



ANNOUNCEMENT

15 March 2024

HALF-YEAR RESULTS FOR PERIOD ENDED 31 DECEMBER 2023

MC Mining Limited (**MC Mining** or the **Company**) is pleased to announce its interim financial report for the six months ended 31 December 2023. All figures are denominated in United States dollars unless otherwise stated and the full interim report is available on the Company's website, www.mcmining.co.za.

Financial review

Strong Revenue Growth

During the period, the Company experienced revenue growth from the prior corresponding period, primarily due to strong sales volumes at Uitkomst and the recommencement of operations at Vale.

Overall, MC Mining demonstrated an 80% increase in revenue to \$25.2 million (FY2023 H1: \$14.0 million) despite the 58% decline in average API4 thermal coal prices for the six months to \$112/t (FY2023 H1: \$265/t);

- Uitkomst's sales volumes were 94% higher at 202,715t (FY2023 H1: 104,855t) of coal during the six months, generating revenue of \$16.3 million (FY2023 H1: \$14.0 million). The 58% decline in average coal prices resulted in the colliery's revenue only improving by 16%;
- Operations at Vele Aluwani Colliery recommenced in December 2022 but the depressed API4 prices during the period impacted Vele's revenue (\$9.0 million vs. FY2023 H1: nil);

Increased focus on operational costs

Despite the increase in revenue, the Company saw an increase in overall Cost of Sales primarily as a result of higher volumes of coal sold at Uitkomst and the recommencement of operations at Vele. Group Cost of Sales for the six months was \$24.1 million (FY2023 H1: \$10.1 million).

The increase in sales volumes resulted in Uitkomst's cost of sales increasing by 45% to \$14.8 million (FY2023 H1: \$10.1 million);

During the period, MC Mining achieved a gross profit of \$1.1 million (FY2023 H1: gross profit of \$3.9 million);

- The loss after tax for the period was \$5.8 million (FY2023 H1: loss after tax of \$1.3 million) with the movement primarily due to:
 - \$2.4 million reduction in the Uitkomst Colliery's gross profit due to 58% lower average international coal prices; and

WEB WWW.MCMINING.CO.ZA

EMAIL ADMINZA@MCMINING.CO.ZA

AU Suite 8, 7 The Esplanade, Mount Pleasant, Perth WA 6153, Australia **Tel** +61 8 9316 9100 **Fax** +61 8 9316 5475

ZA Ground Floor, Graystone Building, Fourways Golf Park, Roos Street, Fourways, 2191 **Tel** +27 10 003 8000 **Fax** +27 11 388 8333

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

Non-executive directors An Chee Sin, Andrew Mifflin, Brian He Zhen, Khomotso Mosehla, Mathews Senosi, Yi He, Julian Hoskin

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- \$1.9 million increase in employee costs compared to FY2023 H1, primarily attributable to one-off employee benefits payments during the period, as well as an increase in the number of staff to facilitate the development of the Makhado Project and recommence operations at Vele.
- Employee costs and director fees of \$4.0 million (FY2023 H1: \$2.1 million) including salary charges of \$2.1 million (FY2023 H1: \$1.1 million) due to the increase in the number of staff in readiness for Makhado;
- Other operating income of \$3.3 million (FY2023 H1: \$0.4 million) mainly attributable to \$2.9 million (FY2023 H1: \$nil) for utilities recovered at the Vele Aluwani Colliery; and
- other administrative expenses of \$5.5 million (FY2023 H1: \$2.0 million) due to amongst others, increased water use license costs and holding fees charged on the loan from the Industrial Development Corporation of South Africa Limited (IDC).
- Cash and cash equivalents of \$2.0 million compared to cash and cash equivalents of \$7.5 million at 30 June 2023.

Takeover Offer

- On 2 November 2023 the Company announced the receipt of a notice of intention to make a takeover from a consortium of shareholders (Consortium) representing in aggregate 64.3% of the Company's issued shares. Post-period, on 2 February 2024, the Company received a Bidder's Statement for an off-market takeover bid by Goldway Capital Ltd, on behalf of the Consortium, at \$0.16 per share.
- The established Independent Board Committee (IBC) has recommended that shareholders should take no action at the current time and expects to issue a Supplementary Target's Statement and accompanying Independent Expert's Report on or before Monday, 18 March 2024.

