	6.94%
Expiry date per directors resolution	31-Dec-22

The total share based payment expense recognised in relation to the Performance Rights in the current financial year is $0.1 million (FY2021: $0.1 million).

Movement in performance rights

Figures in US$'000	Group 2022	Group 2021
Performance rights outstanding at beginning of the year	8,183,422	4,743,472
Performance rights expired	(6,545,459)	(1,461,694)
Performance rights forfeited	(3,325,871)	(7,043,369)
Performance rights granted	10,871,406	11,945,013
Performance rights shares issued	(4,871,406)	–
Outstanding at the end of the period	**4,312,092**	**8,183,422**

31. EARNINGS PER SHARE

31.1 Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Figures in US$'000	Group 2022	Group 2021
Basic loss per share (cents)	12.65	7.76
Loss for the year attributable to owners of the Company	(20,732)	(11,744)
Earnings used in the calculation of basic earnings per share	**(20,732)**	**(11,744)**
Weighted number of ordinary shares	'000	'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	163,928	152,630

31.2 Diluted earnings per share

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

As at 30 June 2021, 2,408,752 warrants were excluded from the computation of the loss per share as their impact is anti-dilutive. These warrants expired in June 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31. EARNINGS PER SHARE continued

31.3 Headline earnings per share (in line with JSE requirements)

The calculation of headline loss per share at 30 June 2022 was based on the headline loss attributable to ordinary equity holders of the Company of $5.9 million (2021: $4.9 million) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2022 of 163,927,508 (2021:152,629,856)

The earnings and weighted average number of ordinary shares used in the calculation of headline earnings per share are as follows:

Figures in US$'000	Group 2022	Group 2021
Loss for the year attributable to owners of the Company	(20,732)	(11,744)
Impairment expense (refer note 25)	14,851	6,931
Impairment reversal (refer note 25)	–	(172)
Earnings used in the calculation of headline earnings per share	**(5,881)**	**(4,985)**
Total headline earnings per share (cents)	**(3.59)**	**(3.33)**

32. SEGMENT INFORMATION

32.1 General information

The accounting policies of the reportable segments are the same as those described in note 2, Accounting policies.

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

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

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

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

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

32.2 Segments

	Exploration	Development	Mining	Total
Year ended 30 June 2022				
Revenue	–	–	23,511	**23,511**
Cost of sales	–	–	(20,996)	**(20,996)**
Gross profit	**–**	**–**	**2,515**	**2,515**
Other income	–	47	174	**221**
Expected credit losses	–	–	(331)	**(331)**
Other operating (losses)/gains	(6)	(2)	122	**114**
Net impairment expense	(10,530)	–	–	**(10,530)**
Administrative expenses	(876)	(666)	(349)	**(1,891)**
Operating (loss)/profit	**(11,412)**	**(621)**	**2,131**	**(9,902)**
Interest income	22	3	26	**51**
Finance costs	(689)	(431)	(577)	**(1,697)**
Loss before tax	**(12,079)**	**(1,049)**	**1,580**	**(11,548)**
Income tax charge	–	–	(160)	**(160)**
Segment net (loss)/profit after tax	**(12,079)**	**(1,049)**	**1,420**	**(11,708)**
Segment assets	67,917	18,065	30,017	**115,999**
Items included in the Group's measure of segment assets				
– Addition to non-current assets	158	229	1,297	1,684
Segment liabilities	(21,480)	(7,631)	(14,958)	(44,069)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

32.2 Segments continued

	Exploration	Development	Mining	Total
Year ended 30 June 2021				
Revenue	–	–	20,702	**20,702**
Cost of sales	–	–	(20,302)	**(20,302)**
Gross profit	**–**	**–**	**400**	**400**
Other income	21	74	63	**158**
Other operating (losses)/gains	(7)	–	64	**57**
Net impairment expense	(434)	(6,325)	–	**(6,759)**
Administrative expenses	(650)	(609)	(109)	**(1,368)**
Operating (loss)/profit	**(1,070)**	**(6,860)**	**418**	**(7,512)**
Interest income	26	–	38	**64**
Finance costs	(656)	(384)	(553)	**(1,593)**
Loss before tax	**(1,700)**	**(7,244)**	**(97)**	**(9,041)**
Income tax charge	–	–	270	**270**
Segment net (loss)/ profit after tax	**(1,700)**	**(7,244)**	**173**	**(8,771)**
Segment assets	86,031	31,337	31,418	**148,786**
Items included in the Group's measure of segment assets				
– Addition to non-current assets	484	4	332	820
Segment liabilities	(26,513)	(5,626)	(14,976)	(47,115)

32.3 Reconciliations

Reconciliations of the total segment amounts to respective items included in the consolidated financial statements are as follows:

32.3.1 Total loss for reportable segment

Figures in US$'000	Group 2022	Group 2021
Segment profit or loss as reported	(11,708)	(8,871)
Other operating income	70	18
Other operating gains/(losses)	(49)	700
Administrative expenses	(4,953)	(3,782)
Interest income	97	123
Finance costs	(16)	(25)
Net impairment expense	(4,320)	–
Taxation	44	–
Group loss after tax	**(20,835)**	**(11,837)**