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

"The strong revenue growth through the period was very pleasing given the challenging coal market conditions. Our ability to continue to move product is important and we are seeing some signs of increased demand from thermal coal buyers. Although having some impact on our overall result, we continued to make worthwhile, long-term investment decisions in our flagship Makhado Project, which we believe will benefit shareholders in the future. The Company achieved these results whilst maintaining a focus on safety with no incidents recorded during the period.

Production at the underground Uitkomst Colliery is challenging due to the extended travel time to the mining areas but the optimisation plan implemented in June 2023 has resulted in increased mining time and ROM coal production and sales volumes increased significantly. These results were achieved despite the ongoing electricity load shedding implemented by Eskom, the state power utility. The international and domestic thermal coal markets remain under pricing pressure, resulting in considerably lower sales prices achieved during the period.

The Company continued to progress the Makhado Project, with the commencement of early works to secure the site and construction of a bridge across the Mutamba river along with water infrastructure for the processing plant. We also launched a managed tender process to select outsourced mining, plant and laboratory operators at Makhado. We have also commenced assessing various scenarios to facilitate an accelerated start of coal production at Makhado, subject to further funding, with no impact to the existing project plan. We will provide further updates in due course.

The significant progress on the Makhado Project over the last two years has resulted in a development plan that can be implemented within a short period once the necessary funding is secured. We progressed the funding initiatives during the period and were at an advanced stage of securing the cornerstone funds for the development of the project, prior to being notified of the off-market takeover corporate action. This funding would have been the catalyst for the composite equity and debt funding required for the construction of Makhado.

Operation at the Vele Aluwani Colliery continued during the six months and in December 2023 the outsource agent notified the Company in December 2023 that due to production challenges at the colliery, combined with elevated logistics costs and the depressed API4 coal price, it intended downscaling operations at the colliery while it progressed a production optimisation strategy.

We progressed the regulatory status of the Group's long-term Greater Soutpansberg exploration projects with the legal execution of mining rights for the Mopane and Generaal project areas. We anticipate executing the Chapudi mining right in CY2024 H1, with the required studies for the project commencing later in CY2024."

Operational review

Uitkomst Colliery – Utrecht, KwaZulu-Natal (84% owned)

Safety continues to be a key focus. No lost-time injuries (**LTIs**) were reported at the Uitkomst metallurgical and thermal coal colliery (**Uitkomst Colliery** or **Uitkomst**) during the Period (FY2023 H1: three LTIs).

The Uitkomst Colliery comprises the existing underground coal mine with a planned life of mine (**LOM**) extension directly to the north of current operations and the colliery has approximately 16 years remaining LOM. The LOM extension requires the development of adit 2k (horizontal shaft) and the development is subject to receipt of the regulatory approvals, available funds and prevailing market conditions.

Uitkomst sells a 0 to 40mm (duff) product into the metallurgical domestic market for use as pulverised coal. Uitkomst supplies sized coal (peas) products to local energy generation facilities and also sells smaller volumes of a high-ash, coarse discard coal (middlings) product.

Uitkomst's run of mine (**ROM**) coal production for the six months increased by 20% to 268,464 tonnes (t) (H1 FY2023: 225,389 t) following the introduction of the Operation Phenduka optimisation strategy

during June 2023. The colliery had inventory of 14,422t (FY2023: 50,490t) at the end of the period. Uitkomst sold 202,715t (FY2023 H1: 104,855t) of coal during the six months – primarily consisting of 202,340t of high-grade peas and duff (H1 FY2023: 98,924t). The colliery also sold 375t of lower grade middlings coal (H1 FY2023: 5,931t).

International thermal coal prices remained under pressure during the period and the average API4 export coal price for the six months was \$112/t (H1 FY2023: \$265/t). Despite the depressed coal prices, Uitkomst Colliery generated pleasing results for the period with revenue of \$16.3 million (H1 FY2023: \$14.0 million), yielding a gross profit of \$1.5 million (H1 FY2023: \$3.9 million) and operating cash flows of \$5.1 million (H1 FY2023: \$0.1 million) with net working capital of \$1.4 million (FY2023: \$6.3 million) at the end of December 2023.