32.3.2 Total segment assets

Figures in US$'000	Group 2022	Group 2021
Segment total assets as reported	115,999	148,786
Unallocated property, plant and equipment	4,964	1,201
Other financial assets	4,037	4,469
Other receivables	100	–
Unallocated current assets	314	321
Unallocated exploration and evaluation assets	1	–
Group total assets	**125,415**	**154,777**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

32. SEGMENT INFORMATION continued

32.3 Reconciliations continued

32.3.3 Total liabilities

Figures in US$'000	Group 2022	Group 2021
Segment total assets as reported	(44,069)	(47,115)
Unallocated liabilities	(4,214)	(1,138)
Group total assets	**(48,283)**	**(48,253)**

The Group operates in two principal geographical areas – Australia (country of domicile) and South Africa (country of operations).

32.3.4 Revenue by location of operations

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

Figures in US$'000	Group 2022	Group 2021
South Africa	23,511	20,702
Group revenue by location of operations	**23,511**	**20,702**

32.3.5 Non-current assets by location of operations

Figures in US$'000	Group 2022	Group 2021
South Africa	107,781	147,283
Total non-current assets	**107,781**	**147,283**

33. RELATED PARTIES

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

Figures in US$'000	Group 2022	Group 2021
Short-term employee benefits	655	590
Share-based payments	821	(242)
	1,476	**348**

The Group has not provided any of its key management personnel with loans.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Mathews Senosi is a non-executive director of MC Mining and owns 38.4 million ordinary shares (19.4%) in the Company. Mr Senosi acquired his interest in April 2022 following his investment of R46.0 million ($2.8 million) in the Company. The investment was made following signature of the SGIH Agreement between MC Mining and SGIH.

In terms of the SGIH Agreement, SGIH also lent R20.0 million ($1.2 million) to Limpopo Coal Company (Pty) Ltd, a wholly owned subsidiary of MC Mining. The loan incurs interest at the South African prime interest rate (currently 9.75%) and R10.5 million ($0.6 million) of the loan was repaid in September 2022 with the balance expected to be paid in October 2022.

During FY2022, the Uitkomst Colliery sold 23,772t (FY2021: 0t) of coal to Overlooked Colliery (Pty) Ltd (Overlooked) at market related prices prior to Overlooked being a related party. The sales generated revenue of $2.1 million (FY2021: $nil). Mr Senosi is Overlooked's CEO and controlling shareholder.

34. EVENTS AFTER THE REPORTING DATE

On 15 July 2022, the shareholders voted against the issue of the 33,333,333 new Ordinary Shares to SGIH and the Company will repay the ZAR20 million ($1.2 million) already advanced by SGIH, subsequent to year-end (Refer to note 18.2 for details on the loan);

On 28 July 2022, the Group's Uitkomst Colliery entered into a Coal Sales Marketing Agreement with Overlooked, expiring on 31 December 2022, facilitating the export of at least 20,000t of API4 (6,000k/cal) coal from Uitkomst on a monthly basis, allowing the Company to take advantage of international coal prices;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

On 30 August 2022, a study by Minxcon assessing potential alternative development scenarios for Makhado to optimise capex and reduce operational costs at the Makhado Project. The scenarios assessed included possibly moving the Vele coal processing plant (CPP) and modifying this at Makhado or, the construction of a bespoke CPP at Makhado. Both additional development scenarios were completed at pre-feasibility level, resulting in additional capital expenditure to develop Makhado but would significantly reduce the operating costs when compared to the Base Case scenario. While the BFS Base Case is feasible and economically robust, the additional two scenarios resulted in improved project economics.

On 27 September 2022, a fully underwritten 1.012 for 1 renounceable rights issue offer (Rights Offer) of new ordinary shares of no par value in MC Mining (each, a New Share) at an issue price of A$0.20 ($0.14) per New Share for Eligible Shareholders in Australia (and New Zealand) and ZAR2.36 per New Share for eligible shareholders in South Africa. The rights issue will raise gross proceeds of A$40 million (equivalent to approximately ZAR451 million/ 27.6 million) via the issue of approximately 200,026,728 New Shares (subject to rounding). The funds raised under the Rights Issue will be used by the Company:

- to meet the Company's equity contribution required for the IDC's proposed debt funding, in relation the development of the Makhado Project;
- fund the continued development of the Makhado Project;
- repay as much as possible of the total amount outstanding (which is approximately $3.7 million (equivalent to ZAR60 million) under the Standby Facility; and
- for general working capital (including to pay the costs of the Rights Issue) purposes.

The Rights Issue is expected to be completed in early November 2022.

Impact of Ukraine-Russia conflict

Towards the end of February 2022, a conflict arose between Russia and Ukraine which has continued to escalate into a protracted war by Russia within Ukraine. Russia is the world's third largest oil producer, as well as a major coal producer. Should the war continue, we could foresee some changes to the oil and coal commodity prices in the short to medium term; the effects of such changes (if any) on the Group's business are not yet known or predictable at the signing date of these consolidated financial statements.

35. FINANCIAL INSTRUMENTS

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Corporate Treasury forms part of the Finance function and reports quarterly to the Group's audit and risk committee, that monitors risks and policies implemented to mitigate risk exposures.

35.1 Categories of financial instruments

The accounting policies for financial instruments have been applied to the line items below:

Figures in US$'000		Group 2022	Group 2021
Financial assets	**Note**		
Trade and other receivables[1]	9	1,093	3,430
Cash and cash equivalents[1]	12	2,993	3,226
Restricted cash[2]	12	100	95
Other Financial Assets[2]	11	4,599	4,708
Total financial assets		**8,785**	**11,459**
Financial liabilities			
Deferred consideration[1]	19	–	2,796
Borrowings[1]	18	21,656	19,482
Bank overdraft[1]	12	1,529	2,203
Trade and other payables[1]	16	9,307	9,394
Leases[1]	17	2,942	2,412
Total financial liabilities		**35,434**	**36,287**

[1] Financial instrument classified at amortised cost.

[2] Financial instrument classified at fair value through profit or loss

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

35. FINANCIAL INSTRUMENTS continued

35.2 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 (note 11)

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 (note 11).

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 FVTPL (Fair Value Through Profit and Loss) during the year nor were any assets transferred between levels.

Figures in US$'000

As at 30 June 2022	Level 1	Level 2	Level 3	Level 4
Financial assets at FVTPL	–	4,580	–	4,580
As at 30 June 2021	**Level 1**	**Level 2**	**Level 3**	**Level 4**
Financial assets at FVTPL	–	4,687	–	4,687

35.3 Market risk

35.3.1 Foreign exchange risk

Exposure

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar and the US dollar. Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency. Most of the Company's purchases are denominated in SA rand. However, certain items during the exploration, development and plant construction phase as well as long lead-capital items are denominated in US dollars, Euros or Australian dollars. These have to be acquired by the South African operating company due to the South African Reserve Bank's Foreign Exchange Control Rulings. This exposes the South African subsidiary companies to changes in the foreign exchange rates.

The Group's cash deposits are largely denominated in the US dollar, Australian dollar and the SA rand. A foreign exchange risk arises from the funds deposited in US dollars and Australian dollars which will have to be exchanged into the functional currency for working capital purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

35.3.1 Foreign exchange risk continued

The Group generally does not enter into forward sales, derivatives or other hedging arrangements to manage this risk.

At financial year end, the financial instruments exposed to foreign currency risk movements are as follows:

	Held in GBP $'000	Held in AUD$'000	Held in USD $'000	Total
30 June 2022				
Financial assets				
– Cash and cash equivalents[1]	–	15	1	16
Total financial assets	**–**	**15**	**1**	**16**
Financial liabilities				
– Trade and other payables	(32)	(109)	–	(141)
Total financial liabilities	**(32)**	**(109)**	**–**	**(141)**
30 June 2021				
Financial assets				
– Cash and cash equivalents[1]	–	2	3	5
Total financial assets	**–**	**2**	**3**	**5**
Financial liabilities				
– Trade and other payables	(3)	(21)	–	(24)
Total financial liabilities	**(3)**	**(21)**	**–**	**(24)**

[1] Cash includes restricted cash

Sensitivity

The following table details the Group's sensitivity to a 10% increase and decrease in the US dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates.

Figures in US$'000	Impact on post tax profit	
Judgements on reasonable possible movements	**2022**	**2021**
USD increase by 10%	28	40
USD decrease by 10%	(28)	(40)

35.3.2 Interest rate risk management

Exposure

The Group's interest rate risk arises mainly from short-term borrowings, long-term borrowings, cash and bank balances and restricted cash. The Group has variable interest rate borrowings. Variable rate borrowings expose the Group to cash flow interest rate risk.

The Group has not entered into any agreements, such as hedging, to manage this risk.

The Group's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates.

The following table summarises the sensitivity of the financial instruments held at the reporting date, following a movement in variable interest rates, with all other variables held constant. The sensitivities are based on reasonably possible changes over a financial period, using the observed range of actual historical rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

35. FINANCIAL INSTRUMENTS continued

35.3 Market risk continued

35.3.2 Interest rate risk management continued

Sensitivity

Figures in US$'000	Impact on post tax profit	
Judgements on reasonable possible movements	**2022**	**2021**
Increase of 2% (2021: 0.2%) in interest rate	(187)	5
Decrease of 2% (2021: 0.2%) in interest rate	187	(5)
Increase of 5.0% (2021: 1.0%) in interest rate	(467)	25
Decrease of 5.0% (2021: 1.0%) in interest rate	467	(25)

The impact is calculated on the net financial instruments exposed to variable interest rates as at reporting date and does not take into account any repayments of short-term borrowings.

35.4 Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to credit losses not being significant.

At year-end there is no significant concentration of credit risk represented in the cash and cash equivalents, restricted cash and trade accounts receivables balance. The Group manages its credit risk by predominantly dealing with counterparties with a positive credit rating.