	FY2024 H1	FY2023 H1	%▲
Production volumes			
Uitkomst ROM (t)	268,484	225,389	19%
Inventory volumes			
High quality duff and peas (t)	14,422	63,822	(77%)
Sales tonnages			
High-quality duff and peas (t)	202,340	99,924	>100%
Middlings sales (t)	375	5,931	(94%)
	202,715	104,855	(93%)
Quarter financial metrics			
Net revenue/t (\$)	80	134	(40%)
Net revenue/t (ZAR)	1,500	2,321	(35%)
Production cost/saleable tonnes (\$)	55	105	(48%)

Makhado Steelmaking Coking Coal Project – Soutpansberg Coalfield, Limpopo (67.3% owned)

No LTIs were recorded at Makhado during the period (H1 FY2023: nil LTIs).

MC Mining’s flagship Makhado hard coking coal project (**Makhado Project** or **Makhado**) is situated in the Soutpansberg Coalfield. All regulatory approvals are in place and the required surface rights over the mining and coal handling and processing plant (**CHPP**) areas have been secured. MC Mining is heavily invested in the Makhado Project as the complex regulatory environment in South Africa demanded significant capital and time investment to achieve its current ‘shovel ready’ status.

The development of the Makhado Project is expected to deliver positive returns for shareholders and position MC Mining as South Africa’s pre-eminent steelmaking hard coking coal (**HCC**) producer. The

planned CHPP annual ROM feed capacity is 4.0 million tonnes per annum (**Mtpa**) with a forecast HCC yield of 22.6% and a 17.6% yield of a 5,500k/cal thermal coal by-product. The Makhado steelmaking HCC will have an ash content of less than 10% and is expected to advantage South African steel producers as the coal could displace HCC currently imported. The development of Makhado is also expected to have a positive impact on employment and would create 650 direct jobs. The funding initiatives for Makhado continued during the period but were impacted by the takeover corporate action that commenced in September 2023, and may be reactivated depending on the outcome of the takeover offer.

The Makhado Project has the potential to produce in excess of 800,000t per annum of steelmaking HCC and over 600,000t of a 5,500kcal thermal coal by-product. The Company continued with the detailed design of the Makhado CHPP and related infrastructure, during the period in preparation of procurement. The Company also progressed the managed tender processes to select the mining contractor as well as the operating and maintenance contractors for the Makhado CHPP and laboratory. Relevant appointments are anticipated to be confirmed in H2 FY2024. The Company also initiated early works at the Makhado Project, and these activities included:

- Construction of the main access road and the preparatory earthworks for a bridge across the Mutamba river;
- Construction of the foundations for the CHPP bulk water supply reservoirs;
- Detailed design, procurement and construction of the power supply overhead transmission line – a critical path activity;
- Refurbishment of onsite accommodation to house project construction crews; and
- Securing the site including significant progress with erection of fencing.

The potential to produce coal earlier than anticipated in the 4.0Mtpa implementation plan is being assessed and further announcements will be made as this initiative progresses.

Vele Colliery – Tuli Coalfield, Limpopo (100% owned)

The Vele Colliery recorded no LTIs during the period (H1 FY2022: nil LTIs).

The Vele Colliery contains over 324 million tonnes (*in situ*) of semi-soft coking and thermal coal Reserves.

The colliery was recommissioned in December 2022 after having been on care and maintenance since late CY2013. The outsourcing of operations at the colliery was identified as the optimal strategy given the significant capital and technical investment required to restart and optimise production at the colliery. The Contract Mining Agreement was concluded with Hlaletsembeni Outsource Services Proprietary Limited (**HOS**). This secured the necessary investment from a third party to de-water the opencast pit, modify and recommission the CHPP and remove a significant portion of the ongoing costs associated with the colliery. HOS is responsible for all mining and processing costs while the

Company remains responsible for the colliery's regulatory compliance, rehabilitation guarantees, relationships with authorities and communities as well as the supply of electricity and water.

The recommencement of operations at Vele created approximately 245 permanent employment positions and also alleviated potential 'use it or lose it' risk associated with unutilised mining assets in South Africa. The colliery produced 119,799t of saleable thermal coal in H1 FY2024 (H1 FY2023: nil t).