The credit risk on liquid funds are limited because the counterparties are banks with high credit-ratings assigned of BB- by international credit-rating agencies.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Figures in US$'000	Group 2022	Group 2021
Other financial assets	4,599	4,708
Restricted cash	100	95
Trade and other receivables	1,093	3,430
Cash and cash equivalents	2,993	3,226
	8,785	**11,459**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

35.5 Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet financial commitments in a timely and cost effective manner. The Group's Executive continually reviews the liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

Maturities of financial liabilities

The contractual maturities of the Group's financial liabilities at the reporting date were as follows:

	Less than 12 months	Between 2 and 5 years	Over 5 years	Total
Year ended 30 June 2022				
Financial liabilities				
Trade and other payables (Note 16)	9,311	–	–	**9,311**
Lease liabilities (Note 17)	885	2,707	332	**3,924**
Bank overdraft (Note 12)	1,529	–	–	**1,529**
Borrowings (Note 18)	18,288	3,368	–	**21,656**
	30,013	**6,075**	**332**	**36,420**
Year ended 30 June 2021				
Financial liabilities				
Trade and other payables (Note 16)	9,394	–	–	**9,394**
Lease liabilities (Note 17)	855	2,068	113	**3,036**
Bank overdraft (Note 12)	2,203	–	–	**2,203**
Borrowings (Note 18)	–	19,231	251	**19,482**
Deferred consideration (Note 19)	–	2,796	–	**2,796**
	12,452	**24,095**	**364**	**36,911**

36. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net deferred consideration and debt (as detailed in notes 18 and 19) (net of cash) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

The Group is not subject to any externally imposed capital requirements.

The Group's Board reviews the capital structure of the Group on a quarterly basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Group maintained its target- gearing ratio, determined as the proportion of net debt to equity, at 20%.

Balances of managed capital	Group 2022	Group 2021
Net debt[1]	18,664	22,278
Equity[2]	77,136	106,524
Debt to equity ratio	**24%**	**21%**

[1] Debt is defined as long-term and short-term borrowings as described in notes 18 and 19 less unrestricted cash and cash equivalents.

[2] Equity includes all capital and reserves of the Group that are managed as capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

37. RECONCILIATION OF LOSS BEFORE TAX TO NET CASH USED IN OPERATIONS

	Group 2022	Group 2021
Loss before tax	**(20,719)**	**(12,107)**
Adjustments for:		
Finance income	(147)	–
Finance costs	1,714	1,432
Depreciation	2,620	2,622
Net impairment expense	14,850	6,760
Revaluation on property, plant and equipment	(39)	–
Share-based payments	792	168
Fair value gains and losses	129	(64)
Expected credit losses	331	7
Re-valuation of investments	(71)	(502)
Rehabilitation adjustment	142	293
Reclassification on loans	(82)	–
Movement in provisions	(1)	(83)
Change in operating assets and liabilities:		
Adjustments for (increase)/decrease in inventories	(3,603)	352
Adjustments for decrease/(increase) in trade accounts receivable	2,006	(1,753)
Adjustments for (decrease)/increase in other operating payables	(83)	1,458
Net cash flows from operations	**(2,161)**	**(1,417)**

38. CONTINGENCIES AND COMMITMENTS

Contingent liabilities

The Group has no significant contingent liabilities at the reporting date.

Commitments

In addition to the commitments of the parent entity as disclosed under note 40, subsidiary companies have typical financial commitments associated with their MR's granted by the South African DMRE.

As at 30 June 2022, the Group had a $0.2 million commitment which relate to its social and labour plan at Uitkomst Colliery. In addition to the amount provided for in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

39. CONTROLLED ENTITIES

Particulars in relation to controlled entities

	Country of incorporation	30 June 2022 %	30 June 2021 %
Tshikunda Mining Proprietary Limited	South Africa	60	60
Bakstaan Boerdery Proprietary Limited*	South Africa	100	100
Baobab Mining & Exploration Proprietary Limited**	South Africa	93	93
Chapudi Coal Proprietary Limited***	South Africa	100	100
Coal of Africa & ArcelorMittal Analytical Laboratories Proprietary Limited****	South Africa	50	50
Cove Mining NL	South Africa	100	100
Fumaria Property Holdings Proprietary Limited	South Africa	100	100
Golden Valley Services Proprietary Limited	South Africa	100	100
GVM Metals Administration (South Africa) Proprietary Limited	South Africa	100	100
Harrisia Investments Holdings Proprietary Limited	South Africa	100	100
Kwezi Mining Exploration Proprietary Limited***	South Africa	100	100
Limpopo Coal Company Proprietary Limited	South Africa	100	100
Makhado Centre of Learning NPC**	South Africa	100	100
MbeuYashu Proprietary Limited	South Africa	74	74
Nyambose Mining Proprietary Limited	South Africa	100	100
Pan African Resources Coal Holdings Proprietary Limited	South Africa	100	100
Regulus Investment Holdings Proprietary Limited	South Africa	100	100
Silkwood Trading 14 Proprietary Limited	South Africa	100	100
Uitkomst Colliery Proprietary Limited	South Africa	100	100
MC Mining South Africa Proprietary Limited	South Africa	100	100

* Subsidiary company of Fumaria Property Holdings Proprietary Limited

** 67% on completion of the Makhado Project BBBEE transactions

*** Subsidiary companies of MbeuYashu Proprietary Limited

**** The Group has rights to the asset, liabilities, revenue and expenses of Coal of Africa & ArcelorMittal Analytical Laboratories (Pty) Ltd; its direct share is jointly held and accounted for as a joint operation.

40. PARENT ENTITY FINANCIAL INFORMATION

Summary financial information

	Group 2022	Group 2021
Non-current assets	280,871	99,423
Current assets	146	17
Total assets	281,017	99,440
Non-current liabilities	–	–
Current liabilities	3,381	758
Total liabilities	3,381	758
Net assets	277,636	98,682
Shareholders' equity	1,045,396	1,041,884
Issued capital	(765,564)	(943,203)
Accumulated deficit and reserves	279,832	98,681
Loss for the year	(2,283)	(931)
Total comprehensive loss	**(2,283)**	**(931)**

Contingencies and commitments

- MC Mining has subordinated all loans to subsidiary companies
- MC Mining has provided surety for the IDC borrowing facility entered into by Baobab (refer note 18)
- MC Mining has provided surety for the standby facility from Dendocept

ADMINISTRATION

Our flagship Makhado Project remains development ready. All regulatory approvals are in place and surface rights over the mining and processing areas have been secured.

IN THIS SECTION

TENEMENTS HELD BY MC MINING AND ITS CONTROLLED ENTITIES

Project Name	Tenement Number	Location	Interest
Chapudi Project*	Albert 686 MS	Limpopo~	74%
	Bergwater 712 MS		74%
	Remaining Extent and Portion 2 of Bergwater 697 MS		74%
	Blackstone Edge 705 MS		74%
	Remaining Extent & Portion 1 of Bluebell 480 MS		74%
	Remaining Extent & Portion 1 of Bushy Rise 702 MS		74%
	Castle Koppies 652 MS		74%
	Chapudi 752 MS		74%
	Remaining Extent, Portions 1, 3 & 4 of Coniston 699 MS		74%
	Driehoek 631 MS		74%
	Remaining Extent of Dorps-rivier 696 MS		74%
	Enfield 512 MS (consolidation of Remaining Extent of Enfield 474 MS, Brosdoorn 682 MS & Remaining Extent of Grootvlei 684 MS)		74%
	Remaining Extent and Portion 1 of		74%
	Grootboomen 476 MS		74%
	Grootvlei 684 MS		74%
	Kalkbult 709 MS		74%
	Remaining Extent, Remaining Extent of Portion 2, Remaining Extent of Portion 3, Portions 1, 4, 5, 6, 7 & 8 of Kliprivier 692 MS		74%
	Remaining Extent of Koodoobult 664 MS		74%
	Koschade 657 MS (Was Mapani Kop 656 MS)		74%
	Malapchani 659 MS		74%
	Mapani Ridge 660 MS		74%
	Melrose 469 MS		74%
	Middelfontein 683 MS		74%
	Mountain View 706 MS		74%
	M'tamba Vlei 654 MS		74%
	Remaining Extent & Portion 1 of Pienaar 635 MS		74%
	Remaining Extent & Portion 1 of Prince's Hill 704 MS		74%
	Qualipan 655 MS		74%
	Queensdale 707 MS		74%
	Remaining Extent & Portion 1 of Ridge End 662 MS		74%
	Remaining Extent & Portion 1 of Rochdale 700 MS		74%
	Sandilands 708 MS		74%
	Portions 1 & 2 of Sandpan 687 MS		74%
	Sandstone Edge 658 MS		74%
	Remaining Extent of Portions 2 & 3 of Sterkstroom 689 MS		74%
	Sutherland 693 MS		74%
	Remaining Extent & Portion 1 of Varkfontein 671 MS		74%
	Remaining Extent, Portion 2, Remaining Extent of Portion 1 of Vastval 477 MS		74%
	Vleifontein 691 MS		74%
	Ptn 3, 4, 5 & 6 of Waterpoort 695 MS		74%
	Wildebeesthoek 661 MS		74%
	Woodlands 701 MS		74%