HOS notified the Company during December 2023 that, due to production challenges, combined with elevated logistics costs and the depressed API4 coal price, it would exercise the hardship clause in the Contract Mining Agreement. This resulted in HOS downscaling operations, which was completed during January 2024, and the commencement of a production optimisation strategy. This strategy (Operation Shandukani) will potentially include, amongst others, changes to the mining methodology, as well as further modifications to the CHPP as well as securing access to rail transport at competitive prices. The evaluation of these measures is expected to take place in H2 FY2024 with the intention of improving profitability at the colliery.

The colliery's CHPP does not have the requisite fines circuits that would allow for the simultaneous production of semi-soft coking coal (**SSCC**) and thermal coal. A further significant opportunity at Vele is the addition of a fines circuit to the CHPP to produce SSCC, a higher value product.

Greater Soutpansberg Projects - Soutpansberg Coalfield, Limpopo (74% owned)

The GSP reported no LTIs during the period (H1 FY2023: nil LTIs).

The three GSP is the Goup's long-term greenfield development area and contains over 7.0 billion gross tonnes *in situ* of inferred HCC, SSCC and thermal coal resources. The exploration and development of the GSP is the catalyst for MC Mining's long-term growth and positions the Company as a potentially significant, long-term domestic and export steelmaking coal supplier.

The mining rights for the Mopane and Generaal project areas were legally executed during the period and the Chapudi mining right is expected to be completed during CY2024 H1. Following this, the studies required for the environmental and water use licences are expected to commence following the construction of the Makhado Project. The South African Department of Mineral Resources & Energy (**DMRE**) has granted mining rights for the three project areas comprising the GSP, namely, Chapudi, Mopane and Generaal. The granting of these mining rights have been appealed.

Corporate

IDC loan

The Industrial Development Corporation of South Africa Limited (**IDC**) is a 6.7% shareholder in MC Mining's subsidiary, Baobab Mining & Exploration (Pty) Ltd (**Baobab**), the owner of the Makhado

Project. The bank continues to provide support for the development of Makhado. MC Mining previously utilised the existing IDC loan facility to explore and develop the project and during the period, the IDC extended the date for repayment of the ZAR160 million loan (\$8.7 million) plus interest thereon, to 30 September 2024.

Takeover Offer

On 2 November 2023, the Company received a formal notification from a consortium (including Senosi Group Investment Holdings Proprietary Limited and Dendocept Proprietary Limited, each substantial shareholders of the Company), indicating its intention to acquire the MC Mining shares not held by the consortium. At the time, the consortium represented 64.3% of the issued capital in the Company. The indicative takeover offer was made at a cash price of A\$0.16 per share.

On 18 December 2023, MC Mining received a non-binding and indicative Takeover Offer from the Consortium. This was subsequently followed by the lodgement, by Goldway Capital Limited on behalf of the consortium, of the Bidder's Statement with an offer price of A\$0.16, on 02 February 2024. The Takeover Offer will remain open to shareholders to 5 April 2024 (unless extended).

The Company established an Independent Board Committee (**IBC**) which, together with MC Mining's advisors, is considering the Takeover Offer and will provide a recommendation to shareholders. The current IBC recommendation, pending finalization of the independent fair and reasonableness report, is for shareholders to take no action with respect to the Takeover Offer from the Consortium.

Subsequent events

Takeover Offer

The Consortium lodged a Bidder's Statement on 2 February 2024 and lodged two supplementary Bidder's Statements thereafter. The Company released its formal Target's Statement in response to the A\$0.16 cash per share on 4 March 2024.

Godfrey Gomwe

Managing Director and Chief Executive Officer

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

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

For more information contact:

Tony Bevan	Company Secretary	Endeavour Corporate Services	+61 42 1072 165
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Company advisers:

Richard Johnson / Rob Patrick	Nominated Adviser	Strand Hanson Limited	+44 20 7409 3494
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Rory Scott	Broker (AIM)	Tennyson Securities	+44 20 7186 9031
Marion Brower	Financial PR (South Africa)	R&A Strategic Communications	+27 11 880 3924

BSM Sponsors Proprietary Limited is the nominated JSE Sponsor

About MC Mining Limited:

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

Forward-Looking Statements

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