TENEMENTS HELD BY MC MINING AND ITS CONTROLLED ENTITIES continued

Project Name	Tenement Number	Location	Interest
Kanowna West & Kalbara	M27/41	Coolgardie^	Royalty<>
	M27/47		Royalty<>
	M27/59		Royalty<>
	M27/72,27/73		Royalty<>
	M27/114		Royalty<>
	M27/196		Royalty<>
	M27/181		Royalty<>
	M27/414,27/415		Royalty<>
	P27/1826-1829		Royalty<>
	P27/1830-1842		Royalty<>
	P27/1887		Royalty<>
Abbotshall Royalty	ML63/409,410	Norseman^	Royalty
Kookynie Royalty	ML40/061	Leonora^	Royalty
	ML40/135,136		Royalty
Makhado Project	Fripp 645 MS	Limpopo~	67%#
	Lukin 643 MS		67%#
	Mutamba 668 MS		67%#
	Salaita 188 MT		67%#
	Tanga 849 MS		67%#
	Daru 889 MS		67%#
	Windhoek 900 MS		67%#
Generaal Project*	Beck 568 MS	Limpopo~	74%
	Bekaf 650 MS		74%
	Remaining Extent & Portion 1 of Boas 642 MS-		74%
	Chase 576 MS		74%
	Coen Britz 646 MS		74%
	Fanie 578 MS		74%
	Portions 1, 2 and Remaining Extent of Generaal 587 MS		74%
	Joffre 584 MS		74%
	Juliana 647 MS		74%
	Kleinenberg 636 MS		74%
	Remaining Extent of Maseri Pan 520 MS		74%
	Remaining Extent and Portion 2 of Mount Stuart 153 MT		100%
	Nakab 184 MT		100%
	Phantom 640 MS		74%
	Riet 182 MT		100%
	Rissik 637 MS		100%
	Schuitdrift 179 MT		100%
	Septimus 156 MT		100%
	Solitude 111 MT		74%
	Stayt 183 MT		100%
	Remaining Extent & Portion 1 of Terblanche 155 MT		100%
	Van Deventer 641 MS		74%
	Wildgoose 577 MS		74%

TENEMENTS HELD BY MC MINING AND ITS CONTROLLED ENTITIES continued

Project Name	Tenement Number	Location	Interest
Mopane Project*	Ancaster 501 MS	Limpopo~	100%
	Banff 502 MS		74%
	Bierman 599 MS		74%
	Cavan 508 MS		100%
	Cohen 591 MS		100%
	Remaining Extent, Portions 1 & 2 of Delft 499 MS		74%
	Dreyer 526 MS		74%
	Remaining Extent of Du Toit 563 MS		74%
	Faure 562 MS		74%
	Remaining Extent and Portion 1 of Goosen 530 MS		74%
	Hermanus 533 MS		74%
	Jutland 536 MS		100%
	Krige 495 MS		74%
	Mons 557 MS		100%
	Remaining Extent of Otto 560 MS (Now Honeymoon)		74%
	Remaining Extent & Portion 1 of Pretorius 531 MS		74%
	Schalk 542 MS		74%
	Stubbs 558 MS		100%
	Ursa Minor 551 MS		74%
	Van Heerden 519 MS		74%
	Portions 1, 3, 4, 5, 6, 7, 8, 9, Remaining Extent of Portion 10, Portions 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 27, 29, 30, 35, 36, 37, 38, 39, 40, 41, 44, 45, 46, 48, 49, 50, 51, 52 & 54 of Vera 815 MS		74%
	Remaining Extent of Verdun 535 MS		74%
	Voorburg 503 MS		100%
	Scheveningen 500 MS		74%
Uitkomst Colliery and prospects	Portion 3 (of 2) of Kweekspruit No. 22	KwaZulu-Natal~	70%
	Portion 8 (of 1) of Kweekspruit No. 22		70%
	Remainder of Portion 1 of Uitkomst No. 95		70%
	Portion 5 (of 2) of Uitkomst No. 95		70%
	Remainder Portion1 of Vaalbank No. 103		70%
	Portion 4 (of 1) of Vaalbank No. 103		70%
	Portion 5 (of 1) of Vaalbank No. 103		70%
	Remainder of Portion 1 of Rustverwacht No. 151		70%
	Remainder of Portion 2 of Rustverwacht No. 151		70%
	Remainder of Portion 3 (of 1) of Rustverwacht No. 151		70%
	Portion 4 (of 1) Rustverwacht No.151		70%
	Portion 5 (of 1) Rustverwacht No. 151		70%
	Remainder of Portion 6 (of 1) of Rustverwacht No. 151		70%
	Portion 7 (of 1) of Rustverwacht No. 151		70%
	Portion 8 (of 2) of Rustverwacht No. 151		70%
	Remainder of Portion 9 (of 2) of Rustverwacht No. 151		70%
	Portion 11 (of 6) of Rustverwacht No. 151		70%
	Portion 12 (of 9) of Rustverwacht No. 151		70%
	Portion 13 (of 2) of Rustverwacht No. 151		70%

TENEMENTS HELD BY MC MINING AND ITS CONTROLLED ENTITIES continued

Project Name	Tenement Number	Location	Interest
Uitkomst Colliery and prospects continued	Portion 14 (of 2) of Rustverwacht No. 151		70%
	Portion 15 (of 3) of Rustverwacht No. 151		70%
	Portion 16 (of 3) of Rustverwacht No. 151		70%
	Portion 17 (of 2) of Rustverwacht No. 151		70%
	Portion 18 (of 3) of Waterval No. 157		70%
	Remainder of Portion 1 of Klipspruit No. 178		70%
	Remainder of Portion 4 of Klipspruit No. 178		70%
	Remainder of Portion 5 of Klipspruit No. 178		70%
	Portion 6 of Klipspruit No. 178		70%
	Portion 7 (of 1) of Klipspruit No. 178		70%
	Portion 8 (of 1)of Klipspruit No. 178		70%
	Portion 9 of Klipspruit No. 178		70%
	Remainder of Portion 10 (of 5) of Klipspruit No. 178		70%
	Portion 11 (of 5) of Klipspruit No. 178		70%
	Portion 13 (of 4) of Klipspruit No. 178		70%
	Remainder of Portion 14 of Klipspruit No. 178		70%
	Portion 16 (of 14) of Klipspruit No. 178		70%
	Portion 18 of Klipspruit No. 178		70%
	Portion 23 of Klipspruit No. 178		70%
	Remainder of Portion 1 of Jackalsdraai No. 299		70%
	Remainder of Jericho B No. 400		70%
	Portion 1 of Jericho B No. 400		70%
	Portion 2 of Jericho B No. 400		70%
	Portion 3 of Jericho B No. 400		70%
	Remainder of Jericho C No. 413		70%
	Portion 1 of Jericho C No. 413		70%
	Remainder of Portion 1 of Jericho A No. 414		70%
	Remainder of Portion 2 (of 1) of Jericho A No. 414		70%
	Portion 3 (of 1) of Jericho A No. 414		70%
	Portion 4 (of 1) of Jericho A No. 414		70%
	Portion 5 (of 2) of Jericho A No. 414		70%
	Portion 6 (of 1) of Jericho A No. 414		70%
	Margin No. 420		70%
Vele Colliery and prospects	Portions of Overvlakte 125 MS (Remaining Extent, 3, 4, 5, 6, 13, 14)	Limpopo~	100%
	Bergen Op Zoom 124 MS		100%
	Semple 155 MS		100%
	Voorspoed 836 MS		100%
	Alyth 837 MS		100%
Tshikunda	Certain portions of Unsurveyed State Land known as Mutale	Limpopo~	60%

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS AT 30 SEPTEMBER 2022

0	Name	% ISC	30 Sep 2022
1	Ontiretse Senosi	19.4%	38 363 909
2	Haohua Energy International (Hong Kong) Resource Co., Ltd.	11.7%	23 120 879
3	Ying He Yuan Investment (S) Pte Ltd	10.8%	21 413 462
4	Pan African Resources, Plc.	7.8%	15 432 581
5	Summer Trees Pte Ltd	6.5%	12 894 230
6	ArcelorMittal S.A.	3.2%	6 306 672
7	Peresec Prime Brokers Pty. Ltd.	2.5%	4 927 349
8	Sebastian Randazzo	2.5%	4 871 406
9	MSP Capital (Pty) Limited	2.4%	4 736 397
10	Y He	2.2%	4 306 498
11	Jun Liu	1.7%	3 347 535
12	Barclays Wealth	1.7%	3 275 335
13	Dendocept Proprietary Limited	1.4%	2 841 838
14	Justin Collen	1.3%	2 536 569
15	Investec Markets Pty Ltd	0.8%	1 521 455
16	Johannes Wentzel	0.8%	1 500 359
17	Teilinger Capital Ltd	0.6%	1 199 488
18	Avior Proprietary Funding Account	0.5%	1 015 298
19	UBS Switzerland AG	0.5%	940 891
20	Minto Global Ltd	0.4%	800 000

SUBSTANTIAL SHAREHOLDERS

Rank	Name	% ISC	30 Sep 2022
1	Ontiretse Senosi	19.4%	38 363 909
2	Haohua Energy International (Hong Kong) Resource Co., Ltd.	11.7%	23 120 879
3	Ying He Yuan Investment (S) Pte Ltd	10.8%	21 413 462
4	Pan African Resources, Plc.	7.8%	15 432 581
5	Summer Trees Pte Ltd	6.5%	12 894 230

SHAREHOLDER INFORMATION continued

ORDINARY SHARES

Refer to note 13 in the financial statements

OPTIONS & PERFORMANCE RIGHTS

There are no Options in issue and no voting rights are attached to the Performance Rights.

DISTRIBUTION OF EQUITY SECURITY HOLDERS

Category	Number of equity security holders	% of shares
1 – 1,000	26	0.00
1,001 – 5,000	43	0.07
5,000 – 10,000	37	0.15
10,001 – 100,000	126	2.88
100,000 and over	103	96.89
	335	100.00

The number of shareholders holding less than a marketable parcel of ordinary shares is 34.

This information is current at 30 September 2022.

GLOSSARY OF TERMS AND ACRONYMS

$	United States dollar
AIM	Alternative Investment Market
AMSA	ArcelorMittal South Africa Limited
ASAPA	Association of Southern African Professional Archaeologists
ASX	Australian Securities Exchange
BEE	Black economic empowerment
BBBEE	Broad-based black economic empowerment
BFS	Bankable Feasibility Study
BoA	Biodiversity Offset Agreement
Baobab	Baobab Mining and Exploration (Pty) Limited
BOOT	Build, own, operate, transfer
CEO	Chief Executive Officer
CGU	Cash generating units
CPP	Coal processing plant
CPR	Competent Persons Report
CRIRSCO	Committee for Mineral Reserves International Reporting Standards
DAFF	Department of Agriculture, Forestry and Fisheries (provincial)
DCFs	Discounted cash flows
Dendocept	Dendocept (Proprietary) Limited
DFFE	Department of Forestry, Fisheries and Environment (national)
DMRE	Department of Mineral Resources and Energy
DoA	Department of Agriculture
DHSWS	Department of Human Settlements, Water and Sanitation
EA	Environmental Authorisation
ECLs	Expected Credit Losses
EIA	Environmental Impact Assessment
Eskom	State power utility in South Africa
EMC	Environmental Management Committee
EMP	Environmental Management Plan
EMS	Environmental Management Strategy & Systems
GHG	Green house gases
GSP	Greater Soutpansberg Project
GTIS	Gross tonnes *in situ*
HCC	Hard coking coal
ICMM	International Council on Mining and Metals
IDC	Industrial Development Corporation of South Africa Limited
IFRS	International Financial Reporting Standards

GLOSSARY OF TERMS AND ACRONYMS continued

IGF	Integrated Government Forum
IRR	Internal Rate of Return
IWUL	Integrated Water Use Licence
JORC	JORC Australasian Joint Ore Reserves Committee
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
JSE	Johannesburg Stock Exchange
KPI	Key performance indicators
LEDET	Limpopo Department of Economic Development, Environment and Tourism
LOM	Life-of-mine
LSE	London Stock Exchange
LTI	Lost time injury
LTIFR	Lost time injury frequency rate
MC Mining	MC Mining Limited
merSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
MR	Mining right
Mtpa	Million tonnes per annum
MTIS	Mineable tonnes *in situ*
NDP	National Development Plan
NPV	Net Present Value
NRO	National Reporting Organisations
ROM	Run-of-mine
SACNASP	South African Council for Natural Scientific Professions
SAIMM	South African Institute of Mining and Metallurgy
SAHRA	South African Heritage Resources Agency
SAMREC	South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves
SANParks	South African National Parks
SDG	Sustainable Development Goals
SEZ	Special Economic Zone
SGIH	Senosi Group Investment Holdings (Proprietary) Limited
SVM	Sustainable Value Model
t	Tonnes
TSR	Total shareholder return
TTIS	Total tonnes *in situ*
Uitkomst	Uitkomst Colliery (Pty) Limited
VWAP	Volume weighted average price
ZAR	South African rand

CORPORATE INFORMATION

Principal and registered office

Suite 8, 7 The Esplanade
Mt Pleasant WA 6153
Australia

Telephone: +61 8 9316 9100
Facsimile: +61 8 9315 5475
Email: perth@mcmining.co.za

South African office

Ground Floor,
Greystone Building,
Fourways Golf Park Roos Street,
Fourways 2191
South Africa

Telephone: +27 (0) 10 003 8000
Email: admin@mcmining.co.za

NOMAD/corporate sponsor

Strand Hanson

James Dance/James Harris
Telephone: +44 20 7409 3494

26 Mount Row
Mayfair
London
W1K 3SQ

Investor relations

Telephone:+27 (0) 10 003 8000
Email: investor@mcmining.co.za

Corporate Affairs

Florence Duval

Telephone: +27 (0) 10 003 8000
Email: florence.duval@mcmining.co.za

Company Secretary

Tony Bevan

Telephone: +27 (0) 10 003 8000
Email: tony@endeavourcorp.com.au

Public relations

R&A Strategic Communications

(South Africa)

Charmane Russell
Telephone: +27 (0) 11 880 3924

42 Glenhove Road
Melrose Estate
Johannesburg
South Africa

Brokers

Tennyson Securities Limited
Rory Scott

Telephone: +44 20 7186 9031

65 Petty France
London SW1H 9EU
United Kingdom

Lawyers

K&L Gates

Level 31
1 O'Connell Street
Sydney, NSW, 2000
Australia

Falcon & Hume

2nd Floor, 8 Melville Rd, Illovo
Johannesburg, 2196
South Africa

Bankers

NAB Limited

Level 1, 1238 Hay Street
West Perth WA6005, Australia

ABSA Bank

North Campus
15 Alice Lane
Sandton, South Africa

Auditors

Mazars

Level 11
307 Queen Street
Brisbane, Queensland 4000
Australia

Share registries

Computershare Investor Services

Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA6000, Australia

Computershare Investor Services

The Pavilions, Bridgwater Road
Bristol BS99 6ZZ
United Kingdom

Computershare Investor Services

Ground Floor, 70 Marshall Street
Johannesburg 2001
South Africa

Stock exchanges

ASX Limited (ASX) (Primary listing)

Exchange Plaza
2 The Esplanade
Perth WA6000, Australia

AIM (Secondary listing)

London Stock Exchange
10 Paternoster Square
London EC4M7LS, United Kingdom

JSE Limited (Secondary listing)

1 Exchange Square
Gwen Lane, Sandown 2196
South Africa

R&A 7605/22

MCMining LIMITED

Principal and registered office

Suite 8, 7 The Esplanade
Mt Pleasant, Perth, WA 6153
Australia
Telephone: +61 8 9316 9100
Fax: +61 8 9315 5475
Email: perth@mcmining.co.za

South African office

Suite 7, Building 2, Waverley Office Park,
15 Forest Road, Bramley, 2090,
Johannesburg, South Africa
Telephone: +27 10 003 8000
Fax: +27 11 388 8333
Email: adminza@mcmining.co.za

www.mcmining.co.za